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**CREDIT NUMBER 6816-DJ  
GRANT NUMBER D759**

# **FINANCING AGREEMENT**

**(Additional Financing for the Integrated Slum Upgrading Project and Amendment  
to the Original Financing Agreement)**

**between**

**REPUBLIC OF DJIBOUTI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 6816**  
**GRANT NUMBER D759**

## **FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between the REPUBLIC OF DJIBOUTI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”). The Association has decided to provide this financing on the basis, among other things, of the existence of an adequate refugee protection framework. 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 and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
  - (a) an amount equivalent to seventeen million and eight hundred thousand Special Drawing Rights (SDR 17,800,000) (“Grant”); and
  - (b) an amount equivalent to three million and six hundred thousand Special Drawing Rights (SDR 3,600,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are May 1 and November 1 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. 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 cause the Project to be carried out by the Agency for Urban Renovation and Social Housing (“ARULOS”) in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Events of Suspension additional to those set out in the General Conditions consists of the following:
- (a) the Recipient no longer has an adequate refugee protection framework.
  - (b) ARULOS’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ARULOS to perform any of its obligations under the Subsidiary Agreement.
- 4.02. The Additional Event of Acceleration consists of the following:
- (a) Any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has entered into a Subsidiary Agreement with ARULOS, under terms and conditions acceptable to the Association; and
  - (b) the Association is satisfied that the Recipient has an adequate refugee protection framework.
- 5.02. The Effectiveness Deadline is the date one hundred twenty (120) 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 its minister in charge of economy and finance.
- 6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

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

(b) the Recipient's Electronic Address is:

Facsimile: (253) 21358135

- 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:

Facsimile:

248423 (MCI)

1-202-477-6391

AGREED as of the Signature Date.

**REPUBLIC OF DJIBOUTI**

By



\_\_\_\_\_  
**Authorized Representative**

Ilyas Moussa Dawaleh

**Name:** \_\_\_\_\_

Minister

**Title:** \_\_\_\_\_

22-déc.-2020

**Date:** \_\_\_\_\_

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By



\_\_\_\_\_  
**Authorized Representative**

Marina Wes

**Name:** \_\_\_\_\_

Country Director

**Title:** \_\_\_\_\_

21-Dec-2020

**Date:** \_\_\_\_\_

## SCHEDULE 1

### Project Description

The objectives of the Project are to: (i) improve the living conditions of host communities and refugees in Selected Areas; and (ii) enhance the social and economic integration of host communities and refugees.

The Project consists of the following Parts:

#### **Part 1: Support to Public Policies and Institutional Strengthening**

1. Supporting the Recipient in the implementation of the 2017 National Refugee Law (NRL) for the benefit of social and economic empowerment of refugees, through:
  - (a) (i) carrying out a complete analysis of sectoral weaknesses to enhance the implementation of the NRL in relation to access of refugees to relevant areas, such as economic and employment opportunities, property, education, and health and social services, and producing four sectoral action plans on the basis of said analysis, including recommendations in terms of procedural simplifications and institutional coordination for the implementation of the NRL; (ii) supporting coordinating the implementation of said sectoral actions plans, through the provision of Training and capacity building activities; and (iii) carrying out sensitization activities, including a communications campaign and coaching workshops, targeting relevant national and local institutions, and affected populations, to strengthen information on the NLR.
2. Carrying out studies and technical assistance activities aimed at implementing the ZSP, including, *inter alia*:
  - (a) Developing the slum upgrading strategy consisting of the strategic framework and accompanying investment plans, as well as defining administrative procedures and communication plans and designing and implementing a monitoring and evaluation scheme for the ZSP, including the acquisition of computer related- equipment.
  - (b) Supporting to the Recipient in the: (i) development of an additional urban study for a selected old neighborhood in Djibouti Ville; (ii) development of restructuring plans, needed to implement the restructuring of the refugee villages Ali Addeh and Holl Holl; and (iii) preparation of a communications plan.
  - (c) Developing the Recipient's slum prevention and restructuring policies, including, *inter alia*:

- (i) elaborating a framework for environmental and social safeguards and the resettlement policy specific to the ZSP;
  - (ii) developing a five-year operational and financial plan for slum prevention, including a land and low-income housing market assessment;
  - (iii) preparing an urban plan for the first urban area dedicated to prevention and resettlement as part of the ZSP, including a feasibility study for the resettlement zone to be developed under Part 2.1(b) of the Project; and
  - (iv) creating a land information system to compile the different tenure security types, and populating it with data regarding Balbala Ancien, and eventually, other selected urban areas.
3. Supporting governance and institutional strengthening, including, *inter alia*:
- (a) Elaborating studies and required regulating documents for the restructuring of ARULOS.
  - (b) Scaling up capacity building of the main institutions involved in the design and implementation of the ZSP including ARULOS, ONARS, SIAF, DATUTH, MASS, the municipalities, the Recipient's *prefectures*, civil associations and NGOs, and the neighborhood committees, including through the provision of Training and the acquisition of IT equipment.
  - (c) Enhancing access to property and supporting the State Property and Land Affairs Directorate (DDCF) to develop and implement an integrated registration and cadaster system including, through: (i) provision of necessary IT equipment; (ii) provision of Training to selected staff and surveyors; (iii) carrying out of a social mobilization campaign, aimed at maximizing local population participation and cooperation in the process and maintaining high level of transparency; (iv) carrying out inventory activities of existing land titles and certificates documents' collection; (v) field data collection; (vi) surveying and digitalizing land plots; (vii) updating maps and registration documents; (viii) registration of land title and certificates; and (ix) development and implementation of a monitoring and evaluation plan.

**Part 2: Participatory Upgrading Investments to Improve Living and Housing Conditions of the Host Community and Refugees.**

- 1. Supporting inclusive restructuring of neighborhood(s) and improving access to services in Selected Areas, including:

- (a) Scaling up the upgrading/constructing of public infrastructures aimed at improving access to urban services for residents, including, *inter alia*, roads, bus stations, drainage, water supply, electricity distribution and street lighting, health units, primary schools, community and youth facilities, and public spaces.
  - (b) (i) Scaling up the development of a resettlement zone and housing construction, including the construction of a number of urban infrastructures, based on the urban plan to be developed under Part 1.2(c)(iii) of the Project, and housing units based on Resettlement Action Plans prepared as part of the Project, and (ii) preparing a business plan, including relevant technical and financial studies, for the development of the prevention zone of 110 Ha and economic model for access to affordable land in other urban extension zones.
  - (c) Supporting housing improvement, through: (i) the provision of technical assistance and Training to ARULOS Housing Material Microcredit Instrument (ARULOS Housing Instrument) to prepare a feasibility study for enhancing said instrument's operations and preparing a comprehensive operations manual (ARULOS Housing Instrument Operations Manual); and (ii) the purchase of construction material to be passed on to selected households for the purpose of upgrading and rehabilitating their housing units (Eligible Households).
2. Supporting social and economic development for the Integration of host communities and refugees, including:
- (a) scaling up the stationing of community facilitators to coordinate neighborhood participation at different project stages;
  - (b) scaling up the provision of Training for community representatives and municipal officials on community engagement; and
  - (c) (i) scaling up the provision of Subgrants to Eligible Local Associations through the Social and Economic Development Fund to carry out selected activities in rehabilitation and maintenance of small community infrastructure, delivery of services to address community needs, management of local equipment; and (ii) provision of Training and technical assistance to promote the economic development of Eligible Local Associations in relevant thematic areas.

### **Part 3: Project Management**

Supporting the implementation, coordination, monitoring and evaluation of the Project, though, *inter alia*: (a) the development of annual work programs and



corresponding procurement plan updates; (b) the management of fiduciary and monitoring activities; (c) the coordination of technical work and the provision of support services to the technical units within the Recipient's relevant ministries/entities; (d) the monitoring of and reporting on the implementation of the Project's activities; (e) the acquisition of office equipment and accounting software; (f) the financing of Operating Costs; (g) the management of environment and social safeguard implementation measures; and (h) the carrying out of the Project audits.

**Part 4: Emergency Response to COVID-19 and to the November 2019 and April 2020 Floods**

Supporting an emergency program to respond to the COVID-19 pandemic and floods through the financing of: (a) preventative measures to reduce the threat posed by COVID-19 including promotion of social distancing, handwashing, coordination and communication and service continuity, (b) in-situ repair and reconstruction of housing damaged or destroyed by the November 2019 and the April 2020 floods.; and (c) civil works to repair damaged infrastructure within the Project targeted slums in Djibouti-Ville, including, but not limited to: water supply systems, reservoirs, canals, transportation systems, energy and power supply, telecommunication.

**Part 5: Contingent Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency, as needed.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. ARULOS

1. The Recipient shall carry out the Project through the Agency for Urban Renovation and Social Housing (“ARULOS”) and shall take all actions including the provision of funding, personnel and other resources necessary to enable the ARULOS to perform its functions.
2. *Project Coordination Unit:* (a) In order to ensure prompt and efficient implementation of the Project, the Recipient shall maintain, at all times during the implementation of the Project, a Project Coordination Unit (“PCU”) within ARULOS with composition and resources acceptable to the Association and defined in the PIM, to be responsible for day-to-day management of the Project, including: (i) managing the Project at the central level; (ii) coordinating overall project implementation; (iii) ensuring the timely availability of funds transfers, maintaining Project accounts and producing financial reports; and (iv) monitoring and evaluation and reporting results to various stakeholders. To this end, the Recipient, through ARULOS, shall no later than three (3) months after the Effective Date, recruit and maintain through project implementation, additional key staff; which shall include: one additional safeguards specialist, one additional procurement specialist and a monitoring an evaluation specialist, all under terms of reference and with experience acceptable to the Association.

##### B. Project Steering Committee

1. The Recipient shall maintain, throughout Project implementation, a Project Steering Committee (“PSC”), with composition, mandate and resources satisfactory to the Association to be chaired by the Minister of Economy and Finance, and shall include the Minister of Housing, Minister Urbanism, Environment and Tourism, the Minister of Interior, the Minister of Budget, the Minister Social Affairs and Solidarity and other relevant technical directors involved in Project implementation.
2. The Project Steering Committee shall be responsible for project monitoring, approval of work programs and annual budgets, review of annual reports, review and validate the sectoral action plans under Part 1.1 of the Project, and support for project implementation and shall meet at least twice a year to review the project implementation progress.

**C. Project Implementation Manual**

1. The Recipient, through ARULOS, shall, update, in accordance with terms of reference acceptable to the Association, and furnish to the Association no later than one (1) month after the Effective Date, a Project implementation manual containing detailed: (a) technical, administrative, procurement, accounting, financial management matters, environmental and social standards, and monitoring and evaluation arrangements (b) sample formats for annual reports; and (c) mechanisms for the monitoring and evaluating Project activities. Said manual to further include, *inter alia*, an elaboration of the eligibility criteria and terms and conditions of Subgrants and activities under Part 2.2(c).
2. The Recipient, through ARULOS, shall: (a) furnish such manual to the Association for review and approval; (b) afford the Association a reasonable opportunity to exchange views with the Recipient on said manual; and (c) thereafter adopt said manual as shall have been approved by the Association (“Project Implementation Manual” and “PIM”).
3. The Recipient, through ARULOS, shall carry out the Project in accordance with the Project Implementation Manual, and shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written agreement of the Association.
4. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Implementation Manual and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.

**D. Subsidiary Agreement.**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time in the table set forth in Section III.A of this Schedule available to the ARULOS under a subsidiary agreement between the Recipient and the ARULOS, under terms and conditions approved by the Association, which shall include:
  - (a) the principal amount of the Financing made available under the Subsidiary Agreement which shall be on Grant terms;
  - (b) the obligation of the ARULOS to carry out the Project in coordination with the Recipient and the Ministry of Housing with due diligence and efficiency, in conformity with appropriate administrative, social and environmental aspects, financial and technical practices, including the Procurement Regulations, Anti-corruption Guidelines and the Safeguard Instruments, and in accordance with the Project Implementation Manual,

and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project. To this end, ARULOS shall enter into implementation agreements with any public entity, as the need may be for the satisfactory implementation of the Project, as provided under the Project Implementation Manual and in a manner satisfactory to the Association.

- (c) the obligation of the ARULOS to comply with record keeping, auditing and reporting requirements set forth in this Agreement (operations, resources and expenditure) for the Project;
  - (d) the obligation of the ARULOS, at the request of the Recipient or the Association, to exchange views with the Recipient and the Association with regards to the progress of the Project and the performance of its obligations under the Implementation Agreement;
  - (e) the obligation of ARULOS, to prepare and submit biannually, a progress report to the Recipient and the Association, as further detailed in the Project Implementation Manual; and
  - (f) the obligation of the ARULOS to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Implementation 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.
  3. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
  4. In the event of any conflict between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**E. Safeguards**

1. The Recipient shall: (a) carry out the Project in accordance with the provisions of the Safeguards Instruments; and (b) ensure that any contracts for civil works under the Project include codes of conduct for employees, in form and substance acceptable to the Association.
2. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, any of the Safeguards Instruments or any provision thereof

without prior approval in writing by the Association, subject to the same approval requirements as applicable to the adoption of the said instruments.

3. If any supplemental social and environmental safeguards instrument is required under any of the Safeguards Instruments, the Recipient shall:
  - (a) (i) prepare such supplemental social and environmental safeguards instrument in accordance with the applicable Safeguards Instrument; (ii) carry out consultations upon such supplemental social and environmental safeguards instrument; (iii) furnish such supplemental social and environmental safeguards instrument to the Association for review and approval; and (iv) thereafter adopt such supplemental social and environmental safeguards instrument prior to implementation of the activities, and
  - (b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such supplemental social and environmental safeguards instrument.
4. The Recipient shall ensure that all technical assistance activities under the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the applicable Association's environmental and social safeguards policies.
5. If any activity under the Project would involve Affected Persons, the Recipient shall: (a) ensure that no physical or economic displacement or limitation of access to natural resources shall occur before resettlement measures under a supplemental social and environmental safeguards instrument prepared in accordance with the RPF, including, in the case of either physical or economic displacement, full payment to Affected Persons of fair compensation at replacement value and of other assistance required for relocation and livelihoods restoration, have been implemented; and (b) provide from its own resources, any financing required for any measures under sub-paragraph (a) above, including but not limited to any costs associated with land acquisition required for the Project.
6. Without limitation upon its other reporting obligations under Section II. of this Schedule 2, the Recipient shall take all measures necessary to regularly collect and compile, and submit to the Association, as part of the project reports, and promptly in a separate report whenever the circumstances warrant, information on the status of compliance with the Safeguards Instruments, providing details of:

- (a) measures taken in furtherance of the Safeguards Instruments including, as the case may be, any supplemental social and environmental safeguards instrument;
- (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments including, as the case may be, any supplemental social and environmental safeguards instrument; and
- (c) remedial measures taken or required to be taken to address such conditions including but not limited to the implementation of a grievance redress mechanism.

**F. ARULOS Housing Instrument**

1. For the purposes of carrying out Part 2.1(c)(ii) of the Project, the Recipient, through ARULOS shall select eligible household according to conditions and criteria listed in the PIM and the ARULOS Housing Instrument Operations Manual to be the recipients of construction material for the purpose of upgrading and rehabilitating the Eligible Households' housing conditions. To this end, the Recipient shall, through ARULOS, enter into a contract with each Eligible Household, according to conditions listed in the ARULOS Housing Operations Manual and shall ensure that each contract is based upon the template included in the ARULOS Housing Operations Manual (Contract).
2. The Recipient shall, through ARULOS ensure: (a) that each Eligible Household uses the construction material for its intended purpose; and (b) that each Contract is carried out with due diligence and efficiency and in accordance with sound technical, financial, and standards and practices acceptable to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines.
3. The Recipient shall, through ARULOS, ensure that provision of construction material under each Contract is subject to a verification process satisfactory to the Association and that ARULOS staff, including engineers provide assistance to Eligible Households to ensure satisfactory implementation of Part 2.1(c)(ii) and the proper use of said materials by Eligible Households.

**G. Sub-grants**

1. For purposes of implementing Part 2.2(c) of the Project, the Recipient, through ARULOS, shall, upon selection of a proposed community activity pursuant to the criteria and procedures established in the PIM, enter into a standard agreement with the Eligible Local Association ("Sub-grant Agreement") under terms and conditions acceptable to the Association, including:

- (a) the amount to be provided in the form of a Sub-grant to the Eligible Local Association, its terms and conditions and a disbursement schedule;
- (b) the obligation of the Eligible Local Association to:
  - (i) procure the goods or services to be financed under the Sub-grant Agreement in accordance with the procedures set forth in the PIM;
  - (ii) carry out its activities in compliance with the Anti-Corruption Guidelines, and, when applicable, prepare an environmental and social management plan in accordance with the ESMF, in form and substance satisfactory to the Association, and to implement said activities in accordance with the relevant environmental and social management plan;
  - (iii) report to ARULOS on the progress of the implementation of the activity financed with the Sub-grant and to enable ARULOS, the Recipient and the Association, if the Association shall so request, to visit the facilities where the financed activities are implemented and administered;
  - (iv) maintain records and accounts for expenditures incurred and financed with the Sub-grant, and make available such documentation to ARULOS, the Recipient and the Association, if the Association shall so request; and
- (c) the right of ARULOS to suspend, cancel or request a refund of the Sub-grant or a portion thereof in case of the failure by the Eligible Local Association to perform any of its obligations under the Sub-grant Agreement.

## **H. Contingent Emergency Response Mechanism**

1. In order to ensure the proper implementation of Part 5 of the Project (“CERC Part”), the Recipient, through the ARULOS, shall take the following measures:
  - (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the CERC Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the CERC Part (“Coordinating Authority”); (ii) specific activities which may be included in the CERC Part, Eligible Expenditures required therefor (“Emergency

Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the CERC Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CERC Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social standard management frameworks for the CERC Part, consistent with the Association’s policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the CERC Part;

- (b) afford the Association a reasonable opportunity to review said proposed operations manual;
  - (c) promptly adopt such operations manual for the CERC Part as shall have been approved by the Association (“CERC Operations Manual”) no later than six (6) months after the Effective Date;
  - (d) ensure that the CERC Part is carried out in accordance with the CERC Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CERC Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
  - (e) not amend, suspend, abrogate, repeal or waive any provision of the CERC Operations Manual without prior approval by the Association.
2. The Recipient shall, through the ARULOS, throughout the implementation of the CERC Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall, through the ARULOS, undertake no activities under the CERC Part (and no activities shall be included in the CERC Part) unless and until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CERC Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
  - (b) the Recipient has prepared and disclosed all Environmental and Social Standards instruments required for said activities, in accordance with the CERC Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.



## **I. Annual Work Plans and Budgets**

1. No later than November 30 before the end of each calendar year of Project implementation (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare or cause to be prepared for the purpose of forwarding to the Association, a draft annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of Project implementation, of such scope and detail as the Association shall have reasonably requested.
2. The Recipient shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out (or cause to be carried out) such annual work plan and budget during such subsequent calendar year as shall have been approved by the Association (“Annual Work Plan and Budget”). Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Financing.
3. Any Training proposed to be included in an Annual Work Plan and Budget, shall include, *inter alia*: (a) particulars of the Training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel if known; (c) the selection method of the institution or individuals conducting such Training; (d) the institution conducting such Training if identified; (e) the purpose and justification for such Training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such Training.
4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association’s prior written approval.

## **Section II. Project Monitoring, Reporting and Evaluation**

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

## **Section III. Withdrawal of the Proceeds of the Financing**

### **A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of Credit Allocated (Expressed in SDR)</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, Training, Operating Costs and consulting services for the Project except parts 1.2(a), 1.2(c), 1.3(a), 2.1(c)(ii), 2.2(c) and 4 of the Project.	3,600,000	16,020,000	100%
(2) Goods under Part 2.1(c)(ii) of the Project	N/A	712,000	100%
(3) Subgrants under Part 2.2(c)	N/A	1,068,000	100%
(4) Emergency Expenditures under Part 5 of the Project	0	0	100%
<b>TOTAL AMOUNT</b>	3,600,000	17,800,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, or
  - (a) under Category (2), unless and until the Recipient, through ARULOS, prepared and adopted the ARULOS Housing Instrument Operations Manual, under terms and conditions satisfactory to the Association; or
  - (b) under Category (4), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

- (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CERC Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
- (ii) the Recipient has prepared and disclosed all environmental and social standards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.H of Schedule 2 to this Agreement;
- (iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.H of Schedule 2 to this Agreement, for the purposes of said activities; and
- (iv) the Recipient has adopted an CERC Operations Manual in form, substance and manner acceptable to the Association and the provisions of the CERC Operations Manual remain or have been updated in accordance with the provisions of Section I.H of Schedule 2 to this Agreement so as to be appropriate for the inclusion and implementation of said activities under the CERC Part.

2. The Closing Date is December 31, 2025.

### SCHEDULE 3

#### Repayment Schedule

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each May 1 <sup>st</sup> and November 1 <sup>st</sup> ,	
commencing May 1 <sup>st</sup> , 2031 to and including November 1 <sup>st</sup> , 2040	<b>1%</b>
commencing May 1 <sup>st</sup> , 2041 to and including November 1 <sup>st</sup> , 2060.	<b>2%</b>

\* 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 3.05 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Affected Persons” means persons who on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
2. “Annual Work Plans and Budgets” means each annual work plan, together with the related budget, for the Project prepared by the Recipient and approved by the Association in accordance with the provisions of Section I.I of Schedule 2 to this Agreement.
3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised as of July 1, 2016.
4. “ARULOS” means *Agence de Réhabilitation Urbaine et du Logement Social*, the Agency for Urban Renovation and Social Housing, placed under the responsibility of the Recipient’s Ministry delegated to the Ministry of Housing, Urbanism and the Environment in charge of Housing established pursuant to the Recipient’s Law No. 9/AN/18/8ème, published in the Recipient’s Official Gazette on June 28, 2018.
5. “ARULOS Housing Instrument” means an activity within ARULOS, that provides housing construction material to Eligible Households to update and rehabilitate their housing conditions.
6. “ARULOS Housing Instrument Operations Manual” means the operations manual to be prepared and adopted by ARULOS for the implementation of its operations and Part 2.1(c)(ii) of the Project, which shall include the conditions, eligibility criteria for selecting Eligible Households, the terms for Contracts, as well as the template to be used for each Contract with Eligible Households.
7. “Balbala Ancien” means the area of Balbala located on the Eastern part of Balbala North, just North of the National Road 1, as which spatial limit is provided in the strategy document of the ZSP.
8. “Balbala North” means the area of Balbala located in the northern of Balbala.
9. “Balbala South” means the area of Balbala located in the southern of Balbala.

10. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
11. “CERC” means contingent emergency response mechanism.
12. “CERC Part of the Project” and “CERC Part” each means Part 5 of the Project.
13. “Contingent Emergency Response Operations Manual” and “CERC Operations Manual” each means the operations manual referred to in Section I.H of this Agreement, to be adopted by the Recipient for the CERC Part of the Project in accordance with the provisions of said Section.
14. “Coordinating Authority” the entity or entities designated by the Recipient in the CERC Operations Manual and approved by the Association pursuant to Section I.H of Schedule 2 to this Agreement, to be responsible for coordinating the CERC Part of the Project.
15. “Contract” means the contract to be entered into between ARULOS and each Eligible Household, to receive construction material under Part 2.1(c)(ii) of the Project, according to the template Contract in the ARULOS Housing Instrument Operations Manual.
16. “DATUH” means Territorial Development, Urban Planning, and Housing Department within the Recipient’s Ministry of Housing, Urbanism and the Environment.
17. “Eligible Households” means the households selected to receive construction material under Part 2.1(c)(ii) of the Project, according to eligibility criteria listed in the ARULOS Housing Instrument Operations Manual, which shall include the lowest income and most vulnerable of the Djiboutian population and refugees.
18. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
19. “Emergency Expenditures” means the eligible expenditures required to finance the cost of the approved list of goods, works, and services necessary to support emergency mitigation, response and recovery, under Part 4 of the Project and set forth in the Emergency Response Operations Manual.
20. “Emergency Response Operations Manual” means the operations manual to be adopted by the Recipient for Part 5 of the Project in accordance with the provisions of Section I.H of Schedule 2 to this Agreement.

21. “Eligible Local Association” means a legally established local association which operates in the Recipient’s territory and meets the eligibility criteria set forth in the PIM for implementing a community activity under Part 2.2(c) of the Project.
22. “ESIA” means the Environmental and Social Impact Assessment, including an Environmental and Social Management Plan, prepared and adopted by the Recipient, disclosed in-country on July 10, 2018, and on the Association’s website on June 26, 2018, and updated and published on , and approved by the Association, setting out, *inter alia*: (a) the mitigation measures to monitor, reduce, offset or compensate any environmental and/or negative impact that may arise from the construction works of the upgrading/widening of the access road to Balbala Ancien under Part 2.1(a) of the Project; and (b) the institutional arrangements, budget and monitoring and evaluation systems to implement, monitor and evaluate said mitigation measures; as the ESIA/ESMP may be amended from time to time with the prior written consent of the Association.
23. “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Recipient disclosed in-country on July 10, 2018, and on the Association’s website on June 26, 2018, and updated and published on November 12, 2020 and approved by the Association, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of activities under Part 2 of the Project (including impacts on natural habitat, forests, and physical cultural resources and risks of gender-based violence and sexual exploitation and abuse) and the measures to be taken to offset, reduce or mitigate such adverse impacts (including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse), as well as for the preparation of environmental and social management plans, when applicable, and a grievance redress mechanism, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.
24. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
25. “MASS” means the Recipient’s Ministry of Social Affairs and Solidarity, or any successor thereto.
26. “Ministry of Housing” means the Recipient’s Ministry delegated to the Ministry of Housing, Urbanism and the Environment in charge of Housing, or any successor thereto.
27. “NRL” means the Recipient’s national refugee law number N° 159/AN/16/7<sup>ème</sup>, approved on January 2017, with the objective of ensuring the integration of refugees into national systems such as health, education and the labour market.

28. “ONARS” means the Recipient’s National Office for Assistance to Refugees and Disasters.
29. “Original Financing Agreement” means the agreement for the original project dated December 8, 2018 for Credit No.6338-DJ and Grant No. D390-DJ.
30. “Operating Costs” means the necessary and reasonable incremental expenses based on annual budgets approved by the Association, incurred by the Recipient on account of Project implementation, management, and monitoring, including office supplies and consumables; communication costs; operation and maintenance of office, vehicles and equipment; *per diem* and national and international travel costs and accommodations for Project staff; reasonable bank charges; and allowances and salaries of the Project’s contractual staff (but excluding the salaries of the Recipient’s civil/public servants).
31. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
32. “Project Implementation Manual” or “PIM” means the project implementation manual referred to in Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association.
33. “Project Coordination Unit” or “PCU” means a project coordination team to be maintained within ARULOS under the Project in accordance with Section I.A.2 of Schedule 2 to this Agreement.
34. “Project Steering Committee” means “PSC” each means the steering committee for the Project referred to in Section I.B of Schedule 2 to this Agreement.
35. “RAP” means the Resettlement Action Plan in form and substance acceptable to the Association prepared and adopted by the Recipient and approved by the Association, disclosed in-country on July 10, 2018, and on the Association’s website on July 10, 2018, which outlines the policies and procedures to be implemented for the upgrading/widening of the access road under Part 2.1(b) of the Project to mitigate the potentially negative impacts on the livelihoods, assets and land of the Affected Persons, as the said plan may be amended and/or supplemented from time to time with the prior written consent of the Association.
36. “Resettlement Policy Framework” or “RPF” means the document in form and substance acceptable to the Association prepared and adopted by the Recipient dated and disclosed in-country on July 10, 2018, and on the Association’s website on July 10, 2018, and updated and published on November 12, 2020, which outlines the policies and procedures to be implemented in the event that specific



activities implemented under Part 2 of the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, including the procedures for preparation and implementation of resettlement action plans, when applicable, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association.

37. “Safeguards Instruments” means the ESIA/ESMP, the ESMF, the RPF, the RAP, and any supplemental social and environmental safeguards instruments.
38. “Sub-grant” means non-reimbursable contribution in an amount to be defined by a resource allocation procedure set forth in the Project Implementation Manual, made out of the Financing to any given Eligible Local Association to assist in the implementation of a community activity under Part 2.2(c) of the Project.
39. “Sub-grant Agreement” means the agreement referred to in Section I.G. of Schedule 2 to this Agreement between ARULOS and each Eligible Local Association.
40. “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.
41. “Selected Areas” mean the slums in Balbala Ancien, Quartier Q11, Quartier T9, Qarawil/Pompage, Harirad, Djaga Bouldouq, and Balbala Nord, as well as the two refugee villages of Ali Addeh and Holl Holl, or any other slums in other areas as may be identified during Project implementation according to selection criteria and procedures identified in the PIM.
42. “Social and Economic Development Fund” means the established as part of the Original Financing, which was originally called the Community Development Fund, for small grants for community-type activities executed within the neighborhood covered under Part 2, which will be eligible to local associations.
43. “Training” means the reasonable costs of training under the Project, based on the Annual Work Plans and Budget referred to in Section I.C of Schedule 2 to this Agreement as approved by the Association, and attributable to national and international seminars, workshops, and study tours, along with national and international 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.

44. “Zero Slum Program” or “ZSP” means the Recipient’s proposed program to implement its slum upgrading policy.

**ANNEX 1**

**Amendment to the Original Financing Agreement**

In reference to the Financing Agreement (the “Original Financing Agreement”) between the Recipient and the Association for the original project, dated June 12, 2018, as amended, and to align the Original Project with this Agreement, the Original Financing Agreement shall be amended as follows:

1. The objectives of the Project in Schedule 1 of the Original Financing Agreement shall be amended to read:

“The objectives of the Project are to: (i) improve the living conditions of host communities and refugees in Selected Areas; and (ii) enhance the social and economic integration of host communities and refugees.”

2. The Project Description in Schedule 1 to the Original Financing Agreement shall be deleted entirely and replaced with the Project Description in Schedule 1 to this Agreement.
3. The Withdrawal Table in Section IV.A of Schedule 2 to the Original Project Agreement is hereby deleted and replaced with the following table:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Amount of the Grant (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Works, goods, non-consulting services, Training, Operating Costs, and consulting services for the Project except Parts 1.1, 1.2(b), 1.3(c), 2.1(b)(ii) and (iii), 2.1(c).	10,670,000	3,266,511	100%

(2) Sub-grants under Part 2.2(c) of the Project	130,000	N/A	100%
(3) Refund of Preparation Advance	N/A	333,489	Amount payable pursuant to Section 2.07(a) of the General Conditions
(4) Contingent Emergency Expenditures under Part 5 of the Project	0	0	100%
<b>TOTAL AMOUNT</b>	10,800,000	3,600,000	

4. The Closing Date of the Original Financing Agreement is amended to read is December 31, 2025.

5. The following definitions in the appendix to the Original Financing Agreement shall be added as follows:

“Selected Areas” means the areas to be covered under the Original Financing Agreement which are: slums in Balbala Ancien or any other slums in other areas of the ZSP as may be identified during Project implementation according to selection criteria and procedures identified in the PIM.

“Social and Economic Development Fund” means the fund established as part of the Project, which was originally called the Community Development Fund, for small grants for community-type activities executed within the neighborhood covered under Part 2, which will be eligible to local associations.

6. All other provisions of the Original Financing Agreement, except as amended in this Annex 1 shall remain in full force and effect.