Financing Agreement

(Reengagement and Reform Development Policy Financing)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
AGREEMENT dated as of the Signature Date between the FEDERAL REPUBLIC OF SOMALIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS:

(A) the Recipient is implementing a program of actions, objectives and policies designed respectively to assist the Recipient to meet its commitment in an effort towards clearing its arrears to the Association;

(B) the Recipient having satisfied itself as to the feasibility and priority of the Program, has requested the Association to assist in financing the Program;

(C) the Association has decided to provide this financing on the basis, inter alia, of the foregoing considerations, as well as: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of the Schedule to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework.

THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a grant, in two portions as set forth below, which is deemed as Concessional Financing for purposes of the General Conditions, namely:

(a) a first portion for an amount equivalent to two hundred seventy-one million two hundred thousand Special Drawing Rights (SDR 271,200,000) ("Portion A of the Financing"); and
2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Payment Dates are April 15 and October 15 in each year.

2.04. The Payment Currency is Dollar.

2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of the Schedule to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension is that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:
(a) the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework; and

(b) the Recipient has fully repaid all outstanding principal, interest charges, service charges or any other charges, due to the Association under any agreement between the Recipient and the Association.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI—REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Recipient’s Minister for Finance.

6.02. For purposes of Section 11.01 of the General Conditions the Recipient’s address is:

Ministry of Finance
Corso Somalo Street
Shangani District
Mogadishu, Somalia

6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
AGREED as of the Signature Date.

FEDERAL REPUBLIC OF SOMALIA

By

[Signature]

Authorized Representative

Name: Dr. Abdirahman D. Beileh
Title: Minister of Finance
Date: February 27, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: C. Felipa Jaramillo
Title: Country Director
Date: February 27, 2020
SCHEDULE

Program Actions; Availability of Financing Proceeds

Section I.  Actions under the Program

The actions taken by the Recipient under the Program include the following:

Strengthening Fiscal Management

1. To increase transparency and accountability of debt management, the Recipient has enacted the Public Financial Management Law.

2. To increase revenue mobilization potential, the Recipient has enacted the Revenue Administration Law.

3. The Recipient’s Ministry of Fisheries and Marine Resources has signed an agreement with the fishing ministries of the five (5) Federal Member States that defines how fishing license revenue will be allocated between federal and state governments.

Promote Inclusive Private Sector-Led Growth

4. To strengthen the environment for private sector competition and market entry and exit, the Recipient has enacted the Company Law.

5. To strengthen the mobile money payments system and support growth of the digital economy, the Recipient’s National Communications Authority has issued the Interconnection Regulations providing for interconnection among telecommunication operators.

6. To strengthen its oversight over mobile payments, the Central Bank of Somalia has issued the Mobile Money Regulations (CBS/NBS/REG/06).

Section II.  Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:
### Allocations

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of Portion A of the Financing Allocated (expressed in SDR)</th>
<th>Amount of Portion B of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>271,200,000</td>
<td>32,600,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>271,200,000</td>
<td>32,600,000</td>
</tr>
</tbody>
</table>

C. **Withdrawal Tranche Release Conditions.** No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (i) with the Program being carried out by the Recipient; and (ii) with the adequacy of the Recipient’s macroeconomic policy framework.

D. **Deposit of Financing Amounts.**

1. Notwithstanding the provisions of Section 2.03 of the General Conditions, all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association and in accordance with the irrevocable instructions issued by the Recipient to the Association for this purpose.

2. The Recipient, within thirty (30) days after the withdrawal of Portion B of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; (b) the details of the Recipient’s treasury single account to which the proceeds of Portion B of the Financing will be/have been credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s financial management information system (i.e. the Recipient’s budget management systems); and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions.

E. **Audit.** Upon the Association’s request, the Recipient shall:

(a) have the account referred to in Section 2.03(a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report
publicly available in a timely fashion and in a manner acceptable to the Association; and

(c) furnish to the Association such other information concerning the account referred to in Section .2.03(a) of the General Conditions and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is July 15, 2021.
APPENDIX

Definitions


3. “Federal Member States” means each of the federal sub-sovereign entities comprised by the Recipient pursuant to Articles 48 and 49 of the Recipient’s Provisional Constitution of 2012.


5. “Interconnection Regulations” means the National Communications Authority’s Regulation Number IR002, published on October 24, 2019 at the National Communications Authority’s website.

6. “Ministry of Fisheries and Marine Resources” means the Recipient’s Ministry of Fisheries and Marine Resources, responsible for creating an enabling environment for sustainable development of coastal fishing economy and food security, while conserving the fishing ecosystem along the Recipient’s coastline and territorial waters and protecting the Recipient’s coastal communities.

7. “Mobile Money Regulations” means the CBS’ Mobile Money Regulations 2019 (Ref: CBS/NBS/REG/06), approved by the Board of Directors of CBS pursuant to the Board of Directors’ Resolution 40/A_2019 of July 25, 2019.

8. “National Communications Authority” means the Recipient’s National Communications Authority, a regulatory body established pursuant to the Recipient’s Communications Act (Law No 5 of October 2, 2017) in order to regulate the Recipient’s communications sector.

9. “Portion A of the Financing” means the portion of the Grant set forth in Section 2.01(a) of this Agreement.

10. “Portion B of the Financing” means the portion of the Grant set forth in Section 2.01(b) of this Agreement.
11. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated January 23rd, 2020 (MOF/OM/14/20) from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of the Schedule to this Agreement, and actions to be taken consistent with the program’s objectives.


14. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

15. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of the Schedule to this Agreement.

16. “Somalia” means the Federal Republic of Somalia, i.e. the Recipient.