H.E. Ali Farah Assoweh  
Minister of Economy, Finance and Planning  
Ministry of Economy, Finance and Planning  
Djibouti, Republic of Djibouti

Re: EFA-FTI Grant No. TF098073  
(Additional Financing for Primary Education Support Project)

Excellency:

In response to the request for financial assistance made on behalf of Republic of Djibouti (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided under the Education for All-Fast Track Initiative Catalytic Fund, proposes to extend to the Recipient an additional grant in an amount not to exceed four million United States Dollars (U.S.$ 4,000,000 (“Grant”)) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Xavier Devictor  
for David Craig  
Director  
Djibouti, Egypt and Yemen Country Department  
Middle East and North Africa Region
AGREED:

REPUBLIC OF DJIBOUTI

By /s/ Ali Farah
Authorized Representative

Title: Minister of Finance

Date: October 30, 2010

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”), with the modifications set forth in Section I of the Appendix to this Agreement, constitute an integral part of this Agreement.

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

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the second education action plan adopted by the Recipient to increase equitable access to basic education and improve the quality and effectiveness of the Recipient’s education system. The Project consists of the following parts:

1. Improving access to education through construction/rehabilitation of urban and rural primary schools and acquisition and distribution of pedagogical materials to these schools.

2. Improving equity of education through equipping of a pilot school for blind students; acquisition of supplies for dormitories and equipment for schools’ kitchen and canteens; carrying out of training workshops to enhance teachers’ skills in the use of new pedagogical guides and in detecting learning disabilities; and carrying out of awareness campaigns to sensitize parents about the importance of educating blind children.

3. Reinforcing the quality of primary education through acquisition and distribution of educational supplies kits for students; provision of in-service teachers training workshops; printing of basic education textbooks in Arabic and French; preparation, administration and analysis of national sample texts related to French and mathematics subject-matters for students in second and seventh grade levels.

4. Improving school supervision and systems management through the training of school directors in using pilot tools designed to monitor the quality of school management; developing tools to be used by inspectors and regional directors to evaluate, revive and regulate the quality of education at the school level; and acquisition of equipment and materials needed to strengthen the Monitoring and Evaluation Department to be established within the Ministry of Education.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the
provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in Section II of the Appendix to this Agreement; and (c) this Article II.

2.03. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline as of 04/05</th>
<th>Target as of 08/09*</th>
<th>Achieved as of 08/09</th>
<th>Change made to Target with AF</th>
<th>New Target after AF for 11/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross enrollment rate in primary school (GER)</td>
<td>51.5%</td>
<td>65.7%</td>
<td>67.9%</td>
<td>14.9%</td>
<td>80.6%</td>
</tr>
<tr>
<td>Parity index (GER)</td>
<td>0.81</td>
<td>.89</td>
<td>0.88</td>
<td>0.03</td>
<td>0.94</td>
</tr>
<tr>
<td>Primary completion rate</td>
<td>39.0%</td>
<td>62.0%</td>
<td>51.0%</td>
<td>9.4%</td>
<td>71.4%</td>
</tr>
<tr>
<td># of primary school students</td>
<td>50,651</td>
<td>51,000</td>
<td>55,500</td>
<td>10,200</td>
<td>61,200</td>
</tr>
<tr>
<td>of which girls</td>
<td>22,500</td>
<td>25,900</td>
<td>26,100</td>
<td>4,100</td>
<td>30,000</td>
</tr>
<tr>
<td>Retention rate for rural students admitted to Grade 6</td>
<td>90.0%</td>
<td>85.0%</td>
<td>0.0%</td>
<td>90.0%</td>
<td></td>
</tr>
<tr>
<td>Ratio of French, Arabic, and Mathematics textbooks for all primary levels</td>
<td>1:4</td>
<td>1:1</td>
<td>1:1</td>
<td>-</td>
<td>3:2**</td>
</tr>
</tbody>
</table>

Project output indicators

| Construction (and facilities) for new schools   | 0                    | 6 schools          | 6 schools           | 3 schools                     | 9 schools                    |
| Rehabilitation of existing schools             | 7 schools            | 7 schools          | 4 schools           | 11 schools                    |                              |
| School kits acquired and distributed to all rural students | 0                    | 6,845              | 7,467               | 4 schools                     | 1,362                        | 8,207                        |

*Original target from 04/05 was revised in Dec. 2008 for the $2m tranche

** 3 textbooks (1 each for Arabic, French, Math) for 2 students to share

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The Recipient shall ensure that the
audited Financial Statements for each such period shall be: (i) furnished to the World Bank not later than six months after the end of such period

2.05. **Procurement**

(a) **General.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods and works; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Works**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping and (C) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection; (D) Selection of Individual Consultants; and (E) Sole Source Procedures for the Selection of Individual Consultants.
Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“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 USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consultants’ services under Part 1 of the Project</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and consultants’ services under Parts 2, 3 and 4 of the Project</td>
<td>3,600,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>4,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient; or

(b) under Category (1), until the Recipient has furnished to the Association evidence satisfactory to it establishing that the owners of lands required for construction of schools under Part 1 of the Project have duly transferred the said lands to the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2011.
Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Economy, Finance and Planning.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

    Ministry of Economy, Finance and Planning
    Djibouti, Republic of Djibouti
    BP 13
    Djibouti City
    Republic of Djibouti

    Facsimile:

    (253) 35 6501 or (253) 35 5085

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

    Cable: INDEVAS  Telex: 248423 (MCI) or 1-202-477-6391
    Facsimile: 64145 (MCI)
APPENDIX
Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“…(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn 13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are
not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”