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**GRANT NUMBER 574-DJ**

# **Financing Agreement**

**(Additional Financing for a Power Access and Diversification Project)**

**between**

**REPUBLIC OF DJIBOUTI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 27, 2010**

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**GRANT NUMBER 574-DJ**

**FINANCING AGREEMENT**

Agreement dated July 27, 2010, entered into between REPUBLIC OF DJIBOUTI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to 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 grant in an amount equivalent to four million Special Drawing Rights (SDR 4,000,000) (“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 Payment Dates are May 15 and November 15 in each year.
- 2.05. The Payment Currency is Dollar.

**ARTICLE III - PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through EDD in accordance with

the provisions of Article IV of the General Conditions.

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 Decision No 115 dated January 21, 1960 of the Recipient establishing EDD has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EDD to perform any of its obligations in respect of the Project.

#### **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 EDD.

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 EDD and is legally binding upon the Recipient and EDD in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (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 date of this Agreement.

#### **ARTICLE VI - REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister of Economy, Finance and Planning in charge of Privatization.

6.02. The Recipient's Address is:

Ministry of Economy, Finance and Planning in charge of Privatization  
BP 13  
Djibouti City  
Republic of Djibouti

Facsimile:

(253) 35 6501/ (253) 35 5085

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS	248423 (MCI)	1-202-477-6391
Washington, D.C.		

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF DJIBOUTI

By /s/ Robleh Olhaye Oudine

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shamshad Akhtar

Authorized Representative



## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to: (i) increase access of underserved population to electricity services, and (ii) improve EDD's efficiency through execution of investment operations aimed at reducing EDD's electricity losses.

The Project consists of the Original Project and of the following additional parts:

#### **Part I: Efficiency Improvements**

Improvement of EDD's efficiency by implementing loss reduction measures consisting of:

- (a) piloting the deployment of smart meters (about 5,000 units); and
- (b) replacing the emergency 20 kilovolt (kV) line from Djibouti to Arta with an upgraded line.

#### **Part II: Support for Project Management and Implementation Activities**

Acquisition of technical advisory services and provision of logistical support required to sustain the management and implementation of the activities of the Project.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. Throughout the period of implementation of the Project, the Recipient shall:

- (a) (i) maintain the PMU; and
  - (ii) ensure close cooperation between the Recipient, the PMU and EDD with respect to the overall management and coordination of Project activities, including financial management, procurement, monitoring, evaluation and reporting activities; and
- (b) (i) ensure that the PMU apply the procedures and guidelines established in the Manual of Operations; and
  - (ii) not modify, suspend or abrogate, nor allow to be modified, suspended or abrogated, the Manual of Operations or any provisions thereof without the prior concurrence of the Association.

##### B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall enter into a subsidiary agreement with EDD in form and substance satisfactory to the Association (“Subsidiary Agreement”) setting forth: (a) the obligations and commitments of EDD with respect to the carrying out of the Project; and (b) the terms and conditions under which the Recipient shall make the proceeds of the Financing available to EDD, which shall be acceptable to the Association.

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.

**C. Anti-Corruption**

1. 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, and shall cause EDD to:

(a) ensure that the Project is implemented in accordance with sound environmental practices and standards; and, for that purpose, that the EMP is implemented in a manner satisfactory to the Association;

(b) provide to the Association for its prior review any revision proposed to be introduced into the EMP in order to achieve its objectives, and thereafter, introduce into the document only such revision as shall have been agreed with the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the EMP and the achievement of its objectives.

**Section II. Project Monitoring, Reporting and Evaluation****A. Project Reports**

1. The Recipient shall, and shall cause EDD to, 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 agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall, and shall cause EDD, to maintain 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, and shall cause EDD to, 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, and shall cause EDD to, have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. In addition, the Recipient shall cause EDD to have its financial statements reflecting its general operations and its financial condition (the "General Financial Statements") prepared in accordance with consistently applied accounting standards acceptable to the Association, and audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of the Financial Statements and the General Financial Statements shall cover the period of one (1) fiscal year of EDD. The audited Financial Statements and the audited General Financial Statements for each such period shall be furnished to the Association not later than twelve (12) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works 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 and Works**

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

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Methods</b>
(a) Shopping
(b) Direct Contracting

**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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Methods</b>
(a) Least-Cost Selection
(b) Selection Based on Consultants’ Qualifications
(c) Single-Source Selection
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines 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:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Works and goods	4,000,000	100%
(2) Consultants services and Operating Costs	-0-	100%
<b>TOTAL AMOUNT</b>	<u>4,000,000</u>	

For purpose of this paragraph 2, the term “Operating Costs” means reasonable expenditures incurred by the Recipient on account of: the salary of the financial management officer engaged during the implementation of the Project, financial auditing services, mail and courier services, and operation of the vehicle of the PMU, but excluding utility charges, communication expenses, office supplies and consumables, cost of the PMU office space and salaries of the PMU staff other than the financial management officer.

**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 June 30, 2013.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in paragraph A.2, Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “EDD” means *Electricité de Djibouti*, the power utility of Djibouti established through Decision No. 115 dated January 21, 1960 of the Recipient, and any successor thereto.
5. “EMP” means the Recipient’s Environmental Management Plan, dated April 21, 2005, for purpose of the Original Project, and amended and supplemented on April 21, 2010 for purpose of the Project, consisting of a set of mitigation, monitoring and institutional measures to be taken during the implementation and operation of the Original Project and the Project to eliminate adverse environmental and social impacts, offset them or reduce them to acceptable levels, and referred to in paragraph D, Section I of Schedule 2 to this Agreement.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
7. “Manual of Operations” means the Manual of Operations for the PMU, dated March 2006, in form and substance satisfactory to the Association, which includes detailed procurement procedures, defines the interface with local regulatory arrangements, the composition of the Opening and Evaluation Committee for each component and the responsibility of line governmental entities vis-à-vis the approval of terms of reference, technical specifications and the reception of deliverables, and defines the role of the Steering Committee (as defined below), and referred in paragraph A.1(b) , Section I of Schedule 2 to this

Agreement.

8. “Original Financing Agreement” means the development credit agreement for a Power Access and Diversification Project between the Recipient and the Association, dated November 28, 2005, as amended to the date of this Agreement (Credit No. 4120-DJI).
9. “Original Project” means the Power Access and Diversification Project described in the Original Financing Agreement.
10. “PMU” means the Project Management Unit referred to in Section 1.01(n) of the Original Financing Agreement.
11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 27, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. “Subsidiary Agreement” means the agreement referred to in paragraphs B.1 and B.2, Section I of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to EDD.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

Paragraph (l) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (l) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity (or any other entity responsible for implementing any part of

the Project) ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity (or such other entity) has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”