Financing Agreement

(Additional Financing for the Social Safety Net Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 8, 2014
FINANCING AGREEMENT

AGREEMENT dated December 8, 2014, entered into between REPUBLIC OF DJIBOUTI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). 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) 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are March 1 and September 1 in each year.
2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is US Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association 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 IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Economy and Finance in charge of Industry.

6.02. The Recipient’s Address is:

Ministry of Economy and Finance in charge of Industry
BP 13
Djibouti City
Republic of Djibouti

Facsimile:
(253) 21 35 6501/ (253) 21 35 8135

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at **Djibouti**, Republic of Djibouti, as of the day and year first above written.

**REPUBLIC OF DJIBOUTI**

By

[Signature]

Authorized Representative

Name: **Ilyas Moussa DAWALEH**
Title: **Minister of Economy and Finance in Charge of Industry**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

[Signature]

Authorized Representative

Name: **Vahman Zahra Fotouhi**
Title: **Resident Representative**
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) support the provision of short-term employment opportunities in community-based labor-intensive works for the poor and vulnerable; and (ii) support the improvement of nutrition practices among participating households focusing on pre-school children and pregnant/lactating women.

The Project consists of the following parts:

Part A. Community-based labor-intensive works and services

Provision of works, goods and consultants’ services, including Training for:

(i) the development of a workfare program providing for short-term employment to able-bodied members of vulnerable/poor households through: (a) small civil works at the community level, such as the pavement of existing footpaths, the construction of stairs and small bridges along those footpaths, to improve pedestrian circulation between key community facilities; and (b) services at the community level such as garbage collection, and routine or periodic maintenance of existing footpaths; and

(ii) provision of Training for skills development of beneficiaries.

Part B. Nutrition-based social assistance to support investments in human capital

Provision of goods and consultants’ services, including Training, for the following activities to be carried out in Balbala area, Dikhil ville, Obock ville and selected villages in the Tadjourah, Ali Sabieh and Arta regions:

(i) conducting sensitization sessions and community-based growth monitoring through, inter alia: (a) sessions on the importance of good nutrition practices, the appropriate utilization of key micronutrients, the importance of education, improved care practices for children; (b) cooking demonstration using available nutritious foods; and (c) home visits by a community worker;

(ii) provision of food supplements to beneficiary households during the lean season;

(iii) developing and conducting Training on the prevention of malnutrition and promoting growth and child development through sensitization, in partnership with the MoH; and
(iv) providing support to the MoH with respect to the prevention of malnutrition at the community level through Training, workshops and provision of goods for the health centers.

Part C. Targeting, Monitoring and Evaluation

Provision of goods and consultants' services, including Training for built-in monitoring and quantitative and qualitative evaluation of the Project through:

(i) developing a baseline and follow-up survey, setting-up lists of beneficiaries and needs assessment, establishing monitoring and evaluation mechanism for regular monitoring of process and outputs over the community works and services period; and

(ii) developing a social registry of poor and vulnerable households.

Part D. Project management and administration

Provision of goods, consultants' services, including audit and Training, and Operational Costs for purposes of Project management and implementation.
SCHEDULE 2

Project Execution

Section 1. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall cause the PIE to ensure the implementation and coordination of the Project and to undertake the fiduciary support of the implementation of the Project, including the disbursement, financial management, procurement, environmental and social safeguards activities, as well as monitoring and evaluation.

2. With respect to Part B of the Project, the Recipient shall and shall cause the PIE to: (i) implement the Project in collaboration with the MoI under the Framework Agreement; (ii) ensure that all supplementation and distribution protocols are in line with the latest WHO recommendations and evidence of best practices; and (iii) select the NGOs and/or facilitators in accordance with the eligibility criteria set forth in the POM and evaluate their activity based on performance indicators established in the POM. The Recipient shall ensure that the Original Framework Agreement shall be amended in a manner satisfactory to the Association not later than two (2) months after the Effective Date.

3. Throughout the period of implementation of the Project, the Recipient shall and shall cause the PIE to carry out the Project in accordance with the provisions of the POM and shall not amend, suspend, abrogate, repeal or waive any of its provisions without the prior approval of the Association. The Recipient shall adopt the POM, satisfactory to the Association, not later than two (2) months after the Effective Date.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity on a grant basis under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions which shall include, inter alia:
(i) the obligations and commitments of the Project Implementing Entity with respect to the carrying out of the Project;

(ii) the terms and conditions under which the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity;

(iii) the obligation for the Project Implementing Entity to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Anti-Corruption

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

D. Safeguards.

1. The Recipient shall cause the PIE to carry out the implementation of the Project in accordance with the safeguard provisions set forth in the ESSAF and shall not waive, amend, abrogate, or otherwise revise any provisions thereof without the prior approval of the Association.

2. The Recipient shall cause the PIE to ensure that, prior to approval of the community works to be financed under Part A of the Project, specific EMPs are developed and adopted for each of the respective community works in accordance and as required by the ESSAF.

3. For the purposes of carrying out Part A of the Project, the Recipient shall cause PIE to select the community works in accordance with the safeguard eligibility criteria set forth in the ESSAF which shall refer to, inter alia:

   (i) exclusion of any community works whose implementation requires involuntary acquisition of land;

   (ii) securing of a written confirmation on public land ownership and/or private land ownership from local and administrative authorities and/or private owners respectively prior to launch of the respective community work in the selected zone; and

   (iii) exclusion of any community works classified as environmental Category A project in accordance with the applicable Association’s policies and procedures.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B.  Financial Management, Financial Reports and Audits

1.  The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

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

3.  The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III.  Procurement

A.  General

1.  Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2.  Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3.  Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular
contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding (NCB), subject to the additional provisions set forth in the Attachment to this Schedule 2 to this Agreement, and to the use of bidding documents acceptable to the Association (b) Shopping; (c) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (d) Direct Contracting; (e) Procurement from UN Agencies; and (f) Community Participation procedures which have been found acceptable to the Association.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of UN Agencies; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing 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 SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services. Training and Operational Costs for the Project</td>
<td>3,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,300,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

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

2. The Closing Date is September 30, 2018.
National Competitive Bidding: Additional Provisions

For the purposes of using National Competitive Bidding Procedures, the following shall apply:

1. In the Standard Bidding Documents, as enacted by the by Law n°2010-349/PRE, dated May 8, 2010, the “Fraud and Corruption” clause shall be revised to read as follows for all contracts financed by the present Financing Agreement:

“It is the World Bank’s policy to require that Borrowers (including beneficiaries of World Bank administered Financing Agreements), bidders, suppliers, contractors and their agents (whether declared or not), sub-contractors, sub-consultants, service providers or suppliers, and any personnel thereof, observe the highest standard of ethics during the procurement and execution of World Bank-financed contracts. In pursuance of this policy, the World Bank:

(a) defines, for the purposes of this provision, the terms set forth below as follows:

(i) “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;

(ii) “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

(iii) “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;

(iv) “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;

(v) “obstructive practice” is:

(aa) deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a World Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating
any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or

(bb) acts intended to materially impede the exercise of the World Bank’s inspection and audit rights provided for under paragraph (e) below.

(b) will reject a proposal for award if it determines that the bidder recommended for award, or any of its personnel, or its agents, or its sub-consultants, sub-contractors, service providers, suppliers and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;

(c) will declare misprocurement and cancel the portion of the loan/credit allocated to a contract if it determines at any time that representatives of the Borrower or of a recipient of any part of the proceeds of the loan/credit engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the procurement or the implementation of the contract in question, without the Borrower having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur, including by failing to inform the World Bank in a timely manner at the time they knew of the practices;

(d) will sanction a firm or individual, at any time, in accordance with the prevailing World Bank’s sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a World Bank-financed contract;

(e) hereby requires that a clause be included in bidding documents and in contracts financed by a World Bank loan/credit agreement, requiring bidders, suppliers and contractors, and their sub-contractors, agents, personnel, consultants, service providers, or suppliers, to permit the World Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the World Bank; and

(f) will require that, when a Borrower procures goods, works or non-consulting services directly from a United Nations (UN) agency under an agreement signed between the Borrower and the UN agency, the above provisions regarding sanctions on fraud or corruption shall apply in their entirety to all suppliers, contractors, service providers, consultants, sub-
contractors or sub-consultants, and their employees that signed contracts with the UN agency.

As an exception to the foregoing, paragraphs (d) and (e) will not apply to the UN agency and its employees, and paragraph (e) will not apply to the contracts between the UN agency and its suppliers and service providers. In such cases, the UN agencies will apply their own rules and regulations for investigating allegations of fraud or corruption subject to such terms and conditions as the World Bank and the UN agency may agree, including an obligation to periodically inform the World Bank of the decisions and actions taken. The World Bank retains the right to require the Borrower to invoke remedies such as suspension or termination. UN agencies shall consult the World Bank’s list of firms and individuals suspended or debarred. In the event a UN agency signs a contract or purchase order with a firm or an individual suspended or debarred by the World Bank, the World Bank will not finance the related expenditures and will apply other remedies as appropriate.”

2. Bidders shall sign, as part of their bids, the ethical charter Form enacted as Annex 3 by the Decree # 2010-0085PRE dated May 8, 2010;

3. No preference shall be granted for domestic bids;

4. The NCB procedures shall include, further to public opening of bids, publication of results of evaluation and of the award of contract as per paragraph 7 of Appendix 1 of the Procurement Guidelines; and

5. The Recipient shall have an effective and independent protest mechanism in place allowing bidders to protest and have their protests handled in a timely manner.
### SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 1 and September 1:</td>
<td></td>
</tr>
<tr>
<td>commencing March 1, 2020, to and including September 1, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing March 1, 2030, to and including September 1, 2039</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Definitions


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


4. "EMP" or "EMPs" means the Recipient’s Environmental Management Plan(s) developed or to be developed for each community civil works, in accordance with the instructions presented in the ESSAF, which includes appropriate environmental monitoring and mitigation plans.

5. "ESSAF" or “Environmental and Social Screening Assessment Framework” means the document prepared by the Recipient, disclosed on May 21, 2014 containing the principles, procedures and methodologies to be followed to manage the potential environmental and social risks associated with the implementation of Project activities; an environmental and social screening checklist; examples of mitigation measures; examples of environmental indicators for monitoring; and guidance on the approach to be followed for the requirements of consultation and disclosure.

6. "Framework Agreement" means the Original Framework Agreement, as amended pursuant to the provisions of Section I.A.2 of Schedule 2 to this Agreement.


8. "MoH" means the Recipient’s Ministry of Health or any successor thereto.

9. "NGO" or “NGOs” means Non-Governmental Organization(s).

10. "Operational Costs" means the reasonable expenses incurred by the PIE for the operational expenses on account of Project implementation, management, monitoring, including utilities, supplies, communications, maintenance costs, advertising expenses, bank charges, travel expenses, fuel.
11. "Original Financing Agreement" means the financing agreement for a Social Safety Net Project between the Recipient and the Association, dated August 21, 2012 (Grant No H779-DJ).

12. "Original Framework Agreement" means the agreement, dated October 23, 2011, concluded between the PIE and MoH setting forth the terms and conditions of their collaboration for the implementation of the activities under Part B of the Project.

13. "Original Project" means the Project described in the Original Financing Agreement.

14. "POM" means the Project Operational Manual, satisfactory to the Association, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, as the same may be amended and supplemented from time to time with the Association's prior written approval.


16. "Procurement Plan" means the Recipient's procurement plan for the Project, dated July 7, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. "Project Implementing Entity" or "PIE" means the Recipient's Agency for Social Development (Agence Djiboutienne de Développement Social) or any successor thereto.


19. "Subsidiary Agreement" means the agreement referred to in Section 1.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

20. "Training" means the expenses incurred by the PIE in connection with study tours, training courses, seminars, workshops and other training related activities under the Project, including travel costs and per diem for participants, trainers and trainees, trainers' fees, rental of training facilities, preparation and reproduction of
training materials and other activities incidental to the preparation and implementation of training activities.