H.E. Ali Farah Assoweh
Minister of Economy, Finance and Planning in Charge of Privatization
Ministry of Economy, Finance and Planning in Charge of Privatization
B.P. 15
Djibouti, Republic of Djibouti

Re: REPUBLIC OF DJIBOUTI - Global Facility for Disaster Reduction and Recovery
Grant No. TF096839
Djibouti Natural Disaster Risk Assessment and Monitoring System 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 by various donors under the Global Facility for Disaster Reduction and Recovery (GFDRR), proposes to extend to the Recipient a grant in an amount not to exceed nine hundred thousand United States Dollars (U.S.$900,000) (“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: (i) this countersigned copy; and (ii) the signed copy of the Subsidiary Agreement satisfactory to the World Bank, 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement and the signed copy of the Subsidiary Agreement within 90 days after the date of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 DEVELOPMENT ASSOCIATION

By /s/ Xavier Devictor
Acting Country Director for Djibouti, Egypt and Yemen
Middle East and North Africa Region

AGREED:

REPUBLIC OF DJIBOUTI

By: /s/ Ali Farah A.
Minister of Economy, Finance and Planning
in Charge of Privatization

Date: February 24, 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter dated February 14, 2011, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
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”) 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 develop a comprehensive and sustainable system to assess, communicate and monitor risks associated with natural disasters. The Project consists of the following parts:

**Part A: Development of a Comprehensive Approach to Risk Assessment in Djibouti (CARAD).**

Provision of goods and consultant’s services to develop a CARAD by: (i) building up effective tools for the evaluation and communication of risks associated with natural disasters; (ii) creating of a compendium of hazards and risks maps and scenarios for assessing critical assets, infrastructure and vulnerable elements; and (iii) performing risk evaluations and profiles through a methodology based on risk management indicators.

**Part B: Strengthening Capacity for Disaster Risk Reduction Analysis**

Provision of goods and works to strengthen disaster risk reduction capacity by providing and installing measurement equipments to be used in undertaking collection, measurement and analysis of natural vulnerability data which are crucial in feeding into CARAD.

**Part C: Carrying out Studies and Training for Disaster Risk Management**

Provision of goods, consultant’s services and training and workshops to carry out studies and training in disaster risk management by: (i) increasing disaster risk reduction awareness and capacity; (ii) undertaking specialized studies; (iii) updating and strengthening the national disaster response plan; (iv) completing alert system protocols; (v) developing a strategy for the management of meteorological information; and (vi) developing university curricula and a strategy to increase public awareness to natural disasters.
Part D: Project Management

Provision of goods and consultant’s services in supporting project implementation, monitoring and supervision of grant Activities, including audit.

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 Center for Research and Studies (“Project Implementing Entity” or “PIE”) under the Secretary General of the Government, Office of the President, 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 I of the Appendix to this Agreement; (c) this Article II; (d) the Subsidiary Agreement referred to in paragraph 2.03 (a) below; and (e) the Project Operational Manual (POM) referred to in paragraph 2.03 (c) below.

2.03. Institutional and Other Arrangements. (a) To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the PIE under a subsidiary agreement (“Subsidiary Agreement”) to be entered into between the Recipient and the PIE under terms and conditions approved by the World Bank, which shall include the following, namely, that the PIE shall: (i) carry out the Project in accordance with the provisions of the Subsidiary Agreement satisfactory to the World Bank, the Anti-Corruption Guidelines, this Article II, and the POM; (ii) take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate in carrying out the Project; and (iii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

(b) The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interest 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

(c) The Recipient, through the PIE, shall prepare an Operational Manual acceptable to the World Bank setting forth the procurement, financial management, disbursement, accounting, audit requirements and monitoring and evaluation arrangements. The Operational Manual shall not be amended, suspended, abrogated, repealed or waived without prior approval by the World Bank.

(d) The Recipient, through the PIE, shall establish a Steering Committee comprising of the Representatives of the Executive Secretariat for Risk and Disaster Management, the Meteorology Department of the International Airport, the University of Djibouti and the Ministry of Habitat, Urban, Environment and Land Management who will be responsible for providing strategic guidance to the PIE and who will meet periodically and will provide support to the PIE in terms of inter-institutional coordination and technical review.

2.04. Donor, Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the
representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall cause the PIE to 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 indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of six months, and shall be furnished to the World Bank not later than two months after the end of the period covered by such report.

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

(i) CARAD developed according to specifications.
(ii) Tools for validating and implementing national alert protocols, disaster response plan and emergency simulations have been developed.
(iii) New and improved meteorological information is generated.
(iv) A strategy to raise awareness to natural disasters by the general population is in place.

(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. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section 2.06 of this Agreement.

2.06. **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. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **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;

(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 National Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (A) National Competitive Bidding using Standard Bidding Documents acceptable to the Bank; (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) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole 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) 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) Works</td>
<td>35,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>180,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ Services</td>
<td>455,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training and Workshops</td>
<td>181,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Incremental Operating Cost</td>
<td>49,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>900,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this paragraph, the terms: (i) “Training and Workshops” means expenditures incurred by the Recipient to finance training and workshops, including local travel and subsistence costs for participants, costs associated with securing the services of trainers, rental of facilities, preparation and reproduction of training and workshop materials, and other costs directly associated with training and workshops preparation and implementation; and (ii) “Incremental Operating Costs” means expenditures incurred by the Recipient required for the Activities to be carried out under the Project including consumable materials and supplies, communications, mass media and printing services, operation and maintenance, charges for the opening and operation of bank accounts required for the Activities, but excluding salaries of officials of the Recipient’s civil service.
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 November 30, 2012.

**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 in Charge of Privatization.

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 in Charge of Privatization
B.P. 15
Djibouti, Republic of Djibouti

Facsimile:

+ 253 35 6501

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: Telex: Facsimile:

INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 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 (fn13) 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.”