
GRANT NUMBER E237-KM

Financing Agreement

**(Comoros First Fiscal Management and Resilient Growth (FIMARG) Development
Policy Financing)**

between

THE UNION OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E237-KM

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between THE 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: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) 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) apply to and form 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 a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to fourteen million nine hundred thousand Special Drawing Rights (SDR 14,900,000) (“Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are May 1 and November 1 in each year.
- 2.04. The Payment Currency is Euro.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

- (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.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. 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.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its minister responsible for budget and finance.
- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Finance and Budget and Banking sector
Place de l'Indépendance
B.P. 324
Moroni
The Union of the Comoros; and

- (b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
(269)7644140	Secretariat@finances.gouv.km

- 5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

- (b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

THE UNION OF THE COMOROS

By



Authorized Representative

Name: _____ Mzé Abdou Mohamed Chanfiou

Title: _____ Ministre des Finances

Date: _____ 04-Oct-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Idah Z. Pswarayi-Riddihough

Authorized Representative

Name: _____ Idah Z. Pswarayi-Riddihough

Title: _____ Country Director for Mozambique, Madagascar

Date: _____ 04-Oct-2023

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

Pillar 1: Enhance Debt Management and Public Expenditure Efficiency

1. To improve debt management, the Recipient, through the Parliament, has mandated: (a) the use of new procedures for signature of loan agreements, and the issuance of public guarantees; and (b) SOEs to submit quarterly reports on external and domestic debt data to the Ministry of Finance; as evidenced by the Presidential decree No. 23-004/PR dated January 9, 2023 enacting Law No. 22-014/AU of December 27, 2022 and published on the official gazette No. 01 dated January 2023.
2. To improve public spending efficiency, the Recipient, through its Parliament and President, has mandated the use of the “*Comores Marchés Publics*” for public procurement procedures, as evidenced by the Presidential decree No. 22-085/PR dated October 13, 2022 enacting Law No. 22-011/AU of June 23, 2022 and published on the official gazette No. 10 dated October 2022 and Presidential decree No. 23-080/PR dated August 15, 2023 and published on the official gazette “*Edition Special*” dated August 2023.

Pillar 2: Strengthen Resilience to Shocks

3. To promote private sector participation in the supply of rice in domestic markets, the Recipient, through the President, has allowed the import of rice by the private sector, as evidenced by the issuance of Presidential decree No. 23-060/PR dated June 30, 2023, published on the official gazette “*Edition Special 2023*” dated August 2023, and by the issuance of the legal opinion No. 004/2023/CS by the Supreme Court dated June 28, 2023.
4. To improve the efficiency of social protection system to respond to shocks affecting vulnerable households, the Recipient, through the President and the ministry of health, solidarity, social protection and gender promotion, has instructed social safety net stakeholders to use guidelines for key social safety net programs which focus on vulnerable population and female-headed-households as evidenced by the issuance of Presidential decree No. 23-063/PR dated July 5, 2023, published on the official gazette “*Edition Special*” dated August 2023, and the issuance of the ministerial decree No. 23-040/A/15/08/2023 dated August 15, 2023, published on the official gazette “*Edition Special*” dated August 2023.

Pillar 3: Improve State-owned Enterprises Governance and Performance

5. To improve the governance of SOEs, the Recipient, through the President, has instructed all SOEs to report their financial performance to the MoF’s department for the management of state holdings and the monitoring of the financial performance of public enterprises, and have their financial statements audited, as evidenced by the issuance of Presidential decree No. 23-068/PR dated July 11, 2023 and published on the official gazette “*Edition Special*” dated August 2023.
6. To reduce financial stability risks, the Recipient, through MoF and Treasury, has restructured the *Société Nationale des Postes et Services Financiers* (“SNPSF”) and created *Banque Postale des Comores* (“BPC”) by: (a) issuing a debt instrument to BPC which is consistent with the recapitalization plan defined over a four-year period (2022/2025), as evidenced by the treasury bond of May 10, 2023; and (b) registering BPC as a company in the trade registry, as evidenced by the proof of registration certified by the commercial court of Moroni on May 13, 2023.
7. To promote the production of electricity from renewable energies, the Recipient, through the Parliament, has strengthened the legal framework necessary for opening the market to the private sector for the production and marketing of the electricity produced from renewable energy sources, as evidenced by Presidential decree No. 23-079/PR of August 15, 2023 enacting Law No. 23-017/AU of July 27, 2023 published on the official gazette “*Edition Special*” dated August 2023.

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 proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	14,900,000
TOTAL AMOUNT	14,900,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (1) with the Program being carried out by the Recipient; and (2) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
 - (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two dedicated accounts on terms and conditions satisfactory to the Association: (i) a dedicated account in Euro ("Foreign Currency Dedicated Account"); and (ii) a dedicated account in Comorian Franc ("Local Currency Dedicated Account"); and
 - (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Local Currency Dedicated Account.
2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the Comorian Franc equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

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

1. have the Dedicated Accounts 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 make such report publicly available in a timely fashion and in a manner acceptable to the Association; and

3. furnish to the Association such other information concerning the Dedicated Accounts and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is December 15, 2024.

APPENDIX

Definitions

1. “BPC” means *Banque Postale des Comores*, the Recipient’s postal bank created through presidential decree No. 120-20/PR dated September 2, 2020.
2. “*Comores Marchés Publics*” means the e-procurement platform created under the leadership of the Recipient’s regulatory agency of public procurement (*Agence de Régulation des Marchés Publics*), in September 2022.
3. “Dedicated Accounts” means both the Foreign Currency Dedicated Account and the Local Currency Dedicated Account.”
4. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
5. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
6. “Local Currency Dedicated Account” means the account referred to in Part D.1(a)(ii) of Section II of Schedule 1 to this Agreement.
7. “MoF” means the Recipient’s ministry of finance, or any successor thereto.
8. “ONICOR” means the Recipient’s rice import and marketing office (*Office National d’Importation et de Commercialisation du Riz*), or any successor thereto.
9. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated July 10, 2023 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 and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
10. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
11. “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 1 to this Agreement.

12. “SNPSF” means *Société Nationale des Postes et Services Financiers*, the Recipient’s postal bank restructured through presidential decree No. 120-20/PR dated September 2, 2020.
13. “SOE” means state owned enterprise.