
CONFORMED COPY

GRANT NUMBER H582-DJ

Project Agreement

(Additional Financing for Djibouti Urban Poverty Reduction Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AGENCE DJIBOUTIENNE DE DEVELOPPEMENT SOCIAL

Dated July 27, 2010

GRANT NUMBER H582-DJ

PROJECT AGREEMENT

Agreement dated July 27, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and AGENCE DJIBOUTIENNE DE DEVELOPPEMENT SOCIAL (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the Republic of Djibouti (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is the Director General.
- 3.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

4.03. The Project Implementing Entity's Address is:

Avenue Pasteur
B.P. 4298
Djibouti City
Republic of Djibouti

Facsimile:
253-35-71-84

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shamshad Akhtar
Authorized Representative

AGENCE DJIBOUTIENNE DE
DEVELOPPEMENT SOCIAL

By /s/ Robleh Olhaye Oudine
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity shall be responsible for day-to-day Project implementation and for procurement, financial management, disbursement and monitoring and reporting for the entire Project. To that end, the Project Implementing Entity shall be maintained with adequate staff and resources, in a manner satisfactory to the Association. In particular, the Project Implementing Entity shall ensure that the following staff shall be maintained during the implementation of the Project: a civil engineer, an accountant and a community development specialist, all with qualifications and performance satisfactory to the Association, who shall work under the supervision of the head of their respective Departments.

B. Anti-Corruption

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

C. Community Subprojects

1. The Project Implementing Entity shall make Community Subproject Grants to Beneficiary Community Associations in accordance with eligibility criteria and procedures acceptable to the Association set forth in the Operational Manual, which shall include inter alia the following:

(a) No Community Subproject shall be eligible for financing out of the proceeds of the Financing unless the Project Implementing Entity has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Operational Manual that the Community Subproject satisfies the eligibility criteria specified in the Operational Manual.

(b) The cumulative amount of Community Subproject Grants made to each Beneficiary Community Association shall not, except with the prior approval of the Association, exceed the equivalent of USD 50,000.

(c) The Beneficiary Community Association shall contribute in cash or kind at least 10% of the cost of the Community Subproject.

2. The Project Implementing Entity shall make each Community Subproject Grant under a Community Subproject Grant Agreement with the respective Beneficiary Community Association on terms and conditions approved by the Association, which shall include the following:

(a) The Community Subproject Grant shall be denominated in Djiboutian Franc.

(b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(i) suspend or terminate the right of the Beneficiary Community Association to use the proceeds of the Community Subproject Grant, or obtain a refund of all or any part of the amount of the Community Subproject Grant then withdrawn, upon the Beneficiary Community Association's failure to perform any of its obligations under the Community Subproject Grant Agreement; and

(ii) require each Beneficiary Community Association to:

(A) carry out its Community Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose;

(C) procure the goods, works and services to be financed out of the Community Subproject Grant in accordance with the provisions of this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Community Subproject and the achievement of its objectives;

(E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards

acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Community Subproject; and

(2) at the Association's, the Project Implementing Entity's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Project Implementing Entity and the Association;

(F) enable the Recipient, the Project Implementing Entity and the Association to inspect the Community Subproject, its operation and any relevant records and documents; and

(G) prepare and furnish to the Recipient, the Project Implementing Entity and the Association all such information as the Recipient, the Project Implementing Entity or the Association shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall exercise its rights under each Community Subproject Grant Agreement in such manner as to protect the interests of the Recipient, the Project Implementing Entity 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 any Community Subproject Grant Agreement or any of its provisions

D. Safeguards

1. In case the Project Implementing Entity shall determine that any works under Part I or Part II of the Project might entail any adverse environmental and social impacts, then prior to the commencement of such works under Part I or Part II of the Project, the Project Implementing Entity shall carry out a Project EIA and a Project EMP, as the case may be, satisfactory to the Association, in accordance with the provisions of the Operational Manual.

2. The Project Implementing Entity shall: (i) take all measures to carry out the Project in accordance with the Operational Manual, the Project EIAs and the Project EMPs, and not amend, suspend, abrogate, repeal or waive any provision of the

Operational Manual, the Project EIAs and the Project EMPs, without prior approval of the Association; and (ii) ensure that adequate information on the implementation of the Project EIAs and the Project EMPs is suitably included in the Project Reports referred to in Section II.A of this Schedule.

3. The Project Implementing Entity shall ensure that all measures identified and described in the Project EMPs are taken in a timely manner.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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

2. Without limitation on the provisions in paragraph 1 of this Sub-Section A, the Project Implementing Entity shall:

(a) prepare, under terms of reference satisfactory to the Association, and furnish to the Recipient and the Association, eighteen (18) months after the Effective Date or such later date as the Association shall determine, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Sub-Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(b) review with the Recipient and the Association, nineteen (19) months after the Effective Date or such later date as the Association shall determine, the report referred to in paragraph 2 (a) of this Sub-Section A, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.