SOMALIA MULTI PARTNER FUND
Grant Agreement
(Recurrent Cost and Reform Financing Project-Phase 1)

between

FEDERAL REPUBLIC OF SOMALIA

and

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

Dated August 19, 2014
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 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 for finance.

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

Ministry of Finance
Villa Somalia
Mogadishu

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

FEDERAL REPUBLIC OF SOMALIA

By

Authorized Representative

Name: HUSSEIN A. HALANE

Title: MINISTER OF FINANCE

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

By

Authorized Representative

Name: Deun A. Cira

Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to finance and support an operational payroll and payment system for the non-security sectors.

The Project consists of the following parts:

PART A: Emergency Support of Core Government Functions in Ministries, Departments and Agencies

1. Payment of salaries of Eligible Civil Servants in ministries, departments and agencies.

2. Payment of salaries of subject matter experts in selected ministries, departments and agencies.

3. Financing of eligible non-salary recurrent costs in selected ministries, departments and agencies.

PART B: Strengthening Systems for Expanded Operations and Service Delivery

1. Technical assistance for assessment, review and analysis of salaries of civil servants in Puntland, Jubaland and other regions within Somalia.

2. Technical assistance for assessment, review and analysis of teachers and civil servants in the health sector including developing databases and detailed guidelines for the payment of salaries, updating the education and health sector payroll, developing mechanisms for the maintenance, regular update and security of the databases and supply of equipment.

3. Carrying out of a program of activities to increase the reliability and integrity of the civil service payroll, such activities to include supporting the Civil Service Commission to develop and improve its operational processes and developing human resource tools to support the pay and management of civil servants.

4. Providing technical assistance to the office of the Accountant General for fiduciary management.
PART C: Project Management and Coordination

1. Technical Assistance for Project management.
2. Capacity building for Project management including training of Project staff.
3. Carrying out of audit on the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

Ministry of Finance

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

Oversight Board

2. The Recipient shall maintain throughout project implementation the Oversight Board 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 Oversight Board shall be to provide overall policy and strategic guidance on the implementation of the Project.

Operating Team

4. The Recipient shall maintain at all times during Project Implementation, the Operating Team with terms of reference and staffing satisfactory to the World Bank, and with adequate resources to carry out its responsibilities under the Project.

5. Without limitation on the foregoing, the Operating Team shall be responsible for the day-to-day administration of the Project including monitoring and evaluation.

B. Implementation Arrangements

Project Operations Manual

1. The Recipient shall implement the Project in accordance with the Project Operations 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 Operations Manual.

2. In case of a conflict between the provisions of the Project Operations Manual and this Agreement, those of this Agreement shall prevail.
Work Plan and Budget

3. The Recipient shall, not later than August 30, 2014 prepare and furnish to the World Bank, a program of activities proposed for implementation under the Project, together with a proposed budget for the purpose.

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

External Monitoring and Verification of Payments

5. Prior to making any payment under Part A of the Project, the Recipient shall ensure that an independent verification agent, whose qualifications, and terms of reference shall be acceptable to the World Bank, has certified as to the eligibility of the payments sought to be financed and the accuracy of the amount(s) requested, all in accordance with guidelines set forth in the Project Operations Manual.

C. Anti-Corruption

The Recipient shall ensure that the Project is 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 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 Operations 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. 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. The audit of the Financial Statements shall cover the implementation period of the Project. The audited Financial Statements shall be furnished to the World Bank not later than six (6) months after the end of the Closing Date of the Project.

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 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:
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.

3. 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.
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) Salaries for Eligible Civil Servants and Subject Matter Experts, goods, non-consulting services, consultants’ services, Training and Operating Costs under Part A of the Project</td>
<td>4,000,000</td>
<td>100% of the amount disbursed</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, Training and Operating Costs under the Project (except under Part A)</td>
<td>2,000,000</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 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 US $ 2,000,000 equivalent may be made for payments made prior to this date but on or after July 1, 2014, for eligible expenditures under Category (1); and

   (b) payments under Category (1), unless the World Bank has received a certification from the agent referred to under Section I.B.5 of this Agreement, whose form and
substance shall be acceptable to the World Bank, regarding the eligibility of the payments sought to be financed and the accuracy of the amount(s) requested.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 27, 2015.
APPENDIX

1. “Accountant General” means the Recipient’s administrative office of National Treasury responsible for promoting and enforcing effective management in respect of revenue expenditure, assets and liabilities of institutions in all spheres of Federal Government of Somalia and is established pursuant to article 125 of the Transitional constitution of Somalia.

2. “Agreed Work Plan” means a plan and budget referred to in Section II.B.3 of Schedule 2 to this Agreement.


5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


9. “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.

10. “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.

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

13. "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.

14. "Operating Team" means a team of the Recipient established for purposes of the Project, comprising the Director General Ministry of Finance, Budget Director, Accountant General, the EAFS, Central Bank representative, the project coordinator and other staff as agreed with the World Bank, and referred to in Section I.A.2 of Schedule 2 to the Agreement.

15. "Oversight Board" means a committee of the Recipient established for purposes of this Project, comprising the minister of finance (as chairperson), a representative of the office of the president, representative of the office of the prime minister, one member of parliamentary finance committee, representative of the Civil Service Commission, one representative of civil society, the Central Bank, and the World Bank as observer 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 August 6, 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.

17. "Project Operations Manual" means the Recipient's manual acceptable to the World Bank, dated November 18, 2013 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 implementation of the Project, as the same 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.

18. "Subject Matter Experts" means experts and specialists hired by the Recipient to hold key positions in selected ministries, departments and agencies.

19. "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.