GRANT NUMBER H887-KM

Financing Agreement
(Additional Financing for the Economic Governance Technical Assistance Project)

between

UNION OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 21st, 2013
GRANT NUMBER H887-KM

FINANCING AGREEMENT

AGREEMENT dated December 21st, 2013, entered into between UNION OF THE COMOROS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 two million three hundred thousand Special Drawing Rights (SDR 2,300,000) ("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 March 1 and September 1 in each year.

2.05. The Payment Currency is the Euro.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A, C and D of the Project through it
ministry responsible for finance, and Part B of the Project through HAFOP, 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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient has recruited a senior information technology specialist to head the information technology unit in the Recipient's ministry responsible for finance, on the basis of terms of reference, qualifications and experience satisfactory to the Association and in accordance with the provisions of Section III of Schedule 2 to this Agreement.

(b) The Recipient has revised Decree 09-084 dated July 20, 2009, on budget classification to, inter alia, include a functional classification, in form and substance satisfactory to the Association, and the decree revising Decree 09-084 has been published in the Recipient's official gazette.

(c) The Recipient has adopted by decree an administrative and financial procedure manual applicable to the institutions of the Recipient's and the Islands' governments, in form and substance satisfactory to the Association, and such decree has been published in the Recipient's official gazette.

(d) The Recipient has adopted a decree on the employment of administration and finance directors of the institutions of the Recipient's and the Islands' governments setting out, inter alia, the criteria and method of selection of said administration and finance directors, in form and substance satisfactory to the Association, and such decree has been published in the Recipient's official gazette.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.03. 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 V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Recipient’s Vice President responsible for finance.

5.02. The Recipient’s Address is:

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

5.03. 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 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at December 21st, 2013, as of the day and year first above written.

UNION OF THE COMOROS

By

Authorized Representative

Name: MOHAMMO ALI SOILIH
Title: VP en charge des finances

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: HALEB BIDI
Title: AFCS 4, CD
SCHEDULE 1

Project Description

The objectives of the Project are to increase the efficiency, accountability and transparency of public financial management, and to improve the management of civil service human resources and wages.

The Project consists of the following parts:

Part 1: Rationalizing the Public Finance Management Institutional Frameworks and Processes

(a) Provision of support to strengthen the capacity of the Recipient to implement its public finance management reform, including support to prepare its public finance management reform action plan for 2014-2017 as well as steer, monitor, evaluate, report on and communicate on the progress of the public finance management reform.

(b) Provision of support to strengthen the budgetary process, including support to implement the Manual of Procedures and an action plan for the adoption of a program budget process and strengthen public procurement capacity.

(c) Provision of support to computerize public finance management, including computerization of the budget and accounting processes, integration of a treasury module and support to the information technology division of the Recipient’s ministry in charge of finance to adequately operate the public finance management computerized system.

Part 2: Civil Service Reforms

(a) Provision of support to reform civil service including the wage bill management and the human resources inventory, as well as the computerized system for human resources management.

(b) Provision of support to prepare a comprehensive civil service management reform strategy.

Part 3: Demand-driven Facility and Leadership

Provision of support to maintain a facility to provide on-demand training, coaching and mentoring in the areas of leadership, change management, communication and consensus-building, according to pre-determined criteria.
Part 4: Project Management

Provision of support to coordinate, manage, monitor and evaluate the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The institutional arrangement is strictly identical to the arrangement described in the Original Financing Agreement: the provisions of Section I.A. and Section I.B.1 of Schedule 2 to the Original Financing Agreement are incorporated herein to this Agreement by reference.

2. No later than one (1) month after the Effective Date, the Recipient shall update the Project Implementation Manual (as defined in the Original Financing Agreement and referred to in Section I.B.1(a) of Schedule 2 to the Original Financing Agreement) for the Project, in form and substance satisfactory to the Association, in order to, inter alia, revise the performance indicators for purposes of monitoring and evaluating the performances of the Project, as agreed between the Recipient and the Association to take into account this additional Financing and the extended Project implementation period.

3. No later than one (1) month after the Effective Date, the Recipient shall recruit a public finance reform specialist, an accounting assistant and a procurement assistant as well as, when it shall have been agreed between the Association and the Recipient, a civil service reform specialist, each on the basis of terms of reference, qualifications and experience satisfactory to the Association and in accordance with the provisions of Section III of Schedule 2 to this Agreement, and each to be posted in the Project Coordination Unit.

B. Anti-Corruption

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

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 one calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
2. No later than fifteen (15) months after the Effective Date, or at any other date agreed with the Association, the Recipient shall, in conjunction with the Association, carry out a mid-term review of the Project (the “Mid-term Review”), covering the progress achieved in the implementation of the Project. The Recipient shall prepare and furnish to the Association not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

3. Annual Work Plans and Budgets

(a) Each year, the Recipient shall prepare a draft annual work plan and budget for the Project (including Training and Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested.

(b) The Recipient shall furnish to the Project Steering Committee, and thereafter to the Association, as soon as available, but in any case not later than December 15 of each year, the annual work plans and budgets, for their review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation which shall be furnished no later than one (1) month after the Effective Date. Only the activities included in an annual work plan and budget expressly approved by the Association (each an “Annual Work Plan and Budget”) are eligible to a financing from the proceeds of the Financing.

(c) Training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, inter alia, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

(d) The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.
(e) Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.

4. No later than one (1) month after the Effective Date, the Recipient shall:

(a) adopt a monitoring and evaluation manual for the Project, in form and substance satisfactory to the Association; and

(b) recruit a monitoring and evaluation specialist for the Project, on the basis of terms of reference, qualifications and experience satisfactory to the Association and in accordance with the provisions of Section III of this Schedule.

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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than one (1) month 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. In order to ensure the timely carrying out of the audits referred to in Section II.B.3 of this Schedule, the Recipient shall engage independent auditors for the purpose not later than three (3) months after the Effective Date, in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. Goods, Minor Works and Non-consulting Services. All goods, Minor 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, Minor 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, Minor Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, Minor Works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>(a) National Competitive Bidding subject to the additional procedures listed in (i) to (viii) below:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Each bidding document and contract financed out of the proceeds of the Financing shall provide that: (A) the bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the World Bank, at its request, to inspect all accounts, records and other documents relating to the submission of bids and contract performance, and to have said accounts and recordsaudited by auditors appointed by the World Bank; and (B) the deliberate and material violation of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines;</td>
</tr>
<tr>
<td>(ii) Invitations to bid shall be advertised in national newspapers with wide circulation;</td>
</tr>
<tr>
<td>(iii) The bid evaluation, qualification of bidders and contract award criteria shall be clearly indicated in the bidding documents;</td>
</tr>
</tbody>
</table>
(iv) Bidders shall be given adequate response time (at least four (4) weeks) to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later;

(v) Eligible bidders, including foreign bidders, shall be allowed to participate;

(vi) No domestic preference shall be given to domestic contractors and to domestically manufactured goods;

(vii) Bids are awarded to the bidder with the lowest bid evaluated proven this bidder is qualified; and

(viii) Fees charged for the bidding documents shall be reasonable and reflect only the cost of their printing and delivery to prospective bidders, and shall not be so high as to discourage qualified bidders.

(b) Procurement from United Nations Agencies (UNOPS)

(c) Direct Contracting

(d) Shopping

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

(a) Selection Based on the Consultants’ Qualifications

(b) Single-source Selection

(c) Least-Cost Selection

(d) 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 Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Minor Works and consultants’ services including Training for the Project</td>
<td>2,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs for the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,300,000</td>
<td></td>
</tr>
</tbody>
</table>

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 June 30, 2016.
APPENDIX

Definitions

1. "Annual Work Plans and Budgets" means the annual work plans and budgets for the implementation of the Project approved by the Association, referred to in Section II.A.3(b) of Schedule 2 to this Agreement.


4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. "HAFO" means Haute Autorité de la Fonction Publique, the High Authority of Civil Service, established pursuant to Law No. 04-006/AU governing the civil service, adopted by the Recipient’s National Assembly on November 10, 2004, and promulgated pursuant to Decree No. 05-005/PR, dated January 24, 2005.

8. "Island" means any one of the islands comprised in the Recipient’s territory.

9. "Manual of Procedures" means the manual adopted by the Recipient pursuant to the provisions of Section 4.01(c) of this Agreement.

10. "Minor Works" means minor works, such as repairs or rehabilitation of existing facilities within existing footprints, which do not trigger Bank Policies.

11. "Operating Costs" means the incremental operating costs incurred by the Recipient under the Project on account of local contractual support staff salaries, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; and utilities, media information campaigns
and communications expenses; but excluding salaries, fees, honoraria, and bonuses of members of the Recipient's civil service.


13. "Original Project" means the Project described in the Original Financing Agreement.


15. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated September 30, 2013, 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.

16. "Training" means training and training-related activities under the Project, including seminars, workshops and study tours, together with all costs associated with travel and subsistence allowances for training participants, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities reasonably incidental to the preparation and implementation of training activities.

17. "United Nations Office for Procurement Services" or "UNOPS" means an agency of the United Nations established in 1974 to expand the capacity of the United Nations system and its partners to implement peace building, humanitarian and development operations that matter for people in need.