H. E. Ilyass Moussa Dawaleh  
Minister of Economy and Finance in Charge of Industry and Planning  
Ministry of Economy and Finance in Charge of Industry and Planning  
B.P. 13  
Djibouti City  
Republic of Djibouti

Re: Republic of Djibouti: IDF Grant for the Professionalization and Capacity Building of Public Procurement in Djibouti  
IDF Grant No. TF016478

March 16, 2014

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Djibouti ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed three hundred fifty thousand United States Dollars (U.S.$350,000) ("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").

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 return 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned
copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By ________
Hartwig Schafer
Country Director for Djibouti
MNA Region

AGREED:
REPUBLIC OF DJIBOUTI

By:
Authorized Representative

Name: ILYAS HASSAN
Title: Ministre de l'Economie et des Finances
Date: 12-8-2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(5) 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
Article I
Standard Conditions; Definitions


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.

(a) “CNMP” means the Recipient’s Commission Nationale des Marchés Publics or any successor thereto.

(b) “Project Management Unit” means the Secretariat General, established within the Recipient’s ministry in charge of finance, responsible for the overall implementation of the Project and composed by: (i) a Project director; and (ii) a financial and procurement officer.

(c) “Project Operational Manual” means the manual satisfactory to the World Bank, to be prepared and adopted by the Recipient for the purposes of the Project and referred to in Section 2.03(b) of this Annex, as the same may be amended from time to time with the prior written agreement of the World Bank.

Article II
Project Execution

2.01. Project Objectives and Description. The objectives of the Project are to: (i) improve the capacity of public procurement stakeholders; and (ii) strengthen the governance framework through the establishment of a public procurement portal. The Project consists of the following parts:

Part 1. Development of a Sustainable National Training and Capacity Building Program for Public Procurement

Financing the design and implementation of a sustainable capacity building, including: (a) a capacity building needs assessment based on an initial review of the available expertise in public administration; (b) the design of specific training modules for a sustainable trainers program; (c) the design and implementation of monitoring and evaluation mechanism; (d) a capacity building and skills updates program for public procurement stakeholders aimed at helping the Recipient to: (i) deliver timely and more efficient services to citizens; (ii) improve the implementation of the development investment policy; (iii) ensure better use of public resources and value for money; and (iv) build a cadre of local procurement talent; (e) a cross-fertilization and knowledge sharing program for public procurement stakeholders through thematic clinics; (f) the setting up of a procurement forum or a community of practice of public procurement; (g) the acquisition of training materials and equipment as well as provision of logistical support to the Recipient’s ministry in charge of finance and the CNMP for the carrying out of the training program in a sustainable manner; and (h) study tours for the Recipient’s officials and key stakeholders’ representatives.
Part 2. Development of a Public Procurement Portal

Support for the design and implementation of an electronic procurement portal, including: (a) an assessment exercise of the Recipient’s knowledge, skills and ability to design, implement and use such a portal; (b) the development of said portal as per an approved design; (c) the rollout of the portal; and (d) the carrying out of training on the use of said portal.

Part 3. Project Management Unit Capacity Building

Enhancing the capacity of the Project Management Unit on Project management procedures and reporting guidelines through, *inter alia*: (a) the provision of training; (b) training and capacity building related to financial management procedures and reporting guidelines; and (c) the carrying out of activities relevant to the completion of the Project’s audits.

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 through the Secretariat General within the Recipient’s ministry in charge of finance (“Project Management Unit”) 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 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. Without limitations upon the provisions of Section 2.02 above:

(a) The Recipient shall maintain, throughout Project implementation, the Project Management Unit with a mandate, functions and resources satisfactory to the World Bank to be responsible for the overall implementation of the Project.

(b) The Recipient shall prepare and adopt, no later than June 30, 2014, an operational manual for the Project (“Project Operational Manual”), satisfactory in form and substance to the World Bank, consisting of different schedules setting forth, respectively, rules, methods, guidelines, specific development plans, standard documents and procedures for the carrying out of the Project, including the following:

(i) the description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto;

(ii) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents and the procurement thresholds in respect of the procurement methods set forth in Section 2.06 of this Annex and all associated reviews by the World Bank under this Project;

(iii) the overview of planned capacity building and training activities, including workshops and study tours, to be carried out for purposes of the Project;

(iv) the final form of the interim unaudited financial reports and Financial Statements for the Project and the terms of reference for the financial audits of the Project;
(v) the plan for the monitoring, evaluation and supervision of the Project, including all technical, environmental, and social aspects in relation thereto;

(vi) financial management aspects, including specific internal control procedures; and

(vii) the performance indicators for the Project.

(c) The Recipient shall: (i) maintain the Project Operational Manual throughout Project implementation; and (ii) ensure that the Project is carried out in conformity with said manual.

(d) Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Project Operational Manual or any respective provisions thereof, if, in the opinion of the World Bank, such assignment, amendment, abrogation or waiver will materially and adversely affect the implementation of the Project. Any amendment to the said manual shall be made with the prior written consent of the World Bank. In case of any conflict between the provisions of the Project Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall govern.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one (1) month after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, 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 five (5) months after the Closing Date.

2.05. 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 not later than forty-five (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. Such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
2.06. **Procurement**

(a) **General.** All goods and consultants’ 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 of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“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 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods.** Goods shall be procured under contracts awarded on the basis of Shopping.

(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) 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) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) **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: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>18,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services (including audits)</td>
<td>271,500</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>60,500</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>350,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term “Training” means the reasonable costs of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel, accommodation and *per diem* of trainers and trainees; (iii) study tours related expenses; and (iv) any other expenses related to training to be carried out under the Project.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

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 its Minister responsible for finance.
4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions 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

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

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391