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OFFICIAL
DOCUMENTS

GRANT NUMBER D469-DJ
CREDIT NUMBER 6415-DJ

Financing Agreement

(Integrated Cash Transfer and Human Capital Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D469-DJ
CREDIT NUMBER 6415-DJ

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF DJIBOUTI ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Association has decided to provide this financing on the basis, among other things, of the existence of an adequate refugee protection framework. 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) apply to and form 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 a grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"):

(a) three million six hundred thousand Special Drawing Rights (SDR 3,600,000) ("Grant"); and

(b) seven million two hundred thousand Special Drawing Rights (SDR 7,200,000) ("Credit").

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

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

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Secretariat for Social Affairs ("SEAS") in accordance with the provisions of Article V of the General Conditions and 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 Recipient no longer has an adequate refugee protection framework.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V- EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied that the Recipient has an adequate refugee protection framework.

5.02 The Effectiveness Deadline is the date one hundred fifty (150) days after the Signature Date.

5.03 For purposes of Section 10.05(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 years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its minister responsible for finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Economy and Finance in charge of Industry
BP 13
Djibouti City
Republic of Djibouti; and

(b) the Recipient's Electronic Address is:

Facsimile:

(253) 21358135

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

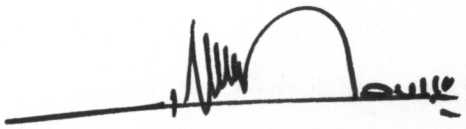
(b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

REPUBLIC OF DJIBOUTI

By



Authorized Representative

Name: Ilyas Massa Dawaleh

Title: Minister of Economy and Finance

Date: July 3rd, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Marina Wes

Title: Country Director for Djibouti
Middle East & North Africa

Date: July 3rd, 2019

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) support an expanded and more enhanced social safety nets system; and (ii) support access to basic services in targeted poor communities.

The Project consists of the following parts:

Part 1: Conditional Cash Transfers

Carrying out a program of activities to support poor and vulnerable households in the Recipient's territory, through:

1. Provision of: (a) Conditional Cash Transfers under the PNSF Program to Cash Transfer Beneficiaries to promote the welfare of poor and vulnerable households; and (b) payments of Transfer Fees.

2. Promoting households' behavioral changes and improving household practices related to, *inter alia*, nutrition, hygiene, human development, income-generating activities, rights and responsibilities of refugees, and good parenting, all through the provision of technical assistance, Training and goods required for the purpose.

Part 2: Strengthening Social Protection Delivery Systems

Establishing a coherent and responsive social safety net system through: (1) strengthening the national social registry of vulnerable households and the targeting system for identifying Cash Transfer Beneficiaries; (2) strengthening the PNSF Program's management information system including an enrollment, payment and grievance mechanism systems and including refugees in the social register; (3) building institutional capacity in SEAS and other selected entities relevant for the Project; and (4) carrying out relevant evaluation studies.

Part 3: Community Based Investments in Basic Services to Improve Human Capital

1. Provision of Subgrants to Subgrant Beneficiaries to carry out small scale sub projects included in the Eligible Infrastructure Investments List ("Subprojects").

2. Provision of grassroots management Training.

Part 4: Project Management

Supporting SEAS in the areas of Project coordination, supervision, financial management, communication and awareness raising campaigns; all through the provision of technical assistance, Training, Operating Costs and goods required for the purpose.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause at all times during the implementation of the Project, SEAS to be responsible for the implementation of the Project and shall take all actions including the provision of funding, personnel and other resources necessary to enable the SEAS to perform its functions.

2. The Recipient shall maintain throughout the Project implementation period, with composition, mandate and resources satisfactory to the Association, a steering committee, to be chaired by SEAS and responsible for providing technical supervision and guidance for the Project, as further described in the Project Operational Manual (the "Steering Committee").

3. SEAS shall maintain throughout the period of Project implementation, a Project Implementation Unit to run the day-to-day management of the Project, in form and with terms of reference, functions, composition, mandate, staffing, and adequate resources satisfactory to the Association, and as further described in the Project Operational Manual.

4. In order to ensure proper continuation of the Project, the Recipient shall allocate and use its own resources to finance Conditional Cash Transfers for at least 5,362 Cash Transfer Beneficiaries in 2021 and at least 8,362 Cash Transfer Beneficiaries in 2022.

B. Project Operational Manual

1. The Recipient shall, no later than one (1) month after the Effective Date, prepare and adopt and thereafter maintain, in accordance with terms of reference acceptable to the Association, a project operational manual, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) monitoring, evaluation, reporting and communication; (c) eligibility criteria, detailed rules and procedures for identification, registration and selection of Cash Transfer Beneficiaries and Subgrant Beneficiaries, (d) requirements to be fulfilled by Cash Transfer Beneficiaries and Grant Beneficiaries as conditions for the provision of Conditional Cash Transfers and Subgrants under Part 1.1 and 3.1 of the Project, respectively; (e) the mechanisms for verification of compliance with Conditional Cash Transfers and Subgrants conditions; (f) the detailed procedures for coordination and collaboration among different sector actors involved in the

carrying out of the Project; (g) administration, financial management and accounting; and (h) such other administrative, technical and organizational arrangements and procedures as shall be required for purposes of implementation of the Project.

2. The Recipient shall afford the Association a reasonable opportunity to review such manual and shall thereafter adopt said manual as shall have been approved by the Association ("Project Operational Manual" or "POM").

3. The Recipient shall carry out the Project in accordance with the Project Operational Manual and shall not amend, abrogate, waive or permit to be amended, abrogated or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Association.

4. In the event of any inconsistency between this Agreement and the POM the provisions of this Agreement shall prevail.

C. Conditional Cash Transfer Program

1. In order to achieve the objectives of Part 1.1 of the Project, the Recipient shall provide Conditional Cash Transfers to Cash Transfer Beneficiaries, in accordance with eligibility criteria and procedures acceptable to the Association and further detailed in the POM and as detailed below:

   (a) *Eligibility criteria for the Conditional Cash Transfer Program:*

   The eligibility for the Cash Transfer Beneficiaries shall include, *inter alia*, that each Cash Transfer Beneficiary: (i) is identified as from a poor household according to the targeting criteria in the POM; and (ii) has participated in the accompanying measures provided for under Part 1.2 of the Project, as further detailed in the POM.

2. Each Conditional Cash Transfer shall: (a) be in an amount acceptable to the Association and the Recipient; and (b) reflect the reasonable cost of decreasing each of the Cash Transfer Beneficiaries' level of food related poverty.

3. The Recipient shall ensure that the amount of each Conditional Cash Transfer is paid to the intended Cash Transfer Beneficiary.

4. The Recipient shall conclude and thereafter implement, until it has expired in accordance with its terms, a Payment Agreement, in form and substance satisfactory to the Association and in accordance with criteria and procedures set forth in the Project Operational Manual, with one or more Payment Service Provider, selected on the basis of terms of reference, qualifications and experience satisfactory to the Association and in accordance with the

Procurement Regulations, for the payment of Conditional Cash Transfers to Cash Transfer Beneficiaries (each a "Payment Agreement").

5. The Recipient shall ensure that each Payment Agreement is: (a) submitted to the Association for its review and approval prior to its signature between the Recipient and the Payment Service Provider; (b) signed and effective before any proceeds of the Financing are transferred to the Payment Service Provider; and (c) carried out with due diligence and efficiency and in accordance with sound technical, financial, and managerial standards and practices acceptable to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines.

D. Sub-projects

1. The Recipient shall, through SEAS, provide Subgrants to Subgrant Beneficiaries: (a) in accordance with the Project Operational Manual; and (b) pursuant to the provisions of the Subgrant Agreement to be entered into between SEAS and Subgrant Beneficiaries containing terms and conditions satisfactory to the Association, which shall include the provisions set forth in Schedule 4 to this Agreement.

2. The Recipient shall exercise its rights in relation to each such Subgrant provided to a Subgrant Beneficiary under a Subgrant Agreement in such manner as to: (a) protect the interests of the Recipient and the Association; (b) comply with its obligations under the Agreement; and (c) achieve the purposes of the Project.

3. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subgrant Agreement or any of its provisions.

E. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF, and to that end, if any activity included in an Annual Work Plan would, pursuant to the ESMF, require the adoption of an ESMP:

   (a) (i) prepare such ESMP and furnish it to the Association for review and approval; and (ii) thereafter adopt such ESMP prior to implementation of the activity in question; and

   (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP.

2. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the RPF, and to that end, if any activity included in an Annual Work Plan would, pursuant to the RPF, require the adoption of an RAP:

(a) (i) prepare such RAP and furnish it to the Association for review and approval; and (ii) thereafter adopt such ESMP prior to implementation of the activity in question; and

(b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such RAP.

3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association every calendar semester, reports, in form and substance satisfactory to the Association, on the status of compliance with the Safeguard Instruments, giving details of:

(a) measures taken in furtherance of such Safeguard Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.

4. The Recipient shall not amend, abrogate, repeal, suspend, waive, or otherwise fail to enforce, or permit to be amended, abrogated, repealed, suspended or waived any of the Safeguard Instruments or any provision thereof without the prior written approval of the Association.

5. In case of inconsistency between this Agreement and any of the Safeguard Instruments, the terms of this Agreement shall prevail.

6. The Recipient shall:

(a) as soon as reasonably practicable, but no later than five (5) calendar days after the occurrence of a Significant Event, inform the Association by any electronic means of the nature of the incident, accident, or circumstance and any effect or impact (whether on-site or off-site) resulting or likely to result there from;

(b) as soon as reasonably practicable, but no later than thirty (30) days after such Significant Event, provide the Association with a summary report that includes a description of such Significant Event, and the measures, if any, that the Recipient is taking or plans to take to address such Significant Event and to prevent any future similar event; and

(c) keep the Association informed of the ongoing implementation of the said measures and plans.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, consulting services, non-consulting services, Operating Costs and Training and for the Project except Parts 1.1(a) and 3.1.	900,000	2,088,000	100%
(2) Conditional Cash Transfers under Part 1.1(a) of the Project	0	5,112,000	100% of amounts disbursed under the respective Conditional Cash Transfers.
(3) Subgrants under Part 3.1 of the Project	1,440,000	0	100% of amounts disbursed under the respective Subgrants.

(4) Refund of Preparation Advance	1,260,000	0	Amount payable pursuant to Section 2.07(a) of the General Conditions
TOTAL AMOUNT	3,600,000	7,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is December 31, 2022.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage) *
On each May 15 and November 15:	
commencing May 15, 2029 to and including November 15, 2038	1%
commencing May 15, 2039 to and including November 15, 2058	2%

* 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 3.05(b) of the General Conditions.

SCHEDULE 4

Terms and Conditions of Subgrant Agreements

1. Except as the Association shall otherwise agree, in order to provide a Subgrant to a Subgrant Beneficiary, the Recipient shall through SEAS enter into a Subgrant Agreement with such Subgrant Beneficiary, pursuant to which SEAS shall obtain rights adequate to protect the interests of the Association and the Recipient, including the right to:

   (a) Require the Subgrant Beneficiary to carry out the Sub-project for which the Subgrant is made:

      (i) with due diligence and efficiency;

      (ii) in accordance with sound technical, economic, financial, managerial, environmental and social standards; and

      (iii) in accordance with the provisions of the Safeguard Instruments and the Anti-Corruption Guidelines.

   (b) Require the Subgrant Beneficiary to provide, promptly as needed, the resources required for the Sub-project.

   (c) Require the Subgrant Beneficiary to:

      (i) maintain a financial management system and prepare simplified financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operational resources and expenditures related to the Sub-project; and

      (ii) at the Recipient's or the Association'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.

   (d) Require the Subgrant Beneficiary to procure the goods, works and services to be financed out of the proceeds of the Subgrant in accordance with the provisions of the Procurement Regulations.

   (e) Require the Subgrant Beneficiary to enable the Recipient and the Association to inspect the Sub-project and any relevant records and documents.

(f) Require the Subgrant Beneficiary to prepare and furnish to the Recipient and the Association all such information as they shall reasonably request relating to the foregoing.

(g) Suspend or terminate the right of the Subgrant Beneficiary to use the proceeds of the Subgrant, or to obtain a refund of all or any part of the amount of the Subgrant then withdrawn, upon the Subgrant Beneficiary's failure to perform any of its obligations under the Subgrant Agreement.

APPENDIX

Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

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

3. "Cash Transfer Beneficiary" means any household or a person eligible to receive a Cash Transfer under Part 1.1 of the Project in accordance with eligibility criteria and procedures set forth in the POM, and "Cash Transfer Beneficiaries" means more than one Cash Transfer Beneficiary.

4. "Conditional Cash Transfer" means an amount of cash to be provided to a Cash Transfer Beneficiary under Part 1.1 of the Project provided that the Cash Transfer Beneficiary has satisfied the conditions required for eligibility as further defined in the POM.

5. "Eligible Infrastructure Investments List" means the list of eligible investments for Subgrants financing under Part 3.1 of the Project, including but not limited to schools, markets, selected rural roads and water and sanitation infrastructure, as well as environmental resource management as further outlined under the POM.

6. "Environmental and Social Management Framework" or "ESMF" means the document prepared and adopted by the Recipient for the Project, disclosed on February 7, 2019, which sets forth the modalities for site-specific environmental screening and procedures/actions for the preparation and implementation of ESMPs under the Project, the set of mitigation, monitoring, and institutional measures and procedures required in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, as the same may be amended from time to time with the Association prior written approval.

7. "Environmental and Social Management Plan" or "ESMP" means, for a given Project activity, a site-specific environmental and social management plan of said activity prepared pursuant to the ESMF, and giving details of specific actions and setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts to levels acceptable to the Association, including the budget and cost estimates, and sources of funding, along with the institutional

and procedural measures needed to implement such actions, measures and policies and the parties responsible for executing works and monitoring of construction and operational impact, as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to same initial consultation and disclosure requirements carried out for the ESMF.

8. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.

9. "Operating Costs" means the reasonable incremental operating costs under the Project approved by the Association, and incurred by the Recipient, on account of utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related media expenses, travel and supervision, and salaries of contractual and temporary staff, but excluding salaries of members of the Recipient's civil service.

10. "Payment Agreement" means an agreement entered or to be entered into between the Recipient and a Payment Service Provider in accordance with Section I.C.4 of Schedule 2 to this Agreement.

11. "Payment Service Provider" means any commercial bank, microfinance institution, non-governmental organization, telecommunication operator or any public entity, selected in accordance with Section I.C.4 of Schedule 2 to this Agreement.

12. "PNSF Program" means the Recipient's national program providing the cash transfers under Part 1.1 to this Agreement to assist to the poorest and most vulnerable populations in the Recipient's territory through the provision of cash transfers with the objectives to reduce poverty and to promote the development of the human capital of poor and vulnerable households.

13. "Preparation Advance" means the advance referred to in Section 2.07(a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 7, 2019, and on behalf of the Recipient on January 13, 2019.

14. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.

15. "Resettlement Action Plan" or "RAP" means a resettlement action plan prepared in accordance with the RPF detailing the specific terms of resettlement of persons

affected by the Project as per the RPF, as such RAP may be amended from time to time with the prior written consent of the Association.

16. "Resettlement Policy Framework" or "RPF" means the Recipient's document prepared and adopted by the Recipient for the Project, disclosed on February 7, 2019, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, as such Resettlement Policy Framework may be amended from time to time with the prior written consent of the Association.

17. "Safeguard Instruments" means the ESMF and RPF and any ESMP or RAP required thereby.

18. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

19. "Significant Event" means: (a) any significant social, labor, health and safety, security or environmental incident, accident, or circumstance involving the Project, including, without limitation, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, material pollution, or any violent labor unrest or dispute between the Borrower or security forces (assigned to protect the Project) and local communities or any gender-based violence, sexual exploitation or abuse suffered by beneficiaries receiving health services at a health facility under the Project; or (b) any other event or circumstance having, or which could reasonably be expected to have, a material adverse effect on the implementation or operation of the Project in accordance with the ESMF.

20. "Subgrant" means a grant to be provided by SEAS to a Subgrant Beneficiary to finance the costs of a Sub-project and the term "Subgrants" means the plural thereof.

21. "Subgrant Agreement" means an agreement to be entered into between SEAS, or its representative, and a Subgrant Beneficiary pursuant to paragraph D.1 of Section I of Schedule 2 to this Agreement.

22. "Subgrant Beneficiary" means selected community organizations established and operating in accordance with the Recipient's relevant laws, eligible to receive a Grant based on the selection criteria set out in the Project Operational Manual, for carrying out a Sub-project and the term "Subgrant Beneficiaries" means the plural thereof.

23. "Training" means the reasonable costs of training under the Project as approved by the Association, and attributable to national and international seminars, workshops, and study tours, along with national and international travel and

subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

24. "Transfer Fees" means fees charged by Payment Service Providers for their services under the Project.