H.E. Mr. Ilyas Moussa Dawaleh
Minister of Economy and Finance in charge of Industry
Ministry of Economy and Finance in charge of Industry
Republic of Djibouti

Re: REPUBLIC OF DJIBOUTI
JSDF Grant for Enhancing Income Opportunities Project
Grant No. TF0A0350

Excellency:

In response to the request for financial assistance made on behalf of Republic of Djibouti (the Recipient), I am pleased to inform you that the International Development Association ("World Bank"), as administrator of grant funds provided by Japan ("Donor") under the Japan Social Development Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million seven hundred and thirty thousand United States Dollars (US$2,730,000) ("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 from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is 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 with 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 notice of effectiveness from the World Bank to the Recipient, confirming in accordance with the provisions of Section 4.02 of the Annex to this Agreement that the World Bank has accepted the supporting documents provided by the
Recipient to the World Bank to establish that the conditions of effectiveness listed in Section 4.01 of the Annex to this Agreement have been satisfied.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Homa-Zahra Fotouhi
Resident Representative
Republic of Djibouti

AGreed:
REPUBLIC OF DJIBOUTI

Authorized Representative

Name: H.E. Mr. Ilyas Moussa Dawaleh
Title: Minister of Economy and Finance in charge of Industry
Date: 20/05/2015

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) “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

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated February 15, 2012 ("Standard Conditions") 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; and the following additional terms have the following meaning:


(b) "Beneficiary" means a person subject to receive Cash-Transfer under the Project; and "Beneficiaries" means more than one Beneficiary.

(c) "Cash-Transfer" means a transfer of funds in the form of non-refundable fund made by a Payment Agency to a Beneficiary out of the proceeds of the Grant for the financing and carrying out of a Sub-project pursuant to the provisions set forth in the Project Operations Manual.

(d) "M&E" means monitoring and evaluation.

(e) "NAC" means the Recipient’s National Advisory Committee referred to in Section 2.03 (i) of this Annex established pursuant to Recipient’s letter from de state secretariat in charge with national solidarity (*Secretariat d’Etat chargé de la Solidarité Nationale*) no. 263/15/SESN dated May 4, 2015.

(f) "Operating costs" means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

(g) "Payment Agency" means the agency referred to in Section 2.03 (f) of this Annex that makes payment of Cash-Transfers to the Beneficiaries under Part A (iii) and Part B (iv) of the Project.

(h) "Project Implementing Entity" or "PIE" means the Recipient’s *Agence Djiboutienne de Développement Social*. 
(i) "Project Implementation Unit" or "PIU" means the unit established by the Recipient, within ADDS, under the Employment and Human Capital Social Safety Net Project financed through the JSDF Trust Fund TF097217 dated December 23, 2010, and the Social Safety Net Project financed by the Financing Agreement No. H779-DJ between the Recipient and the International Development Association dated August 21, 2012, and referred to in Section 2.03 (j) of this Annex, maintained and strengthened with additional staff for purposes of Project coordination and management, as described in the POM.

(j) "Project Operations Manual" or "POM" means the manual adopted by the PIE as confirmed through its letter from the Director General of ADDS dated May 14, 2015, referred to in Section 2.03 (c) and (d) setting forth the operations and administrative responsibilities, procedures and rules for the implementation of the Project.

(k) "Sub-project" means an activity under Part A (iii) and Part B (iv) of the Project, to be financed out of the proceeds of a Cash-Transfer and "Sub-projects" means more than one such Sub-project.

(l) "Subsidiary Agreement" means the Agreement referred to in Section 2.03 (a) of this Annex to be entered into between the Recipient and the Project Implementing Entity, pursuant to which the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity.

(m) "Subsidiary Payment Agreement" means the agreement to be entered into between the Project Implementing Entity and the Payment Agency for the purpose of implementing the Project as referred to in Section 2.03 (g) of this Annex.

(n) "Training" means expenses incurred by the Recipient for purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to improve access to life-skill, livelihood skills training, and access to finance for at least 3000 low- and semi-skilled youth and women in poor communities in Djibouti-ville and neighboring Arta, the northern region of Tadjoura, and the southern region of Ali Sabieh. The Project consists of the following parts:

Part A. Basic training and Mini-Business-Plan Competition for Youth

Support to the creation of sustainable community structures for human capital accumulation and social and economic empowerment of youth as the foundation for engaging in productive economic activities through: (i) providing identification and training of peer facilitators to carry out the activities at the community level; (ii) providing youth mobilization and basic training; (iii) provision of Cash-Transfers to a
selected number of Beneficiaries through a mini-business plan competition providing access to small cash-transfers for start-up and working capital Sub-projects; and (iv) providing training through a follow-up coaching to the Cash-Transfers Beneficiaries.

Part B. Handicraft value chain integration for women

Carrying out a program of activities to strengthen existing economic activities in a sector of work prominent among women by: (i) supporting social mobilization and cluster development activities to identify, mobilize, and aggregate existing local producers of artisan products into producer groups and cluster organizations of producer-groups, including providing capacity building to strengthen the internal governance of the cluster organizations; (ii) providing skills upgrading in product design and development for local producers: (iii) a business development and marketing assistance, including a market analysis and the implementation of marketing activities to enhance commercialization of the artisan products; and (iv) provision of Cash-Transfers to a selected number of Beneficiaries to support Sub-projects aiming to grow their artisan businesses.

Part C. Project Management, Monitoring and Evaluation

Provision of goods and consultant’s services for carrying out activities to support the Project management and Project M&E.

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 ADDS ("Project Implementing Entity" or "PIE") in accordance with: (a) the provisions of 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"); (c) this Article II; (d) the Project Operations Manual (POM); and (e) the Subsidiary Agreement referred to in paragraph 2.03 (a) and (b).

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

Subsidiary Agreement

(a) The Recipient shall make the proceeds of the Grant available to the Project Implementing Entity on a grant basis under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank ("Subsidiary Agreement"), including the following: the Project Implementing Entity shall: (i) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including the Anti-Corruption Guidelines; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods and services to be financed out of the Grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Project and the achievement of its objectives; (v) (A)
maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and (B) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (vi) enable the Recipient and the World Bank to inspect the Project, its operation and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(b) The Recipient shall obtain rights adequate to protect its interests and those of the World Bank and shall perform its obligations and exercise said rights under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

Project Operations Manual

(c) The Recipient shall cause the Project Implementing Entity to maintain, throughout the implementation of the Project, an operations manual, 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 2.05 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) the eligibility criteria and procedures for the financing of the Sub-projects and the payment mechanism for Cash-Transfer; and

(vii) the performance indicators for the Project.

(d) The Recipient shall cause the Project Implementing Entity to: (i) take all measures necessary to ensure that the Project is carried out in conformity with the Project Operations Manual; and (ii) only amend the Project Operations Manual, from time to time, with the Recipient’s and the World Bank’s prior consent. Except as the World Bank shall otherwise agree, the Recipient shall ensure that the Project Implementing Entity does not amend, abrogate, waive or fail to enforce the Project Operations Manual or any respective provisions thereof.

(e) In the event of a conflict between any provision of the Project Operations Manual and this Agreement, the provisions of this Agreement shall prevail.

Sub-projects

(f) For the implementation of Parts A(iii) and B(iv), the Project Implementing Entity, through a payment agency ("Payment Agency"), shall make cash-transfers available to Beneficiaries for the financing of Sub-projects, in accordance with eligibility criteria and procedures acceptable to the World Bank as set forth in the POM.

(g) To facilitate the carrying out of Parts A(iii) and B(iv) of the Project, the Recipient shall cause the project Implementing Entity to enter into agreement(s) with Payment Agencies, under terms and conditions satisfactory to the World Bank ("Subsidiary Payment Agreement").

(h) The Recipient shall exercise its rights under the Subsidiary Payment Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant, and, except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

Other

(i) The Recipient shall cause PIE to maintain throughout the implementation of the Project and in a manner satisfactory to the World Bank, a National Advisory Committee (NAC). The NAC shall be responsible, inter alia, to oversee the implementation of the Project, provide overall strategic guidance, reinforce inter-sector coordination and review the progress reports.

(j) The Recipient shall cause the PIE to: (A) maintain, throughout the implementation of the Project, a Project Implementation Unit responsible for the overall coordination, as well as monitoring and evaluation, administrative, financial management and procurement oversight, and disbursements reporting of the Project; and (B) strengthen the technical and fiduciary capacities of the
PIU with staff, responsibilities, and qualifications satisfactory to the World Bank, including hiring a full time Project manager, two coordination assistants, a microenterprise expert, a product designer, and a marketing specialist.

(k) The Project Implementing Entity shall, not later than six (6) months after the Effective Date, update the terms of reference of the existing external auditor to include the audit requirements for this Project, in a manner satisfactory to the World Bank.

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, through the PIE, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank 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, through PIE, shall have its Financial Statements for the Project 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 audited Financial Statements for each fiscal year shall be furnished to the World Bank not later than six months after the end of each fiscal year.

2.05. 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:


(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 (revised July 2014) (“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**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods 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 non-consulting services for those contracts specified in the Procurement Plan: (A) Limited International Bidding; (B) National Competitive Bidding subject to the additional provisions set forth in the Attachment to this Schedule 2 to this Agreement; (C) Shopping; (D) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; (E) Direct Contracting; (F) Procurement from UN Agencies; and (G) Community Participation procedures which have been found acceptable to the World Bank.

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

(i) Except as otherwise provided in sub-paragraph (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 UN agencies; (G) Selection of Individual Consultants; and (H) 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: (a) Article III of 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>58,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' services including audits</td>
<td>450,900</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>1,027,700</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Cash-Transfers for Sub-projects under Parts A (iii) and B (iv) of the Project</td>
<td>1,005,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(5) Operating costs</td>
<td>188,400</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,730,000</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;

(b) under Category (4) unless a Subsidiary Payment Agreement has been signed between the project Implementing Entity and the Payment Agency, under terms and conditions satisfactory to the World Bank.

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

**Article IV**

**Effectiveness; Termination**

4.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been fulfilled:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

(b) The Recipient, through the Project Implementing Entity, has adopted the Project Operations Manual in form and substance acceptable to the World Bank.
(c) The Subsidiary Agreement referred to in Section 2.03(a) of this Annex has been executed on behalf of the Recipient and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.

4.02. Except as the Recipient and the World Bank shall otherwise agree, the date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 of this Annex ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred and twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Economy and Finance in charge of Industry.

5.02. 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
BP. 13
Djibouti City
Republic of Djibouti

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

5.03. 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 64145 (MCI)
Facsimile: 1-202-477-6391