Financing Agreement

(Second Urban Poverty Reduction Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 23, 2014
CREDIT NUMBER 5458-DJ

FINANCING AGREEMENT

AGREEMENT dated July 23, 2014, entered into between REPUBLIC OF DJIBOUTI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 seven hundred thousand Special Drawing Rights (SDR 3,700,000) (variously, "Credit" and "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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 June 15 and December 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 Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective 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 and the Project Agreement.

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

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that 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 Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in 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 Conditions of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is ten (10) years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its 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

Facsimile:
(253) 21 35 6501/ (253) 21 35 5085

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at Washington, D.C., United States of America, as of the day and year first above written.

REPUBLIC OF DJIBOUTI

By

[Signature]
Authorized Representative

Name: Robleh Olhaye Oudine

Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Inger Andersen

Title: Regional Vice President
SCHEDULE 1

Project Description

The objective of the Project is to increase access to basic urban services in Quartier 7 (Q7) in Djibouti City.

The Project consists of the following parts:

Part A. Infrastructure Upgrading in Q7

1. Support for urban road rehabilitation and drains upgrading of selected roads through: (i) rehabilitation of the selected roads, sidewalks, related drainage and street lighting; (ii) installing up to two electric transformers; and (ii) carrying out the technical, environmental and social studies and the supervision of the works undertaken under Part A.1 (i).

2. Rehabilitation, upgrading and landscaping of Oumar Goused Square and of other selected small public spaces.

Part B. Building Institutional Capacity and Citizen Engagement

1. Provision of technical advisory services for urban development improvement through: (i) carrying out a feasibility study for Djaga Boulgouq restructuring; and (ii) preparation of local development plans for DHU in application of the urban master plan for the City of Djibouti.

2. Support to urban management improvement through:

   (i) Financing a Community Development Fund of Quartier 7 to enhance citizens’ engagement through Community Sub-project Grants to Community Associations.

   (ii) Developing a citizen engagement mechanism and support to monitoring and evaluation through: (a) preparation and implementation of a community mobilization plan and a communication strategy; and (b) development of an integrated ICT-enabled platform (mobile and web) for Quartier 7 residents to provide feedback on Project activities.

Part C. Support to Implementation, Monitoring and Evaluation

Provision of support to carry out the Project management, implementation, evaluation and reporting activities, including Training, technical and financial audits.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall establish not later than two (2) months after Effective Date and thereafter maintain during Project implementation a Steering Committee (SC), with composition and terms of reference acceptable to the Association, for the purpose of: (i) providing strategic guidance on Project implementation; (ii) overseeing the implementation of the project; (iii) reinforcing inter-sector coordination; (iv) approving work programs; and (v) reviewing implementation and audit reports. The SC shall be led by the representative of the MHUE and shall include as members representatives from the MEF, the SSH, the SSNS, the Prefecture of Djibouti, the City of Djibouti, the Commune of Boulaois, the DHU, the ONEAD, the EDD, L'Agence des Routes and the OVD. The SC shall be informed by the Project Implementing Entity on a quarterly basis on Project implementation and meets yearly or on an ad-hoc basis.

2. The Recipient shall cause, during the implementation of the Project, the Project Implementing Entity to: (i) ensure the secretariat of the SC; and (ii) maintain and strengthen the Project Management Unit including, inter alia, in its composition: a full time project manager (engineer specialized on urban infrastructure) for the overall technical coordination; a procurement specialist; an environmental and social safeguard specialist and a financial officer, all under terms of reference satisfactory to the Association.

3. The Recipient shall implement, or cause to be implemented, the Project in accordance with the provisions of the POM and shall not amend, suspend, abrogate, repeal or waive any of its provisions without the prior consent of the Association.

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 a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary 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. 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 that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Community Sub-projects

1. The Recipient, through the Project Implementing Entity, shall make Community Sub-project Grants to Community Associations in accordance with eligibility criteria and procedures acceptable to the Association set forth in the Operational Manual.

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

(a) The Recipient, through 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 Community Association to use the proceeds of the Community Sub-project Grant Agreement, or declare to be immediately due and payable all or any part of the amount of the Community Sub-project Grants then withdrawn, upon the Community Association’s failure to perform any of its obligations under the Community Sub-project Grant Agreement; and (ii) require each Community Association to: (A) carry out its Community Sub-project 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 Sub-project 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 Sub-project 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 Sub-project; and (2) at the Association’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 and the Association; (F) enable the Recipient and the Association to inspect the Community Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient, through the Project Implementing Entity, shall exercise its rights under each Community Sub-project Grant 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 any Community Sub-project Grant Agreement or any of its provisions.

4. To facilitate the carrying out of Part B.2 (i) of the Project, the Recipient, through the Project Implementing Entity, shall maintain, during Project implementation, a Selection Committee to generate community interest, validate and monitor the implementation of Community Sub-projects. The Project Implementing Entity shall ensure the secretariat of the Selection Committee.

E. Safeguards.

1. The Recipient shall cause the Project Implementing Entity to ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework (ESMF) and Environmental and Social Management Plans (ESMPs). Where the ESMF requires that an ESMP be prepared for an activity under the Project, the Project Implementing Entity shall, in accordance with the ESMF, prepare such a plan, in form and substance satisfactory to the Association, and disclose it, before the implementation of such activity.

2. The Recipient shall cause the Project Implementing Entity to ensure that the Project activities under Part A are carried out in accordance with the provisions the Resettlement Policy Framework (RPF) and the Abbreviated Resettlement Action Plan (ARAP). Where the RPF requires that an ARAP or Resettlement Action Plan (RAP) be prepared for an activity under the Project, the Project Implementing Entity shall, in accordance with the RPF, prepare such plans, in form and substance satisfactory to the Association, and disclose them, before the implementation of such activity.
3. The Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail
to enforce any of the Safeguard Documents without the prior consent of the
Association.

4. In case of any conflict between the terms of the Safeguard Documents referred to
in sub-paragraphs (1) and (2) of this paragraph and those of this Agreement, the
terms of this Agreement shall prevail.

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 indicators acceptable to the Association. Each
Project Report shall cover the period of one calendar quarter, and shall be
furnished to the Association not later than forty-five (45) after the end of the
period covered by such report.

2. For purposes of Section 4.08 (c) 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,
commencing with the fiscal year in which the first withdrawal was made under
the Preparation Advance for the Project. The audited Financial Statements for
each such period: (i) shall be furnished to the Association not later than six
months after the end of such period; and (ii) shall include: (a) a cash flow
statement; (b) a closing statement of financial position; (c) a statement of
ongoing commitments; (d) an analysis of payments and withdrawals from the
project’s account; (e) a statement of cash receipts and payments by category and
component; (f) reconciliation statement for the balance of the Project’s Designated Account; and (g) statement of cash payments made using Statements of Expenditures (SOE) basis.

4. The Recipient shall cause the Project Implementing Entity to appoint not later than six (6) months after the Effective Date and according to terms of reference acceptable to the Association, an external auditor to carry out an external financial audit review of the interim unaudited financial reports and the Financial Statements in accordance with international auditing standards. The auditor shall produce: (i) an annual audit report including his opinion on the Project’s annual financial statements; (ii) a management letter on the Project internal controls; and (iii) a limited review opinion on the IFRs. The annual reports will be submitted to the Association within six (6) months from the closure of each fiscal year and the limited review opinion will be submitted to the Association with the interim unaudited financial reports.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.

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

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

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding subject to the additional procedures set forth in paragraph 3 below and to the use of bidding documents acceptable to the Association; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; (g) Procurement from UN Agencies; (h) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; and (i) Community Participation procedures which have been found acceptable to the Association.

3. **Requirements for the National Competitive Bidding (NCB).**

(a) In the Standard Bidding Documents, as enacted by the by Law n°2010-349/PRE, dated May 8, 2010, the “Fraud and Corruption” clause shall be revised to read as follows for all contracts financed by the present Financing Agreement:

“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:

(i) defines, for the purposes of this provision, the terms set forth below as follows:

(A) “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;

(B) “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;

(C) “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;

(D) “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; and
(E) "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 the Association's 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.

(ii) 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, subcontractors, 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;

(iii) 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 Recipient 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 Recipient 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;

(iv) will sanction a firm or individual, at any time, in accordance with the prevailing Bank'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 subcontractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded an Association-financed contract;

(v) 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
(vi) 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 Borrower 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.

As an exception to the foregoing, (iv) and (v) will not apply to the UN agency and its employees, and paragraph (v) 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 World Bank, the Association will not finance the related expenditures and will apply other remedies as appropriate.”

(b) 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;

(c) No preference shall be granted for domestic bids;

(d) The NCB procedures shall include, further to public opening of bids, publication of results of evaluation and of the award of contract as per paragraph 7 of Appendix 1 of the Procurement Guidelines; and

(e) Recipient shall have an effective and independent protest mechanism in place allowing bidders to protest and have their protests handled in a timely manner.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which
have been found acceptable to the Association; (g) Selection of UN Agencies; (h) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (i) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (j) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<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) Goods, works, non-consulting services, and consultants’ services, including Training and Operating Costs for the Project</td>
<td>3,275,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Community Sub-project Grants under Part B.2 (i) of the</td>
<td>105,000</td>
<td>100%</td>
</tr>
<tr>
<td>Project</td>
<td>Amount</td>
<td>Description</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>----------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>(3) Refund of Preparation Advance</td>
<td>320,000</td>
<td>Amount payable pursuant to Section 2.07 of the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,700,000</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:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed five hundred thousand US Dollars (US$500,000) equivalent may be made for payments made prior to this date but on or after April 7, 2014, for Eligible Expenditures under Category (1).

   (b) under Category (2) unless the activities have been executed in accordance with the Community Sub-project Grant Agreement.

2. The Closing Date is June 30, 2019.
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 June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2019 to and including December 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing June 15, 2029 to and including December 15, 2038</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

Definitions


2. "ARAP" means the abbreviated resettlement action plan prepared by the Recipient to cover specific adverse impacts already identified mainly related to a small group of encroachers (15 total) affected as part of right-of-way clearance for proposed roads and under the rehabilitation of Omar Gouled Square and adopted on March 13, 2014.

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

4. "Community Association" means a community established as an association under the laws of the Recipient, and determined to be eligible for a Community Sub-project Grant in accordance with the eligibility criteria specified in Section 1.D of Schedule 2 to this Agreement and in the Operational Manual and to whom or for whose benefit a Community Sub-project Grant is made or proposed to be made.

5. "Community Sub-project" means an activity carried out or to be carried out by a Community Association under Part B.2.

6. "Community Sub-project Grant" means a grant made or proposed to be made by the Project Implementing Entity to a Community Association for the purposes of financing a Community Sub-project under Part B.2 (i) of the Project.

7. "Community Sub-project Grant Agreement" means an agreement between the Project Implementing Entity and a Community Association setting forth the terms and conditions under which a Community Sub-project Grant shall be made available to the Community Association for the purpose of financing a Community Sub-project under Part B.2 (i) of the Project.


9. "DHU" means the Recipient's Housing and Urban Planning Department or any successor thereto.
10. "EDD" means Electricité de Djibouti the Recipient’s power utility company established through Decision No. 115 dated January 21, 1960 of the Recipient, and any successor thereto.

11. "Environmental Management and Social Framework" or "EMSF" means the document prepared by the Recipient, adopted and disclosed on March 18, 2014 containing the procedures and methodologies to be followed to manage the environmental and social risks associated with the project implementation, an environmental and social screening checklist, and standard terms of reference for the environmental and social management plan to be prepared prior to the start of works to guide the management of environmental and social risks for those activities not yet defined.

12. "Environmental and Social Management Plan" or "ESMP" means: (i) the plans developed by the Recipient for the works under Part A of the Project (for the roads that will undergo rehabilitation and upgrading, and for the installation of up to two transformers on Boulevard G. Battal and Avenue Nasser) containing the expected impacts, mitigation, monitoring, and institutional measures to be taken during implementation and operation to eliminate, offset, or reduce the adverse environmental and social impacts, and to enhance the positive impacts, as well as actions required to implement these measures including the needed capacity development and training and implementation schedule and cost estimates; and (ii) the plans to be developed for the civil works activities, in accordance with the model form presented in the ESMF, which includes appropriate environmental monitoring and mitigation plans and up-dated provisions regarding construction permit requirements.


14. "ICT" means “Information Communications Technology”.


17. "MHUE" means the Recipient’s Ministry for Housing, Urbanism and Environment, or any successor thereto.

18. "ONEAD" means the Recipient’s Office National pour l'Eau et l'Assainissement de Djibouti (Djibouti National Water and Sanitation Office) or any successor thereto.
19. “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, travel (including per diem) and supervision, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.

20. “OVD” means the Recipient’s Office de la Voirie de Djibouti (Agency in charge with solid waste management and street cleaning), or any successor thereto.

21. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on November 20, 2013 and on behalf of the Recipient on December 16, 2013.


23. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 7, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


26. “Project Management Unit” or “PMU” means the management unit referred to in Section I.A.2 of Schedule 2 to this Agreement established at the level of the Project Implementing Entity for purposes of Project coordination and management.

27. “Project Operational Manual” or “POM” means the Project Implementing Entity’s manual dated June 2008 updated for the Project, describing procedures for implementation of the Project, consistent with the provisions of this Agreement and the Project Agreement and including, inter alia: (i) procedures governing administrative, procurement, accounting, financial management,
including adequate measures for procurement and forensic audits, and monitoring and evaluation arrangements; (ii) arrangements and criteria for identification, selection and implementation of Community Sub-projects; (iii) safeguard arrangements; and (iv) sample formats for required Project reports.

28. “Resettlement Action Plan” or “RAP” means the plan approved by the Association for the Project, prepared by the Project Implementing Entity on the basis of the RPF, as said document may be amended or supplemented from time to time with the prior written agreement of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.

29. “Resettlement Policy Framework” or “RPF” means the document prepared by the Recipient, adopted and disclosed on March 13, 2014 defining resettlement principles and processes, eligibility criteria, institutional and funding arrangements, grievance redress mechanisms, and a legal framework that reviews the fit between the Recipient’s laws and the Association’s policy requirements.

30. “Safeguard Documents” means, collectively, the ESMF, ESMP, RAP, RPF and ARAP.

31. “Selection Committee” means the selection committee established through the Letter from Djibouti Ville – Commune de Boulao to the Director of Project Implementing Entity transmitted on December 23, 2013 referred to in Section I.D.4 to this Agreement.

32. “Steering Committee” or “SC” means the steering committee referred to in Section I.A.1 to this Agreement.

33. “SSH” means the Recipient’s Secretariat of State for Housing, or any successor thereto.

34. “SSNS” means the Recipient’s Secretariat of State for National Solidarity, or any successor thereto.

35. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

36. “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.