

No. 12307

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**INTERNATIONAL DEVELOPMENT ASSOCIATION,  
SOMALIA AND AFRICAN DEVELOPMENT BANK**

**Joint Financing Agreement—*Second Highway Project* (with  
schedules). Signed at Washington on 30 March 1972**

*Authentic text : English.*

*Registered by the International Development Association on 22 February  
1973<sup>1</sup>.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT,  
SOMALIE ET BANQUE AFRICAINE  
DE DÉVELOPPEMENT**

**Contrat de financement conjoint — *Deuxième projet relatif  
au réseau routier* (avec annexes). Signé à Washington  
le 30 mars 1972**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 22 février  
1973<sup>1</sup>.*

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<sup>1</sup> Owing to an administrative oversight registration of the Agreement, which was received for the purpose of registration from the International Development Association on 22 September 1972, was not effected until 22 February 1973 — Par suite d'une erreur administrative l'enregistrement de cet Accord, qui avait été reçu aux fins d'enregistrement de l'Association internationale de développement dès le 22 septembre 1972, n'a pas pu être effectué avant le 22 février 1973.

## JOINT FINANCING AGREEMENT<sup>1</sup>

AGREEMENT, dated March 30, 1972, between SOMALI DEMOCRATIC REPUBLIC (hereinafter called Somalia), AFRICAN DEVELOPMENT BANK (hereinafter called ADB) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) by a loan agreement with Somalia dated December 10, 1971 ADB has agreed to make available to Somalia a loan of an amount not exceeding the equivalent of one million Units of Account (1,000,000 U.A.) (the Unit of Account being defined in Article 5 (1) (b) of the Agreement establishing the African Development Bank<sup>2</sup>), to assist in financing a second highway project, as such project is described in Schedule 2 to this Agreement;

(B) by a development credit agreement with Somalia of even date herewith<sup>3</sup> the Association has agreed to make available to Somalia a credit in a principal amount in various currencies equivalent to nine million six hundred thousand United States dollars (\$ 9,600,000) for the purposes aforementioned; and

(C) the parties hereto deem it to be in their mutual interest that the allocation, withdrawal and use of the proceeds of such loan and credit and the execution of the project to be financed thereby, as well as other matters relating thereto, be regulated as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I. DEFINITIONS*

*Section 1.01.* Unless the context otherwise requires, the following terms wherever used in this Agreement shall have the following meanings :

(a) The term "ADB Loan Agreement" means the agreement referred to in Recital (A) to this Agreement, as from time to time amended.

(b) The term "IDA Credit Agreement" means the agreement referred to in Recital (B) to this Agreement, as from time to time amended.

(c) The term "ADB Loan" means the loan provided for in the ADB Loan Agreement.

(d) The term "IDA Credit" means the credit provided for in the IDA Credit Agreement.

(e) The term "ADB Loan Account" means the account established pursuant to the ADB Loan Agreement.

(f) The term "IDA Credit Account" means the account established under the IDA Credit Agreement.

(g) The term "Project" means the Project described in Schedule 2 to this Agreement.

<sup>1</sup> Came into force on 11 May 1972, upon notification by the Association to the Government of Somalia and the African Development Bank.

<sup>2</sup> United Nations, *Treaty Series*, vol. 510, p. 3.

<sup>3</sup> *Ibid.*, vol. 840, p. 121.

(h) The term “goods” means civil works, equipment, materials, supplies and services required for the Project.

*Article II. ALLOCATION AND WITHDRAWAL OF PROCEEDS OF ADB LOAN AND IDA CREDIT*

*Section 2.01.* Subject to the rights of suspension and cancellation set forth in the ADB Loan Agreement and the IDA Credit Agreement, and subject to the provisions of Section 2.02 (c) of the IDA Credit Agreement, the amount of the ADB Loan and the IDA Credit may be withdrawn from the ADB Loan Account and the IDA Credit Account, respectively, in accordance with the provisions of this Agreement and with the allocation of the proceeds of the ADB Loan and the IDA Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement among the parties to this Agreement.

*Section 2.02.* Somalia shall be entitled to withdraw from the ADB Loan Account and from the IDA Credit Account such amounts as shall have been paid, or, if ADB and the Association shall so agree, as shall be required to meet payments to be made, for the reasonable cost of goods required for the Project.

*Section 2.03. (a)* When Somalia shall desire to withdraw any amount of the ADB Loan and the IDA Credit, Somalia shall deliver to ADB and the Association identical written applications in such form and containing such statements and agreements as the Association, acting on behalf of ADB and the Association, shall reasonably request. Applications for withdrawal, with the necessary documentation as hereinafter provided, shall, except as ADB, the Association and Somalia shall otherwise agree, be made promptly in relation to expenditures for the Project.

*(b)* Somalia shall furnish to ADB and the Association such documents and other evidence in support of the applications as the Association, acting on behalf of ADB and the Association, shall reasonably request, whether before or after ADB and the Association shall have, pursuant to Section 2.04 of this Agreement, approved any withdrawal requested in the application.

*(c)* Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy ADB and the Association that Somalia is entitled to withdraw from the ADB Loan Account and the IDA Credit Account respectively the amount applied for and that such amount is to be used only for the purposes specified in this Agreement.

*Section 2.04.* Each such application by Somalia for withdrawal shall be deemed to be a request to withdraw funds from the ADB Loan Account and from the IDA Credit Account and, after approval of such application by the Association, acting on behalf of ADB and the Association, the funds to be withdrawn pursuant to such application shall be apportioned by the Association between the ADB Loan and the IDA Credit in the ratio of 1:9, or such other ratio as shall be agreed between ADB and the Association. The Association shall promptly notify ADB of such approval and apportionment.

*Section 2.05. (a)* When the Association shall have approved an application by Somalia for withdrawal, the Association shall pay the amount, if any, which Somalia is entitled to withdraw from the IDA Credit Account to or on the order of Somalia in accordance with the provisions of the IDA Credit Agreement.

(b) Upon receipt of notice of approval and apportionment referred to in Section 2.04 of this Agreement, ADB shall, subject to the rights of suspension and cancellation of the ADB Loan set forth in the ADB Loan Agreement, pay the amount so to be withdrawn from the ADB Loan Account in the currency and to the payee stated in the notice.

(c) ADB and the Association shall promptly inform each other of any payments made under paragraphs (b) and (a) respectively of this Section.

*Section 2.06.* (a) If at any time the amount of the ADB Loan shall have been fully withdrawn or cancelled, applications by Somalia for further withdrawals shall be deemed to be requests for withdrawal from the IDA Credit Account only of up to one hundred per cent of the amount applied for and the provisions of this Article II shall continue to apply *mutatis mutandis* until the full amount credited or to be credited to such Account shall have been withdrawn or cancelled.

(b) If at any time the amount of the IDA Credit shall have been fully withdrawn or cancelled, applications by Somalia for further withdrawals shall be deemed to be requests for withdrawal from the ADB Loan Account only of up to one hundred per cent of the amount applied for and the provisions of this Article II shall continue to apply *mutatis mutandis* until the full amount credited or to be credited to such account shall have been withdrawn or cancelled.

*Section 2.07.* Upon Somalia's request and upon such terms as shall be agreed among ADB, the Association and Somalia, ADB and the Association may enter into special commitments in writing to pay amounts to Somalia or others in respect of the cost of goods required for the Project. Any such special commitment by ADB and the Association shall constitute an obligation on the part of ADB and the Association to pay, notwithstanding any subsequent suspension or cancellation of the ADB Loan or the IDA Credit and in conformity with the foregoing Sections 2.05 and 2.06, such amount of the special commitment, as agreed pursuant to Section 2.04 of this Agreement.

### *Article III.* THE PROJECT; USE OF PROCEEDS OF THE ADB LOAN AND THE IDA CREDIT

*Section 3.01.* (a) Somalia shall carry out the Project and cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices.

(b) Somalia shall provide, promptly as needed, all goods and all funds, facilities, services and other resources required for carrying out, operating and maintaining the Project.

*Section 3.02.* The Ministry of Public Works of Somalia shall be entrusted with carrying out the Project.

*Section 3.03.* In order to assist Somalia in carrying out the Project, Somalia shall employ consultants acceptable to and upon terms and conditions satisfactory to the Association, acting on behalf of ADB and the Association.

*Section 3.04.* In carrying out the Project, Somalia shall employ contractors acceptable to and upon terms and conditions satisfactory to the Association, acting on behalf of ADB and the Association.

*Section 3.05.* Except as the Association shall otherwise agree, the general design standards to be used for the highway included in Part A of the Project shall be as set forth in Schedule 3 to this Agreement.

*Section 3.06.* Without restriction or limitation upon the provisions of Section 3.01 of this Agreement, Somalia shall maintain a special fund (hereinafter called the Project Revolving Fund) to be used exclusively to make payments for the cost of goods required to carry out the Project. Somalia shall deposit or cause to be deposited in the Project Revolving Fund all amounts as shall be, from time to time required to permit such payments to be made, promptly as needed, out of the Project Revolving Fund, including amounts sufficient to meet two months estimated average payments of costs of the Project. Somalia shall maintain or cause to be maintained records adequate to reflect, in accordance with consistently maintained sound accounting practices, the operations and financial condition of the Project Revolving Fund.

*Section 3.07. (a)* Somalia shall apply the proceeds of the ADB Loan and the IDA Credit to expenditures on the Project in accordance with the provisions of this Agreement.

*(b)* Except as the Association shall otherwise agree, the goods in Category I of Schedule I to this Agreement to be financed out of the proceeds of the ADB Loan and the IDA Credit shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

*(c)* Except as the Association shall otherwise agree, Somalia shall cause all goods financed out of the proceeds of the ADB Loan and the IDA Credit to be used exclusively in the carrying out of the Project.

*Section 3.08. (a)* Somalia shall furnish to ADB and the Association, promptly upon their preparation, the plans and specifications for the Project and any material modifications or amplifications thereof, in such detail as the Association shall reasonably request.

*(b)* Somalia: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods financed out of the proceeds of the ADB Loan and the IDA Credit, and to disclose the use thereof in the Project; (ii) shall enable representatives of ADB and the Association jointly or independently to inspect the Project, the goods financed out of the proceeds of the ADB Loan and the IDA Credit and any relevant records and documents; and (iii) shall furnish to ADB and the Association all such information as ADB and the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the ADB Loan and the IDA Credit and the goods financed out of such proceeds.

*Section 3.09.* Somalia shall make arrangements satisfactory to the Association to ensure that foreign currency due to contractors employed in carrying out the Project be duly remitted to such contractors in their respective countries.

*Section 3.10.* Somalia shall issue promptly import licenses, visas, work permits and other necessary documents and take any other action required to facilitate

the import by the contractor and the consultants of the equipment, materials and personnel required for the Project.

*Section 3.11.* Somalia shall take or cause to be taken all such action as shall be necessary to acquire, as and when needed, all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Association, promptly after such acquisition, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

#### *Article IV. PARTICULAR COVENANTS OF SOMALIA*

*Section 4.01.* (a) Somalia shall establish and maintain facilities adequate to collect and record, in accordance with appropriate statistical methods and procedures, such information concerning road traffic, road construction and maintenance costs as shall be reasonably required for proper planning of maintenance, improvements and extensions of its highway system.

(b) Somalia shall take all measures reasonably necessary to ensure at all times that the dimensions and axle loads of the vehicles using its highways do not exceed limits consistent with the design standards of such highways.

*Section 4.02.* Somalia shall cause its highway system to be adequately maintained in accordance with sound engineering practices, and shall provide promptly as needed, the funds, equipment, facilities, staff, services and other resources required for the purpose.

*Section 4.03.* This Agreement shall be free from any taxes imposed under the laws of Somalia or laws in effect in the territories of Somalia on or in connection with the execution, delivery or registration thereof.

#### *Article V. CONSULTATION, INFORMATION AND INSPECTION*

*Section 5.01.* Somalia, ADB and the Association shall cooperate fully to assure that the purposes of the ADB Loan and the IDA Credit will be accomplished. To that end, Somalia, ADB and the Association shall from time to time, at the request of any party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the ADB Loan Agreement, the IDA Credit Agreement and this Agreement, the administration, operations and financial condition, in respect of the Project, of the departments or agencies of Somalia responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the ADB Loan and IDA Credit; and
- (b) furnish to any other party all such information as it shall reasonably request with regard to the general status of the ADB Loan and IDA Credit. On the part of Somalia, such information shall include information with respect to financial and economic conditions in the territories of Somalia and its international balance of payments position.

*Section 5.02.* (a) Somalia shall furnish or cause to be furnished to ADB or the Association all such information as ADB or the Association shall reasonably request concerning the operations and financial condition, in respect of the Project, of the departments or agencies of Somalia responsible for carrying out the Project or any part thereof.

(b) Somalia, ADB and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the ADB Loan or IDA Credit, the maintenance of the service thereof, or the performance by any of them of its obligations under the ADB Loan Agreement, the IDA Credit Agreement and this Agreement.

*Section 5.03.* Somalia shall afford all reasonable opportunity for accredited representatives of ADB and the Association to visit any part of the territories of Somalia for purposes related to the IDA Credit and ADB Loan.

*Article VI. MISCELLANEOUS*

*Section 6.01.* Any notice or request required or permitted to be given or made under this Agreement and any agreement contemplated by this Agreement shall be made in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified below or at such other address as such party shall have designated by notice to the party giving such notice or making such request :

For Somalia :

Ministry of Finance  
Government of the Somali Democratic Republic  
Mogadiscio  
Somalia  
Cable address :  
Minfin  
Mogadiscio

For ADB :

African Development Bank  
P.O. Box 1387  
Abidjan  
Ivory Coast  
Cable address :  
Afdev  
Abidjan

For the Association :

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

*Section 6.02.* Somalia shall furnish to ADB and the Association sufficient evidence of the authority of the person or persons who will, on behalf of Somalia,

take any action or execute any documents required or permitted to be taken or executed by Somalia under this Agreement, and the authenticated specimen signature of each such person.

*Section 6.03.* The Secretary of State for Finance of Somalia is designated as the representative of Somalia to take any action or execute any documents required or permitted to be taken or executed by Somalia under this Agreement.

*Section 6.04.* This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

*Section 6.05.* (a) Except as shall otherwise be agreed by the parties hereto, this Agreement shall become effective on the earliest date upon which the ADB Loan Agreement and the IDA Credit Agreement shall both be in effect.

(b) If the IDA Credit Agreement terminates for failure to become effective in accordance with its terms, this Agreement shall forthwith terminate and the Association shall promptly notify the other parties of such termination.

*Section 6.06.* This Agreement and all obligations of the parties hereto hereunder shall terminate on the date upon which both the ADB Loan Agreement and the IDA Credit Agreement shall have terminated.

*Section 6.07.* Upon termination of the ADB Loan Agreement, or the IDA Credit Agreement only, ADB or the Association, as the case may be, shall promptly notify the other parties hereto and, upon such notification, this Agreement shall continue to remain in force and effect only for the purpose of implementation of the ADB Loan Agreement or the IDA Credit Agreement and of orderly settlement of matters of common interest to the parties hereunder, subject to such modifications of this Agreement as shall be agreed among the parties hereto or as shall be reasonably requested by ADB or the Association for such purposes.

*Section 6.08.* Unless otherwise notified to Somalia and the Association by ADB, the Association shall represent ADB in all matters relating to the implementation of this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names, and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Somali Democratic Republic :

By A. A. ADDOU  
Authorized Representative

African Development Bank :

By M. A. ALAMOODY  
Authorized Representative

International Development Association :

By M. SHOAI B  
Vice President



## SCHEDULE 1

## ALLOCATION OF THE PROCEEDS OF THE ADB LOAN AND OF THE IDA CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the ADB Loan and of the IDA Credit, the allocation of amounts of such proceeds to each category and the percentage of eligible expenditures so to be financed in each category :

Category	Amount of the Credit Allocated (Expressed in United States Dollar Equivalent)		% of Expenditures to be Financed
	ADB	IDA	
	I. Civil works under Part A of the Project . . . . .	750,000	
II. Consultants' services for carrying out Part B of the Project . . . . .	110,000	1,150,000	100% of total expenditures
III. Unallocated . . . . .	220,000	1,400,000	
	<u>TOTAL 1,080,000</u>	<u>9,600,000</u>	

2. For the purpose of this Schedule the term "total expenditures" means the aggregate of expenditures for goods or services excluding payments for taxes imposed under the laws of Somalia or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures prior to the date of this Agreement, except that withdrawals may be made in respect of Category II for Part B (i) of the Project on account of expenditures incurred after May 1, 1971 in an aggregate amount not exceeding the equivalent of \$ 20,000.

4. Notwithstanding the allocation of an amount of the proceeds of the ADB Loan or of the IDA Credit set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the proceeds of the ADB Loan or of the IDA Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the ADB Loan and of the IDA Credit; and
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of Somalia to such Category from the unallocated amount of the proceeds of the ADB Loan and of the IDA Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under any Category shall increase and no proceeds of the ADB Loan or of the IDA Credit are available for reallocation to such Category, the Association may, by notice to Somalia, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The Project consists of :

*Part A.* Construction (including paving) of a two-lane highway between Hargeisa and Berbera (about 158 km).

*Part B.* Consulting services for :

- (i) assistance in the prequalification of contractors, evaluation of contract bids and the award of contracts for the highway referred to in Part A above;
  - (ii) supervision of construction of the road under Part A above;
  - (iii) preparation of a feasibility study and, if it confirms the technical and economic feasibility, subsequent detailed engineering of the Hargeisa-Borama highway (about 140 km) with a spur to Tug Wajale (about 20 km); and
  - (iv) technical assistance in transport planning.
- The Project is expected to be completed by December 31, 1974.

### SCHEDULE 3

#### DESIGN STANDARDS

Design Speed (km) . . . . .	80
Width of Roadway (m) . . . . .	9
Width of Surfacing (m) . . . . .	6.50
Width of Shoulders (m) . . . . .	1.25 each
Minimum Radius of Curvature (m) . . . . .	400
Maximum Grade . . . . .	7%
Depth of Ditches (m) . . . . .	0.5
Type of Surface . . . . .	Double bituminous surface treatment
Main Drainage Structures . . . . .	Irish crossing (paved fords)
Axle Load . . . . .	10 metric tons

### SCHEDULE 4

#### PROCUREMENT

With respect to the contract for civil works :

1. Contractors shall have been prequalified according to the Association's procedures.
2. The contract shall be on a unit price basis. For the purposes of bidding, the highway shall be tendered as one bidding section.
3. Before bids are invited, Somalia shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents and shall make such modifications in the said documents as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before they are issued to the prospective bidders.
4. A period of at least 60 days shall be allowed for submission of bids from pre-qualified bidders. Bids shall be accompanied by a bid bond or bank guarantee amounting to five hundred thousand Somalia Shillings.
5. The bidding documents shall contain, *inter alia*, the following requirements :
  - (a) that the successful bidder shall be required to furnish, at his option, either a 100% performance bond or a bank guarantee by an acceptable financial institution in an amount of 10% of the contract price, which bond or guarantee shall remain in effect until the maintenance certificate has been issued under the terms of the contract.
  - (b) that the contract with the successful bidder shall contain the following provisions :
    - (i) retention by Somalia of 10% of the cost of works on each monthly invoice up to a limit of 5% of the contract sum. One-half of the retention moneys shall be released when all work has been substantially completed, and the other half after termination of the contractor's responsibility in respect of defects. In lieu of such retention the contractor may, at his option, substitute a bank guarantee;

- (ii) the warranty period during which the contractor remains responsible in respect of defects in the works (fair wear and tear excepted) shall extend for one year after acceptance of the work.

6. After bids have been received and evaluated, Somalia shall, before the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report by the consultants, referred to in Section 3.03 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of such consultants and the reasons for the intended award. The Association shall promptly inform Somalia whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 3.07 (b) of this Agreement or with the Development Credit Agreement, and shall state the reasons for any objections it may have.

7. If the contract shall be awarded over the Association's reasonable objection, or if its terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the ADB Loan and IDA Credit.

8. Somalia shall furnish to ADB and the Association two signed copies each of the contract promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the ADB Loan Account or the IDA Credit Account in respect of any such contract.