State and Peace Building Fund
Grant Agreement

(Public Financial Management Capacity Strengthening Project)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(Acting as acting as administrator of the State and Peace Building Multi-Donor Trust Fund)

Dated 12 December, 2013
STATE AND PEACE BUILDING MULTI-DONOR TRUST FUND
GRANT AGREEMENT

AGREEMENT dated 12 December 2013, entered into between:
FEDERAL REPUBLIC OF SOMALIA ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the State and Peace Building Multi-Donor Trust Fund ("SPF").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule I to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the Ministry of Finance and Planning in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million, five hundred thousand United States Dollars ($4,500,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.
Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely that World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Recipient has adopted a Project Implementation Manual in accordance with Section I.B.1 of Schedule 2 to this Agreement.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister for finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Planning
Villa Somalia
Mogadishu
6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Mogadishu, Somalia, as of the day and year first above written.

FEDERAL REPUBLIC OF SOMALIA

By

Authorized Representative

Name: M. Suleiman
Title: Finance Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: S. Bird
Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to establish systems for more transparent and accountable management and use of public funds in Somalia.

The Project consists of the following parts:

1. Public Financial Management Reform Oversight

   (a) Hiring of a coordinator and a financial management information system expert for the Public Financial Management Reform Coordinating Unit (PFMRCU).

   (b) Designing and implementing public financial management education and training programs including curriculum development, redevelopment and maintenance of online distance learning platform, production of training materials, training of staff of the Recipient, training of faculty staff in Participating Universities and payment of registration and examination fees for such staff and faculty.

   (c) Providing technical support to the National Civil Service Commission to formulate service schemes for the Recipient’s public financial management staff.

   (d) Carrying out of public financial management diagnostic studies.

   (e) Hiring of a logistics and security firm.

   (f) Financing of Operating Costs associated with the oversight and coordination of public financial management reforms.

2. Financial Management Information System

   (a) Designing, testing and deploying an information technology infrastructure for the financial management information system.

   (b) Designing, testing and implementing web-based applications for the financial management information system.

   (c) Providing relevant training and post implementation support.

3. Expenditure Control, Procurement, Accounting and Reporting

   (a) Developing interim procurement manuals for the public sector.

   (b) Developing and modernizing public procurement legislation and regulations.

   (c) Providing technical assistance and support for the performance of procurement functions including preparation of procurement plans, bidding documents, bid evaluation, contract management and reporting.
(d) Providing technical assistance and support for expenditure controls and cash management.

(e) Providing technical assistance and support for internal audit and control.

(f) Providing technical assistance and support for commitment controls, cash management, accounting and reporting.

(g) Developing guidelines for the preparation of annual financial audits for the public sector and owner managed businesses in accordance with international accounting standards.

(h) Developing an operating procedures manual for the entire public financial management cycle.

(i) Training of the Recipient’s staff in the preparation of financial statements and notes.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

Ministry of Finance and Planning

1. The Ministry of Finance shall be responsible for overall coordination and implementation of the Project.

Public Financial Management Reform Coordination Unit

2. The Recipient shall: (a) maintain throughout Project implementation, the Public Financial Management Reform Coordination Unit (PFMRCU) with terms of reference, staffing and other resources satisfactory to the World Bank; and (b) to this end, shall: (i) shall appoint by not later than the Effective Date, or such other date as may be agreed with the World Bank, and thereafter maintain throughout Project implementation the Project Coordinator with qualifications, resources and terms of reference satisfactory to the World Bank; and (ii) maintain at all times during Project implementation the External Assistance Fiduciary Section (EAFS), and such other staff as may be agreed with the World Bank; all said staff with qualifications, experience, and terms of reference satisfactory to the World Bank.

3. Without limitation on the foregoing, the PFMRCU shall be responsible for the overall coordination and day-to-day administration of the Project including monitoring and evaluation.

PFM Reform Oversight Committee

4. The Recipient shall maintain throughout project implementation the PFM Reform Oversight Committee with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.

5. Without limitation on the foregoing, the functions of the PFM Reform Oversight Committee shall be to: (a) commit human and financial resources and approve annual work plans, budgets and quarterly reports for forwarding to the World Bank; and (b) provide overall policy and strategic guidance for the Project.

Technical Steering Committee

6. The Recipient shall maintain throughout project implementation Technical Steering Committee with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.

7. Without limitation on the foregoing, the functions of the Technical Steering Committee shall be to: (a) endorse annual work plans, budgets and quarterly reports for forwarding to the PFM Reform Oversight Committee; and (b) provide overall technical guidance and coordination over the Project.
Component Implementation Teams

8. The Recipient shall maintain throughout project implementation Component Implementation Teams with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.

9. Without limitation on the foregoing, the functions of the Technical Steering Committee shall be to:
   (a) prepare component annual work plans and budgets for consideration by the Technical Steering Committee;
   (b) provide day-to-day coordination of the reform activities within the components; and
   (c) preparing and submitting quarterly progress reports for consideration by the Technical Steering Committee.

B. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall: (a) (i) prepare and furnish to the World Bank, a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project, including in the areas of monitoring and evaluation, procurement, coordination, financial, administrative and accounting procedures, corruption and fraud mitigation measures and such other arrangements and procedures as shall be required for the Project; and (ii) thereafter adopt and carry out the Project in accordance with such Project implementation manual as shall have been approved by the World Bank (Project Implementation Manual); and (b) except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual.

2. In case of a conflict between the provisions of the Project Implementation Manual and this Agreement, those of this Agreement shall prevail.

Annual Work Plan and Budget

3. The Recipient shall, not later than December 31 of each year prepare and furnish to the World Bank, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.

4. The Recipient shall exchange views with the World Bank on each such proposed annual work plan, and shall thereafter adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the World Bank, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the World Bank (Agreed Annual Work Plan).

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the Anti-Corruption Guidelines.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank Project Implementation Manual. Each Project Report shall cover the period of one quarter and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, non-consulting-services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of Procurement Guidelines in the case of goods and non-consulting services, and Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shopping</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank</td>
</tr>
<tr>
<td>(d) Procurement from UNOPS</td>
</tr>
<tr>
<td>(e) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank</td>
</tr>
</tbody>
</table>

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement which may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(d) Selection of consultants under Indefinite Delivery Contract or Price Agreement</td>
</tr>
<tr>
<td>(e) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services, Training and Operating Costs</td>
<td>4,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>4,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2016.
APPENDIX

1. "Annual Work Plan and Budget" means a plan and budget referred to in Section II.B.3 of Schedule 2 to this Agreement.


3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "Component Implementation Teams” means the Recipient’s teams comprising subject matter experts from the ministry of finance and planning including its departments, the office of auditor general, National Civil Service Commission, ministry of industry and commerce, central bank of Somalia, participating universities including consultants and other staff hired for purposes of the Project, and referred to in Section I.A.8 of Schedule 2 to this Agreement.


7. "External Assistance Fiduciary Section” or “EAFS" means a unit in the Recipient’s Ministry of Finance responsible for financial and procurement management under the Project and referred to in Section I.A.2 of Schedule 2 to this Agreement.

8. "Fiscal Year” means the 12-month period from January 1 to December 31; provided, however, that, in the case of the first Fiscal Year of the Project (“First Fiscal Year”), the Fiscal Year period shall run from the date of this Agreement to December 31 next following.

9. "Ministry of Finance” means the Recipient’s ministry at the time responsible for finance.

10. "National Civil Service Commission” means the commission responsible for matters concerning the civil service of the Federal Government established pursuant to article 119 of the Transitional Constitution of the Federal Republic of Somalia of 1 August 2012.


12. "Operating Costs” means the expenses incurred on account of Project implementation, based on Annual Work Plans and Budgets approved by the World Bank pursuant to Section II.B.2 of Schedule 2 to this Agreement, including office equipment and supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and per diem, excluding the salaries of the Recipient’s civil service.
13. “Participating Universities” means the Puntland State University, East Africa University; University of Hargeisa, Amoud University, SIMAD University and Mogadishu University.

14. “PFM Donor Group” means the caucus of donors supporting the Recipient in the implementation of PFM reforms.

15. “PFM Reform Oversight Committee” means a committee of the Recipient established for purposes of this Project, comprising the prime minister (as chairperson), the auditor general, chairman of the Civil Service Commission, governor of the Central Bank of Somalia, chairperson of the PFM Donor Group (in attendance or co-opted), chairpersons of the parliamentary committees on planning, budget, finance and oversight (in attendance or co-opted), the head of the Chamber of Commerce and a representative of civil society organizations, and referred to Section I.A.4 of Schedule 2 to this Agreement.

16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 11, 2013, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraph.

17. “Project Implementation Manual” means the Recipient’s manual, referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such Manual.

18. “Public Financial Management Reform Coordinating Unit” or “PFMRC” means a unit of the Recipient within the Ministry of Finance established for the implementation of this Project and referred to in Section I.A.2 of Schedule 2 to this Agreement.

19. “Technical Steering Committee” means a committee of the Recipient established for purposes of this Project comprising the accountant general, the director of budget, the director of the central tender board, the director of internal audit, the director of financial management information systems, the director of banking at the Central Bank of Somalia, and such other officials as may be coopted from time to time, and referred to Section I.A.6 of Schedule 2 to this Agreement.

20. “Training” means the costs of training under the Project, based on the annual work plans and budgets referred to in Section II.B.3 of Schedule 2 to this Agreement as approved by the World Bank, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.