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CONFORMED COPY

GRANT NUMBER TF092328

Grant Agreement

(Food Crisis Response Development Policy Grant)

between

REPUBLIC OF DIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as trustee of the Food Price Crisis Response Trust Fund

Dated June 5, 2008

GRANT AGREEMENT

Agreement dated June 5, 2008 entered into between REPUBLIC OF DJIBOUTI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as trustee of the Food Price Crisis Response Trust Fund, for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The World Bank has decided to provide this financing on the basis, inter alia, of (a) the action which the recipient has already taken under the Program and which is described in Part A of Section I of the Schedule to this Agreement, and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the World Bank therefore hereby agree as follows:

ARTICLE I - STANDARD CONDITIONS; DEFINITIONS

- 1.01. The Standard Conditions (as defined in the Appendix to this Agreement) constitute an integral 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 Standard Conditions or in the Appendix to this Agreement.

ARTICLE II - GRANT

- 2.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement a grant in an amount equal to five million Dollars (\$5,000,000) (“Grant”).
- 2.02. The Recipient may withdraw the proceeds of the Grant in support of the Program in accordance with Section II of the Schedule to this Agreement.

ARTICLE III - PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
 - (a) the Recipient and the World Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Section I of the Schedule to this Agreement;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the World Bank for its review and comment a report on the progress

achieved in carrying out the Program, in such detail as the World Bank shall reasonably request; and

- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the World Bank on any proposed action to be taken after the disbursement of the Grant which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Section I of the Schedule to this Agreement.

ARTICLE IV – ADDITIONAL REMEDIES

4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:

- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- (b) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. This Agreement shall not become effective until: (a) evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied: namely, the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action; and (b) the funds deposited in the Food Price Crisis Response Trust Fund are available for disbursement.

5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matter: namely, on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and

executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01(a) (“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.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 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 VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister at the time responsible for finance.
- 6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministère de l’Economie, des Finances et de la
Planification chargé de la Privatisation
B.P. 13
Djibouti City
Republic of Djibouti

Facsimile:

253-35-65-01

- 6.03. 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 address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

AGREED at Sharm El-Sheikh, Arab Republic of Egypt, as of the day and year first above written.

REPUBLIC OF DJIBOUTI

By /s/ Simon Mibrathu

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION acting
as trustee of the Food Price Crisis Response Trust Fund

By /s/ Emmanuel Mbi

Authorized Representative

SCHEDULE

Program Actions; Availability of Grant Proceeds

Section I. Actions Under the Program

A. Action Taken Under the Program

The action taken by the Recipient under the Program is the following: the Government has adopted a draft additional budget law for fiscal year 2008 providing, in particular, for the exemption from payment of the domestic consumption tax on five basic food items (rice, sugar, cooking oil, wheat flour and powder milk).

B. Action to be Taken Under the Program

The action to be taken by the Recipient under the Program is the following: the Recipient has prepared an action plan, satisfactory to the World Bank, to channel direct support to the most vulnerable households.

Section II. Availability of Grant Proceeds

A. General. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of this Section and such additional instructions as the World Bank may specify by notice to the Recipient.

B. Allocation of Grant Amounts. The Grant shall be withdrawn in two tranches. The allocation of the amounts of the Grant to this end is set out in the table below:

Allocations	Amount of the Grant Allocated (expressed in USD)
First Tranche	4,000,000
Second Tranche	1,000,000
TOTAL AMOUNT	5,000,000

C. Tranche Release Conditions. No withdrawal shall be made of the Second Tranche unless the World Bank is satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the World Bank:

1. with the progress achieved by the Recipient in carrying out the Program;
2. that the macro-economic policy framework of the Recipient is appropriate; and
3. that the action described in Part B of Section I of this Schedule has been taken.

If, after this exchange of views, the World Bank is not so satisfied, it may give notice to the Recipient to that effect and, if within ninety (90) days after the notice, the Recipient has not taken steps satisfactory to the World Bank with respect to paragraphs 1, 2 and 3 above, then the World Bank may, by notice to the Recipient, cancel all or any part of the unwithdrawn balance of the Grant.

D. Deposits of Grant Amounts.

1. The Recipient shall open, prior to furnishing to the World Bank the request for withdrawal of the First Tranche from the Grant Account, and thereafter maintain the following two deposit accounts (“Deposit Accounts”) on terms and conditions satisfactory to the World Bank:

- (a) a deposit account in Dollars (“Foreign Currency Deposit Account”); and
- (b) a deposit account in Djiboutian Francs (“Local Currency Deposit Account”).

2. The withdrawal of (i) the First Tranche and (ii) the Second Tranche from the Grant Account shall be deposited by the World Bank into the Foreign Currency Deposit Account. Upon the deposit of (i) the First Tranche and (ii) the Second Tranche into the Foreign Currency Deposit Account, the Recipient shall deposit an equivalent amount into the Local Currency Deposit Account.

E. Audit. The Recipient shall, through its Central Bank:

1. have both Deposit Accounts audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank;

2. furnish to the World Bank as soon as available, but in any case not later than six (6) months after (i) the deposit of the First Tranche and (ii) the deposit of the Second Tranche into the Foreign Currency Deposit Account, a certified copy of the report of such audits, of such scope and in such detail as the World Bank shall reasonably request; and

3. furnish to the World Bank such other information concerning both Deposit Accounts and their audits as the World Bank shall reasonably request.

F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance Excluded Expenditures. If the World Bank determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the World Bank, refund an amount equal to the amount of such payment to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.

G. Closing Date. The Closing Date referred to in Section 3.06 of the Standard Conditions is June 30, 2009.

APPENDIX

Section I. Definitions

1. “Deposit Accounts” means means both the Foreign Currency Deposit Account and the Local Currency Deposit Account.
2. “Djiboutian Franc” means the currency of the Recipient.
3. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than IDA or IBRD has financed or agreed to finance, or which IDA or IBRD has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked

Group	Sub-group	Description of Item
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Grant proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.
4. "First Tranche" means the amount of the Grant allocated to the category entitled "First Tranche" in the table set forth in Part B of Section II of the Schedule to this Agreement.

5. “Foreign Currency Deposit Account” means the account referred to in Part D.1 (a) of Section II of the Schedule to this Agreement.
6. “Local Currency Deposit Account” means the account referred to in Part D.1 (b) of Section II of the Schedule to this Agreement.
7. “Program” means the program of actions, objectives and policies designed to respond to the food crisis and set forth or referred to in the letter dated May 21, 2008 from the Recipient to the World Bank declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the World Bank in support of the Program during its execution.
8. “Second Tranche” means the amount of the Grant allocated to the category entitled “Second Tranche” in the table set forth in Part B of Section II of the Schedule to this Agreement.
9. “Standard Conditions” means the “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated July 20, 2006 with the modifications set forth in Section II of this Appendix.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Sections 2.01 (*Project Execution Generally*), and 2.07 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.04. *Documents; Records*

... (c) all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Grant are retained until two years after the Closing Date; and”

4. Section 2.05 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.05. *Program Monitoring, Reporting and Evaluation*

... (ii) ensure the preparation and delivery to the World Bank, not later than six months after the Closing Date, of one or more completion reports (“Completion Reports”) of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.”

5. The last sentence of paragraph (c) of Section 3.04 (relating to Applications and Supporting Evidence) is deleted in its entirety.
6. Sections 3.05 (*Designated Accounts*) and 3.06 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article III are renumbered accordingly
7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
 - (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Grant is put in support of the Program, other than to finance expenditures excluded pursuant to the Grant Agreement.”
 - (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program” means the program referred to in the Grant Agreement in support of which the Grant is made.” All references to “Project” throughout these Standard Conditions are deemed to be references to “Program”.