Financing Agreement

(Economic Governance Reform Grant)

between

UNION OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 10 MAI 2014, 2014
GRANT NUMBER H937-KM

FINANCING AGREEMENT

AGREEMENT dated №051, 2014, entered into between UNION OF THE COMOROS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule I to this Agreement, and (b) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to two million five hundred thousand Special Drawing Rights (SDR 2,500,000) ("Financing").

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule I to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are October 15 and April 15 in each year.

2.05. The Payment Currency is the Euro.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic policy framework.

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Recipient’s Vice President responsible for the Ministry of Finance.

6.02. The Recipient’s Address is:

Vice-Presidency responsible for the Ministry of Finance, Economy, Budget, Investment and Foreign Trade, and for 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 address: INDEVAS  
Telex: 248423(MCI)  
Facsimile: 1-202-477-6391

AGREED at Moroni, _6_ 10 05/2014, as of the day and year first above written.

By

Authorized Representative

Name: MOHAMED ALI ISSILITI  
Title: Vice President en charge des finances

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Gerald Gervais  
Title: Country Manager Pour la Comore
SCHEDULE I
Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

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

1. Strengthening Economic Governance

   (a) (i) A dedicated budget line for DGCPT is clearly identified in the 2014 Budget Law; (ii) the following key staff has been appointed in accordance with the Recipient’s decree no. 12-047/PR 29 February 2012 relating to DGCPT, including its General Manager (Directeur Général), Coordinator (Coordonnateur), Managers of the three support services (Chefs des 3 Services d’Appui), National Treasurer of the Union (Trésorier Payeur Général) and Treasurer of each of the three Autonomous Islands (Trésoriers Payeurs de chacune des trois Îles Autonomes).

   (b) The Recipient has included in its 2014 Budget Law four (4) previously off-budget accounts (comptes de régies) recorded in the accounts of the Treasury, and has issued a decision (arrêté) containing a complete list of accounts of the administrative entities of the Recipient (at the Union and the Autonomous Islands’ levels) in the Recipient’s central bank.

   (c) The Recipient has included in its 2014 Budget Law: (i) overall envelopes per ministry; (ii) the state of execution of the 2013 budget until June 30, 2013 presented in the same format as the draft budget; and (iii) data on government revenues (own resources and external resources) in the main headings of the budget nomenclature, including data for Fiscal Year 2013.

   (d) The Recipient has included in its 2014 Budget Law a detailed debt report analyzing the debt stock as of October 31, 2013.

2. Improving Transparency in Economic Management

   (e) The Anti-Corruption Commission (Commission nationale de prévention et de lutte contre la corruption) has published, on its website and/or in a national newspaper, a list of public officials who have filled their asset declaration, in accordance with the Recipient’s Decree no. 12-183/PR dated September 15, 2012.
The Recipient has signed and published a presidential decree to systematize disclosure of fishing access rights to national waters attributed and related revenues as well as their allocation.

The Recipient has signed (after Cabinet review) and published a presidential decree for the establishment of the National Council of Statistics.

3. Improving Competition and Management in Key Infrastructure Sectors

The Recipient’s government has prepared and submitted to the National Assembly a draft information and communication technology sector law that sets out a framework for market liberalization.

To reduce total losses in the electricity sector, the Recipient’s government has approved the terms of reference for a recovery and development plan establishing clear objectives for results to be attained by MA-MWE management and has initiated the procurement of the independent expert to prepare such plan by the publication of a call for expressions of interest.

Section II. Availability of Financing Proceeds

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

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

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>2,400,000</td>
</tr>
<tr>
<td>(2) Preparation Advance</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,500,000</strong></td>
</tr>
</tbody>
</table>
C. Withdrawal Tranche Release Conditions

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

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

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

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

1. have the account referred to in Section II.D.1 of Schedule 1 to this Agreement audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning such account and its audit as the Association shall reasonably request.

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

G. Closing Date. The Closing Date is December 30, 2014.
APPENDIX

Section I. Definitions


3. "Autonomous Islands" means collectively the three constituent islands of the Union of the Comoros, Grande Comore, Anjouan and Mohéli.

4. "Cabinet" means the Recipient's cabinet of ministries.

5. "DGCPT" means the Directorate of Public Accounts and Treasury (Direction Générale de la Comptabilité Publique et du Trésor) within the Recipient's ministry responsible for finance.

6. "Excluded Expenditure" means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:
<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

7. “Fiscal Year” means a period of twelve consecutive months commencing on January 1 and ending on December 31.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
9. "MA-MWE" means Société Comorienne d’Eau et d’Electricité, the Recipient’s state-owned public power and water utility company.

10. "National Council of Statistics" means Conseil National de la Statistique, the Recipient’s council of statistics established by the Recipient’s law no. 11-003/AU dated March 26, 2011.

11. "Preparation Advance" means the advance referred to in Section 2.05 of the General Conditions (renumbered as such pursuant to paragraph 2 of Section II below), granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 28, 2014, and on behalf of the Recipient on February 13, 2014.

12. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated March 13, 2014, from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

13. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

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

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

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

"Section 4.07. Program Monitoring and Evaluation

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

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

"'Eligible Expenditure' means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

"'Program' means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.