Financing Agreement

(Additional Financing for Health Sector Development Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 22, 2009
FINANCING AGREEMENT

Agreement dated June 22, 2009, entered into between REPUBLIC OF DJIBOUTI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - FINANCING

2.01 The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to four million, seven hundred thousand Special Drawing Rights (SDR 4,700,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

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

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

2.04. The Payment Dates are March 15 and September 15 in each year.

2.05. The Payment Currency is US dollars.
ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the PNDS. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

4.01 The Additional Event of Suspension consists of the following, that a situation shall have arisen which shall make it improbable that the PNDS or a significant part of the PNDS, will be carried out.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

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

Facsimile:

253 35 65 01
6.03. The Association’s Address is:

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

Cable: INDEVAS  Telex: 248423 (MCI)  Facsimile: 1-202-477-6391

Washington, D.C.

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

REPUBLIC OF DJIBOUTI

By /s/ Robleh Olhaye Oudine  Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Laszlo Lovei  Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the quality of health services in a sustainable manner in order to contribute to the progress towards achieving the health-related Millennium Development Goals of reducing child and maternal mortality and combating communicable diseases.

The Project consists of the following parts:

1. **Improving Health Service Delivery Performance**

   Supporting, through carrying out minor civil works (rehabilitation and repair) at health facilities and clinics and providing equipment, training and technical advisory services, the delivery of:

   (a) child health services such as immunization, Integrated Management of Childhood Illnesses (IMCI), and treatment of malnutrition;

   (b) maternal child health services (including perinatal care, family planning, skilled-attended delivery, and emergency obstetrics); and

   (c) prevention and treatment services for HIV/AIDS and other prevalent communicable diseases, tuberculosis and malaria.

2. **Strengthening of Health Systems**

   Strengthening, through carrying out minor civil works (rehabilitation and repair) and providing equipment, training and technical advisory services, the management capacity at MOH to oversee the health system and improving the performance of different health systems involved in health service delivery, including MOH directorates, the CAU and the executive secretariat.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out the Project through MOH and its concerned technical directorates and CAU.

2. The CAU shall be responsible for the day-to-day management of the activities under the Project, and specifically for coordinating with the relevant departments in the MOH and other health facilities to ensure that technical aspects are in line with overall strategies, liaising with the Association on behalf of the MOH, including management of the special account and other funds, maintaining accounting records and supporting documents in accordance with acceptable accounting standards, monitoring and evaluation, and submission of progress and quarterly reports, and preparing all procurement packages, and participating in all evaluation committees.

3. The Recipient shall:

   (a) Carry out, in accordance with the indicators satisfactory to the Association, jointly with the Association, a comprehensive annual project implementation review aimed at: (i) documenting progress toward objectives; (ii) identifying and resolving obstacles to project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review, and ensuring responsiveness to changes to effectively achieve the objectives of the Project.

   (b) The Recipient shall, not later than four (4) weeks prior to the review referred to in (a) above, furnish to the Association a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

   (c) Promptly after completing such reviews, the Recipient shall carry out, recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association’s comments thereon.
4. The Recipient, no later than September 30, 2009, shall carry out a financial audit of its existing drug fund “La Centrale D’achats de médicaments et de matériels essentiels”.

B. Anti-Corruption

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

C. Safeguards

The Recipient shall carry out the Project in accordance with the provisions of the EMP.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with 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.

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 as part of the Project Report not later than one month 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.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the
requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section. The Procurement Plan shall specify the circumstances under which such methods may be used.

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

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

B. **Particular Methods of Procurement of Goods and Works**

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

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

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>(a) Selection based on Consultants’ Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Single Source Selection</td>
</tr>
</tbody>
</table>

3. **Selection of Individual Consultants.** In accordance with the requirements set forth or referred to in Sections V of the Consultant Guidelines.

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

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

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.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil Works</td>
<td>640,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>1,260,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services</td>
<td>1,170,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training</td>
<td>590,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Incremental Operating Costs</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>240,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>4,700,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule, the term “Incremental Operating Costs” means: (i) the costs incurred by CAU, including staff salaries, office supplies, printing and utilities, and costs for the maintenance of vehicles and equipment; and (ii) the incremental costs incurred by MOH on account of supervision of surveys and monitoring of Project implementation, including per diem, office supplies, printing, utilities and costs for the maintenance of vehicles and equipment.

B. Withdrawal Conditions; Withdrawal Period

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

2. The Closing Date is June 30, 2012.
APPENDIX

Definitions


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

3. “CAU” means the Credit Administration Unit, established within MOH (as hereinafter defined), for the purposes of carrying out daily management functions under the Project, as specified in paragraph 2 of Section I.A of Schedule 2 to this Agreement.


5. “Environmental Management Plan” or “EMP” means the environmental management plan as prepared and adopted by the Recipient pursuant to Section 3.06 of the Original Agreement for use in implementation of the Original Project, as amended or supplemented to date, and the provisions of which will be followed in the implementation of this Project.

6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).


8. “Original Financing Agreement” means the development credit agreement for a Health Sector Development Project between the Recipient and the Association, dated August 12, 2002 as amended to the date of this Agreement (Credit No 3650 DJI).

9. “Original Project” means the Project described in the Original Financing Agreement.

10. “PNDS” means MOH’s comprehensive strategic plan released in March 2008 and entitled “Plan National de Développement de la Santé – PNDS II” for the period 2008 – 2012, which is the second phase of MOH’s Program (as defined and referred in the Original Financing Agreement).

12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 15 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.