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GRANT NUMBER H99 1-3

Financing Agreement

(First South West Indian Ocean Fisheries Governance and Shared Growth Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INDIAN OCEAN COMMISSION

Dated 08 May, 2015

GRANT NUMBER H995-3A

FINANCING AGREEMENT

AGREEMENT dated 08 May, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and INDIAN OCEAN COMMISSION ("Recipient").

WHEREAS: (A) the Participating Countries have agreed to participate in a program designed to facilitate the Participating Countries' pursue, *inter alia*, development of respective fisheries sectors, and co-management of shared fisheries in the South West Indian Ocean (SWIO) area;

(B) each Participating Country and the Association, intend to enter into respective financing agreement (a Participating Country Financing Agreement) for the purpose of making credit to the Participating Country to assist in financing activities related to the Project on terms and conditions set forth in the Participating Country's Financing Agreement; and

(C) each Participating Country and the International Bank for Reconstruction and Development (IBRD), acting as an implementing agency of the Global Environmental Facility (GEF) Trust Fund, intend to enter into a grant agreement (GEF Grant Agreement) for the purpose of making a grant to the Participating Country to assist in financing activities related to the Project on the terms and conditions set forth in the GEF Grant Agreement;

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are January 15 and July 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that the Recipient's Instruments have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has adopted the Project Operations Manual in form and substance satisfactory to the Association.

- (b) The Recipient has established: (i) the Regional Project Steering Committee; and (ii) the Regional Implementation Unit, and has recruited to said Regional Implementation Unit a Project coordinator in accordance with the provisions of Section III.C of Schedule 2 to this Agreement.

- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Secretary General to the Commission.
- 6.02. The Recipient's Address is:

Indian Ocean Commission
Blue Tower (3rd Floor)
Rue de L'Institut
Ebène
Republic of Mauritius

Facsimile: 230-425-2709

- 6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

AGREED at Port Louis, Mauritius, as of the day and year first
above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



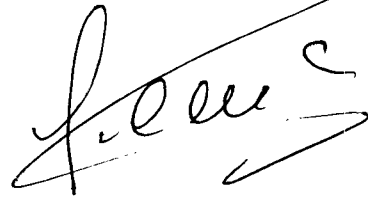
Authorized Representative

Name: COLIN BRUCE

Title: DIRECTOR, REGIONAL
INTEGRATION

INDIAN OCEAN COMMISSION

By



Authorized Representative

Name: JEAN CLAUDE DEL ESTRAC

Title: SECRETARY GENERAL

SCHEDULE 1

Project Description

The objective of the Project is to improve the management effectiveness of selected priority fisheries at regional, national and community level.

The Project consists of the following parts:

Part A: Enhanced Regional Collaboration

1. Enhancing the capacity for management of priority regional fisheries and challenges in the SWIO, in particular:
 - (a) collaboration in the management of regional fisheries and challenges, including:
 - (i) developing a regional strategy to increase national and regional benefits from priority regional fisheries, collaborating on trans-boundary living marine resources, and addressing shared challenges; (ii) preparing and implementing core regional work plan; and (iii) developing common regional minimum terms and conditions of access to tuna fisheries.
 - (b) Improving regional monitoring control and surveillance, including:
 - (i) establishing and upgrading regional fisheries monitoring, control and surveillance capability; and (ii) assisting certain SWIOFC Member Countries' efforts to update relevant maritime boundaries and fisheries legislation in conformity with international standards.
2. Enhancing regional coordination and collaboration, including:
 - (a) Developing and consolidating sustainable institutional arrangements to facilitate regional fisheries collaboration, and establishing sustainable regional fisheries institutions, including: (i) facilitating SWIOFC sessions, Regional Steering Committee meetings, and inter-session SWIOFC bureau meetings; (ii) preparing a consolidated annual SWIOFC work program; (iii) developing the capacity of SWIOFC to manage regional fisheries challenges; (iv) developing an effective and sustainable regional financing mechanism for SWIOFC work program; and (v) preparing common policy positions for engagement in regional and international fora.
 - (b) Strengthening regional knowledge management of priority fisheries and capacity development in technical and scientific services.

Part B: Project Management

1. Strengthening the capacity of the Regional Project Implementation Unit, and Finance and Procurement Unit for implementation, management, monitoring and evaluation, fiduciary (procurement and financial) management, environmental and social safeguards management, and coordination of Part A of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Regional Project Steering Committee

- (a) The Recipient shall maintain at all times during the implementation of the Project, the Regional Project Steering Committee with a composition, mandate, and in form and substance satisfactory to the Association.
- (b) Without limitation to sub-paragraph (a) immediately above, the Recipient shall ensure that the Regional Project Steering Committee will be responsible for providing policy guidance to ensure prompt and efficient implementation of the Project, including, *inter alia*: (i) reviewing progress made towards achieving the Project's objective; (ii) facilitating the coordination of Project activities, and making recommendations for removal of any obstacles to the implementation of the Project; (iii) providing comments on reports and reviews under the Project; and (iv) providing a forum for the respective Participating Countries to exchange views on the related activities under the respective projects.

2. Regional Project Implementation Unit (RIU)

- (a) The Recipient shall maintain, at all times during the implementation of the Project, the RIU with functions, staffing and resources satisfactory to the Association.
- (b) Without limitation to the provisions of Section I.A.1 of this Schedule, the RIU shall be responsible for the day-to-day administration of the overall planning, coordination, the technical, coordination, monitoring, evaluation, reporting and communication of the activities under the Project, all in accordance with the provisions of this Agreement and the Project Operations Manual.

3. Finance and Procurement Unit

Without limitation to the provisions of Section I.A.1 and I.A.2 of this Schedule, the Recipient shall ensure that the Finance and Procurement Unit is maintained with the fiduciary responsibility (*i.e.*, procurement and financial management) for the Project, in accordance with the provisions of this Agreement and the Project Operations Manual.

Implementation Arrangements

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Operations Manual

1. The Recipient shall carry the Project in accordance with the provisions of the Project Operations Manual, containing, *inter alia*, detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) procedures and guidelines for budgeting, disbursement and financial management; (c) procurement; (d) environmental and social safeguards requirements; (e) monitoring, evaluation, reporting and communication; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
2. The Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Operations Manual, without the prior written agreement of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in any of said manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient, commencing with the Fiscal Year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

4. **Specific Financial Management Covenant:** The Recipient shall, not later than three (3) months after the Effective Date, appoint the external auditors for the Project, in accordance with the provisions of Section III.C of this Schedule.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts 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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant

Guidelines for the Selection of Individual Consultants; and (g) Single-source procedure for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review.

All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| Category | Amount of the Credit Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------|
| (1) Goods, non-consulting services, consultants' services, Operating Costs and Training for the Project | 2,900,000 | 100% |
| (2) Refund of Preparation Advance | 400,000 | Amount payable pursuant to Section 2.07 of the General Conditions |
| TOTAL AMOUNT | 3,300,000 | |

For the purpose of the table set forth immediately above:

- (a) the term “Operating Costs” means the incremental expenses incurred on account of Project management, including: (a) office and field equipment and supplies, vehicle operation and maintenance, communication and insurance costs, bank charges under the designated account, office administration costs, utilities, travel and *per diem*; and (b) Recipient’s administrative costs, including part salaries of the Recipient’s staff assigned to the RIU from time to time by the Recipient, but excluding regular salaries of the officials of the Recipient; and
- (b) the term “Training” means the cost associated with the training and workshops approved by the Association on the basis of an agreed annual training and workshop plan, for reasonable expenditures (other than expenditures for consultants’ services), including: (i) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.

B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
- 2. The Closing Date is September 30, 2021.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means 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.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011, and revised in July 2014.
4. "Fiscal Year" means the fiscal year of the Recipient which commences on January 1 and ends on December 31 of each year.
5. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
6. "Participating Country Financing Agreement" means either the Financing Agreement between Union of Comoros and the Association, or the Financing Agreement between Republic of Mozambique and the Association, or the Financing Agreement between United Republic of Tanzania and the Association, all for financing the activities related to the Project; and the term "Participating Countries Project Agreements" refers collectively, to all such Financing Agreement.
7. "Indian Ocean Commission" or "IOC" means the intergovernmental organization created in 1982 by the Union of Comoros, Republic of France (for Reunion Island), Republic of Madagascar, Republic of Mauritius, and Republic of Seychelles, and institutionalized under the Victoria Agreement of 1984 (*l'Accord de Victoria*) establishing the IOC or *Commission de l'Océan Indien*.
8. "Participating Country" means either the Union of Comoros, or the Republic of Mozambique, or the United Republic of Tanzania, and the term "Participating Countries" means collectively all such countries.
9. "Procurement Guidelines" means 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, and revised in July 2014.
10. "Procurement Plan" means the Recipient's procurement plan for the Project, dated September 25, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

11. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on August 12, 2014, and on behalf of the Recipient on August 12, 2014.
12. "Project Operations Manual" means the manual, satisfactory to the Association, and referred to in Section 5.01 of this Agreement, and Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.
13. "Regional Implementing Unit" or "RIU" means the Project implementing unit referred to in Section I.A.2 of Schedule 2 to this Agreement.
14. "Regional Project Steering Committee" means the regional committee referred to in Section I.A.1 of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The provisions of the General Conditions are modified as follows:

1. Section 2.06 is modified to read as follows:

"Section 2.06. *Financing Taxes*

The use of any proceeds of the Financing to pay for Taxes levied by, or in the territory of, the Participating Countries on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply, if permitted by the Financing Agreement, is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Financing specified in the Financing Agreement, as required to ensure consistency with such policy of the Association."
2. Sections 3.03, 3.04 and 3.08 are deleted in their entirety, and Sections 3.05, 3.06, 3.07, 3.09 and 3.10 are re-numbered, respectively, as Sections 3.03, 3.04, 3.05, 3.06 and 3.07.
3. Paragraphs (b) and (c) of the newly re-numbered Section 3.07 are modified to read as follows:

"(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the Participating Countries, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Participating Countries.

- (c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Participating Countries, or in connection with their execution, delivery or registration.”

4. In Section 4.11, paragraph (a) is modified to read as follows:

“Section 4.11. *Visits*

- “(a) The Recipient shall take all action necessary or useful to ensure that the Participating Countries afford all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Financing or the Project.”

5. Section 5.01 is modified to read as follows:

“Section 5.01. *Financial and Economic Data*

The Recipient shall furnish to the Association all such information as the Association shall reasonably request with respect to its own financial condition as well as with respect to the financial and economic conditions in the territory of the Participating Countries, including the balance of payments and their External Debt as well as that of their political or administrative subdivisions and of any entity owned or controlled by, or operating for the account or benefit of, the Participating Countries or any such subdivision, and of any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Participating Countries.”

6. Section 6.02 is modified as follows:

- (a) Paragraphs (d)(i)(ii) on *Cross-Suspension* are modified to read as follows:

- “(i) The Association or the Bank has suspended in whole or in part the right of the Recipient or of one or more Participating Country to make withdrawals under any agreement with the Association or with the Bank because of a failure, respectively, by the Recipient or of one or more Participating Countries to perform any of its obligations under such agreement.

- (ii) The Bank has suspended in whole or in part the right of any borrower to make withdrawals under a loan agreement with the Bank guaranteed by a Participating Country because of a failure by such borrower to perform any of its obligations under such agreement.”

- (b) Paragraph (j) on *Membership* is modified to read as follows:

“(j) *Membership*. Any one or more of the Participating Countries: (i) have been suspended from membership in or ceased to be a member of the Association; or (ii) have ceased to be a member of the International Monetary Fund.”

7. Paragraph (a) of Section 8.01 is modified to read as follows:
 - “(a) The execution and delivery of each Legal Agreement on behalf of the Recipient, which is a party to such Legal Agreement have been duly authorized by all necessary corporate action.”
8. The Appendix (**Definitions**) is modified as follows:
 - (a) Paragraphs 23, 29, 33 and 45 are modified to read as follows:
 - “23. “External Debt” means any debt which is or may become payable in a Currency other than the Currency of the Participating Countries”.
 - “29. “Foreign Expenditure” means an expenditure in the Currency of any country other than the Participating Countries for goods, works or services supplied from the territory of any country other than the Participating Countries.”
 - “33. “Local Expenditure” means an expenditure: (a) in the Currency of the Participating Countries; or (b) for goods, works or services supplied from the territory of any Participating Country; provided, however, that if the Currency of the Participating Countries is also that of another country from the territory of which goods, works or services are supplied, an expenditure in such Currency for such goods, works or services shall be deemed to be a Foreign Expenditure.”
 - “45. “Recipient” means the party to the Financing Agreement to which the Financing is extended.”
 - (b) New definitions 61 and 62 are added to read as follows:
 - “61. “Participating Countries” means the Union of Comoros, the Republic of Mozambique, the United Republic of Tanzania, and the term “Participating Countries” means collectively all such countries.