Financing Agreement

(Comoros Project under the Fourth Phase of the Regional Communications Infrastructure Program (RCIP-4))

between

UNION OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 24, 2013
GRANT NUMBER H878-KM

FINANCING AGREEMENT

AGREEMENT dated September 24, 2013, entered into between THE UNION OF THE COMOROS ("Recipient") and THE INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) By extending financial assistance: (i) in 2007, to projects of the Republic of Burundi, the Republic of Kenya, and the Republic of Madagascar ("Madagascar"); (ii) in 2008, to a project of the Republic of Rwanda; and (iii) in 2009, to projects of the Republic of Malawi, the Republic of Mozambique, and the United Republic of Tanzania, the Association has provided support to activities under precedent phases of the Regional Communications Infrastructure Program ("Program") which aims at: (i) accelerating the roll-out of the terrestrial regional and related national backbone infrastructure to ensure access to the submarine cables across East and Southern Africa and to extend access to broadband services within countries; (ii) financing purchase of broadband capacity (domestic, regional and international) for use by governments and by other targeted users (schools, universities, hospitals, etc.); and (iii) financing related activities such as implementation of e-government applications and extension of access to information and communications technologies services in rural areas;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the project ("Project", as described in Schedule I hereto) under the fourth phase of the Program, has requested the Association to assist in the financing of the Project; and

(C) the Association has agreed, on the basis, inter alia, of the foregoing, to extend the grant provided for in Article II of this Agreement to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Association and the Recipient 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, in the Preamble, or 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 fourteen million three hundred thousand Special Drawing Rights (SDR 14,300,000) ("financing") to assist in financing the 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: (i) carry out Parts 1, 2.2, 2.3 and 3 of the Project through the MoF; (ii) pursuant to the SPV Agreement, cause Part 2.1 of the Project to be carried out by the SPV, all 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 Events of Suspension consist of the following:

(a) The SPV shall have failed to perform any of its obligations under the SPV Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the SPV will be able to perform any of its obligations under the SPV Agreement.
(c) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the SPV or for the suspension of its operations.

(d) The SPV Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the SPV to perform any of its obligations under the SPV Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Recipient has furnished to the Association an opinion satisfactory to the Association, of counsel acceptable to the Association, attesting that: (i) the authorization for exclusive operation of international gateway services previously awarded to VocalPad is null and void; (ii) the exclusivity period in the license previously awarded Twama Telecom has ended and the license is revoked; and (iii) neither VocalPad nor Twama Telecom has any rights of appeal or other administrative, judicial or legal recourse resulting from the aforementioned actions or in connection with them that may affect materially and adversely the ability of the Recipient to carry out the Project.

5.02. The Effectiveness Deadline is the date ninety (90) 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 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 Privatizations 
B.P. 324 
Moroni 
Union of The Comoros

Telex: 245-MIEF-CAB KO Facsimile: (269) 74-41-40
6.03. The Association's address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: (1) 202-477-6391

AGREED at Moroni, 24/10/93, as of the day and year first above written.

UNION OF THE COMOROS

Authorized Representative

Name: MOHAMED ALI SOUILHISI
Title: Vice Président

INTERNATIONAL DEVELOPMENT ASSOCIATION

Authorized Representative

Name: HATHEH BRID1
Title: Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to support the Recipient’s efforts to lower prices for international capacity and extend the geographic reach of broadband networks.

The Project constitutes the fourth phase of the Program, and consists of the following parts:

Part 1: Enabling Environment

Carrying out of a program of technical assistance, capacity building and Training aimed to assist the Recipient in the implementation of its 2012 telecommunications strategic roadmap and thereby contribute to establish an adequate enabling environment for privatization, increased competition and the proposed investments under the Project, through the further promotion of regional market integration in the telecommunications sector, its liberalization (through the award of a second general license and additional ISP licenses), and legal and regulatory reforms required for the preparatory work to gain access to the FLY Submarine Cable, and encompassing: (i) the modernization and harmonization of the sector legal and regulatory framework appropriate for a broadband-enabled environment (including, inter alia, privacy/data protection, access to and freedom of information, digital authentication and electronic contracting, cyber-crime and intellectual property) and preparation of legal instruments for facilitating open access to cable infrastructure; (ii) capacity building in the areas of policy, legal and regulatory reform of the ICT sector; (iii) sector reform and strengthening of the ANRTC and of MoPT, including through a targeted Training program, and establishment of PPP arrangements for access to the FLY Submarine Cable, through the provision of advice on setting up of a management structure for the fiber optic cable assets under the form of a PPP and the carrying out of the required social and environmental studies and feasibility study for the SPV; (iv) implementation of the planned transactions for the sector (introduction of competition and privatization of Comores Télécom); (v) carrying out of environmental and social studies, feasibility studies and participatory monitoring and evaluation of the Project; and (vi) carrying out a demand analysis for the sector for the next few years.

Part 2: Connectivity

2.1. Regional Connectivity

Membership and participation of the SPV, on behalf of the Recipient, in the FLY Consortium Submarine Cable, which shall ensure connectivity with the existing EASSy cable in the Recipient’s territory, and with either LION-2 in Mayotte, or
with LION-I and EASSy via Madagascar’s domestic backbone network, or both, on the basis of open access principles and a PPP structure, through the financing of the Consortium Fee.

2.2. **Advance Purchase of Capacity**

Supply of bulk international bandwidth capacity to the Recipient’s key targeted users and ISPs at affordable prices, through the advance purchase of bandwidth capacity on the FLY Submarine Cable, EASSy Cable and/or LION-1 or LION-2 Cable and on the domestic network, and encompassing the financing of Lease of Capacity and the provision of the equipment required for the purpose.

2.3. **Promotion of ISPs and an IXP**

Carrying out of measures to stimulate demand of telecommunication services, including the development and establishment of private ISPs, through the provision of business and technical training and the development of local content and applications, and the establishment of an open-access, carrier-independent Internet Exchange Point (IXP), through the provision of works, goods and services required to construct the point of access and interconnection for operators in the Recipient’s territory to capacity provided by submarine cable network operators.

**Part 3: Project Management**

Strengthening of the Recipient’s capacity to implement the Project, encompassing the provision of technical assistance required for: (i) the upgrading and operation of the P1U to ensure suitable staffing, competent and dedicated staff for the Project, the provision of office space and equipment and the financing of Operational Costs required for the purpose; (ii) Training; (iii) the carrying out of the environmental and social studies required under the ESMF and the RPF and monitoring and capacity building activities under the Project; and (iv) the fulfillment of the Recipient’s obligations under this Agreement for auditing, monitoring and evaluation, data collection, reporting and communication.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. **CREF**

   The Recipient shall lead the overall implementation of the Project through the CREF. To that end, the Recipient shall, throughout Project implementation, maintain the CREF, at all times under terms of reference satisfactory to the Association and with staff and resources adequate to enable it to carry out its responsibilities under the Project. The CREF shall in particular: (i) provide overall operative guidance, direction and coordination during Project implementation; and (ii) work closely on regulatory issues with the MoPT and ANRTIC.

2. **Project Implementation Unit**

   (a) The Recipient, through the MoF, shall ensure that implementation and supervision of the Project is carried out by the Project Implementation Unit with due diligence and efficiency and under the overall guidance and direction of the RCIP Steering Committee on the Submarine Cable, to which it shall report. To this end, the Recipient shall maintain the Project Implementation Unit throughout Project implementation under terms of reference satisfactory to the Association and with staff and resources adequate to enable it to carry out its responsibilities under the Project. The PIU shall be headed by a Project coordinator operating under the direct leadership of the CREF, and its composition shall include a core Project team of procurement and financial management specialists.

   (b) The PIU shall be responsible for: (i) day-to-day activities and fiduciary tasks under the Project, in particular, procurement, financial management, monitoring and evaluation, communications, and environmental support, all with the contribution, as needed, of the MoPT’s and ANRTIC’s expertise and knowledge; (ii) coordination with the Association on Project implementation, with Project beneficiaries to discuss Project progress, and with implementing agencies to monitor performance agreements; (iii) preparation of AWP&Bs in accordance with the provisions of Section I.F of this Schedule, procurement and disbursement plans under the Project, and financial and auditing reports for submission to the Association; and (iv) the preparation of materials
related to the Project for public dissemination and coordination of stakeholder inputs and appropriate response.

3. **RCIP Steering Committee on the Submarine Cable**

The Recipient shall maintain throughout Project implementation the RCIP Steering Committee on the Submarine Cable under terms of reference satisfactory to the Association and with staff and resources adequate to enable it to carry out its responsibilities under the Project, which consist of: (i) the provision of overall operative guidance and direction; (ii) fiduciary and governance oversight of the main disbursement areas; (iii) identification of synergies and complementarities of activities, and consistency of activities with the Recipient’s information and communications telecommunications policy, (iv) approval of AWE&P; and (v) monitoring the implementation of the monitoring and evaluation framework for the Project. The Committee shall be chaired by the CREF and shall include representatives of at least the MoTP, ANRTIC, and Comoros Telecom, holding meetings at least once every quarter (or exceptionally if so required).

**B. SPV Agreement**

1. To facilitate the carrying out of Part 2.1 of the Project, the Recipient shall take all action required: (i) to ensure the proceeds of the Financing allocated from time to time to Category (2) are transferred to the SPV in an efficient and timely manner; and (ii) to have in place a suitable legal framework to ensure the Financing is used for the intended purposes. To that end, the Recipient shall conclude a contractual arrangement ("SPV Agreement") with the SPV whereby the Recipient shall:

   (a) transfer the proceeds of the Financing allocated from time to time to Category (2) to the SPV, on a non-reimbursable basis, in consideration of the undertaking by the SPV that such amount shall be transferred further by the SPV to the FLY Submarine Cable Consortium for the purposes of payment of the membership and participation fees of the SPV in the FLY Submarine Cable Consortium on behalf of the Recipient;

   (b) require the SPV: (A) to carry out the infrastructure partially financed through the Consortium Fee with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, marine and social standards and practices satisfactory to the Association, including in accordance with the provisions of the ESMF and the RFF, the Project Implementation Manual, and the Anti-Corruption Guide lines applicable to recipients of loan proceeds other than the Recipient and (B) to provide, promptly as needed, the resources required for the purpose; and
obtain rights, and specify the SPV obligations, adequate to protect the interests of the Recipient and those of the Association, including: (i) subrogation rights against the FLY Submarine Cable Consortium upon the failure of the FLY Submarine Cable Consortium, any of the parties thereto, or the Management Committee established under the C&MA, to perform any of its obligations under the C&MA; (ii) the right to suspend or terminate the right of the SPV to use the proceeds of the Financing or to obtain a repayment of all or any part of the amount of the Financing then withdrawn, upon the SPV's failure to perform any of its obligations under the SPV Agreement; (iii) the SPV's obligation to maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the Monitoring and Evaluation Indicators, the progress of Part 2.1 of the Project and the achievement of its objectives; (iv) the SPV's obligation: (A) to maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to Part 2.1 of the Project; and (B) at the Recipient's or the Association's request, to have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (v) the right to enable the Recipient and the Association to inspect the infrastructure partially financed through the Consortium Fee, its operation and any relevant records and documents; and (vi) the SPV's obligation to prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. The SPV Agreement shall contain provisions whereby the SPV is obligated to abide by the relevant provisions of the Anti-Corruption Guidelines. The Recipient shall exercise its rights and carry out its obligations under the SPV Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the SPV Agreement or any of their provisions. Notwithstanding the foregoing, if any of the provisions of the SPV Agreement is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail and govern.
C. Anti-Corruption

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

D. Safeguards

1. The Recipient, through the PIU, shall take all action necessary:

(i) to comply with the ESMF and to carry out the ESIA and the ESMP, as the case may be, with due diligence and efficiency; (ii) to ensure that the relevant mitigation and monitoring provisions of the ESIA and the ESMP, as the case may be, are appropriately included in the works, goods and services contracts to be concluded under Part 2.1 of the Project and that they are implemented in the carrying out of said Part 2.1; and (iii) to maintain in the Recipient and the Association suitably informed of the progress in the implementation of the ESIA and the ESMP, as the case may be, through the information to be prepared and furnished to the Recipient pursuant to the provisions of paragraph 2 of Section II.C of this Schedule;

(ii) to comply with the RPF and to carry out the RAP with due diligence and efficiency; and at all times provide the funds necessary therefor; (ii) to adequately monitor and evaluate the carrying out of the activities provided in the RAP in the carrying out of Part 2.1 of the Project; and (iii) to maintain in the Recipient and the Association suitably informed of the progress in the implementation of the RAP through the information to be prepared and furnished to the Recipient pursuant to the provisions of paragraph 2 of Section II.C of this Schedule.

2. The Recipient shall:

(a) ensure that the construction of the infrastructure partially financed through the Consortium Fee under Part 2.1 of the Project does not commence until and unless: (i) the Association shall have approved the ESIA, ESMP, and/or the RAP, as the case may be, and the same documents have been consulted upon and disclosed as approved by the Association; and (ii) it shall have verified, through its own staff, outside experts, or existing environmental/social institutions, that the activities under Part 2.1 of the Project meet the environmental and social requirements of appropriate national and local authorities and that they are consistent with the Association's applicable environmental and social assessment and safeguards policies and comply with the environmental and social review procedures set forth in the Project Implementation Manual.
(b) cause the SPV to take all action necessary on its behalf: (i) to carry out the ESIA, ESMP and/or RAP, as the case may be, with due diligence and efficiency; (ii) to ensure that the relevant mitigation and monitoring provisions of the ESIA, ESMP and/or RAP are appropriately included in the works, goods and services contracts to be concluded for the infrastructure partially financed through the Consortium Fee and that they are implemented in the carrying out of said infrastructure; and (iii) to maintain the Recipient and the Association suitably informed of the progress in the implementation of the ESIA, the ESMP and the RAP, as the case may be, through the information to be prepared and furnished to the Recipient pursuant to the provisions of paragraph (c)(vi) of Section I.B.1 of this Schedule.

E. Project Implementation Manual

The Recipient shall: (i) take all action required to ensure that the Project is carried out in accordance with the provisions and requirements set forth or referred to in the Project Implementation Manual; (ii) submit recommendations to the Association's consideration for changes and updates to the Project Implementation Manual as they may become necessary or advisable during Project implementation in order to achieve the objectives of the Project; and (iii) not assign, amend, abrogate, fail to implement and/or enforce, or waive the Project Implementation Manual or any of its provisions without the Association's prior agreement. Notwithstanding the foregoing, if any of the provisions of the Project Implementation Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail and govern.

F. Annual Work Program and Budget (AWP&B)

The Recipient, through the PIU, shall:

(a) prepare, jointly with ANRTIC, and submit to the RCIP Steering Committee on the Submarine Cable a draft AWP&B for each Fiscal Year, setting forth, inter alia: (i) a detailed description of planned activities for the Project for the following Fiscal Year and budget, including disbursement forecasts; (ii) the sources and uses of funds therefor; and (iii) responsibility for execution of said Project activities, budgets, start and completion date, outputs, and monitoring indicators to track progress of each activity;

(b) not later than November 30 immediately prior to each such Fiscal Year, furnish to the Association for its comments and approval, the draft AWP&B and, promptly thereafter, finalize the AWP&B taking into account the views and recommendations of the RCIP Steering Committee on the Submarine Cable and of the Association thereon; and
(c) adopt and sign the final version of the AWP&B in the form approved by
the RCIP Steering Committee on the Submarine Cable and the
Association not later than December 31 immediately prior to each such
Fiscal Year.

G. Training

For the purposes of the Training to be provided under the Project and to be
delivered through training, seminars, workshops and study tours, the Recipient
shall:

(a) furnish to the Association for its approval, not later than May 31 and
November 30 of each year, a Training program including an explanation
of how such Training is consistent and conducive to the objectives of the
Project and whether it offers the best price/quality ratio, as well as the
schedule for its implementation;

(b) select the trainees in accordance with a transparent process and criteria
satisfactory to the Association; and

(c) furnish to the Association a report of such scope and detail as the
Association shall reasonably request, on the results of each Training and
the benefits derived therefrom.

H. Other Covenants

1. The Recipient shall, not later than nine (9) months after the Effective Date, issue,
in a manner satisfactory to the Association, the bidding documents inviting bids
for a second license to operate in its territory, including partial divestiture of the
Recipient’s shareholding from the SPV.

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 the Monitoring and Evaluation Indicators. Each
Project Report shall cover the period of one (1) calendar quarter, and shall be
furnished to the Association not later than forty-five (45) days after the end of the
period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than four (4) months after the Closing Date.

B. Mid-Term Review

The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2015, a report integrating the results of the monitoring and evaluation activities and setting out the measures recommended to ensure the efficient carrying out of the Project and achievement of the objectives thereof during the period following such date; and

(c) review with the Association, on or about September 30, 2015, or such later date as the Association shall request, the report referred to in the preceding paragraph (b), and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

C. 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 as part of the Project Report 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 (1) 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 (6) months after the end of such period.

4. The Recipient shall, not later than three (3) months after the Effective Date, recruit an external auditor for the PIU on the basis of terms of reference and with qualifications and experience satisfactory to the Association.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for Parts 1, 2.2, 2.3, and 3 of 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 Parts 1, 2.2, 2.3, and 3 of 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: (i) Limited International Bidding; (ii) Shopping an (iii) 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: (i) Least Cost Selection; (ii) Selection based on Consultants' Qualifications; (iii) Single-source Selection of consulting firms; (iv) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (v) Single-source procedures 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): (i) to repay the Preparation Advance in accordance with Section 2.07 of the General Conditions; and (ii) to finance the Eligible Expenditures.

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, works, consultants' services, Training and Operational Costs under Parts 1, 2.2, 2.3 and 3 of the Project</td>
<td>3,380,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consortium Fee under Part 2.1 of the Project</td>
<td>7,790,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Lease of Capacity under Part 2.2 of the Project</td>
<td>2,660,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Refund of Prepayment Advance No. Q/06-CON</td>
<td>470,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>14,300,000</strong></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 under Category (2), until and unless:

   (a) (A) the SPV Agreement, in form and substance satisfactory to the Association, has been entered into between the Recipient and the SPV; and (B) there shall be furnished to the Association an opinion satisfactory to the Association of counsel acceptable to the Association attesting that the SPV Agreement has been duly authorized or ratified on behalf of the Recipient and the SPV, and executed and delivered on their behalf, and is legally binding upon the Recipient and the SPV in accordance with its terms;

   (b) (A) (I) the execution and delivery of the Construction and Maintenance Agreement by the SPV, in form and substance satisfactory to the Association shall be performed with provisions: (i) regarding entry and exit from the Consortium; (ii) open access; (iii) incorporating the Anti-Corruption Guidelines; and (iv) such other provisions reflecting best practice deemed appropriate; and (II) the execution and delivery of the Landing Statement Agreement(s), in form and substance satisfactory to the Association, incorporating the Anti-Corruption Guidelines and ensuring open access; and (B) there shall be furnished to the Association an
opinion satisfactory to the Association of counsel acceptable to the Association, attesting: (i) on behalf of the SPV, that the Construction and Maintenance Agreement has been duly authorized or ratified by, and executed and delivered on its behalf, and is legally binding upon the SPV in accordance with its terms; and (ii) on behalf of the SPV, that the Landing Station Agreement(s) have been duly authorized or ratified by, and executed and delivered on its behalf, and are legally binding upon the SPV in accordance with their terms.

(c) (A) the ownership of the existing cable assets of Comores Telecom has been transferred to the SPV in form and substance satisfactory to the Association; and (B) there shall be furnished to the Association an opinion satisfactory to the Association of counsel acceptable to the Association attesting that: (i) Comores Telecom has right and title to, and is the lawful owner of, such assets; (ii) such assets have been so transferred free and clear of any liens, encumbrances, security interests or charges of any nature whatsoever; and (iii) Comores Telecom shall defend the right and title to such assets against any claims.

2. The Closing Date is June 30, 2018.
APPENDIX

Definitions

1. "Annual Work Plan and Budget" and "AWP&B" mean the annual work plan and budget to be prepared on an annual basis by the PIU (as hereinafter defined).

2. "ANRTIC" means the Recipient Autorité Nationale de Regulation Des Technologies de l’Information et de la Communication, the entity responsible for the regulation of the IC sector (as hereinafter defined) and established and operating pursuant to the Recipient’s decree No. 065/PR dated May 23, 2009, or any successor thereto acceptable to the Association.


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

5. "Consortium Fee" means the expenditures incurred by the Recipient to secure its membership and participation, through the SPV (as hereinafter defined) in the FLY Submarine Cable Consortium (as hereinafter defined), which Consortium Fee is hereby deemed an Eligible Expenditure for purposes of Section 2.05 of the General Conditions.

6. "Construction and Maintenance Agreement" and "C&MA" mean the agreement to be entered into by and among the SPV (as hereinafter defined) and the other parties to the FLY Submarine Cable Consortium (or “Consortium”, as both terms are hereinafter defined) for purposes of constructing, financing, owning and operating the Cable (as hereinafter defined) and for governing the Consortium.


8. "Comores Télécom" means the Recipient’s National Telecommunications Company created through the Recipient’s Decree No. 04-002/PR dated February 23, 2004, which separated the former “Société Nationale des Télécommunications des Comores” into Comores Télécom and the “Société Nationale des Postes et des Services Financiers”
9. “CREF” means the MoF’s (as hereinafter defined) Cellule des Réformes Économiques et Financières, the unit within the Vice-Presidency for Finance responsible for monitoring economic and financial reforms in Comoros pursuant to the Recipient's Decree No. 07-018/PR dated February 11, 2007, and referred to in paragraph 1 Section I.A of Schedule 2 to this Agreement.

10. “Displaced Person” means a person who as a result of Resettlement (as hereinafter defined) suffers adverse impacts on his or her livelihood.

11. “EASSy Cable” means the 10,000 kilometers submarine fiber-optic cable system deployed along the East and South coast of Africa to service the voice, data, video and Internet (as hereinafter defined) needs of the sub-Saharan Africa region, linking the Republic of South Africa with the Republic of The Sudan via landing points in Mozambique, Madagascar, Comoros, Tanzania, Kenya and Djibouti.

12. “Environmental and Social Impact Assessment” or “ESIA” means a site-specific report, to be prepared by the Recipient in accordance with the parameters laid down in the ESMF (as hereinafter defined) and acceptable to the Association, identifying and assessing the potential environmental and social impacts of the activities to be undertaken for the activities under the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures, and including the actions needed to implement these measures.

13. “Environmental and Social Management Framework” or “ESMF” means the environmental and social safeguard framework published in country on December 10, 2012, and adopted by the Recipient on February 2, 2013, setting forth the procedures to be used for the preparation and approval of a site-specific Environmental and Social Impact Assessment and/or Environmental and Social Management Plan (as hereinafter defined) for any site where there exists environmental and/or social issues of a type and scale sufficient to trigger the Association’s safeguards policies.

14. “Environmental and Social Management Plan” or “ESMP” means a site-specific environmental and social management plan to be prepared by the Recipient in accordance with the parameters laid down in the ESMF and acceptable to the Association, setting forth a set of mitigation, monitoring, and institutional measures to be taken during the implementation and operation of the activities under of the Project to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.

15. “Fiscal Year” means the twelve (12) month period corresponding to any of the Recipient’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.
16. “FLY Submarine Cable” and “Cable” mean the submarine cable system to be constructed, laid and operated by the FLY Submarine Cable Consortium (as hereinafter defined).

17. “FLY Submarine Cable Consortium” and “Consortium” mean the telecommunications consortium to be created to lead the design and the construction of the submarine cable system to connect the islands of Comoros – Mayotte (as hereinafter defined) and/or Madagascar, or any successor in interest acceptable to the Association.


19. “ICT” means information and communications technology.

20. “Internet” means the network of networks that consists of millions of private, public, academic, business, and government networks, of local to global scope, that are linked by a broad array of electronic, wireless and optical networking technologies.

21. “Internet Exchange Point” or “IXP” means a physical infrastructure through which Internet Service Providers (as hereinafter defined) and telecommunications operators exchange Internet traffic between their networks, allowing networks to interconnect directly, via the exchange, rather than through one or more third-party networks.

22. “IRU” means inframalle: right of use, the long term lease of a portion of capacity on an international cable, often specified in channels of a given bandwidth.

23. “Internet Service Provider” and “ISP” mean an organization that provides access to the Internet.

24. “Landing Station Agreement” means an agreement (self-standing or provisions which are part of the C&MA), including all requisite permits, authorizations, approvals, consents and the like required for purposes of the Cable in the territory of any country, to be entered into among the Consortium and the respective operators either in Mayotte and/or Madagascar for the purposes of interconnecting the FLY Submarine Cable with the LION-2 Cable (as hereinafter defined) in Mayotte (as hereinafter defined) and/or Madagascar allowing interconnection with the LION-1 Cable (as hereinafter defined).
“Lease of Capacity” means the expenditures incurred by the Recipient to finance non-consulting services under Part 2.2 of the Project to secure access to international bandwidth from the telecommunications operators and suppliers, either by IRU or through refill of capacity from other neighboring countries, which Lease of Capacity is hereby deemed an Eligible Expenditure for purposes of Section 2.05 of the General Conditions.

“LION Cable” or “LION-1 Cable” means the Lower Indian Ocean Network 1,000 kilometers long submarine communications cable system that connects Madagascar, Réunion (as hereinafter defined), and Republic of Mauritius.

“LION-2 Cable” means the complement cable that connects the LION Cable under the sea, lands in Mayotte (as hereinafter defined) and then continues to Mombasa, on the Kenya coast, where other cables land.

“Mayotte” means the island located in the northern Mozambique Channel in the Indian Ocean.

“MoF” means the Recipient’s Ministry of Finance (Ministère des Finances), or any successor thereto.

“Monitoring and Evaluation Indicators” means the agreed monitoring and evaluation indicators set forth in the Project Implementation Manual (as hereinafter defined) to be utilized by the Recipient and the SPV (as hereinafter defined) to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved.

“MoPT” means the Recipient’s Ministry of Posts and Telecommunications (Ministère des Postes et Télécommunications, de la Promotion des Nouvelles Technologies de l’Information et de la Communication chargé des Transports et du Tourisme), or any successor thereto.

“Operational Costs” means the expenditures incurred by the Recipient to finance: (i) the salaries of the staff of the PIU (as hereinafter defined) (excluding civil servants) and state contributions thereon; (ii) per diem and travel expenses of the said staff to perform their responsibilities under the Project; (iii) fuel and vehicle maintenance and insurance; (iv) communication technology (including, without limitation, internet and telephone); (v) building security and maintenance; (vi) translation services, photocopies and publications; (vii) bank commissions; and (viii) utilities and office supplies.

“PPP” means a public-private partnership, that is, the contractual, governance and financing arrangements between a government agency and one or more private sector entities participating in the SPV.
34. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, and refers specifically to the advance No. Q806-COM granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 16, 2012, and on behalf of the Recipient on March 16, 2012.


36. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated February 1, 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.

37. "Project Implementation Unit" and "PIU" means the Project Implementation Unit (established by the Recipient and operating under the Association-financed Economic Governance Technical Assistance Project (Financing Agreement No. H646-KM dated February 23, 2011).

38. "Project Implementation Manual" means the Recipient’s set of guidelines and procedures adopted on May 8, 2013, by the Recipient, through the PIU, for the purpose of implementing the Project, including in the areas of monitoring and evaluation, coordination, financial management (including financial, administrative and accounting procedures, procurement, internal controls and audits), environment and social safeguards, and other provisions related to the institutional organization of the Project, as such guidelines and procedures may be amended from time to time with the prior written agreement of the Association.

39. "RCIP Steering Committee on the Submarine Cable" means the committee established on December 7, 2012, and operating pursuant to the Recipient’s inter-ministerial Order No. 12/113/MFBECEP and 12/048/MPTNTICCT dated December 7, 2012, as subsequently revised by the inter-ministerial Order No. 13/008/MFBECEP and 13/003/MPTNTICCT dated February 14, 2013, and referred to in paragraph 1.1A of Schedule 2 to this Agreement.

40. "Resettlement" means: (i) the involuntary (i.e., an action that may be taken without a person’s informed consent or power of choice) taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restrict on of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons, and
encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.

41. “Resettlement Action Plan” or “RAP” means a site-specific resettlement and rehabilitation action plan to be prepared in accordance with the parameters laid down in the RPF (as hereinafter defined), acceptable to the Association, and to be developed by the Recipient for the Displaced Persons in each site under the Project which involves Resettlement, and covering the following: (i) a baseline census and socioeconomic survey information; specific compensation rates and standards; policy entitlements related to any additional impacts identified through the census or survey; description of Resettlement sites and programs for improvement or restoration of livelihoods and standards of living; an implementation schedule for Resettlement activities; and detailed cost estimate; (ii) measures designed to ensure that the Displaced Persons: (A) are informed about their options and rights pertaining to Resettlement, consulted on, offered choices among, and provided with technically and economically feasible Resettlement alternatives; and (B) provided prompt and effective compensation at full replacement cost for losses of assets attributable directly to the Project; (iii) if the impacts include physical relocation, that the displaced persons are: (A) provided assistance (such as moving allowances) during relocation; (B) provided with residential housing, or housing sites, or, as required, agricultural sites for which a combination of productive potential, locational advantages, and other factors is at least equivalent to the advantages of the old site; and (C) offered support after displacement, for a transition period, based on a reasonable estimate of the time likely to be needed to restore their livelihood and standards of living; (iv) affordable and accessible grievance procedures, taking into account the availability of judicial recourse and community and traditional dispute settlement mechanisms; and (v) provided with development assistance in addition to compensation measures, such as land preparation, credit facilities, training, or job opportunities.

42. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework published in-country on December 10, 2012 and adopted by the Recipient on February 2, 2013, setting forth, inter alia, a description of the Project and components for which land acquisition and Resettlement are required, the principles and objectives governing Resettlement preparation and implementation, and a description of the process for preparing and approving a site-specific Resettlement Action Plan.

43. “Réunion” means the island of La Réunion located in the Indian Ocean, east of Madagascar.

44. “SPV” means the special purpose vehicle company to be established by the Recipient for the purposes of carrying out Part 2.1 of the Project.
45. “SPV Agreement” means the agreement referred to in Section 1B of Schedule 2 to this Agreement pursuant to which the Recipient shall make a portion of the proceeds of the financing available to the SPV for the purposes of carrying out under Part 2.1 of the Project the infrastructure partially financed through the Consortium Fee.

46. “SPV Legislation” means, collectively, the laws, any implementation decree, resolutions and/or decisions of the Recipient that have been adopted and approved for the purposes of creating, registering and making the SPV operational, and including the SPV’s articles of incorporation, shareholders’ agreement, by-laws and charter.

47. “Training” means the expenditures incurred by the Recipient to finance the cost of training, seminars, workshops, and study tours (including abroad) of persons involved in Project-supported activities, including the cost of travel, accommodations and subsistence costs for Training participants, costs associated with securing the services of trainers, rental of Training facilities, preparation and reproduction of Training materials, and other costs directly related to Training preparation and implementation and other costs as may be approved by the Association for the purpose.

48. “Twama Teleco” means the trade name of Comoros Gulf Holding, which had been awarded a telecommunications license by the Recipient in 2007 and which license was revoked in 2012 without prejudice.

49. “VocalPad” means VocalPad (UK) Ltd., which has been awarded an authorization for exclusive operation of international gateway services in the Recipient’s territory.