Somalia Multi Partner Fund
Grant Agreement
(Second Public Financial Management Capacity Strengthening Project)

between

FEDERAL REPUBLIC OF SOMALIA

and

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

Dated July 22, 2015
SOMALIA MULTI-PARTNER FUND
GRANT AGREEMENT

AGREEMENT dated JULY 22, 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

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various
Funds, dated February 15, 2012 ("Standard Conditions"), constitute an integral
part of this Agreement.

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 1A, 2A, 3A, 4A and 5A of the Project through the Federal Ministry of
Finance and cause the Puntland State of Somalia to implement Parts 1B, 2B, 3B,
4B and 5B of the Project 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 eight million
United States Dollars ($8,000,000) ("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 Subsidary 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 Puntland State of Somalia has established the Puntland Public Financial Management Reform Coordination Unit, the Puntland PFM Reform Oversight Committee, the Puntland Technical Steering Committee and the Puntland Component Implementation Teams in accordance with the provisions of Section I.A of Schedule 2 to this Agreement.

(c) 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 Subsidary Agreement referred to in Section I.B of Schedule 2 to this 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 late 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 Somali
Mogadishu

5.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Stree, 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 **Mogadishu, Somalia**, as of the day and year first above written.

FEDERAL REPUBLIC OF SOMALIA

By

Authorized Representative

Name: **Mohamed Ibrahimi**

Title: **Minister of Finance**

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

By

Authorized Representative

Name: **PREETI AKORA**

Title: **Acting Country Director**
SCHEDULE 1  
Project Description

The objective of the Project is to establish and strengthen institutional capacity for the management of public funds in central finance agencies and targeted sectors.

The Project consists of the following parts:

PART 1  Revenue Mobilization, Planning and Budget Preparation

1. A  Revenue Mobilization, Planning and Budget Preparation at the Federal Level

1.A.1 Carrying a program of activities to strengthen planning and budget preparation, such activities to include developing and implementing relevant principles, guidelines, tools and manuals, and improving the capacity of MDAs and staff to prepare and execute budgets.

1.A.2 Carrying out a program of activities to strengthen revenue mobilization and administration, such activities to include formulating and implementing tax policies, laws, guidelines and procedures, carrying out of tax education campaigns, formulating and implementing tax complaints handling procedures, and building the capacity of relevant agencies and staff in tax administration.

1. B  Revenue Mobilization, Planning and Budget Preparation in the Puntland State of Somalia

1.B.1 Carrying a program of activities to strengthen planning and budget preparation, such activities to include developing and implementing relevant principles, guidelines, tools and manuals, and improving the capacity of MDAs and staff to prepare and execute budgets.

1.B.2 Carrying out a program of activities to strengthen revenue mobilization and administration, such activities to include formulating and implementing tax policies, laws, guidelines and procedures, carrying out of tax education campaigns, formulating and implementing tax complaints handling procedures, and building the capacity of relevant agencies and staff in tax administration.

PART 2  Treasury Management, Budget Execution, Procurement, Accounting and Financial Reporting


2. A.1 Carrying out a program of activities to strengthen treasury management and budget execution, such activities to include formulation and implementation of policies, laws and regulations, development of operational manuals and procedures, implementing the treasury single account, formulating a cash management policy and establishing a cash management committee, and building the capacity of relevant agencies and staff in treasury management and budget execution.
2.A.2 Carrying out a program of activities to strengthen financial accounting and reporting, such activities to include developing an accounting procedures manual, developing and implementing tools to support online uploading of budget reports and financial statements, and carrying out a review and establishing systems, structures and procedures for secure and reliable records management.

2.A.3 Carrying out a program of activities to strengthen concessioning, procurement and contract management, such activities to include formulating and implementing a procurement policy and legal framework, developing various procurement manuals and guidelines, developing a concessions strategy, building institutional and management capacity of agencies established under the proposed procurement legal and policy framework, building procurement capacity of MDAs and their staff, developing procurement monitoring and oversight capacity, formulating and implementing procurement complaints handling procedures and developing associated guidelines, and enhancing inter-agency cooperation and third party monitoring.

2.A.4 Designing, testing and deploying an information technology infrastructure for the financial management information system including implementing web-based applications and providing associated training.

2.A.5 Carrying out a program of activities to modernize CBS operations and the financial control environment, such activities to include strengthening core banking and accounting operations, automating key CBS functions and processes, setting up of a basic national payment system including formulating rules and procedures for the operation of the payment system.


2.B.1 Carrying out a program of activities to strengthen treasury management and budget execution, such activities to include formulation and implementation of policies, laws and regulations, development of operational manuals and procedures, implementing the treasury single account, formulating a cash management policy and establishing a cash management committee, and building the capacity of relevant agencies and staff in treasury management and budget execution.

2.B.2 Carrying out a program of activities to strengthen financial accounting and reporting, such activities to include developing an accounting procedures manual, developing and implementing tools to support online uploading of budget reports and financial statements, and carrying out a review and establishing systems, structures and procedures for secure and reliable records management.

2.B.3 Carrying out a program of activities to strengthen concessioning, procurement and contract management, such activities to include formulating and implementing a procurement policy and legal framework, developing various procurement manuals and guidelines, developing a concessions strategy, building institutional and management capacity of agencies established under the proposed procurement
legal and policy framework, building procurement capacity of MDAs and their staff; developing procurement monitoring and oversight capacity, formulating and implementing procurement complaints handling procedures and developing associated guidelines, and enhancing inter-agency cooperation and third party monitoring.

2. B.4 Designing, testing and deploying an information technology infrastructure for the financial management information system including implementing web-based applications and providing associated training.

2.B.5 Carrying out a program of activities to modernize CBS operations and the financial control environment, such activities to include strengthening core banking and accounting operations, automating key CBS functions and processes, setting up of a basic national payment system including formulating rules and procedures for the operation of the payment system.

PART 3 Strengthening the Integrity Pillars

3. A Strengthening the Integrity Pillars at the Federal Level

3.A.1 Carrying out a program of activities to lay the foundations for supreme audit institutions, such activities to include supporting the enactment, translation and dissemination of the proposed audit law, preparing risk based auditing procedures manuals, supporting citizen engagement in the audit cycle, building the capacity of auditing agencies and staff in auditing including supply of audit software and end user devices.

3.A.2 Carrying out a program of activities to strengthen the planning, finance and public accounts committees, such activities to include supporting technical capacity development and operations of the committees, developing sanctions and follow up mechanisms for audits, supporting collaboration between the committees and non-state actors, and supporting capacity building, training and peer learning activities for members and staff.

3. B Strengthening the Integrity Pillars in the Puntland State of Somalia

3.B.1 Carrying out a program of activities to lay the foundations for supreme audit institutions, such activities to include supporting the enactment, translation and dissemination of the proposed audit law, preparing risk based auditing procedures manuals, supporting citizen engagement in the audit cycle, building the capacity of auditing agencies and staff in auditing including supply of audit software and end user devices.

3.B.2 Carrying out a program of activities to strengthen the planning, finance and public accounts committees such activities to include supporting technical capacity development and operations of the committees, developing sanctions and follow up mechanisms for audits, supporting collaboration between the committees and non-state actors, and supporting capacity building, training and peer learning activities for members and staff.
PART 4  Public Financial Management Professionalization

4. A  Public Financial Management Professionalization at the Federal Level

4. A.1 Building the capacity of the faculty of Participating Universities to provide training in public finance, accounting and procurement and supplying of teaching materials.

4. A.2 Training of selected government staff in public finance, accounting and procurement including payment of registration and examination fees (including re-sits) and acquiring of learning materials.

4. A.3 Upgrading of ICT infrastructure and providing logistics support to Participating Universities.

4. A.4 Designing and implementing rapid short causes in budget preparation and other PFM areas.


4. B.1 Building the capacity of the faculty of Participating Universities to provide training in public finance, accounting and procurement and supplying of teaching materials.

4. B.2 Training of selected government staff in public finance, accounting and procurement including payment of registration and examination fees (including re-sits) and acquiring of learning materials.

4. B.3 Upgrading of ICT infrastructure and providing logistics support for Participating Universities.

4. B.4 Designing and implementing rapid short causes in budget preparation and other PFM areas.

PART 5  Public Financial Management Reform Oversight, Coordination and Management

5. A  Public Financial Management Reform Oversight, Coordination and Management at the Federal Level

5. A.1 Financing of costs associated with Project management, coordination and implementation.

5. A.2 Hiring of PFM subject matter experts.

5. A.3 Financing of change management activities.
5. A.4 Carrying out of audit and monitoring and evaluation activities on the Project.

5. A.5 Training of Project staff including conducting study tours and exchange visits.

5. A.6 Hiring of security and logistics services.

5. A.7 Supporting annual PFM fora and review meetings.

5. B Public Financial Management Reform Oversight, Coordination and Management in the Puntland State of Somalia

5. B.1 Financing of costs associated with Project management, coordination and implementation.

5. B.2 Hiring of PFM subject matter experts.

5. B.3 Financing of change management activities.

5. B.4 Carrying out of audit and monitoring and evaluation activities on the Project.

5. B.5 Training of Project staff including conducting study tours and exchange visits.

5. B.6 Hiring of security and logistics services.

5. B.7 Supporting annual PFM fora and review meetings.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

Institutional Arrangements at the Federal Level

Federal Ministry of Finance

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

Federal Public Financial Management Reform Coordination Unit

2. The Recipient shall maintain throughout Project implementation, the Federal Public Financial Management Reform Coordination Unit (FPFMRCU) with terms of reference, staffing and other resources satisfactory to the World Bank.

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

Federal Public Financial Management Reform Oversight Committee

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

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

Federal Technical Steering Committee

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

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

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

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

Institutional Arrangements at the Puntland State of Somalia

Puntland Ministry of Finance

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

Puntland Public Financial Management Reform Coordination Unit

11. The Recipient shall ensure and cause the Puntland State of Somalia: (a) to maintain throughout project implementation, the Puntland Public Financial Management Reform Coordination Unit (PPFMRCU) with terms of reference, staffing and other resources satisfactory to the World Bank.

12. Without limitation on the foregoing, the PPFMRCU shall be responsible for the overall coordination and day-to-day administration of the Project including monitoring and evaluation in Puntland.

Puntland Public Financial Management Reform Oversight Committee

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

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

Puntland Technical Steering Committee

15. The Recipient shall ensure and cause the Puntland State of Somalia to maintain throughout Project implementation the Puntland Technical Steering Committee with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.
16. Without limitation on the foregoing, the functions of the Puntland Technical Steering Committee shall be to: (a) endorse annual work plans, budgets and quarterly reports for forwarding to the Puntland PFM Reform Oversight Committee; and (b) provide overall technical guidance and coordination over the Project.

Puntland Component Implementation Teams

17. The Recipient shall ensure and cause the Puntland State of Somalia to maintain throughout project implementation Puntland Component Implementation Teams with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.

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

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1.B, 2.B, 3.B, 4.B and 5.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) 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 and furnish to the World Bank, a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project, including in the areas of monitoring and evaluation, procurement, coordination, financial, administrative and accounting procedures, corruption and fraud mitigation measures and such other arrangements and procedures as shall be required for the Project; and (ii) thereafter adopt and carry out the Project in accordance with such Project implementation manual as shall have been approved by the World Bank (Project Implementation Manual); and (b) except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual.

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

Annual Work Plan and Budget

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

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

D. Anti-Corruption

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

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.

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 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

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 EU End Disbursement 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 or 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
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, Works and Non-consulting Services

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

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following table specifies the methods of procurement which may be used for goods, works 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>
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<tbody>
<tr>
<td>(a) Limited International Bidding</td>
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<tr>
<td>(b) National Competitive Bidding (subject to the additional provisions set out in paragraph 3 below)</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 media 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, consultant, 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 all 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.

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

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(d) Selection based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(e) Single-source election of consulting firms</td>
</tr>
<tr>
<td>(f) Selection of consultants under Indefinite Delivery Contract or Price Agreement</td>
</tr>
<tr>
<td>(g) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(h) 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), works, non-consulting services, consultant services Training and Operating Costs under Parts 1.A, 2.A, 3.A, 4.A and 5.A of the Project</td>
<td>5,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods (including vehicles), works, non-consulting services, consultant services Training and Operating Costs under Parts 1.B, 2.B, 3.B, 4.B and 5.B of the Project</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>8,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

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

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.
APPENDIX

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


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


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

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

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

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

10. "Federal Technical Steering Committee" means a committee of the Recipient established for purposes of this Project comprising the minister of finance (chairperson), the director general ministry of finance, director of revenue and customs, the accountant general, auditor general, the director of budget, the
director of procurement and assets, the director-general of the central tender board, the director of banking at the Central Bank of Somalia, the director-general of the National Civil Service Commission, and such other officials as may be coopted from time to time, and referred to Section I.A.6 of Schedule 2 to this Agreement.

11. “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.

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

13. “Participating Universities” means the Puntland State University, East Africa University, SIMAD University, Mogadishu University and such other universities as may be agreed between the Recipient and the World Bank.


15. “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.I.B.2 of Schedule 2 to this Agreement, including office equipment and supplies, vehicle operation and maintenance, maintenance small office works and maintenance of equipment, communication, advertisement and insurance costs, office administration costs, bank charges, translation costs, utilities, rental, consumables, accommodation, travel and per diem of Project staff, salaries of Project staff (excluding) the salaries of the Recipient’s civil service.

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

17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 9, 2015, 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 Recipient’s manual, referred to in Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such Manual.

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 Component Implementation Teams” means the teams of the Puntland State of Somalia comprising subject matter experts from the Puntland Ministry of Finance and MDAs, the office of the Puntland auditor general, Puntland Civil Service Commissioner, ministry of commerce and industries, Participating Universities including consultants and other staff hired for purposes of the Project, and referred to in Section I.A.17 of Schedule 2 to this Agreement.


22. “Puntland Public Financial Management Reform Coordinating Unit” or “PPFMRCU” means a unit of the Puntland State of Somalia within the Puntland Ministry of Finance established for the implementation of this Project and referred to in Section I.A.11 of Schedule 2 to this Agreement.

23. “Puntland PFM Reform Oversight Committee” means a committee of the Puntland State of Somalia established for purposes of this Project, comprising representative of the office of president (as chairperson), ministries of finance, planning, the auditor general, chairperson of Puntland state bank, chairperson of the Puntland Civil Service Commission, chairperson of the national tender board, chairperson of the PFM Donor Group (in attendance or co-opted), chairpersons of the parliamentary committees on planning, budget, finance and oversight (in attendance or co-opted), a representative of the Chamber of Commerce (in attendance or co-opted), a representative of the civil society (in attendance or co-opted), and such other officials as may be agreed with the World Bank, and referred to Section I.A.13 of Schedule 2 to this Agreement.

24. “Puntland Technical Steering Committee” means a committee of the Puntland State of Somalia established for purposes of this Project comprising the accountant general, director-general of revenue, the director of budget, the director-general of the national tender board and such other officials as may be co-opted from time to time, and referred to Section I.A.15 of Schedule 2 to this Agreement.

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 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.

27. “United Nations Office for Procurement Services” or “UNOPS” means an agency of the United Nations established in 1974 to expand the capacity of the United Nations system and its partners to implement peace building, humanitarian and development operations that matter for people in need.