H.E. Mohamed Adan Ibrahim  
Minister of Finance  
Federal Government of Somalia  
Villa Somalia  
Mogadishu, Somalia

Excellency:

SMPF Grant No. TF0A1709  
(Somali Core Economic Institutions and Opportunities Project - Phase 1)

I am writing on behalf of the International Development Association ("IDA") to indicate IDA’s agreement, acting as administrator of the Somalia Multi Partner Fund ("SMPF"), to make a grant in an amount not exceeding six million United States Dollars ($6,000,000) ("Grant") (the Grant) to the Federal Government of Somalia (the Recipient).

The Grant is made in response to the Recipient’s request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient hereby confirms its request that IDA carry out the activities described in paragraph 1 of the Annex to this Letter Agreement, and represents that it is authorized to contract the Grant for the said purposes and on the said terms and conditions.

Please note that it is IDA’s policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by IDA of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Bella Bird  
Country Director for Somalia  
Africa Region
AGREED:

FEDERAL REPUBLIC OF SOMALIA

By

Name: Mohamed Ibrahim

Title: Finance Minister

Date: February 15
ANNEX

Purposes, Terms and Conditions of the Grant

The purpose of the Grant is to assist in the implementation of the Core Economic Institutions and Opportunities Project (Phase I), which has as main objective to support select core economic institutions linked to trade, financial sector and private sector development in order to catalyze private investment and job creation (the Project). The activities (the Activities) for which the Grant is provided consist of the following parts.

Part A: Strengthening Central Bank Supervision and Regulation

1. Collecting and analyzing financial sector data.
2. Carrying out of surveys on households and enterprises to develop financial sector baseline data and information.
3. Carrying out studies on micro-finance services and developing of options for successful models.
4. Supporting policy level dialogue and collaboration on financial sector development.

Part B: Catalytic Fund

Establishing and running a catalytic fund (Somali Business Catalytic Fund or Fund) including, the provision of matching grants to eligible firms with market and financial track record, in accordance with criteria and guidelines to be adopted for the purpose of said Fund, to catalyze private investment and incentivize productivity, and to meet the costs related to the administration and management of the Fund, and monitoring and evaluation of the activities of said Fund.

Part C: SME Service Facility

1. Establishing and running a Small and Medium Enterprise Service Facility to provide business and technical services to assist entrepreneurs launch, manage and grow successful businesses, in accordance with criteria and guidelines to be adopted for this purposes, and meeting the costs related to the administration and management of the Facility, and monitoring and evaluation of the Facility activities.
2. Carrying out of a skills and entrepreneurship training program targeting selected young women in Somalia, in accordance with criteria and guidelines to be adopted for this purposes.
3. The Grant shall be used to finance consultants’ services required for the Activities.
4. The Bank shall carry out the Activities on behalf of the Recipient. The Recipient shall cooperate with IDA to the extent necessary to permit IDA to carry out the Activities promptly and effectively, and to evaluate the results of the Activities. The Recipient shall indemnify IDA against any costs or liabilities incurred by IDA as a result of claims
against IDA in connection with the Activities, except those resulting from the gross negligence or willful misconduct of its staff or external consultants.

5. IDA shall carry out the Activities pursuant to this Letter Agreement only to the extent that the Grant funds required for such Activities are available to IDA from the Somalia Multi-Partner Fund.

6. The Activities shall be completed by not later than April 30, 2018, or such later date as IDA may establish by notice to the Recipient (the Closing Date). After the Closing Date, IDA may at any time cancel the remaining balance of the Grant.

7. The engagement and supervision of the consultants (the Consultants) required to assist in the carrying out of the Activities shall be the responsibility solely of IDA and shall be done according to the Bank’s applicable procedures.

8. The Recipient may at any time request IDA in writing to terminate the Activities. Whether or not the Recipient has made such a request, IDA may at any time suspend or, after consultation with the Recipient, terminate the right of the Recipient to receive Grant funds for the Activities if any of the following events has occurred and is continuing: (a) the Recipient has failed to perform any of its obligations under this Letter Agreement; or (b) the right of the Recipient or any other entity to which the International Bank for Reconstruction and Development (the IBRD) has made a loan with the guarantee of the Federal Republic of Somalia, to make withdrawals under any loan agreement with the IBRD or any development credit, grant or financing agreement with IDA has been suspended. IDA may also terminate the right of the Recipient to receive Grant funds if: (a) IDA has decided, at any time after consultation with the Recipient, to withdraw its support to the Project; or (b) the Recipient has withdrawn its request for IDA’s assistance in the financing of the Project.

9. IDA is not an agent of, or trustee for, the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any portion of the Grant that is not expended by IDA pursuant to this Letter Agreement.