

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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October 29, 2004

The Honorable Mousa G. Bala-Gaye
Secretary of State for Finance and Economic Affairs
Department of State for Finance and Economic Affairs
The Quadrangle
Banjul
Republic of The Gambia

*Re: Education for All – Fast Track Initiative (EFA-FTI) – Dutch Grant
Grant Number TF054182*

Honorable Secretary:

I am writing on behalf of the International Bank for Reconstruction and Development and the International Development Association (collectively the Bank) to indicate the Bank's agreement, as administrator of grant funds provided under the Bank-Netherlands Partnership Program (BNPP), to make a grant in an amount not exceeding four million US Dollars (US\$4,000,000) (the Grant) to the Republic of The Gambia (the Recipient). The Bank shall pay the Grant to the Recipient in two tranches, the first in the amount of two million United States Dollars (US\$2,500,000) (the First Tranche), and the second in the amount of two million United States Dollars (US\$ 1,500,000) (the Second Tranche), subject to the availability of funds.

The Bank has received from the Recipient a letter, dated February 2003, describing a program of actions, objectives, and policies designed to achieve primary education for all children in the Recipient's territory (the Program), declaring the Recipient's commitment to the execution of the Program, and requesting the Bank's assistance in supporting the Program during its execution. On the basis of the Recipient's letter, the Bank has decided to support the Program by making the Grant on the terms and conditions set forth in this Letter Agreement and its Annex.

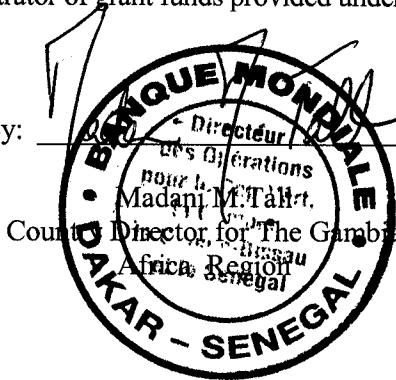
The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant in support of the Program on the terms and conditions set forth in this Letter Agreement and its Annex.

It is the Bank's policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.

Please confirm your agreement to the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Bank of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of your countersignature.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of grant funds provided under the BNPP)

By: _____



AGREED:

REPUBLIC OF THE GAMBIA

By: DMJ

Name: Ms. TENENG JATTAH

Title: AG. PERMANENT SECRETARY, DOSFEA

Date: 4th NOVEMBER, 2004

ANNEX**Purposes, Terms, and Conditions of the Grant**1. The Grant

1.1 Purposes of the Grant. Subject to the provisions of this Letter Agreement, the Recipient may withdraw the Grant proceeds from the Grant Account for activities in support of the Program, aiming at:

- Increasing access to and equity in primary education
- Increasing participation, performance and retention rates for girls
- Improving the quality of teaching and learning

1.2. Grant Account. The amount of the Grant shall be credited to an account opened by the Bank on its books in the name of the Recipient (the Grant Account).

1.3 Deposit Account. The Recipient shall open, prior to furnishing to the Bank the first request for withdrawal from the Grant Account, and thereafter maintain in a financial institution acceptable to the Bank, a deposit account in a currency and on terms and conditions acceptable to the Bank (the Deposit Account). All withdrawals from the Grant Account shall be deposited by the Bank into the Deposit Account.

1.4. Withdrawals. Whenever the Recipient desires to withdraw any amount from the Grant Account, it shall deliver to the Bank a written application for withdrawal of such amount in such form as the Bank shall specify. Withdrawal applications shall be: (a) signed on behalf of the Recipient by its Secretary of State for Finance and Economic Affairs, or such other person as he or she shall have authorized in writing; and (b) accompanied by such evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have permitted any withdrawal requested in the application. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided not later than the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Bank that the Recipient is entitled to withdraw such amount from the Grant Account. The Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to, or on the order of, the Recipient.

1.5. Currency of Withdrawal. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Bank, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

1.6. Excluded Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance expenditures excluded pursuant to the provisions of the Attachment to this Annex. If the Bank determines at any time that any proceeds of the Grant have been used to make a payment for an expenditure so excluded, the Recipient shall, promptly upon notice from the Bank: (a) deposit into the Deposit Account an amount equal to the amount of this payment, or (b) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Grant Account for cancellation.

1.7. Tranche Release Conditions. After the amount of the First Tranche shall have been fully withdrawn from the Grant Account, no further withdrawals shall be made from the Grant Account unless the Bank shall be satisfied, after an exchange of views described in Section 2.1 of this Letter Agreement, based on evidence satisfactory to it, with the progress achieved by the Recipient in the carrying out of the Program. If, after this exchange of views, the Bank is not so satisfied, the Bank may give notice to the Recipient to that effect, and, if within 90 days after such notice, the Recipient shall not have taken steps satisfactory to the Bank to achieve progress in the carrying out of the Program, then the Bank may, by notice to the Recipient, cancel all or any amount of the Second Tranche.

1.8. Closing Date. The Bank may at any time after December 31, 2005, terminate, by notice to the Recipient, the right of the Recipient to make withdrawals from the Grand Account (the Closing Date). The Bank may establish a later Closing Date, and in such case, it shall promptly notify the Recipient of such later date.

2. The Program

2.1. Exchange of Views. The Recipient and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program. Prior to each such exchange of views, the Recipient shall furnish to the Bank for its review and comment a report in form and detail satisfactory to the Bank, on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request. Without limitation upon the foregoing, the Recipient shall: (a) furnish to the Bank not later than 4 months after the Closing Date for the Bank's review and comment, the final such report; and (b) exchange views with the Bank on any proposed action to be taken after the final withdrawal of the proceeds of the Grant which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

2.2. Audits. Upon the Bank's request, the Recipient shall: (i) have the Deposit Account audited in accordance with consistently applied auditing principles acceptable to the Bank, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the Deposit Account and its audit as the Bank shall have reasonably requested.

3. Suspension, and Cancellation.

3.1. The Bank may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing:

(a) the Recipient has failed to comply with any of its obligations under this Letter-Agreement;

(b) the right of the Recipient, or any other entity to which the Bank has made a loan with the guarantee of the Recipient, to make withdrawals under any agreement with the International Bank for Reconstruction and Development or any agreement with the International Development Association shall have been suspended;

(c) a situation has arisen which, in the opinion of the Bank, shall make it improbable that the Program or a significant part thereof, will be carried out;

(d) any action shall have been taken or any omission shall have been made which would have the effect of materially reversing, in the Bank's opinion, the objectives of the Program or any action taken under the Program; or

(e) a situation has arisen in which the withdrawal of any amount from the Grant Account would exceed the amount allocated to the Grant that is available from the EFA-FTI Catalytic Trust Fund.

3.2. The Bank may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account at any time after the right of the Recipient to make withdrawals from the Grant Account has been suspended pursuant to the provisions of paragraph 3.1 above.

Excluded Expenditures

For purposes of Section 1.6 of this Letter Agreement, the proceeds of the Grant shall not be used to finance any of the following expenditures:

1. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance, or which the Bank shall have financed or agreed to finance under another agreement;
2. expenditures for goods included in the following groups or subgroups 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 Bank by notice to the Recipient:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, 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
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)

3. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
4. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means 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);
5. expenditures on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
6. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation.