SMPF GRANT NUMBER TF0A8244

and

Amendment to SMPF GRANT NUMBER TF0A0534 and TF0A6971

Somalia Multi Partner Fund
Grant Agreement

(Additional Grant for Recurrent Cost and Reform Financing Project)

between

FEDERAL REPUBLIC OF SOMALIA

and

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

Dated October 31, 2018
SOMALIA MULTI-PARTNER FUND
GRANT AGREEMENT

AGREEMENT dated October 31, 2018, 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"), for the purpose of providing an additional grant
for the Original Project and activities related to the Original Project (as defined in the
Appendix to this Agreement).

WHEREAS (A) the Recipient having satisfied itself as to the feasibility and
priority of the project described in Schedule 1 to this Agreement (the "Project"), has
requested the World Bank to assist in the financing of the Project;

(B) the Recipient intends to obtain a grant from the International Development
Association in an amount equivalent to forty two million eight hundred thousand Special
Drawing Rights (SDR 42,800,000) to assist in the financing of the Project, on terms and
conditions set forth in an agreement (the "Financing Agreement") to be entered into
between the Recipient and the 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

1.01. 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 the Project through the Federal 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 two million United States Dollars ($2,000,000) ("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 following condition has been satisfied, namely, that the Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled;

4.02. 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.

4.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.
Article V
Recipient’s Representative; Addresses

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

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

Ministry of Finance
Villa Somalia
Mogadishu

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

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: 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

[Signature]

Authorized Representative

Name: Abdirahman Balde
Title: Minister

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

By

[Signature]

Authorized Representative

Name: Bala Badi
Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to support the Federal Government of Somalia and Eligible Federal Member States to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.

Part A: Recurrent Cost Finance to Reform Resource Management Systems

1. Carrying out a program of activities to finance the Federal Government civil service wage bill on a declining basis, including salaries and allowances of Eligible Civil Servants, in ministries, departments and agencies (MDAs).

2. Carrying out a program of activities to finance salaries and allowances of Eligible Staff and Young Graduates in MDAs recruited under the Capacity Injection Mechanism.

3. Carrying out a program of reforms for the Federal Government resource management systems, including reimbursement of eligible expenditures (Eligible Expenditure Program or EEP), on account of salaries to Eligible Civil Servants in MDAs.

Part B: Strengthen Inter-Governmental Fiscal Relations

1. Carrying out a program of activities to strengthen the fiscal federalism coordination mechanism, including:
   (a) facilitating the meetings of the inter-governmental forums, including running costs of such forums (i.e., the Inter-Governmental Fiscal Forum, the Finance Ministers’ Fiscal Forum, and the education sector forum);
   (b) establishment of a dedicated secretariat for the respective fora; and
   (c) provision of technical advisory services for technical assistance to facilitate the respective fora.

Part C: Transfers for Core Government Functions and Foundational Education and Health Service Delivery Mechanisms in Eligible Federal Member States

Carrying out a program of activities in to improve core government functions in Eligible Federal Member States, in particular:

1. Carrying out of a program of activities (Sub-Projects) to improve access and delivery of core services in the Eligible Federal Member States, including:
   (a) implementing identified fiscal reforms towards the achievement of the eligibility criteria for accessing financing under this Part C.1 of the Project;
   (b) payment of salaries and allowances of Eligible Civil Servants in selected MDAs, payment of salaries of Eligible Staff and Young Graduates in selected MDAs and agencies, establishing and accountability systems; (c) strengthening systems for the MDAs and establishing basic accountability systems; and
(d) financing of Eligible Non-Salary Recurrent Costs in selected MDAs, all through the provision of Sub-Grants to the Eligible Federal Member States.

2. Carrying out a program of activities to improve education service delivery, including teaching quality, supervision of schools and financing of teachers’ salaries, in particular:

(a) provision of technical advisory services to implement teacher assessment for primary and secondary schools, including establishing minimum competency standards and a baseline on teacher proficiency on basic literacy, numeracy, and pedagogy;

(b) provision of technical advisory services to strengthen school supervision, including school visits, and accountability systems for school inspection, building capacity for the accounting and/or financial management departments of respective ministries of education, developing the operations manual on school supervision, and provision of training to relevant staff at the central, regional and district levels;

(c) financing of eligible teachers’ salaries including, salaries of critical education service delivery personnel for Eligible Federal Government and Eligible Federal Member States; and

(d) provision of technical advisory services to the Federal Government and Eligible Federal Member States ministries of education to strengthen critical education sector systems, including: (i) carrying out of annual survey (census) of schools; (ii) strengthening the education management information systems for collecting, managing, and analyzing education data; and (iii) acquisition of data and goods and the required software.

3. Carrying out a program of activities to establish foundations to improve delivery of health services and health outcomes, and strengthening intergovernmental coordination, in particular:

(a) developing female health worker cadres, including: (i) employment of the female health workers, and deployment of existing trained female health workers; (ii) provision of training to expand access to community-based health service, and employment or deployment of additional female health workers; (iii) implementing the behavior change communication strategy; (iv) employing female health workers supervisors; (v) coordinating the existing female health workers programs; (vi) integrating the existing data collecting and reporting tools; and (vii) developing the real-time reporting of services provided by the female health workers.

(b) Strengthening the capacity of the Federal Ministry of Health (FMOH), and health ministries of the Eligible Federal Member States for contract management, monitoring and coordination, in particular:
(i) conducting capacity assessment on the basis of established criteria to determine the Federal Government's, and Eligible Federal Member States capacity for expansion of the female health workers program.

(ii) strengthening monitoring and contract management capacity of the Federal Government and Eligible Federal Member States.

(c) Strengthening the capacity of the FMoH for coordination of Eligible Federal Member States, and health sector development partners, non-governmental organizations and other stakeholders, in particular:

(i) facilitating the establishment of a coordination secretariat to support the FMoH and Eligible Federal Member States ministries of health in convening respective inter-governmental meetings.

(ii) facilitating the establishment of an inter-governmental coordination mechanism for the Federal Government and Eligible Federal Member States to develop a health strategy for Somalia including, adoption of common standards.

(iii) Conducting a consultation workshop and developing a memorandum of understanding among the Federal Government and the Eligible Federal Member States.

Part D Project Management and Coordination in the Federal Government and Federal Member States

1. Strengthening the capacity for Project management at the Federal Government level, and in the eligible Federal Member States, including coordination and implementation of the Project activities, carrying out audits, monitoring and evaluation, acquisition of goods, employment of Project staff in such numbers as may be approved by the Association specifically to manage the environmental and social aspects, fiduciary aspects (i.e. procurement and financial management), communication, monitoring and evaluation, through the provision of technical advisory services, provision of training to Project staff, and approved workshops.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. Federal Ministry of Finance

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

2. Project Steering Committee

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

(b) Without limitation to the provisions of paragraph 2(a) immediately above, the Project Steering Committee shall be responsible for (a) approval of annual work plans and budgets, and Project Reports, including Financial Management Reports; and (b) provide overall policy and strategic guidance for the Project.

3. Public Financial Management Reform Coordination Unit (PFMRCU)

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

(b) Without limitation to paragraph 3(a) immediately above, the PFMRCU shall be responsible for day-to-day management and administration of the Project, preparation of annual work plans and budgets, fiduciary aspects (financial management and procurement), environmental aspects, coordination and communication of Project activities, and monitoring and evaluation.

4. Project Management Team

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

(b) Without limitation to the provisions of paragraph 4(a) immediately above, the Project Management Team shall be responsible for provision of technical guidance in the implementation of the Project.
5. **Federal Ministry of Health**

(a) The FMoH shall be responsible for the implementation of Part C.3 of the Project, in accordance with the provisions of the Project Operations Manual.

(b) The Recipient shall ensure close coordination between the FMoH and the PFMRCU in planning and monitoring the progress of respective health sector activities.

(c) The Recipient shall not later than ninety (90) days after the Effective Date, recruit a focal point for the health sector activities, in accordance with the provisions of the Procurement Regulations.

B. **Project Operations Manual**

1. The Recipient shall: (a) not later than thirty (30) days after the Signature Date, update the Project Operations 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, measures for management of the environmental aspects of the Project and compliance with the waste management and social guidelines for health services, criteria and benchmark for access to financing by the Eligible Federal Member States, 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 Operations 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 December 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. Eligible Expenditure Programs and Technical Controls; Independent Verification

1. The Recipient shall for the purpose of Part A.3 of the Project, cooperate with the Independent Verifiers, acting as third party monitoring and evaluation experts in order to assess the proper fulfillment of DLIs and DLRs as set forth in Schedule 3 to this Agreement and confirm the actual spending status of the EEPs, said assessment and confirmation to be included in the bi-annual EEP Spending Reports together with a proposal for disbursement under each Withdrawal, prepared in accordance with the Project Operations Manual.

2. The EEPs will comply with the eligibility criteria and procedures set forth in the Project Implementation Manual.

3. The Recipient shall recruit the independent verification agent in accordance with the provisions of the Procurement Regulations.

F. Subproject Agreements

1. To facilitate the carrying out of Part C of the Project, the Recipient shall:

   (a) upon achievement by an Eligible Federal Member State of the eligibility criteria for accessing financing, inter alia, based on the reforms undertaken by the pertinent Eligible Federal Member State for the preceding review period, established in the Project Operations Manual; and

   (b) make part of the proceeds of the Financing allocated from time to time to Category (4) of the table set forth in Section IV.A.2 of this Schedule available to the Eligible Federal Member States under a signed agreement between the Recipient and said Eligible Federal Member States under terms and conditions satisfactory to the World Bank (“Subproject Agreements”).

2. The Recipient shall exercise its rights under the Subproject Agreements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Financing. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subproject Agreements or any of their provisions.

3. The Recipient shall recruit the independent verifiers in accordance with the provisions of the Procurement Regulations.

G. Environmental and Social Safeguards

1. The Recipient shall ensure that the terms of reference for any consultancy in respect of any assessment, study or similar technical studies under Part C.3(b) of the Project, shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the
World Bank Environment and Social Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

H. Grievance Redress Mechanism

1. The Recipient shall, and shall cause the Eligible Federal Member States to maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the World Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the World Bank.

I. 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.

C. Financial Management; Financial Reports; Audits

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

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

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

All goods, 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 Financing Allocated (expressed in $)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Salaries of Eligible Civil Servants and eligible Staff and Young Graduates, Eligible Non-Salary Recurrent Costs, goods, non-consulting services, consultants’</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
services, Training and Operating Costs under Parts A.1 and A.2 of the Project

| (2) Eligible Expenditure Programs under Part A.3 of the Project | 0 | 100% of amounts spent in compliance with DLI and DLR amounts set out in Schedule 3 of this Agreement as reported under the EEP Spending Reports for each Withdrawal |
| (3) Goods, non-consulting services, consultants' services, Training and Operating Costs under Parts B and D of the Project | 0 | 100% |
| (4) Subproject Grants for Salaries of Eligible Civil Servants, Eligible Staff and Young Graduates, Eligible Non-Salary Recurrent Costs, non-consulting services, consultants' services, Training and Operating Costs under Part C of the Project | 0 | 100% |
| **TOTAL AMOUNT** | **2,000,000** |  |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; or

   (b) for any DLI or DLR unless the World Bank has received from the Recipient or the Independent Verifiers, the EEP Spending Reports confirming that the DLI and DLR have been achieved and containing a proposal for disbursement under each Withdrawal; or
(c) for any expenditure under Category (1) unless the Association has received from the Independent Verifiers, a certification, acceptable to the Association, to confirm that: (i) the expenditures sought under Category (1) are eligible for payment; and (ii) the Recipient has achieved the eligibility criteria for financing, inter alia, based on the reforms undertaken by the Recipient for the review period preceding the withdrawal request as set forth in the Project Operational Manual; or

(d) for Subprojects Grants under Category (4) unless the Association has received from the Independent Verifiers, a certification, acceptable to the Association, to confirm that: (i) the expenditures sought under Category (4) are eligible for payment; and (ii) the Federal Member State has achieved the eligibility criteria for financing, inter alia, based on the reforms undertaken by the pertinent Federal Member State for the review period preceding the withdrawal request as set forth in the Project Operational Manual.

2. With respect to the withdrawals under Category (2), payments shall be made on a bi-annually basis each year during Project implementation upon timely submission by the Recipient of a withdrawal request acceptable to the World Bank, such withdrawal request shall include evidence in form and substance acceptable to the World Bank of: (i) EEPs incurred for the period preceding the withdrawal request as presented in the EEP Spending Reports; and (ii) supporting documentation confirming that the Recipient has complied with the respective DLIs and DLRs, as verified by the Independent Verifiers.

3. Notwithstanding the provisions of paragraph 1(a) and (b) and of this Section, if the World Bank is not satisfied that a particular DLI has been fully achieved, the World Bank may, at its discretion: (i) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds allocated to said DLI, which in the opinion of the World Bank corresponds to the degree of achievement of such DLI; (ii) authorize the unwithdrawn amount by which such disbursement has been reduced due to partial achievement of a DLI, be carried forward to subsequent Withdrawals; and/or (iii) cancel all or portion of the proceeds of the Financing allocated to such DLI.

4. If, at any time, the World Bank determines that any portion of the Financing under the Project was used for items improperly procured in violation of Section III to this Schedule, was not used for Eligible Expenditures or, in case of the Eligible Expenditure Programs of Parts A and C.2 of the Project, was not supported by evidence of actual spending by the Recipient or the Federal Member States under said Eligible Expenditure Programs and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Project Implementation Manual, the Recipient shall refund any such portion to the World Bank as the World Bank shall specify by notice to the Recipient. The World Bank may, at its own discretion, cancel such refunded amount.

5. The Closing Date is June 30, 2022.
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to Be Completed</th>
<th>Amount of the Financing Allocated Per DLI (expressed in USD)</th>
<th>Amount Allocated per DLR for the Disbursement Calculation (expressed USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 1. Strengthen customs administration as per the customs reform action plan</strong></td>
<td><strong>DLR 1.1.</strong> Customs modernization road map and action plan tabled, discussed and adopted at intergovernmental technical committee, including agreement on common goods classification</td>
<td><strong>DLR 1.</strong></td>
<td><strong>DLR 1.1.</strong></td>
</tr>
<tr>
<td><strong>DLR 1.2.</strong> Implementation of interim information technology system at Mogadishu, Bosaso and Kismayo ports, including common goods classification, customs practices and procedures and valuation of goods.</td>
<td><strong>DLR 1.2.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DLR 1.3</strong> Functional specifications for the new customs IT system developed and approved by Federal Ministry of Finance.</td>
<td><strong>DLR 1.3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DLI 2. Strengthen tax administration systems and staffing</strong></td>
<td><strong>DLR 2.1.</strong> Tax identification number (TIN) and TCC mandatory when bidding for government contracts and valid TIN required to have invoice paid. <strong>DLR 2.2</strong> Review existing business processes 'as-is' and new business processes developed and approved by FGS for the following revenue streams (sales tax, excise duty, road tax, stamp duty, registration tax (fees and levies)).</td>
<td><strong>DLR 2.</strong></td>
<td><strong>DLR 2.1.</strong> <strong>DLR 2.2</strong></td>
</tr>
</tbody>
</table>

**SCHEDULE 3**

Disbursement Linked Indicators
<table>
<thead>
<tr>
<th><strong>DLR 2.3</strong></th>
<th>Targeted automation for collection of sales tax, excise duty, road tax, stamp duty, and registration tax deployed.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 3.</strong></td>
<td><strong>Strengthen cash management and treasury single account (TSA)</strong></td>
</tr>
<tr>
<td><strong>DLR 3.1.</strong></td>
<td>Somalia financial management information system (SFMIS) incorporates: (i) End-of-day balances of all TSA accounts and (ii) monthly balances of all MDA accounts held at the CBS.</td>
</tr>
<tr>
<td><strong>DLR 3.2.</strong></td>
<td>SFMIS incorporates: (i) end-of-day reconciled balances of all government accounts for revenue and expenditure, and (ii) all outstanding commitments made.</td>
</tr>
<tr>
<td><strong>DLR 3.3.</strong></td>
<td>SFMIS incorporates cash forecasting model, to inform management about commitments, available balances and expected revenues with regular monthly management reports produced by the Accountant General through SFMIS.</td>
</tr>
<tr>
<td><strong>DLR 4.</strong></td>
<td><strong>Strengthen payment process for operational expenditures</strong></td>
</tr>
<tr>
<td><strong>DLI 4.</strong></td>
<td>Reduce cash advances to MDAs for non-salary recurrent costs from 56.4% baseline at end-March 2018 to 26.4% [value-based].</td>
</tr>
<tr>
<td><strong>DLR 4.1.</strong></td>
<td>Reduce cash advances to MDAs for non-salary recurrent costs from 56.4% baseline at end-March 2018 to 16.4% [value-based].</td>
</tr>
<tr>
<td><strong>DLR 4.2.</strong></td>
<td>All government payments for salaries, transfers and capital.</td>
</tr>
<tr>
<td><strong>DLR 4.3.</strong></td>
<td>Reduce cash advances to MDAs for non-salary recurrent costs from 56.4% baseline at end-March 2018 to 16.4% [value-based].</td>
</tr>
</tbody>
</table>
expenditures to be executed as payments to Bank accounts directly to vendors, with the exception of: petty cash, travel advances, security sector, and contingency (per Appropriation Act)

<table>
<thead>
<tr>
<th>DLI 5</th>
<th>DLR 5.1</th>
<th>DLI 5</th>
<th>DLR 5.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen intergovernmental fiscal policy framework</td>
<td>Policy paper outlining policy framework for Intergovernmental Fiscal Transfers agreed at Finance Ministers Fiscal Forum covering: Budget timetable, reporting, accountability and disbursement conditions.</td>
<td>DLR 5.2</td>
<td>Draft policy paper including: (i) principles to guide FGS transfer allocations to Federal Member States and/or Benadir Regional Authority; (ii) comparative analysis, reflecting regional context, and; (iii) long-term views, tabled at Finance Ministers Fiscal Forum</td>
</tr>
<tr>
<td>DLR 5.3</td>
<td>Fiscal transfer allocations in draft 2021 Federal Government budget reflect policy paper principles</td>
<td>DLR 5.3</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DLI 6</th>
<th>DLR 6.1</th>
<th>DLI 6</th>
<th>DLR 6.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen Federal Government transfers to Federal Member States</td>
<td>Federal Government fiscal transfers execution rate to Federal Member States equal to or greater than the outturn rate for domestic revenues (year 1)</td>
<td>DLR 6.2</td>
<td>Federal Government fiscal transfers execution rate to Federal Member States equal to or greater than the outturn rate for domestic revenues (year 2)</td>
</tr>
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<td>DLR 6.3</td>
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<td>DLR 6.3</td>
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<td>FGS fiscal transfers execution rate to Federal Member States equal to or greater than the outturn rate for domestic revenues (year 3)</td>
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<td><strong>DLI 7</strong></td>
<td><strong>DLI 7.1.</strong> Teacher proficiency test piloted in at least one eligible Federal Member States, and/or Benadir Regional Administration, establishing minimum competency level of teachers (Year 1)</td>
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<td><strong>DLI 7.2.</strong> Proficiency testing of teachers conducted in at least two eligible Federal Member States, and/or Benadir Regional Administration as an annual exercise, establishing minimum competency level of teachers (year 2)</td>
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<td><strong>DLI 7.3.</strong> Proficiency testing of teachers conducted in at least three eligible Federal Member States and/or Benadir Regional Administration as an annual exercise, establishing minimum competency level of teachers (year 3)</td>
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<td><strong>DLR 7.1</strong></td>
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A. Definitions

1. Annual Work Plans and Budget” means a consolidated annual plan and budget referred to in Section I.C of Schedule 2 to this Agreement, to be prepared by the Recipient in cooperation with the Federal Member States.

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. “Auditor General” means the principal auditor of the Recipient appointed pursuant to Article 114 of the Recipient’s Constitution, said auditor being the head of the Federal Office of the Auditor General of Somalia.

4. “Benadir Regional Administration” or “BRA” means the regional authority established and operating as a regional member state administration referred to in Article 48 of the Recipient’s Constitution.

5. “Capacity Injection Modality” means the Recipient’s rapid capacity injection mechanism to support the recruitment and placement of qualified advisors, subject matter experts and young graduates to selected line ministries, departments and agencies.

6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

7. “Disbursement-Linked Indicators” or “DLIs” means a set of indicators as specified in Schedule 4 to this Agreement.

8. “Disbursement-Linked Results” or “DLRs” means a set of quantitative results associated with each DLI as specified in Schedule 3 to this Agreement.

9. “EEP” or “Eligible Expenditure Programs” means a set of defined expenditures for goods, consulting and non-consulting services, Training and Operating Costs made by the Recipient under Part A of the Project.

10. “EEP Spending Reports” means the bi-annual reports prepared by the Independent Verifiers in accordance with the details provided in the Project Implementation Manual to make disbursement recommendations for each Withdrawal based on the spending status of the Eligible Expenditure Programs under Part A.3 of the Project and the compliance with the Disbursement-Linked Indicators.

12. “Eligible Federal Member States” means the existing states of the Recipient established pursuant to the Constitution of the Recipient, including emerging member states, and the Benadir Regional Administration, all which meet the criteria set out in the Project Operations Manual for participation in the Project.


15. “Federal Ministry of Finance” means the Recipient’s ministry at the time responsible for finance, or any successor thereto.

16. “Financing Agreement” means the Financing Agreement for the Project between the Recipient and the International Development Association, dated the same date as this Agreement, as such Financing agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements.

17. “Fiscal Year” or “FY” means the Recipient’s fiscal year commencing on January 1 of each year and ending on December 31 of the same year.


19. “Independent Verifiers” means: (a) for the purpose of Part A.3 of the Project, the independent verifiers referred to in Section I.D of Schedule 2 to this Agreement, recruited, in order to prepare the EEP Spending Reports under Part A.3 of the Project: and (b) for the purpose of Parts A.1, A.2 and D of the Project, the independent verifier(s) referred to in Section I.E of Schedule 2 to this Agreement, recruited, in order to provide the verification of the eligible expenditures under the Subproject Grants for Parts A.1, A.2 and C of the Project.

20. “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.C 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.
21. "Original Project" means the Project described in Schedule 1 to the Original SMPF Grant Agreement.

22. "Original SMPF Grant Agreement" means the SMPF Trust Fund Grant Agreement for Recurrent Cost and Reform Financing Project, between the Recipient and the Association (acting as an administrator of the Somalia Multi-Donor Partner Fund Trust Fund), dated June 29, 2015 (SMPF Trust Fund Number TF0A0534 and TF0A6971), as amended.

23. "Project Operations Manual" means the Recipient’s manual dated November 2016, and to be updated in accordance with the provisions of Section I.C.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.


25. "Project Steering Committee" means a committee of the Recipient referred to Section I.A.2 of Schedule 2 to this Agreement.

26. "Project Technical Team" means the technical team of the Recipient referred to Section I.A.4 of Schedule 2 to this Agreement.

27. "Public Financial Management Reform Coordinating Unit" or "PFMRCU" means the unit referred to in Section I.A.3 of Schedule 2 to this Agreement.

28. "Sub-Project" means a program of activities referred to in Part C of the Project, and designed to be implemented by one or more Federal Member States.

29. "Subproject Grant" means a grant made or proposed to be made by the Recipient to finance a Subproject.

30. "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.

31. "Withdrawal" means each withdrawal under Category (2) of the table in Section IV of Schedule 2 to this Agreement.

32. "World Bank Environmental and Social Safeguard Policies" means the World Bank’s operational policies and procedures set forth in the World Bank’s
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.

4. A third schedule (Schedule 3 – Disbursement Linked Indicators) is inserted in the Original SMPF Grant Agreement as set forth in Schedule 3 to this Agreement.

5. The Appendix to the Original SMPF Grant Agreement is modified as follows:

   (a) Paragraphs 11 and 27 of the Appendix are modified as follows:

   11. “Eligible Federal Member States” means the existing states of the Recipient established pursuant to the Constitution of the Recipient, including emerging member states, and the Benadir Regional Administration, all which meet the criteria set out in the Project Operations Manual for participation in the Project.

   27. “Sub-Project” means a program of activities referred to in Part C of the Project, and designed to be implemented by one or more Eligible Federal Member States.

   (b) The following paragraphs are inserted immediately after paragraph 29 of the Appendix:

   30. “Benadir Regional Administration” or “BRA” means the regional authority established and operating as a regional member state administration referred to in Article 48 of the Recipient’s Constitution.

   31. “Disbursement-Linked Indicators” or “DLIs” means a set of indicators as specified in Schedule 4 to this Agreement.

   32. “Disbursement-Linked Results” or “DLRs” means a set of quantitative results associated with each DLI as specified in Schedule 3 to this Agreement.
33. "EEP" or "Eligible Expenditure Programs" means a set of defined expenditures for goods, consulting and non-consulting services, Training and Operating Costs made by the Recipient under Part A of the Project.

34. "EEP Spending Reports" means the bi-annual reports prepared by the Independent Verifiers in accordance with the details provided in the Project Implementation Manual to make disbursement recommendations for each Withdrawal based on the spending status of the Eligible Expenditure Programs under Part A.3 of the Project and the compliance with the Disbursement-Linked Indicators.

35. "Eligible Civil Servant" means a civil service employee of the Recipient’s non-security sectors who meets the eligibility criteria set forth in the Project Operations Manual and includes teachers, education officials and health workers.

36. "Eligible Federal Member States" means the existing states of the Recipient established pursuant to the Constitution of the Recipient, including emerging member states, and the Benadir Regional Administration, all which meet the criteria set out in the Project Operations Manual for participation in the Project.

37. "Independent Verifiers" means the independent verifiers referred to in Section I.C of Schedule 2 to this Agreement, recruited, in order to prepare the EEP Spending Reports under Part A.3 of the Project, and to provide the verification of the eligible expenditures under the Subproject Grants for Part C of the Project.

38. "Withdrawal" means each withdrawal under Category (2) of the table in Section IV of Schedule 2 to this Agreement.