Financing Agreement
(Electricity Sector Recovery Project)

between

UNION OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 24/09/2013
GRANT NUMBER H866-KM

FINANCING AGREEMENT

AGREEMENT dated September 24, 2013, entered into between the UNION OF THE COMOROS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 four hundred thousand Special Drawing Rights (SDR 3,400,000) ("Financing"), to assist in financing the project described in Schedule I 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 15 and September 15 in each year.

2.05. The Payment Currency is the Euro.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall cause the Project to be carried out by Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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) As a result of an event which has occurred after the date of this Agreement, an extraordinary situation has arisen, which makes it improbable that the Program, or a substantial part of the Program, can be carried out.

(b) The Project Implementing Entity's Governing Documents have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(b) The Fiduciary Team has been established within the Project Implementing Entity in accordance with Section I.A of Schedule 2 to this Agreement, and the Project Implementing Entity has recruited the following consultants, each with 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 to be posted in the Fiduciary Team: (i) a procurement specialist; and (ii) a financial management specialist.
The Project Implementing Entity has developed for the Project and adopted the Project Implementation Manual, in form and substance satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

5.04. 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 (20) 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 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

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, 24/09/13 as of the day and year first above written.

UNION OF THE REPUBLIC OF SOMALIA

By

Authorized Representative
Name: MOHAMED ALI SOILII
Title: Vice Président

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative
Name: Haleh REIDI
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to contribute to the improvement in the electricity sector’s commercial and financial performance.

The Project consists of the following parts:

Part 1. Assistance to the Electricity State-Owned Enterprises’ Commercial and Financial Performance Recovery

1.A Commercial and Financial Technical Assistance

Provision of commercial and financial technical assistance to improve the commercial and financial performance of the state-owned enterprises in the electricity sector including, inter alia, support to reinstate sound power utility management in accordance with the Restructuring and Development Plan, especially in the administrative and financial functions (principally in the financial, human resources, internal and external reporting areas) and commercial performance.

1.B Commercial and Financial Performance Enhancement

(a) Provision of systems and equipment to state-owned enterprises in the electricity sector, including: (i) management information systems and related hardware; as well as (ii) a series of units of network metering equipment to be installed at the transformer level and boxes to protect the meters; (b) carrying out of a poverty and social impact analysis, to assess the impact of the state owned enterprises commercial recovery on the poor; and (c) design and implementation of a communication and awareness campaign to promote cultural changes, including outreach activities and public dissemination campaigns.

Part 2. Electricity Sector Governance

Provision of technical assistance, implementation of capacity building activities and studies related to key aspects of the electricity sector governance, including support to the energy sector institutions, for: (a) the definition and implementation of an energy policy (including subsidies and tariff policy and adjustments); (b) the design and enforcement of the energy sector legal and regulatory framework; and (c) the development of planning capacity and decision making processes.

Part 3 Project Management

Provision of support for Project coordination, management, monitoring and evaluation.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause the Project Implementing Entity to establish and maintain under the authority of its Managing Director (Directeur Général) the Fiduciary Team, with mandate, composition and resources acceptable to the Association, throughout the implementation of the Project. In particular, the Recipient shall cause the Project Implementing Entity to maintain at all times sufficient staff (in the views of the Association), each with adequate (in the views of the Association) terms of reference, qualifications and experience for the Project.

2. Without limitation to the provisions of paragraph (1) immediately above, the Fiduciary Team shall be responsible for the monitoring of Project implementation as well as procurement, financial management and reporting.

3. Without limitation to the provisions of paragraph (1) immediately above, the Fiduciary Team shall include, inter alia: (i) a procurement specialist; and (ii) a financial management specialist, each recruited 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.

4. The Project Implementing Entity shall recruit an internal auditor, no later than six (6) months after the Effective Date.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity (including the funds allocated from time to time to Category 2, passed on by the Recipient to the Project Implementing Entity for the purpose of the Project Implementing Entity managing such funds on behalf of the Recipient but for the benefit of EDA) under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the following:

   (a) The obligation of the Recipient to transfer the proceeds of the Financing, required for the implementation of the Project to the Project Implementing Entity on the basis of a non-reimbursable grant, and otherwise to take all action necessary to permit the Project Implementing
Entity to carry out the Project and ensure the achievement of the objective thereof.

(b) The obligation of the Project Implementing Entity to: (i) use the funds allocated to Category (1) for the financing of goods, non-consulting services, and consultants’ services including Operating Costs and Training for the Project Implementing Entity; (ii) use the funds allocated to Category (2) for the financing of goods, non-consulting services, and consultants’ services, including Training, for EDA; and (iii) carry out the Project in accordance with this Agreement, the Project Agreement, the Subsidiary Agreement, the Anti-Corruption Guidelines and the Project Implementation Manual, and at all times to ensure that only activities that comply with the Subsidiary Agreement, the Anti-Corruption Guidelines and the Project Implementation Manual will be financed from the proceeds of the Financing.

(c) The obligation of the Project Implementing Entity to promptly inform the Recipient of any condition which interferes or threatens to interfere with the implementation of the Project and the achievement of the objective thereof.

(d) The obligation of the Project Implementing Entity, at the request of the Recipient, to exchange views with the Recipient and the Association with regard to the progress of the Project and the achievement of the objective thereof, and the Project Implementing Entity’s performance of its obligations under the Project Agreement, the Subsidiary Agreement, the Anti-Corruption Guidelines and the Project Implementation Manual.

(e) The obligation of the Project Implementing Entity to comply with the provisions of the Project Implementation Manual and to refrain from any action which would have the effect of amending, abrogating or waiving any provision of such manuals, except as the Association shall otherwise agree.

(f) The obligation of the Project Implementing Entity to promptly refund to the Recipient any proceeds of the Financing not used or required for purposes of carrying out the Project or for achieving the objective thereof, or otherwise utilized in a manner which does not comply with the provisions of this Agreement or the Project Agreement.

(g) A provision stipulating that, in case of conflict between any of the provisions contained in the Subsidiary Agreement, or the Project Implementation Manual, on the one hand, and those set forth in this Agreement and the Project Agreement, on the other hand, the provisions of this Agreement and the Project Agreement shall at all times prevail.
2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary 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 Subsidiary Agreement, or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure, and shall cause the Project Implementing Entity to ensure, that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

1. The Recipient shall ensure, and shall cause the Project Implementing Entity to ensure, that:

(a) all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Association’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and

(b) in drafting any regulations under the Project, due attention will be given to said policies and laws.

E. Restructuring and Development Plan

1. For the implementation of Part 1 of the Project, the Recipient shall cause the Project Implementing Entity to prepare a restructuring and development plan and submit it to the Recipient and its Board of Directors for approval. The restructuring and development plan shall then be submitted to the Association for approval.

2. The Recipient shall cause the Project Implementing Entity not to commence activities for the implementation of the restructuring and development plan before it has been formally approved by the Recipient, the Project Implementing Entity’s Board of Directors and by the Association (the “Restructuring and Development Plan”).

3. The Restructuring and Development Plan may be revised, as needed, during Project implementation subject to the prior approval of the Recipient, the Project Implementation Entity’s Board of Directors (or, as the case may be, of the person to whom the Board of Directors will have delegated such authority) and the Association.
F. **Annual Work Plans and Budgets**

1. Each year the Recipient shall cause the Project Implementing Entity, acting through the Fiduciary Team, to prepare and submit to the Recipient and the Association for approval 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.

2. The Recipient shall cause the Project Implementing Entity to furnish to the Recipient and then to the Association, as soon as available, but in any case not later than November 30 of each year, the annual work plan and budget for the following year formally approved by the Recipient, for the Association’s 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 for a financing from the proceeds of the Financing.

3. 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.

4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Recipient’s and the Association’s prior approval.

G. **Project Implementation Manual**

1. (a) The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Project Implementation Manual; and

(b) the Recipient shall not permit the Project Implementing Entity to assign, amend, abrogate, or waive the Project Implementation Manual or any provision thereof, if such assignment, amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. In the event of any conflict between the provisions of the Project Implementation Manual and those 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 cause the Project Implementing Entity to monitor and evaluate the progress of the Project) and prepare Project Reports (or cause the Project Implementing Entity to prepare reports) in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the Project Implementation Manual. 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. No later than eighteen (18) months after the Effective Date, or on such other date acceptable to the Association, the Recipient shall, in conjunction with the Project Implementation Entity and 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 cause the Project Implementing Entity to 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 and the Project 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 cause the Project Implementing Entity to 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.

B. Financial Management, Financial Reports and Audits

1. (a) The Recipient shall maintain or cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

(b) Without limitation to the provisions of paragraph (a) immediately above, the Recipient shall cause the Project Implementing Entity to purchase and install accounting software acceptable to the Association, no later than four (4) months after the Effective Date.
2. The Recipient shall cause the Project Implementing Entity to 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, and shall cause the Project Implementing Entity to, have its Financial Statements (including funds used by the Project Implementing Entity for the benefit of EDA) 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 auditors for the purpose not later than six (6) months after the Effective Date, in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 and Non-consulting Services

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

   (a) Limited International Bidding
   (b) Shopping; and
   (c) 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) Least Cost Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) 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), 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, non-consulting services, and consultants' services including Operating Costs and Training for the Project Implementing Entity</td>
<td>3,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, and consultants' services including Training for EDA under Part 1.A and Part 1.B(a) of the Project</td>
<td>70,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Refund of Preparation Advance</td>
<td>230,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,400,000</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 April 30, 2017.
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 I.F of Schedule 2 to this Agreement and Section I.D of the Schedule to the Project Agreement.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “EDA” means Electricité d’Anjouan, the Recipient electricity utility servicing the Island of Anjouan.

6. “Fiduciary Team” means the team of assistants to be established within the Project Implementing Entity in accordance with Section 5.01(b) of this Agreement.


8. “Operating Costs” means the reasonable incremental operating costs incurred by the Fiduciary Team under the Project on account of salaries of contractual support staff for Project implementation, coordination, supervision, monitoring and evaluation, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; utilities; media information campaigns and communications expenses; but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.

9. “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 June 7, 2013, and on behalf of the Recipient on June 18, 2013.

11. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 4, 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.

12. "Program" means the Recipient's program designed to improve the commercial and financial performance of the state-owned enterprises in the electricity sector and set forth or referred to in the letter of policy dated June 7, 2013 from the Recipient to the Association.

13. "Project Implementation Manual" means the manual to be adopted by the Project Implementing Entity in accordance with Section 5.01(d) of this Agreement, setting out implementation, organizational, monitoring and evaluation, fiduciary mechanisms, including administrative, accounting and financial arrangements and procedures governing the Project and giving the list of the indicators referred to in Section II.A.1 of Schedule 2 to this Agreement, as such Project Implementation Manual may be amended from time to time in accordance with Section I.G.1(b) of Schedule 2 to this Agreement.


15. "Project Implementing Entity's Governing Documents" means, collectively, the following documents: (a) the Recipient's Ordinance no. 02.001/CE dated January 12, 2002; (b) the Recipient's Ordinance no. 03-006/PR dated August 12, 2003; and (c) the Recipient's Law no. 05-919/AU dated June 13, 2005.

16. "Restructuring and Development Plan" means the plan which has been adopted in accordance with Section I.E.2 of Schedule 2 to this Agreement, which includes, inter alia, the analysis of the specific needs in terms of management systems for billing, accounting, customer management as well as equipment, and the recommendation of the most appropriate systems and equipment for the Recipient's electricity state-owned enterprises.

17. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
18. “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.