Financing Agreement

(2nd Additional Financing For Power Access and Diversification Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 21, 2012
FINANCING AGREEMENT

Agreement dated August 1, 2012, 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 three
million four hundred thousand Special Drawing Rights (SDR 3,400,000)
("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 April 1 and October 1 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. To this end, the Recipient shall cause the Project to be carried out by the Minister of Economy and Finance in charge of Industry and Planning (MEF) 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 consist of the following, namely that The Horizon Djibouti Terminal Limited Procedures within the Rental Contract have been amended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform its obligations under this Agreement without causing negative environmental or social impacts.

4.02. The Additional Event of Acceleration consists of the following, namely that the events 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 consist of the following:

(a) The Manual of Operations for the Project has been revised and approved by the Recipient.

(b) The International Adviser and the local FM specialist for the PMU have been recruited satisfactory to the Association.

5.02. The Effectiveness Deadline is the date one hundred and fifty (150) 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 twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is Minister of Economy and Finance in charge of Industry and Planning.

6.02. The Recipient's Address is

Ministry of Economy and Finance in charge of Industry and Planning
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
AGREED at District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF DJIBOUTI

By

Authorized Representative

Name: Robleh Olhaye
Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Inger Andersen
Title: Regional Vice President
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) increase access of underserved population to electricity services, (ii) improve EDD's efficiency through execution of investment operations aimed at reducing EDD’s electricity losses; and (iii) to reduce the negative effects of drought on water pumping in both rural and urban areas by strengthening the country’s power supply resilience to natural catastrophes, through the creation of HFO and diesel security stocks.

The Project consists of the following additional Parts:

Part D. Setting up petroleum security stocks

Provision of goods and non-consulting services for supporting:

(i) the purchase of diesel and HFO for security stock; and
(ii) the rental of long-term storage capacities for diesel and HFO at the Horizon Djibouti Terminals Limited facility.

Part E. Institutionalizing the management of petroleum security stocks

Provision of consultants’ services for supporting:

(i) an international adviser to assist the Recipient in purchasing petroleum products and negotiating the maintenance and rental of storage capacity;
(ii) the development of the design of a simple regulation of security stocks management, including guidelines for releasing and rebuilding security stocks; and
(iii) a financial management expert to strengthen the PMU’s capacity and the timely execution of the activities of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Throughout the period of implementation of the Project, the Recipient shall and shall cause the Project Implementing Entity to: (i) maintain the PMU located within the Project Implementing Entity and oversight by the Prime Minister’s Office; (ii) ensure close cooperation between the Recipient and the PMU with respect to the overall management and coordination of Project activities, including financial management, procurement, monitoring, evaluation and reporting activities; and (iii) ensure that the PMU apply the procedures and guidelines established in the Manual of Operations and not modify, suspend or abrogate, nor allow to be modified, suspended or abrogated, the Manual of Operations or any provisions thereof without the prior concurrence of the Association.

2. With respect to Part D of the Project, the Recipient shall ensure that the Prime Minister’s Office shall be the authority in charge of enforcing security stocks regulations by authorizing the release of HFO and diesel security stocks.

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 sign with the Horizon Djibouti Terminals Limited a rental contract for petroleum storage capacities under Part D of the Project on terms and conditions satisfactory to the Association (the “Rental Contract”), including without limitation the requirement that the Horizon Djibouti Terminals Limited maintain, throughout the duration of the Project, the health, safety and environment arrangements described in the Environmental Audit (the “Horizon Terminal Procedures”) which include the following: (i) the maintenance of an acceptable Environment Health Safety policy; (ii) the maintenance of an acceptable management structure, personnel resources and guidelines necessary to minimize adverse affects of its operations on the environment or human health and safety; (iii) the continuing prevention of pollution by continuing to implement proven technology, promoting safe working practices and maintaining property and equipment within acceptable international oil and gas industry standards; and (iv) the maintenance a risk-based emergency response systems and facilities as necessary to control and mitigate the effects of any incident that may occur.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

The Recipient, through PMU, 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 (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B.  Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or shall 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 interim unaudited financial reports for the Project covering the semester, 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 (1) 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 Non-consulting Services. All goods 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.
3. **Particular Methods of Procurement of Goods and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. 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 (NCB) subject to the additional provisions set forth in Attachment to this Schedule 2 of the Agreement</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Limited international Bidding</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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Single-source Selection of consulting firms</td>
</tr>
</tbody>
</table>
### Procurement Method

<table>
<thead>
<tr>
<th>(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</th>
</tr>
</thead>
<tbody>
<tr>
<td>(f) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

### 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 Grant 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 Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods under Part D of the Project</td>
<td>2,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Non-Consulting Services for Part D (ii) (rental fees)</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants' Services under Part E of the project</td>
<td>200,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
- 10 -

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,400,000</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;

   (b) under Category (2) until a Rental Contract satisfactory to the Association has been concluded between the Recipient and the Horizons Djibouti Terminals Limited Company pursuant to Section I.C of Schedule 2 to this Agreement.

2. The Closing Date is March 31, 2014.
APPENDIX

Section I. Definitions


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


4. "EA" or "Environmental Audit" means the Environmental Audit dated March 12, 2012, which determines the nature and extent of the environmental areas of concern at the Horizon Djibouti Terminals Limited tank farm located in Doraleh, Djibouti and sets up mitigation measures.


6. "HFO" means Heavy Fuel Oil.

7. "Horizons Djibouti Terminals Limited" means the commercial company "Horizon Djibouti Terminals Limited".

8. "Horizons Djibouti Terminals" means the tank farm located in Doraleh, Djibouti, operated by Horizons Djibouti Terminals Limited.

9. "Horizon Terminal Procedures" means the documents listed in paragraph 30 and 61 of the Environmental Audit (hereinabove defined).

10. "Original Financing Agreement" means the Development Credit Agreement for a Power Access and Diversification Project between the Recipient and the Association, dated November 28, 2005 (Credit No 4120-DJI).


12. "Original Project" means the Project described in the Original Financing Agreement and expanded through the Additional Financing provided pursuant to the Financing Agreement for the Additional Financing for Power Access and Diversification
Project, dated July 27, 2000 (Grant No H574-DJ), as amended to the date of this Agreement.


14. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated April 18, 2012, 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.

15. "Rental Contract" means the contract to be concluded between the Recipient and Horizons Djibouti Terminals Limited (hereinafter defined) pursuant to Section I.C of Schedule 2 to this Agreement.