

GRANT NUMBER D083-KM

Financing Agreement

(Second Economic Governance Reform Grant)

between

UNION OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 09/06/ , 2015

GRANT NUMBER D083-KM

FINANCING AGREEMENT

AGREEMENT dated 09/06/, 2015, entered into between UNION OF THE COMOROS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 two million two hundred thousand Special Drawing Rights (SDR 2,200,000) ("Financing").
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 October 15 and April 15 in each year.
- 2.05. The Payment Currency is the Euro.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that 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 Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Recipient's Vice President responsible for the Ministry of Finance.
- 6.02. The Recipient's Address is:

Vice-Presidency responsible for the Ministry of Finance, Economy,
Budget, Investment and Foreign Trade, and for Privatization.
B.P. 324
Moroni
Union of the Comoros

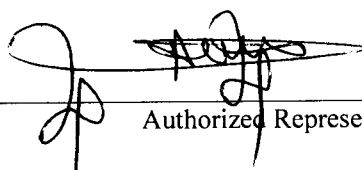
6.03. The Association's Address is:

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 MORONI, 09/06/2015, as of the
day and year first above written.




Authorized Representative

Name: HOUMED M'SAIDIE

Title: Ministre de l'Interieur chargé de
l'Interim

INTERNATIONAL DEVELOPMENT ASSOCIATION

By


Authorized Representative

Name: MARK LUNDELL

Title: COUNTRY DIRECTOR

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

1. Strengthening Economic Management

- (a) The Recipient's Directorate of Public Accounts and Treasury within its Ministry of Finance has become operational through: (i) the identification of a dedicated budget line in the Recipient's 2015 Budget Law; and (ii) the appointment of the remaining core staff as required by Recipient's Decree No. 12-047/PR, dated February 29, 2012, through Recipient's Arrete No.15-008/VP-MFEBICEP/CAB dated March 28, 2015.
- (b) The Recipient's Ministry of Finance and Central Bank have signed a memorandum of understanding governing the functioning and administration of a Treasury single account at the Recipient's Central Bank, which memorandum of understanding, among other things, prohibits the opening and operating of new bank accounts unless prior authorization from the Recipient's vice-president responsible for finance has first been obtained.
- (c) The Recipient has strengthened its wage bill management system through: (i) the integration of civil service wages in the computerized wage management system; and (ii) the integration of biometric national ID numbers in the computerized wage management system.
- (d) The Recipient has incorporated its public investment program in its 2015 Budget Law.
- (e) The Recipient has prepared and submitted to its National Assembly a debt management bill to strengthen the Recipient's debt management's framework.
- (f) The Recipient, through its National Statistics Institute (*L'Institut National de la Statistique et des Etudes Economiques et Demographiques*), has: (i) prepared a budgeted five year action plan that uses SNA 1993 methodology for the production of national accounts; and (ii) completed data collection for updating the Recipient's 2011-2013 accounts.

2. *Improving Transparency in Economic Management*

- (g) The Recipient has enacted Law No.13-015/AU amending the Anti-Corruption Law, dated December 26, 2013, in order to, *inter alia*, strengthen the judicial powers of the Anti-Corruption Commission (*Commission nationale de prévention et de lutte contre la corruption*).

3. *Improving Competition and Management in Key Infrastructure Sectors*

- (h) The Recipient has launched a competitive bidding process to award a second full-service license in the telecommunications sector.
- (i) The Recipient, through its Ministry in charge of Production, Environment, Energy, Industry and Craft, has adopted a recovery and development plan for the *MA-MWE* Company that includes a commercial recovery and performance framework.

Section II. Availability of Financing Proceeds

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

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	2,200,000
TOTAL AMOUNT	2,200,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied (a) with the Program being carried out by the Recipient, and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association;
2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system in a manner acceptable to the Association; and
3. within thirty (30) days of such deposit, the Recipient will provide a written report to the Association of the amount deposited in the Dedicated Account and credited to the Recipient's budget-management system.

E. Audit. Upon the Association's request, the Recipient shall:

1. have the account referred to in Section II.D.1 of Schedule 1 to this Agreement audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
3. furnish to the Association such other information concerning such account and its audit as the Association shall reasonably request.

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

G. Closing Date. The Closing Date is December 31, 2016.

APPENDIX

Section I. Definitions

1. “2015 Budget Law” means the Recipient’s Law no. 14-032/AU, dated December 6, 2014, describing the Recipient’s budget for Fiscal Year 2015, as promulgated by the Recipient’s Decree No. 14-194/PR dated December 6, 2014.
2. “Anti-Corruption Commission” means the Recipient’s anticorruption commission (*Commission Nationale de Prévention et de Lutte contre la Corruption*) established by the Recipient’s law no.08-018/AU dated July 25, 2008.
3. “Anti-Corruption Law” means the Recipient Law No.08-018/AU dated July 25, 2008 on the transparency of public, economic, financial and social activities.
4. “DGCPT” means the Directorate of Public Accounts and Treasury (*Direction Générale de la Comptabilité Publique et du Trésor*) within the Recipient’s ministry responsible for finance.
5. “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 the Association or the Bank has financed or agreed to finance, or which the Association or the Bank 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 Association 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
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 Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

6. "Fiscal Year" means a period of twelve consecutive months commencing on January 1 and ending on December 31.
7. "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.
8. "MA-MWE Company" means *Société Comorienne d'Eau et d'Electricité*, the Recipient's state-owned public power and water utility company.
9. "National Statistics Institute" means *L'Institut National de la Statistique et des Etudes Economiques et Demographiques*, the Recipient's institute of statistics established by the Recipient's Law No. 11-003/AU dated March 26, 2011.
10. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated April 20, 2015 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
11. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
12. "SNA 1993" means system of national accounts adopted by the United Nations Statistical Commission in 1993.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. Plans; Documents; Records

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.07. Program Monitoring and Evaluation

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."

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 Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing 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 Financing Agreement in support of which the Financing is made." All references to "Project" throughout these General Conditions are deemed to be references to "Program".