SOMALIA MULTI PARTNER FUND

Grant Agreement

(Additional Grant for Domestic Revenue Mobilization and Public Financial Management Capacity Strengthening Project)

between

GOVERNMENT OF SOMALILAND

and

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

Dated November 26, 2018
SOMALIA MULTI-PARTNER FUND
GRANT AGREEMENT

AGREEMENT dated November 26, 2018, entered into between the GOVERNMENT OF SOMALILAND ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Somalia Multi-Partner Fund ("SMPF"), for the purpose of providing additional grant for the Original Project and activities related to the Original Project (as defined in the Appendix to this Agreement).

WHEREAS (A) the Government of Somaliland having satisfied itself as to the feasibility and priority of Parts 2, 3 and 4 of the project described in Schedule I to this Agreement (the "Project"), has requested the World Bank to assist in the financing of the Project;

(B) the Federal Republic of Somalia has requested the World Bank for an International Development Association grant to assist in financing of Part I of the Project, on terms and conditions set forth in an agreement (the "Financing Agreement") to be entered into between the Federal Republic of Somalia and International Development Association; and

WHEREAS the World Bank has agreed on the basis of, inter alia, the foregoing, to extend the grant to the Recipient upon the terms and conditions set forth in this Agreement;

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 Parts 2, 3 and 4 of the Project through the Ministry of Finance 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 six million United States Dollars ($6,000,000) ("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
Recipient’s Representative; Addresses

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

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

Ministry of Finance
Ministry of Finance Headquarters
Hargeisa, Somaliland

4.03. 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: Telex: Facsimile:

INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
AGREED at Hargeisa, Somaliland, as of the day and year first above written.

GOVERNMENT OF SOMALILAND

By

[Signature]
Authorized Representative

Name: Dr. Saad A. Shire
Title: Minister

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

By

[Signature]
Authorized Representative

Name: Bella Bird
Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to strengthen systems of domestic revenue mobilization, expenditure control and accountability in the Federal Government, Puntland State of Somalia, and Somaliland.

Part 1. Strengthening Tax Policy and Inland Revenue Administration

1. Carrying out a program of activities to improve the capacity for tax policy, and establish a tax policy unit in the Federal Ministry of Finance, including: (a) defining structure and job specification for the tax policy unit, and linkage to the Office of the Attorney General, to establish appropriate legal or regulatory framework; and (b) developing a credible and fair revenue policy, and strengthening evidence based research, revenue forecasting and gap analysis capacity of the tax policy unit.

2. Carrying out a program of activities to improve the capacity for inland revenue administration, including: (a) operationalizing a large tax payer office, retooling said large tax payer office, people capacity and organizational structure; (b) business process mapping and redesigning; (c) modernizing and automation; (d) building the human and institutional capacity of the revenue department, developing skills of tax officials, and provision of required training for tax officials.

3. Carrying out a program of activities to develop taxpayer education, and promote voluntary compliance, inter alia, developing: (a) a taxpayer orientation, or socialization program; (b) a taxpayer service charter; (c) facilitation and grievance redress help-desk; and (d) use of the Somali Revenue Academy to equip the public with tax compliance skills and knowledge.

4. Carrying out a program of activities to support the revenue bill consultations and bridging operationalization of said revenue bill upon enactment.

Part 2. Strengthening Systems for the Public Funds Management, Transparency and Accountability

1. Carrying out a program of activities to strengthen the capacity of the Recipient’s Office of Accountant General, and to post-implementation assessment of the Recipient’s financial information system (SL-FMIS), system security, business continuity and disaster recovery strategies.

2. Carrying out a program of activities to strengthen the capacity for audit of projects and annual financial statements, including (a) introduction of a centralized projects audit; and (b) modernization of the internal audit function.

3. Expanding the Recipient’s public finance management professionalization program, including provision of training to the relevant government staff, and developing and implementing an action plan to meet the standards of the
Part 3. Rapid Response Facility

1. Providing rapid response for emerging disaster response management and public finance management priorities, including:

   (a) provision of technical advisory services to carry out a need assessment for development and implementation of an integrated automation system including, user requirement specifications, information technology and communications (ICT) strategy, acquisition of ICT equipment and installation of associated ICT infrastructure; and

   (b) introducing an e-payment system for inland revenue, including ICT and geo-enabling strategy.

Part 4. Public Financial Management Reform Oversight, Coordination and Management

1. Strengthening the capacity for Project management, coordination and implementation of the Project, including carrying out audits, monitoring and evaluation of the Project, acquisition of goods, provision of consultants’ services, provision of training to Project staff, approved workshops, study tours and exchange visits for Project staff and relevant Ministry of Finance officials.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. Ministry of Finance

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

2. Public Financial Management Reform Coordination Unit (PMRCU)

   (a) The Recipient shall throughout the Project implementation maintain the PMRCU within the Ministry of Finance with resources, terms of reference, staffing, and other resources, satisfactory to the World Bank.

   (b) Without limitation to paragraph 2(a) immediately above, the PMRCU shall be responsible for day-to-day management and administration of the Project, fiduciary aspects (financial management and procurement), monitoring and evaluation.

3. Public Financial Management Joint Steering Committee

   (a) The Recipient shall maintain throughout project implementation, the PFM Joint Steering Committee with a mandate, resources, terms of reference and functions, satisfactory to the World Bank.

   (b) Without limitation to the provisions of paragraph 3(a) immediately above, the PFM Joint Steering Committee shall be responsible for (i) review and approval of annual work plans and budgets, and Project Reports, including Financial Management Reports; and (ii) provide overall policy and strategic guidance for the Project.

4. Public Financial Management Technical Committee

   (a) The Recipient shall maintain throughout project implementation, the PFM Technical Steering Committee with a mandate, adequate resources, functions and terms of reference, satisfactory to the World Bank.

   (b) Without limitation to the provisions of paragraph 4(a) immediately above, the PFM Technical Steering Committee shall be responsible for: (i) reviewing the annual work plans and budgets, and Project Reports, including Financial Management Reports, and recommending such annual work plan, budgets and reports to the PFM Joint Steering Committee for approval; and (ii) providing technical advice and guidance for the Project.
5. Technical Working Teams

(a) The Recipient shall maintain throughout Project implementation, the Technical Working Teams with resources, functions, qualifications and terms of reference, satisfactory to the World Bank.

(b) Without limitation to the provisions of paragraph 5(a) immediately above, the Technical Working Teams shall be responsible for: (i) preparation of the annual work plans and budgets; (ii) day-to-day coordination of the pertinent financial management reform activities; and (iii) preparation of the Project Reports, including Financial Management Reports for consideration by the PFM Technical Committee.

B. Project Implementation Manual

1. The Recipient shall: (a) not later than thirty (30) days after the Signature Date, update the Project Implementation Manual, in form and substance satisfactory to the World Bank, and thereafter: (b) carry out the Project in accordance with said Project Implementation Manual containing detailed guidelines and procedures for the implementation of the Project, including monitoring and evaluation, procurement, coordination, financial, administrative and accounting procedures, corruption and fraud mitigation measures, criteria for selection, and modality for implementation of any activity to be financed under the Rapid Response Facility under Part 3 of the Project, and such other arrangements and procedures as shall be required for the Project, and except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of thereof.

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

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the Anti-Corruption Guidelines.

D. Annual Work Plan and Budget

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

2. The Recipient shall exchange views with the World Bank on each such proposed consolidated 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 (Annual Work Plan and Budget).
E. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 and set out in the 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.

Without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the EU End Disbursement Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient'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 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 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

All goods, works, non-consulting services and consulting 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 the Procurement Regulations, and the provisions of the Recipient’s procurement plan for the Project, provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with 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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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.

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, non-consulting services, and consultants' services, Training and Operating Costs for Parts 2, 3 and 4 of the Project</td>
<td>5,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services and Training for Part 3 of the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>6,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for:
   (a) payments made prior to the Signature Date; or
   (b) payments under Category (2) in respect of any Rapid Response Facility activity under Part 3 of the Project, unless the Recipient has, in form and substance satisfactory to the World Bank, met the respective criteria established in the Project Implementation Manual.

2. The Closing Date is June 30, 2022
APPENDIX

1. "Annual Work Plans and Budget" means an annual plan and budget referred to in Section I.C 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. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. "Financing Agreement" means the Financing agreement for Part I of the Project between the Federal Republic of Somalia and the International Development Association, dated the Signature Date of said Financing Agreement, as such Financing agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements.

5. "Ministry of Finance" means the Recipient’s ministry at the time responsible for finance, or any successor thereto.

6. "Operating Costs" means the incremental cost arising on account of Project implementation, based on Annual Work Plans and Budgets, approved by the World Bank pursuant to Section II.D of Schedule 2 to this Agreement, including office supplies, vehicle operation and maintenance, maintenance of office equipment, communication, advertisement and insurance costs, office administration costs, bank charges, costs associated with translation of documents, utilities, rental, consumables, accommodation, travel and per diem of Project staff on official travel, salaries of Project staff, but excluding the salaries of the Recipient’s civil servants.

7. "Original Project" means the Project described in Schedule 1 to the Original SMPF Grant Agreement.


9. "Public Finance Management Technical Teams" or "PFM Technical Teams" means the Recipient’s teams referred to in Section I.A.5 of Schedule 2 to this Agreement.

10. "Public Finance Management Reform Coordinating Unit" or "PFMRCU" means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement.

11. PFM Joint Steering Committee” means a committee of the Recipient referred to Section I.A.3 of Schedule 2 to this Agreement.
12. "PFM Technical Working Teams" means the teams of the Recipient referred to in Section I.A.5 of Schedule 2 to this Agreement.

13. "PFM Technical Committee" means the committee of the Recipient referred to Section I.A.4 of Schedule 2 to this Agreement.

14. "Project Implementation Manual" means the Recipient's manual dated November 2015, and to be updated in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement, as said manual may be amended from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.

15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated July 30, 2018, 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.

16. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017

17. "Signature Date" means the date on which this Agreement shall have been signed by the Recipient and the World Bank.

18. "Training" means the costs arising under the Project on account of training, workshops, study tours, exchange programs, seminars, and conferences, based on the Annual Work Plans and Budgets, approved by the World Bank, and referred to in Section I.D of Schedule 2 to this Agreement, and such costs include associated travel, accommodation 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.

B. Amendments to the Original SMPF Trust Fund Grant Agreement

The Recipient and the Association hereby agree to amend the Original SMPF Grant Agreement as follows:

1. The objective of the Project set forth in Schedule 1 to the Original SMPF Grant Agreement is modified as set forth in Schedule 1 to this Agreement.

2. The Project description set forth in Schedule 1 to the Original SMPF Grant Agreement is modified as set forth in Schedule 1 to this Agreement.

3. The Closing Date set forth in Section IV.2.B.3 of Schedule 2 to the Original SMPF Grant Agreement is established as the date June 30, 2022.