Financing Agreement
(Additional Financing for Governance for Private Sector Development and Finance Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 28th, 2016
CREDIT NUMBER 5935-DJ

FINANCING AGREEMENT

AGREEMENT dated December 28, 2016, entered into between the REPUBLIC OF DJIBOUTI ("Recipient") and the 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 credit in an amount equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000) (variously, "Credit" or "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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 May 15 and November 15 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 United States 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.

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 Events of Suspension, in addition to the Events of Suspension stated in the General Conditions, consist 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 Recipient to perform any of its obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in paragraph (a) of 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 Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized and executed 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.

5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

5.03. 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 ten (10) years 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
Fax: +253-2135-6501
Email: cabinet@mefip.gouv.dj

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Fax: +1-202-477-6391

AGREED at Djibouti City, Republic of Djibouti, as of the day and year first above written.

REPUBLIC OF DJIBOUTI

By

Authorized Representative

Name: ILYAS MOUSSA DAWUDD
Title: MINISTER OF ECONOMY AND
FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: ABRAHAM SETH
Title: RESIDENT REPRESENTATIVE
SCHEDULE 1

Project Description

The objectives of the Project are to improve the efficiency of business regulation and establish an automated National Payment System.

The Project consists of the following parts (aspects of which are also covered by the Original Project and the Original Financing Agreement):

Part A: Investment Climate Reform

1. Provision of goods and consultants’ services to support the improvement of commercial chamber of the civil courts through:

   (a) Revision of the main functions of the commercial chambers including: (i) organizational structure and staffing plans; (ii) case management techniques; (iii) providing support to develop a system for monitoring and evaluating performance of judges and court administration staff; (iv) collection and analysis of case-related data; (v) publication and dissemination of court procedures, forms and judicial decisions; and (vi) strengthening of the office of the registrar.

   (b) Upgrading of the Ministry of Justice website to cover publication of decisions of the commercial chambers, information on procedures and forms of the chambers.

   (c) Developing training curricula for civil and commercial matters and conducting training for judges and court staff in accordance with the said curricula.

   (d) Reviewing the key relevant legislation including: (i) civil and civil procedure codes; and (ii) the commercial code.

   (e) Purchasing publications on commercial law, online access to legal information and information technology (IT) equipment for the commercial law library of the Ministry of Justice.

   (f) Acquiring information systems to modernize the Registre du Commerce et des Sociétés and to have key information required in business transactions readily accessible to the public.

2. Carrying out works and provision of goods, consultants’ services, non-consultants’ services, and Training to continue to provide support to the start-up and relocation of the related services of the One Stop Shop, including provision of IT equipment for the One Stop Shop building.
3. Provision of goods, consultants' services, nonconsultants' services and Training to support the secretariat of the Conseil de Developpement Economique de Djibouti (CDED) to initiate reforms in the business climate of Djibouti by (i) formulating detailed actionable policy recommendations; (ii) establishing effective coordination across the different regulatory agencies; (iii) building capacity at the beneficiary agency level; and (iv) promoting dialogue with and engagement by relevant stakeholders.

4. Provision of consultants' services to carry out a detailed review of the regulatory framework and identifying additional interventions in areas measured by the Doing Business Report, as supported by consultants with relevant expertise in such areas.

5. Provision of goods, consultants' services, nonconsultants' services and Training to the Ministry of Investment and other relevant ministries, agencies and administrations, including, among others, the Office Djiboutien de la Propriété Industrielle et Commerciale (ODPIC), the Direction de l'Amenagement de Territoire, de l'Urbanisme et de l'Habitat (DAUH), and Direction des Domaines et de la Conservation Foncière (DD), Electricité de Djibouti (EDD), and the Project Implementing Entity, to deepen technical and financial assistance to support reforms: (i) to reduce the cost of starting a business; (ii) to streamline procedures for obtaining construction permits; (iii) to reduce the cost of getting electricity; (iv) to register property more efficiently; (v) to protect minority investors; and (vi) to improve the ability to enforce contract terms.

Part B: Establishment of an Automated National Payment System.

1. Establishing a modern, automated payment system (ATS+), with back-up redundancy through the development of two physically separate, secure data centers with security, to ultimately replace the manual processing of checks and create the foundation for the development of an interbank market in Djibouti, including: (i) acquisition of a National Payment System at the Central Bank (software, hardware and system integration services); (ii) technical assistance and capacity building for system implementation; and (iii) rehabilitation and equipment of the physical infrastructure to host the system (primary and secondary centers), through the following subcomponents:

   (a) development of the core payments system infrastructure;

   (b) setting data centers, system integration services and capacity building of the Central Bank; and

   (c) technical assistance for the operationalization of the payment systems infrastructure, including a technical advisor for the Central Bank to: (i) support the launch and initial operation phase of the new ATS+ (first year of its implementation); (ii) train staff of the Central Bank from newly
created units (operation, IT, monitoring); and (iii) draft new manuals of procedures. In addition, the technical advisor will assist the Central Bank with recruitment of personnel by the Central Bank to handle the implementation of the National Payment System in three main areas, namely: (i) payments operations; (ii) information technology (IT); and (iii) payments system oversight.

Part C: Project Coordination and Management

Scaling up the existing Project Implementation Unit in the area of Project management, implementation, monitoring and evaluation, including audits, and in supporting meetings of the Project Steering Committee.
SCHEDULE 2

Project Execution

Section 1. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall maintain, during the Project implementation, a Project Steering Committee to provide oversight to the Project Implementation. The PSC shall be chaired by the General Secretary of the Ministry of Economy and Finance in charge of Industry and consist of relevant representatives from the public sector.

2. The Recipient shall cause, during the implementation of the Project, the Project Implementing Entity to maintain a Project Implementation Unit responsible for procurement, disbursement, accounting, financial reporting and monitoring and evaluation of the Project, and for ensuring the auditing of Project accounts. The Project Implementation Unit's General Manager shall be the Project coordinator. The Recipient shall cause the Project Implementing Entity to hire not later than one (1) month after Effective Date: (i) a procurement specialist, (ii) a financial management assistant, and (iii) a technical advisor to assist the Central Bank on the National Payment System, in accordance with the provisions of Section III of this Schedule and on terms of reference acceptable to the Association.

3. Without limitation upon the provisions of Section I.A.1 of this Schedule 2, the Recipient shall, or shall cause the Project Implementing Entity, to ensure the designation of Project focal points within: (i) the Ministry of Justice; (ii) the Ministry of Housing; and (iii) the Central Bank, to coordinate the implementation of activities under the Project.

4. The Recipient shall: (i) adopt not later than one (1) month after Effective Date the POM in form and substance acceptable to the Association; (ii) implement and cause to the Project Implementing Entity to implement the Project in accordance with the provisions of the POM; and (iii) not amend, suspend, abrogate, repeal or waive any of its provisions without the prior consent of the Association. The POM shall include clear requirements with respect to works undertaken in connection with the One Stop Shop under Part A.2 of the Project, limiting such works to refurbishing and rehabilitation.

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 under the Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by 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

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall, or shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.06 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

2. For purposes of Section 4.08 of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than three (3) months after the Closing Date.

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. 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.

4. The Recipient shall ensure, or cause the Project Implementing Entity to ensure, that no later than three (3) months after the Effective Date, the Project
implementing Entity has: (i) purchased an additional module for the accounting software acceptable to the Association; and (ii) recruited an external auditor under terms of reference, and with qualifications and experience satisfactory to the Association in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. All goods, works, non-consulting services and 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 the World Bank Procurement Regulations for Borrowers of July 2016 and the provisions of the Procurement Plan.

2. It is the Association’s policy to require that Recipients (including beneficiaries of Association 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 Association-financed contracts. In pursuance of this policy, the Association:

(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 an Association 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 Association'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/agreement 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/agreement 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 Association to address such practices when they occur, including by failing to inform the Association 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 Association'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 an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded an Association-financed contract;

(e) hereby requires that a clause be included in bidding documents and in contracts financed by an Association loan/agreement, requiring bidders, suppliers and contractors, and their sub-contractors, agents, personnel, consultants, service providers, or suppliers, to permit the Association 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 Association; 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 Recipient 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.

3. As an exception to the foregoing, (d) and (e) will not apply to the UN agency and
its employees, and paragraph 1 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 Association and the UN
agency may agree, including an obligation to periodically inform the Association
of the decisions and actions taken. The Association retains the right to require the
Recipient to invoke remedies such as suspension or termination. UN agencies shall
consult the Association’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 Association, the Association will not
finance the related expenditures and will apply other remedies as appropriate.

4. 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.

5. No preference shall be granted for domestic bids.

B. 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>Goods, works, non-consulting services and consulting services, Training and Operating Costs for the Project</td>
<td>3,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,800,000</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 December 31, 2020.
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 May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2022, to and including November 15, 2031</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing May 15, 2032, to and including November 15, 2041</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

Section I. Definitions


2. "ATS+" means a technical payments system solution called "Automated Transfer System plus" used as part of the National Payment System.

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


7. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

8. "National Payment System" means a technical payments system solution called "Automated Transfer System plus" (ATS +) at the level of the Central Bank (software, hardware and system integration services).


10. "Operating Costs" means the incremental expenses incurred by the Recipient on account of Project implementation, management, and monitoring and evaluation, including the reasonable costs for utilities and supplies, bank charges, communications, vehicle operation, maintenance, repair and insurance, office space rental, building and equipment maintenance, domestic travel (including per diem) and supervision, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient's civil service.

11. "Original Financing Agreement" means the financing agreement for a Governance for Private Sector Development Project between the Recipient and the Association, dated November 6, 2014, (Credit No. 5518-DJ).
12. "Original Project" means the project described in Schedule 1 to the Original Financing Agreement.

13. "OSS Working Group" means a working group in support of the One Stop Shop, consisting of members from ODPIC, DHU, DD, the tax administration (Direction Générale des Impots), the power company (Elecricité de Djibouti), and the national employment and training agency (ANEFIP).

14. "POM" means the Project Operational Manual updated from the Original Project to be adopted by the Recipient describing the procedures for implementation of the Project, including, among other things, the procedures governing administrative, procurement, accounting, financial management, with adequate measures for procurement and audits, and monitoring and evaluation arrangements, as the same may be amended from time to time with the prior approval of the Association.

15. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated November 6, 2016, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.

16. "Project" means the project described in Schedule 1 to this Financing Agreement.

17. "Project Implementation Unit" or "PIU" means implementation unit referred to and to be established pursuant to Section I.A.2 of Schedule 2 to this Agreement, satisfactory to the Association, at the level of the Project Implementing Entity for purposes of Project coordination and management.

18. "Project Implementing Entity" means the National Agency to Promote Investments (Agence Nationale pour la Promotion des Investissements) or ANPI created by the Project Implementing Entity’s Legislation.


20. "Project Steering Committee" or "PSC" means the Recipient’s Comite de Pilotage du Projet d’Appui a la Gouvernance pour le Developpement, established through the Recipient’s Circulaire Ministerial No. 409/MEFI of the Ministry of Economy and Finance in charge of Industry dated June 6, 2015.

21. "Subsidiary Agreement" means the agreement entered into by the Recipient and the Project Implementing Entity covering all parts of the Project specified in
Schedule 1 to this Agreement, pursuant to which the Recipient shall make proceeds of the Financing available to the Project Implementing Entity.

22. "Training" means training activities (other than consultants' services) to be carried out under the Project, as approved by the Association, on the basis of annual training, workshop and study tour plans acceptable to the Association, including transport and accommodation costs and per diem for trainees, trainers and workshop attendees, trainer fees, rental of facilities and equipment, training materials and related supplies.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).