July 22, 2015

H.E Mohamed Adan Ibrahim
Minister of Finance
Federal Government of Somalia
Villa Somalia
Mogadishu, Somalia

Your Excellency:

Second Somalia Public Financial Management Capacity Strengthening Project
(SMPF Grant No. TF0A0681)

I am writing on behalf of the International Development Association ("IDA") to indicate IDA’s agreement, acting as administrator of the Somalia Multi Partner Fund ("SMPF"), to make a grant in an amount not exceeding one million United States Dollars ($1,000,000) (the Grant) to the Federal Government of Somalia (the Recipient).

The Grant is made in response to the Recipient’s request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient hereby confirms its request that IDA carry out the activities described in paragraph 1 of the Annex to this Letter Agreement, and represents that it is authorized to contract the Grant for the said purposes and on the said terms and conditions.

Please note that it is IDA’s policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.

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Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by IDA of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Preeti Arora
Acting Country Director for Somalia
Africa Region

AGREED:
FEDERAL REPUBLIC OF SOMALIA

[Signature]

Name: Mohamed Ibrahim
Title: Finance Minister
Date: 30/7/15
ANNEX

Purposes, Terms and Conditions of the Grant

1. The purpose of the Grant is to assist in the implementation of the Second Public Financial Management Capacity strengthening Project, which has as main objective the establishment and strengthening of institutional capacity for the management of public funds in central finance agencies and targeted sectors (the Project). The activities (the Activities) for which the Grant is provided consist of the following parts.

Part A: Social Accountability and Open Government Data

1. Digitizing fiscal data and information and supporting its dissemination in accessible formats.
2. Creating user friendly budget monitoring tools and methods and supporting public and civil society organizations to jointly implement these tools and methods.
3. Creating feedback mechanisms to enable engagement of civil society in budget planning and execution.
4. Conducting public expenditure tracking surveys with the participation of civil society to inform policy choices.

Part B: Public Financial Management Analytics and Studies

1. Carrying out of public expenditure and financial accountability assessments.
2. Developing tools and carrying out of citizens’ satisfaction surveys on public financial management issues.
3. Carrying out of efficiency, effectiveness and accountability assessments for selected airports and sea ports.
4. Carrying out of demand driven policy notes, studies and assessments.
2. The Grant shall be used to finance consultants’ services, goods, non-consulting services, travel, accommodation and per diem of Project staff, and training (meaning costs 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).

3. The Bank shall carry out the Activities on behalf of the Recipient. The Recipient shall cooperate with IDA to the extent necessary to permit IDA to carry out the Activities promptly and effectively, and to evaluate the results of the Activities. The Recipient shall indemnify IDA against any costs or liabilities incurred by IDA as a result of claims against IDA in connection with the Activities, except those resulting from the gross negligence or willful misconduct of its staff or external consultants.

4. IDA shall carry out the Activities pursuant to this Letter Agreement only to the extent that the Grant funds required for such Activities are available to IDA from the Somalia Multi Partner Fund.

5. The Activities shall be completed by not later than April 30, 2018, or such later date as IDA may establish by notice to the Recipient (the Closing Date). After the Closing Date, IDA may at any time cancel the remaining balance of the Grant.

6. The engagement and supervision of the consultants (the Consultants) required to assist in the carrying out of the Activities shall be the responsibility solely of IDA and shall be done according to the Bank’s applicable procedures.

7. The Recipient may at any time request IDA in writing to terminate the Activities. Whether or not the Recipient has made such a request, IDA may at any time suspend or, after consultation with the Recipient, terminate the right of the Recipient to receive Grant funds for the Activities if any of the following events has occurred and is continuing: (a) the Recipient has failed to perform any of its obligations under this Letter Agreement; or (b) the right of the Recipient or any other entity to which the International Bank for Reconstruction and Development (the IBRD) has made a loan with the guarantee of the Federal Republic of Somalia, to make withdrawals under any loan agreement with the IBRD or any development credit, grant or financing agreement with IDA has been suspended. IDA may also terminate the right of the Recipient to receive Grant funds if: (a) IDA has decided, at any time after consultation with the Recipient, to withdraw its support to the Project; or (b) the Recipient has withdrawn its request for IDA’s assistance in the financing of the Project.

9. IDA is not an agent of, or trustee for, the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any portion of the Grant that is not expended by IDA pursuant to this Letter Agreement.