SMPF GRANT NUMBER TF0A0415

Somalia Multi Partner Fund
Grant Agreement
(Somalia Capacity Injection Project)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(Acting as administrator of the Somalia Multi-Partner Fund)

Dated September 2, 2015
SOMALIA MULTI-PARTNER FUND
GRANT AGREEMENT

AGREEMENT dated 2nd September 2015, entered into between the FEDERAL REPUBLIC OF SOMALIA ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Somalia Multi-Partner Fund ("SMPF").

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 1 to this Agreement ("Project"). To this end, the Recipient shall carry out Parts 1.A, 2.A, 3.A and 4.A through the Office of the Prime Minister (OPM) and cause the Puntland State of Somalia to implement Parts 1.B, 2.B, 3.B and 4.B 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 ten million United States Dollars ($10,000,000) ("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
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The Subsidiary Agreement between the Recipient and the Puntland State of Somalia has been executed in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.

(b) The Recipient has established the Federal Steering Committee, the Federal Technical Implementation Committees and the Federal Project Coordination Unit in accordance with the provisions of Section I.A of Schedule 2 to this Agreement.

(c) The Puntland State of Somalia has established the Puntland Steering Committee, the Puntland Technical Implementation Committees, the Puntland External Assistance Fiduciary Section and the Puntland Project Coordination Unit in accordance with the provisions of Section I.A of Schedule 2 to this Agreement.

(d) The Recipient has prepared and adopted a Project Implementation Manual in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.

4.02. As part of the evidence to be furnished pursuant to Section 4.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the Subsidiary Agreement referred to in Section I.B of Schedule 2 to this Agreement.
Agreement has been duly authorized by the Recipient and the Puntland State of Somalia and is legally binding upon each such party in accordance with its terms.

4.03. Except as the Recipient and the World Bank shall otherwise agree, the Effective Date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01. 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 events have ceased to exist.

4.04. 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 V
Recipient's Representative; Addresses

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

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

Ministry of Finance  
Villa Somalia  
Mogadishu, Somalia.

5.03. 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  
Facsimile: 1-202-477-6391

Washington, D.C. 64145 (MCI)
AGREED at Mogadishu, Somalia, as of the day and year first above written.

FEDERAL REPUBLIC OF SOMALIA

By

Authorized Representative

Name: Mohamed A. Ibrahim

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of the Somalia Multi-Partner Fund)

By

Authorized Representative

Name: Bella Bird

Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core government functions.

The Project consists of the following parts:

**PART 1: Developing Capacity for Key Cross-cutting Government Functions**

1. **A Developing Capacity for Key Cross-Cutting Government Functions at the Federal Level**

1.A.1 Carrying out of a program of activities to support harmonized and government led capacity injection in priority institutions, such activities to include: (i) recruitment, placement and management of qualified Somalis in critical functions in targeted institutions; (ii) development of recruitment and placement modalities and establishment of appropriate management structures; (iii) development, application and monitoring of a harmonized pay scale; (iv) support for the recruitment unit in the performance of its recruitment functions; (v) conducting regular performance monitoring of staff; and (vi) carrying out of regular audits to monitor compliance with policies and procedures and carrying out of performance monitoring of the Capacity Injection Modality.

1.A.2 Carrying out of a program of activities to provide specialized training and coaching to new recruits and their teams, such activities to include: (i) development and implementation of training modules for short term training of senior advisors and managers; (ii) carrying out of specialized short term training for staff performing common function including those performing financial management, procurement, human resource management and policy management functions; (iii) developing and implementing a young graduate scheme; (iv) providing support to training institutions, including twining arrangements with similar institutions in other countries, development of curricula and training modules, establishment of certification and evaluation arrangements for training programs, and implementation of training of trainers programs; (v) providing long term training to develop cadres of professionals in various functions including financial management, procurement, human resource management and policy management; and (vi) providing coaching, mentoring and provision of advisory services.

1. **B Developing Capacity for Key Cross-Cutting Government Functions in the Puntland State of Somalia**

1.B.1 Carrying out of a program of activities to support harmonized and government led capacity injection in priority institutions, such activities to include: (i) recruitment, placement and management of qualified Somalis in critical functions in targeted institutions; (ii) development of recruitment and placement modalities and establishment of appropriate management structures; (iii) development, application and monitoring of a harmonized pay scale; (iv) support for the
recruitment unit in the performance of its recruitment functions; (v) conducting regular performance monitoring of staff; and (vi) carrying out of regular audits to monitor compliance with policies and procedures and carrying out of performance monitoring of the Capacity Injection Modality.

1.B.2 Carrying out of a program of activities to provide specialized training and coaching to new recruits and their teams, such activities to include: (i) development and implementation of training modules for short term training of senior advisors and managers; (ii) carrying out of specialized short term training for staff performing common function including those performing financial management, procurement, human resource management and policy management functions; (iii) developing and implementing a young graduate scheme; (iv) providing support to training institutions, including twining arrangements with similar institutions in other countries, development of curricula and training modules, establishment of certification and evaluation arrangements for training programs, and implementation of training of trainers programs; (v) providing long term training to develop cadres of professionals in various functions including financial management, procurement, human resource management and policy management; and (vi) providing coaching, mentoring and provision of advisory services.

PART 2: Strengthening the Policies and Procedures for Civil Service Management

2. A Strengthening the Policies and Procedures for Civil Service Management at the Federal Level

2. A.1 Carrying out of a program of activities to support selected ministries in reorganization and change management, such activities to include: (i) conducting basic organizational assessments of targeted institutions to define mandates, functions and institutional responsibilities; (ii) conducting skills and personnel mix assessments and developing staffing plans; and (iii) developing and implementing change management plans.

2. A.2 Carrying out of a program of activities to strengthen basic policies for civil service management, such activities to include: (i) development of a public sector pay and grading policy and implementation plan; and (ii) development of a public sector pension policy and implementation plan.

2. A.3 Carrying out of a program of activities to strengthen civil service work force management, such activities to include: (i) conducting a human resource audit across the civil service; (ii) establishing a personnel data management system to strengthen civil servant management including payroll administration, professional development and retirement; and (iii) development of a severance policy and implementation plan.

2.A.4 Carrying out of a program of activities to strengthen the ethical standards of the civil service, such activities to include: (i) promoting dialogue on ethical standards for the civil service; (ii) developing a civil service code of ethics; (iii)
mainstreaming the civil service code of ethics in civil service legal and regulatory framework; (iv) mainstreaming the code of ethics in change management processes and training programs; (v) establishing mechanisms for enforcement, accountability and complaints handling within the civil service; and (vi) developing and implementing a communication strategy to disseminate the code of ethics.

2. B Strengthening the Policies and Procedures for Civil Service Management in the Puntland State of Somalia

2. B.1 Carrying out of a program of activities to support selected ministries in re-organization and change management, such activities to include: (i) conducting basic organizational assessments of targeted institutions to define mandates, functions and institutional responsibilities; (ii) conducting skills and personnel mix assessments and developing staffing plans; and (iii) developing and implementing change management plans.

2. B.2 Carrying out of a program of activities to strengthen basic policies for civil service management, such activities to include: (i) development of a public sector pay and grading policy and implementation plan; and (ii) development of a public sector pension policy and implementation plan.

2. B.3 Carrying out of a program of activities to strengthen civil service work force management, such activities to include: (i) conducting a human resource audit across the civil service; (ii) establishing a personnel data management system to strengthen civil servant management including payroll administration, professional development and retirement; and (iii) development of a severance policy and implementation plan.

2. B.4 Carrying out of a program of activities to strengthen the ethical standards of the civil service, such activities to include: (i) promoting dialogue on ethical standards for the civil service; (ii) developing a civil service code of ethics; (iii) mainstreaming the civil service code of ethics in civil service legal and regulatory framework; (iv) mainstreaming the code of ethics in change management processes and training programs; (v) establishing mechanisms for enforcement, accountability and complaints handling within the civil service; and (vi) developing and implementing a communication strategy to disseminate the code of ethics.

Part 3: Strengthening Policy Management, Coordination and Monitoring Capabilities at the Centre of Government

Part 3.A. Strengthening Policy Management, Coordination and Monitoring Capabilities at the Centre of Government at the Federal Level

3. A.1 Carrying out of a program of activities to strengthen capacity for aid coordination and monitoring, and evaluation of the Somali Compact, such activities to include:
(i) strengthening the capacity of the aid coordination unit; (ii) strengthening the capacity for monitoring and evaluation; and (iii) strengthening the capacity for statistics collection, analysis and dissemination.

3. A.2. Carrying out of a program of activities to develop basic policy management capabilities, such activities to include: (i) establishing a policy coordination and monitoring oversight unit in OPM; (ii) establishing and developing capacity of policy planning units in targeted ministries; and (iii) strengthening the capacity development unit in OPM.

3. A.3. Carrying out of a program of activities to strengthen leadership for change and delivery, such activities to include: (i) facilitating high-level leadership retreats and trainings; (ii) building capacity of reform teams to implement rapid results initiatives; (iii) implementing a leadership development training and networking program; and (v) institutionalizing leadership training.


3. B.1 Carrying out of a program of activities to strengthen capacity for aid coordination and monitoring, and evaluation of the Somali Compact, such activities to include: (i) strengthening the capacity of the aid coordination unit; (ii) strengthening the capacity for monitoring and evaluation; and (iii) strengthening the capacity for statistics collection, analysis and dissemination.

3. B.2 Carrying out of a program of activities to develop basic policy management capabilities, such activities to include: (i) establishing a policy coordination and monitoring oversight unit in OP and strengthening the Cabinet Office; (ii) establishing and developing capacity of policy planning units in targeted ministries; (iii) strengthening the capacity development unit in OP; and (iv) developing and implementing a leadership training program for ministers and permanent secretaries.

3. B.3. Carrying out of a program of activities to strengthen leadership for change and delivery, such activities to include: (i) facilitating high-level leadership retreats and trainings; (ii) building capacity of reform teams to implement rapid results initiatives; (iii) implementing a leadership development training and networking program; and (v) institutionalizing leadership training.

PART 4: Project Management and Coordination

4. A Project Management and Coordination at the Federal Level

4. A.1 Carrying out of a program of activities to manage and implement the Project, such activities to include: (i) financing of Operating Costs; (iii) building the capacity of institutions responsible for direct implementation of Project activities; and (iii) supply of vehicles, office equipment and furniture.
4. A.2 Carrying out of a program of activities to demonstrate and monitor Project, such activities to include: (i) developing capacity for regular monitoring and evaluation at different levels of the Project; and (ii) carrying out of independent monitoring and evaluation and verification of Project results.

4. B Project Management and Coordination in the Puntland State of Somalia

4. B.1 Carrying out of a program of activities to manage and implement the Project, such activities to include: (i) financing of Operating Costs; (ii) building the capacity of institutions responsible for direct implementation of Project activities; and (iii) supply of vehicles, office equipment and furniture.

4. B.2 Carrying out of a program of activities to demonstrate and monitor Project, such activities to include: (i) developing capacity for regular monitoring and evaluation at different levels of the Project; and (ii) carrying out of independent monitoring and evaluation and verification of Project results.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

Institutional Arrangements at the Federal Level

Office of the Prime Minister

1. The Office of the Prime Minister shall be responsible for overall coordination and implementation of the Project.

The Federal Project Steering Committee

2. The Recipient shall establish, not later than the Effective Date and thereafter maintain throughout project implementation, a Federal Project Steering Committee with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.

3. Without limitation on the foregoing, the functions of the Federal Project Steering Committee shall be to: (a) provide overall strategic and policy guidance over the Project; (b) endorse Project annual work plans and budgets; and (c) monitor overall performance of the Project.

The Federal Technical Implementation Committees

4. The Recipient shall establish, not later than the Effective Date and thereafter maintain throughout project implementation, the Federal Technical Implementation Committees for each component of the Project with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions under the Project.

5. Without limitation on the foregoing, the functions of the Federal Technical Implementation Committees shall be to: (a) provide overall technical guidance over the implementation of the component of the Project; (b) tracking progress and results of component activities implemented by line ministries and responsible agencies; and (c) ensure strategic alignment of the component activities with the overall Project aims.

The Federal Project Coordination Unit

6. The Recipient shall: (a) maintain throughout Project implementation, the Federal Project Coordination Unit (FPCU) and the Federal External Assistance Fiduciary Section (FEAFS) both with terms of reference, staffing and other resources satisfactory to the World Bank; and (b) to this end, shall engage: (i) not later than the Effective Date, and thereafter maintain within the FPCU at all times during Project implementation, a Project coordinator, a financial management specialist,
a procurement specialist and a monitoring and evaluation specialist; (ii) such other
staff needed during the implementation of the Project as may be agreed with the
World Bank; all said staff with qualifications, experience, and terms of reference
satisfactory to the World Bank.

7. Without limitation on the foregoing: (a) the FPCU shall be responsible for the day-
to-day administration of the Project at the Federal level; and (b) the FEAFS shall
be responsible for financial management and procurement for the Project at the
Federal level.

Institutional Arrangements in the Puntland State of Somalia

Office of the President

8. The Office of the President shall be responsible for overall coordination and
implementation of the Project.

The Puntland Project Steering Committee

9. The Recipient shall ensure and cause the Puntland State of Somalia to establish,
not later than the Effective Date and thereafter maintain throughout project
implementation, the Puntland Project Steering Committee with terms of reference
satisfactory to the World Bank and with adequate resources to carry out its
functions.

10. Without limitation on the foregoing, the functions of the Puntland Project Steering
Committee shall be to: (a) provide overall strategic and policy guidance over the
Project; (b) endorse Project annual work plans and budgets; and (c) monitor overall
performance of the Project.

The Puntland Technical Implementation Committees

11. The Recipient shall ensure and cause the Puntland State of Somalia to establish,
not later than the Effective Date and thereafter maintain throughout project
implementation, the Puntland Technical Implementation Committees for each
compartment of the Project with terms of reference satisfactory to the World Bank
and with adequate resources to carry out its functions under the Project.

12. Without limitation on the foregoing, the functions of the Puntland Technical
Implementation Committees shall be to: (a) provide overall technical guidance
over the implementation of the component of the Project; (b) tracking progress and
results of component activities implemented by line ministries and responsible
agencies; and (c) ensure strategic alignment of the component activities with the
overall Project aims.
13. The Recipient shall ensure and cause the Puntland State of Somalia to: (a) establish and maintain throughout Project implementation, the Puntland External Assistance Fiduciary Section (PEAFS) with institutional framework, terms of reference and staffing satisfactory to the World Bank, and with resources adequate to perform their functions under the Project; (b) maintain throughout Project implementation, the Puntland Project Coordination Unit (PPCU) with terms of reference, staffing and other resources satisfactory to the World Bank; and (c) to this end, shall ensure and cause the Puntland State of Somalia to engage: (i) not later than the Effective Date, and thereafter maintain within the PPCU at all times during Project implementation, a Project coordinator, a financial management specialist, a procurement specialist and a monitoring and evaluation specialist; (ii) such other staff needed during the implementation of the Project as may be agreed with the World Bank; all said staff with qualifications, experience, and terms of reference satisfactory to the World Bank.

14. Without limitation on the foregoing: (a) the PPCU shall be responsible for the day-to-day administration of the Project at the Puntland State of Somalia level; and (b) the PEAFS shall be responsible for financial management and procurement for the Project at the Puntland State of Somalia.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1.B, 2.B, 3.B and 4.B of Project, the Recipient shall make the proceeds of the Grant available to the Puntland State of Somalia, on grant terms, under a subsidiary agreement between the Recipient and the Puntland State of Somalia, under terms and conditions approved by the World Bank (“Subsidiary Agreement”) including the right of the Recipient to suspend or terminate the right of the Puntland State of Somalia to use the proceeds of the Grant, or to obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Puntland State of Somalia’s failure to perform any of its obligations under the Subsidiary Agreement, and which shall include the obligation of the Puntland State of Somalia to:

(a) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines;

(b) provide, promptly as needed, the resources required for the purpose;

(c) procure the goods and services to be financed out of the Grant in accordance with the provisions of this Agreement;

(d) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Project and the achievement of the Grant’s objectives;
(e) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and (ii) at the World Bank’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank;

(f) enable the Recipient and the World Bank to inspect the Project, its operations and any relevant records and documents; and

(g) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

3. In the event of any conflict between the provisions of the Subsidiary Agreement and those of this Agreement, the latter shall prevail.

C. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall: (a) (i) prepare, under terms of reference satisfactory to the World Bank, 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 30 of each year, prepare or cause to be prepared and furnished to the World Bank, an annual program of activities including training proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the program.

4. The Recipient shall exchange views with the World Bank on each such proposed annual work plan, and shall thereafter adopt, and carry out or cause to be carried 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).

D. Anti-corruption

The Recipient shall ensure and cause the Project to be carried out in accordance with the Anti-Corruption Guidelines.

II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate, and cause the Puntland State of Somalia to 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 (6) months after the Closing Date.

B. Documents; Records.

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure, and cause the Puntland State of Somalia to ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s and Puntland State of Somalia’s financial and narrative progress reports submitted to the World Bank; (iii) the Recipient’s and Puntland State of Somalia’s financial information related
to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s and Puntland State of Somalia’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donors.

C. Financial Management; Financial Reports; Audits

1. The Recipient shall maintain and cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare, and cause the Puntland State of Somalia to prepare and furnish to the World Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall ensure and cause the Puntland State of Somalia to 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").
4. **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 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) Limited International Bidding</td>
</tr>
<tr>
<td>(b) National Competitive Bidding <em>(subject to the additional provisions set out in paragraph 3 below)</em></td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
<tr>
<td>(e) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank</td>
</tr>
<tr>
<td>(f) Procurement from UNOPS</td>
</tr>
</tbody>
</table>

3. **Additional Provisions relating National Competitive Bidding**

National Competitive Bidding (NCB) shall follow the Recipient’s procurement procedures acceptable to the World Bank, provided that the principles of economy, efficiency, transparency, and fair competition are adhered to, and subject to the following additional procedures:

**Participation in Bidding:**

(a) Government-owned enterprises shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Government.
(b) Foreign bidders shall be eligible to participate under the same conditions as local bidders. In particular, no preference over foreign bidders shall be granted to local bidders in bid evaluation.

Advertising: Time for Bid Preparation

(c) Invitations to bid shall be advertised in a newspaper of wide circulation, and prospective bidders shall be allowed a minimum of thirty (30) days between the date on which the notification appears for the first time and the deadline for bid submission. In appropriate cases and with the prior approval of the World Bank, the minimum period of thirty (30) days may be reduced to a minimum period of ten (10) days.

Standard Bidding Documents

(d) Until standard bidding documents acceptable to the World Bank have been introduced by the Government of the FRS, customized version of World Bank’s standard bidding documents may be used with the World Bank’s prior approval. In accordance with paragraph 1.16 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Grant shall provide that: (i) The bidders, suppliers and contractors, and their sub-contractors, agents, personnel, consultants, service providers, or suppliers shall permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the World Bank; and (ii) the deliberate and material violation by the consultant, bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

Qualification and Evaluation Criteria

(e) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. Bids of bidders not meeting such criteria shall be rejected as non-qualified. The fact that a bidder meets or surpasses the specified qualification criteria shall not be taken into account in the evaluation of such bidder’s bid.

(f) Evaluation criteria shall be clearly specified in the bidding documents, and all evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and only criteria so specified, shall be used in bid evaluation. Merit points shall not be used in bid evaluation.

Bid submission

(g) Bids shall be submitted in sealed envelopes and shall be accepted whether through post/courier or hand-carried.
Bid Opening

(h) Bids shall be opened in the presence of bidders who wish to attend, and immediately after the deadline for bid submission. Said deadline, and the place of bid opening, shall be announced in the invitation to bid. The name of each bidder, and the amount of his bid, shall be read aloud and recorded when opened in the minutes of bid opening. The minutes of bid opening shall be signed by the members of the bid opening committee immediately after bid opening.

(i) Bids received after the deadline for bid submission shall be returned to the bidders unopened.

Bid Evaluation and Award of Contracts

(j) A bid containing material deviations from or reservations to the terms, conditions and specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened.

(k) The bid evaluation shall be carried out in strict adherence to the criteria specified in the bidding documents, and the contract shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

(l) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify his bid as originally submitted.

(m) There shall be no post-bidding negotiations with the lowest or any other bidder.

Publication of Contract Award

(n) Within two weeks of the award decision of the contract, the contract award is published in a newspaper of wide national circulation and/or in the official gazette provided that it is of wide circulation, or on a widely used website or electronic portal with free national and international access. Publications shall include the bid, lot numbers, and the following information: (a) the name of each bidder that submitted a bid; (b) bid prices as read out at bid opening; (c) evaluated prices of each bid that was evaluated; (d) the names of bidders whose bids were either rejected as nonresponsive or not meeting qualification criteria, or not evaluated, with the reasons thereof; and (e) the name of the winning bidder, the final total contract price, as well as the duration and summary scope of the contract.

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.
5. **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 under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Selection based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(d) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(e) Selection of consultants under Indefinite Delivery Contract or Price Agreement</td>
</tr>
<tr>
<td>(f) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) 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.

E. **Document Retention**

Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section IV.B.2 of this Schedule; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donors.

**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>(1) Goods (including vehicles), non-consulting services, consultant</td>
<td>6,270,000</td>
<td>100%</td>
</tr>
<tr>
<td>services, salaries of Eligible Civil Servants, Training and Operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods (including vehicles), non-consulting services, consultant</td>
<td>3,510,000</td>
<td>100%</td>
</tr>
<tr>
<td>services, salaries of Eligible Civil Servants, Training and Operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Unallocated</td>
<td>220,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,000,000</strong></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:

   (a) payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed $450,000 equivalent may be made for payments made prior to this date but on or after July 1, 2015 for Eligible Expenditures under Categories (1) and (2).

   (b) payments for salaries of Eligible Civil Servants under Category (1) and (2), unless the World Bank has received a certification from an independent agent acceptable to the World Bank, regarding the eligibility of the payments sought to be financed and the accuracy of the amount(s)
requested and in accordance with the provisions of the Project Implementation Manual.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.
APPENDIX

1. "Agreed Annual Work Plan" means the program of activities agreed each Fiscal Year between the Recipient and the World Bank for implementation under the Project in accordance with Section I.C.3 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time in accordance with said Section.


3. "Capacity Injection Modality" means the mechanism to support the recruitment and placement of qualified advisors and civil servants to selected line ministries and agencies.

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

5. "Federal External Assistance Fiduciary Section" or "FEAFS" 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.6 of Schedule 2 to this Agreement.


9. "Federal Project Coordination Unit" or "FPCU" means a unit of the Recipient within the Office of the Prime Minister established for purposes of the Project and referred to in Section I.A.6 of Schedule 2 to this Agreement.

10. "Federal Project Steering Committee" means a committee of the Recipient established for purposes of the Project and referred to in Section I.A.2 of Schedule 2 to this Agreement comprising the ministers responsible for finance, planning and international cooperation, labor and social affairs, chairperson of the National Civil Service Commission, representative of the office of the President and a representative of civil society knowledgeable in public sector reform.
11. "Federal Technical Implementation Committee" means a committee of the Recipient established for purposes of the Project and referred to in Section I.A.4 of Schedule 2 to this Agreement chaired by the permanent secretary or director general of the lead ministry and comprising director generals or heads of implementation depart and key staff responsible for implementation of Project activities.

12. "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.

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


15. "Puntland Ministry of Finance" means the ministry at the time responsible for finance in the Puntland State of Somalia.

16. "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 I.C.3 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 costs, and salaries of Project staff (excluding the salaries of the Recipient’s civil service).

17. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated December 10, 2014 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.

18. "Project Implementation Manual" means the Project Implementation Manual in form and substance acceptable to the World Bank prepared by the Project Implementing Entity in accordance with the provisions of Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

19. "Puntland Civil Service Commission" means the commission responsible for matters concerning the civil service of the Puntland State of Somalia established in 2007 pursuant to Labour Law No. 65 (2011); Decree No. 150.

20. "Puntland External Assistance Fiduciary Section" or "PEAFS" means a unit to be established in the Puntland State of Somalia’s Ministry of Finance with the
21. "Puntland Project Coordination Unit" or "PPCU" means a unit within the Office of the President of the Puntland State of Somalia established for purposes of the Project and referred to in Section I.A.13 of Schedule 2 to this Agreement.

22. "Puntland Project Steering Committee" means a committee of the Puntland State of Somalia established for purposes of the Project and referred to in Section I.A.9 of Schedule 2 to this Agreement comprising the ministers responsible for finance, planning and international cooperation, labor, youth and sports, chairperson of the Puntland Civil Service Commission, representative of the office of the President and a representative of civil society knowledgeable in public sector reform.

23. "Puntland Technical Implementation Committee" means a committee of the Puntland State of Somalia established for purposes of the Project and referred to in Section I.A.11 of Schedule 2 to this Agreement chaired by the permanent secretary or director general of the lead ministry and comprising director generals or heads of implementation departs and key staff responsible for implementation of Project activities.

24. "Somali Compact" means a framework agreed upon at the New Deal Conference in Brussels (September 2013) to guide the partnership for international community's support for Somalia's reconstruction and development in the next two (2) years.

25. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Puntland State of Somalia.

26. "Training" means the costs of training under the Project, based on the Agreed Annual Work Plan, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation (excluding consultant services).