

Public Disclosure Authorized

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**CONFORMED COPY**

**GRANT NUMBER H646 -KM**

# **Financing Agreement**

**(Economic Governance Technical Assistance Project)**

**between**

**UNION OF THE COMOROS**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 23, 2011**

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Public Disclosure Authorized

**GRANT NUMBER H646-KM**

**FINANCING AGREEMENT**

AGREEMENT dated February 23, 2011, entered into between 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 one million two hundred thousand Special Drawing Rights (SDR 1,200,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 1 and September 1 in each year.
- 2.05. The Payment Currency is Euro.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A, C and D of the Project through MF, and Part B of the Project through HAFOP, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient

shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Project Steering Committee and Project Coordination Unit have been duly established, and the Project Coordinator and other key personnel referred to in Section I.A.2 (b) of Schedule 2 to this Agreement have been recruited and installed in their positions, with their contracts duly signed.
  - (b) The Project Implementation Manual, including the Financial Management Manual, has been reviewed and approved by the Association, and adopted by the Recipient.
  - (c) The first triennial Public Financial Management Reform Action Plan has been duly reviewed and approved by the Association, and adopted by the Recipient.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

B. P. 324  
Moroni  
Comoros

Telex:

245-MIEF-CAB KO

Facsimile:

269-74-41-40

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Port Louis, Mauritius, as of the day and year first above written.

UNION OF THE COMOROS

By //s//H.E. Mohamed Baca Dossal  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By //s// Constantine Chikosi  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

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

The Project consists of the following parts:

#### **Part A: Rationalizing the PFM Institutional Frameworks and Processes**

1. Provision of technical advisory services and training, and acquisition of goods and equipment, to clarify the legal and institutional framework governing public finance, through:
  - (a) review of the existing regulatory framework, and development of a new proposed framework to be submitted for public consultations and eventual approval by the national assembly; and
  - (b) review of the Recipient's existing financial systems and services, with particular focus on its treasury and financial controller's services, and development of a strategy to reorganize them and adapt them to the needs of the new framework, including production of detailed procedural manuals and development of a training plan.
2. Provision of technical advisory services and training, and acquisition of goods and equipment, to strengthen budget preparation, execution and monitoring, through measures to streamline procedures for budget preparation and implementation, including:
  - (a) development of a realistic calendar for budget preparation, and clarification of the budget preparation methodology and the roles of various services; and
  - (b) measures to strengthen the role of credit managers, clarification and codification of their roles, responsibilities and required qualifications, and provision of training.
3. Provision of technical advisory services and training, and acquisition of goods and equipment, to support the progressive computerization of public finances, through:
  - (a) development of a master plan for computerization, including: (i) identification of information technology needs in the various financial services, (ii) identification of constraints which are specific to the

Recipient, and (iii) development of a strategy to roll-out the plan, having regard to the projected maintenance cost and training needs; and

- (b) development of an integrated computerized management system for budget operations, including: (i) development and acquisition of the budgetary management software to be used for the development of public finance statistics, and (ii) acquisition of the equipment needed to roll out the computerized budget management system.

Part B: Civil Service Reforms

Provision of technical advisory services and training, and acquisition of goods and equipment, to strengthen civil service reforms, including wage bill management, through:

- (a) organization of a full physical census of civil service employees to clean-up existing databases and collect additional information on each civil servant in order to effectively manage the service;
- (b) measures to support the human resources management framework in the civil service, including: (i) development and implementation of new 'organic frameworks' (staffing plans), (ii) development of methodologies for competitive recruitment for entry into the civil service, and staff performance evaluation, and (iii) development of a communications strategy; and
- (c) computerization of wage bill management, including: (i) development of detailed user manuals, and training of staff, and ii) measures to ensure the safety and the integrity of the software's management databases.

Part C: Demand-driven Facility

Establishment of a facility to provide financing in support of ancillary programs and activities deemed critical to achieve the objectives of the Project or otherwise required to adapt to changing needs and circumstances, and to be selected from time to time on a demand-driven basis and according to pre-determined criteria.

Part D: Project Management

Provision of technical advisory services and training, and acquisition of goods and equipment to support the overall coordination, management, and monitoring and evaluation of the Project.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient shall establish and thereafter maintain:
  - (a) a Project Steering Committee, whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for general oversight, and monitoring and supervision, of the Project, including coordination both among Island authorities, and between Island authorities and those of the Recipient, as well as coordination with other donor-funded programs in the areas of PFM and administrative reform; and
  - (b) a Project Coordination Unit to be headed by the Project Coordinator, and whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for coordination of implementation and monitoring of the Project, and reporting on the results thereof, including: (i) preparation of work plans and budgets, procurement plans, and progress reports; (ii) financial management and reporting; (iii) management of procurement, communications and information sharing functions; and (iv) coordination with institutions and agencies involved in the Project, as well as with other donors.
2. The Recipient shall ensure that:
  - (a) subject to the overall authority and oversight functions of the Project Steering Committee, the Project Coordinator shall be responsible for overall coordination, and monitoring and evaluation, of the Project;
  - (b) the Project Coordinator shall be assisted by a team of key personnel consisting of an accounting assistant, a financial management consultant and an administrative assistant, along with other technical and support staff as needed and in adequate numbers, all of whom shall be suitably qualified and experienced; and
  - (c) the positions of Project Coordinator and other key personnel referred to in this paragraph shall be kept filled at all times by persons having qualifications and experience acceptable to the Association.

**B. Implementation Obligations**

1.
  - (a) The Recipient shall prepare and adopt a Project Implementation Manual acceptable to the Association (“Project Implementation Manual”), giving details of guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, including: (i) institutional and staffing arrangements; (ii) reporting requirements as set forth in Part A of Section II of this Schedule 2; (iii) Project Performance Indicators; (iv) financial management and audit procedures referred to in Part B of Section II of this Schedule 2, and set forth in the Financial Management Manual; (v) procurement procedures as set forth in Section III of this Schedule 2; and (vi) detailed criteria for the selection of ancillary programs and activities under Part C of the Project.
  - (b) The Recipient shall implement the Project in accordance with the Project Implementation Manual; provided, however, that, in case of any discrepancies between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.
  - (c) Except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
2. The Recipient shall:
  - (a) not later than twelve months after the Effective date, in conjunction with the Association and other interested donors, undertake a midterm review of the Project (“Midterm Review”), during which they shall exchange views with one another on the progress of the Project, having regard to the Project Performance Indicators, and the performance by the Recipient of its obligations under this Agreement;
  - (b) not later than one month prior to the Midterm Review, furnish to the Association, for comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review; and
  - (c) following the Midterm Review, act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project or otherwise agreed upon between the parties.



**C. Anti-Corruption**

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

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Project Performance Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, as part of the Project Report, not later than one month after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year, 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 months after the end of such period.
4. Not later than three (3) months after the Effective Date, the Recipient shall have:
  - (a) recruited, under terms of reference acceptable to the Association, the auditors referred to in Section 4.09(b) of the General Conditions; and
  - (b) acquired a suitable accounting software to facilitate the maintenance of the books of accounts for the Project.

5. Not later than six (6) months after the Effective Date, the Recipient shall proceed to the recruitment of a consultant to provide internal audit support on a part time basis, under terms of reference acceptable to the Association.

**Section III. Procurement**

**A. General**

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Shopping

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Selection Based on the Consultants' Qualifications
(b) Single-source Selection
(e) Least-Cost Selection
(d) Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods	70,000	100%
(2) Consultants' services and Training	700,000	100%
(3) Operating Costs	210,000	100%
(4) Refund of Preparation Advance	220,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	1,200,000	

**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 December 31, 2013.

**Section V. Annual Work Plans, Training and Workshops**

1. (a) Except as provided in paragraph (b) below, the Recipient shall, not later than December 15 in each calendar year, prepare and furnish to the Association, for review and approval, a proposed Annual Work Plan and Budget for the forthcoming Fiscal Year, and proceed thereafter to implement such Annual Work Plan and Budget, as approved by the Association.  
  
(b) The first Annual Work Plan and Budget required under the Project shall be furnished not later than one month after the Effective Date.
2. For purposes of any proposal for training or workshops to be included under an Annual Work Plan and Budget, the Recipient shall ensure that each such proposal shall include:

- (a) details of: (i) the objective and content of the training or workshop envisaged, (ii) the selection method of institutions or individuals conducting such training or workshop, (iii) the expected duration and an estimate of the cost of the training or workshop, and (iv) the candidates selected to attend the training or workshop; and
- (b) an undertaking on the part of such candidates to submit a brief report indicating what skills have been acquired and how these skills will contribute to enhance their performance or otherwise contribute to the attainment of the objectives of the Project.

## APPENDIX

### Section I. Definitions

1. “Annual Work Plan and Budget” or “AWPB” means the annual work plan of activities included or to be included for financing under the Project, along with a proposed budget and financing plan, prepared by the Recipient and approved by the Association, pursuant to Section V.1 of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
5. “Financial Management Manual” means the Financial Management Manual incorporated or to be incorporated in the Project Implementation Manual, and setting forth the financial management guidelines and procedures governing the Project, as such Financial Management Manual may be amended from time to time with the prior agreement of the Association.
6. “Fiscal Year” or “FY” means the twelve-month period commencing on January 1 and ending on December 31 of each year, representing the Recipient’s fiscal year.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
8. “HAFOP” means *Haute Autorité de la Fonction Publique*, the High Authority of Civil Service, established pursuant to Law No. 04-006/AU governing the civil service, adopted by the Recipient’s National Assembly on November 10, 2004, and promulgated pursuant to Decree No. 05-005/PR, dated January 24, 2005.
9. “Island” means any one or more of the islands comprised in the Recipient’s territory.
10. “MF” means *Ministère de Finances*, the Recipient’s Ministry of Finance.
11. “Operating Costs” means the incremental operating costs incurred by the Recipient under the Project on account of local contractual support staff salaries,

employment benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; and utilities, media information campaigns and communications expenses.

12. "PFM" means public financial management.
13. "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 February 21, 2010, and on behalf of the Recipient on April 12, 2010.
14. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006 and May 2010.
15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 1, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. "Project Coordination Unit" or "PCU" means the Project Coordination Unit referred to in Section I.A.1 (b) of Schedule 2 to this Agreement.
17. "Project Coordinator" means the Project Coordinator referred to in Section I.A.1 (b) of Schedule 2 to this Agreement.
18. "Project Implementation Manual" means the Project Implementation Manual referred to in Section I.B.1 of Schedule 2 to this Agreement, as such Project Implementation Manual may be amended from time to time with the prior agreement of the Association.
19. "Project Performance Indicators" means the performance indicators agreed with the Association for purposes of monitoring and evaluation of the Project, and set forth in the Project Implementation Manual.
20. "Project Steering Committee" means the Project Steering Committee referred to in Section I.A.1 (a) of Schedule 2 to this Agreement.
21. "Public Financial Management Reform Action Plan" means a Public Financial Management Reform Action Plan adopted or to be adopted by the Recipient and designed to upgrade its PFM tools, capacity and processes, and whose first phase covers the three-year period 2010-2012.
22. "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.

## **Section II. Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank's sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

### Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank's sanctions policies and procedures, or under the procedures of temporary suspension or early



temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”