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GRANT NUMBER H572 KM

# Financing Agreement

(Emergency Crises Response Project)

between

UNION OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 28, 2010

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**CONFORMED COPY**

**GRANT NUMBER H572 KM**

**FINANCING AGREEMENT**

AGREEMENT dated June 28, 2010, 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 three million five hundred thousand Special Drawing Rights (SDR3,500,000) (“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 January 1<sup>st</sup> and July 1<sup>st</sup> 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 described in Schedule 1 to this Agreement. To this end, the Recipient shall cause the Project to be carried out by the 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 — EFFECTIVENESS; TERMINATION**

- 4.01. 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; and
  - (b) the Recipient has furnished evidence satisfactory to the Association demonstrating that the ESMF and RPF have been disclosed in the territory of the Recipient, in compliance with the Association's social and environmental policies.
- 4.02. 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.
- 4.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.04. 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 years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient's Representative is the Minister in charge of finance.

5.02. The Recipient's Address is:

B. P. 324  
Moroni  
Comoros

Telex:	Facsimile:
245-MIEF-CAB KO	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 Moroui, Comoros, as of the day and year first above written.

**UNION OF THE COMOROS**

**By //s// M. El. Marouf**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By //s// Johannes Zutt**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to increase access to short term employment, and to basic social and economic services, in areas affected by the crises, both global and internally-generated.

The Project consists of the following parts:

Part A: Social Safety Net (Cash-for-Work)

1. Implementation of a labor intensive cash-for-work program designed to increase access to short-term employment in areas affected by the global economic crisis, and consisting of activities selected by communities, using a transparent targeting mechanism to allocate funds across the islands, identify affected communities and select beneficiary households.
2. Provision of training for the benefit of staff of Implementing Agencies engaged in the implementation of the above activities.

Part B: Community-driven Basic Development

1. Appraisal, selection, implementation and supervision of social and economic infrastructure investments and other related activities for the benefit of selected communities, including provision of Grants for this purpose to community associations.
2. Provision of training for the benefit of members of community associations and staff of Implementing Agencies engaged in the implementation of the above activities.

Part C: Project Management, Monitoring, Evaluation and Audits

Provision of support in the form of technical advisory services, training and other material assistance for the benefit of the Project Implementing Entity to facilitate the implementation of financial and technical audits, impact evaluations, beneficiary assessments, training programs, and outreach and communication activities.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall designate the Project Implementing Entity to be responsible for general implementation, monitoring and supervision, of the Project, in accordance with the terms of this Agreement and the Project Agreement.

**B. Subsidiary Agreement**

1. To facilitate the carrying out by the Project Implementing Entity of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a 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 a non-reimbursable grant basis, and otherwise to take all action necessary to permit the Project Implementing Entity to carry out the Project and ensure the achievement of the objectives thereof.
  - (b) The obligation of the Project Implementing Entity to carry out the Project in accordance with this Agreement, the Project Agreement, the Subsidiary Agreement and the Procedures Manuals, and at all times to ensure that only Subprojects that comply with the Subsidiary Agreement and the Procedures Manuals 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 objectives thereof.
  - (d) The obligation of the Project Implementing Entity, at the request of the Recipient, to exchange views with the Recipient with regard to the progress of the Project and the achievement of the objectives thereof, and the Project Implementing Entity's performance of its obligations under the Subsidiary Agreement and the Procedures Manuals.

- (e) The mutual obligation of the Recipient and the Project Implementing Entity to comply with the provisions of the Procedures Manuals, and to refrain from any action which would, except as the Association shall otherwise agree, have the effect of amending, abrogating or waiving any provision of such manuals.
  - (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 objectives 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 Procedures Manuals, on the one hand, and those set forth in this Agreement and the Project Agreement, on the other, the provisions of this Agreement and the Project Agreement shall at all times prevail.
2. The Recipient shall exercise its rights 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 of any of its provisions.

**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 indicators acceptable to the Association and set forth in the Procedures Manuals. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days 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 B.1 of this Section, the Recipient shall prepare and furnish, or cause to be prepared and furnished, to the Association not later than 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 Fiscal Year. 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.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works 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 and Works**

**International Competitive Bidding.** Except as otherwise provided in paragraph 2 below; goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. 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) Community Participation

**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, works, consultants’ services, Training, Sub-financings, and Operating Costs	3,500,000	100%
<b>TOTAL AMOUNT</b>	3,500,000	

**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 June 30, 2014.

**APPENDIX****Section I. Definitions**

1. “Administrative and Financial Manual” means the Administrative and Financial Manual adopted by the Recipient and the Project Implementing Entity, dated April 2010, setting forth the administrative and financial arrangements and procedures governing the Project, as such Administrative and Financial Manual may be amended from time to time with the prior agreement of the Association.
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.
3. “Beneficiary” means a beneficiary of a Sub-financing and party to a Sub-financing Agreement.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Central Coordinating Committee” means the committee referred to in Section I.A.1 of the Schedule to the Project Agreement.
6. “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.
7. “Delegated Management Agreement” means an agreement with an Implementing Agency for the financing of a Subproject under Part A of the Project.
8. “Direct Financing of Communities Manual” means the Direct Financing of Communities Manual adopted by the Recipient and the Project Implementing Entity, dated April 2010, giving details of guidelines and procedures agreed with the Association for the implementation of Part B.1 of the Project, as such Direct Financing of Communities Manual may be amended from time to time with the prior agreement of the Association.
9. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

10. “Environmental Procedures Manual” means the Environmental Procedures Manual adopted by the Recipient and the Project Implementing Entity, dated April 2010, giving details of the actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions, measures and policies, as such Environmental Procedures Manual may be amended from time to time with the prior agreement of the Association.
11. “Environmental Management Plan” or “EMP” means an Environmental Management Plan, acceptable to the Association and consistent with the Environmental and Social Management Framework, adopted for the purposes of a Subproject, and giving details of the specific actions, measures and policies designed to maximize the benefits of the Subproject, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions, measures and policies.
12. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework adopted by the Recipient, giving details of the actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels as such ESMF may be amended from time to time, subject to compliance with the same approval formalities as applied to the adoption of the ESMF.
13. “Fiscal Year” or “FY” means any 12-month period beginning on January 1 and ending on December 31.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
15. “Implementing Agency” means a non-governmental organization, team of consultants, or constructing firm or association, as the case may be, established and operating under the laws of the Recipient and deemed eligible in terms of the Procedures Manuals to implement or to be otherwise involved in the implementation of a Subproject.

16. “Operating Costs” means the incremental operating costs incurred by the Project Implementing Entity 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.
17. “Operations Manual” means the Operations Manual adopted by the Recipient and the Project Implementing Entity, dated April 2010, giving details of guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of a Subproject, as such Operations Manual may be amended from time to time with the prior agreement of the Association.
18. “Procedures Manuals” means, collectively, the Administrative and Financial Manual, Direct Financing of Communities Manual, Operations Manual, Environmental Procedures Manual and Social Protection Manual.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 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.
21. “Project Implementing Entity” means *Fonds d’Appui au Développement Communautaire*, a not-for-profit private association serving the public interest (*association privée à but non lucratif reconnue d’intérêt public*) established under Presidential Ordinance, dated January 6, 1993, and operating under the laws of the Recipient.
22. “Resettlement Action Plan” or “RAP” means a Resettlement Action Plan acceptable to the Association and consistent with the RPF, adopted for the purposes of a Subproject, and giving details of compensation, rehabilitation and resettlement assistance to Displaced Persons under the Subproject, along with the relevant procedural and institutional measures required.
23. “Resettlement Policy Framework” or “RPF” means the document adopted by the Recipient, satisfactory to the Association, defining the modalities for land acquisition, resettlement and rehabilitation of Displaced Persons under a Subproject as such RPF may be amended from time to time, subject to compliance with the same approval formalities as applied to the adoption of the RPF.

24. “Social Protection Manual” means the Social Protection Manual adopted by the Recipient and the Project Implementing Entity, dated April 2010, giving details of guidelines and procedures agreed with the Association for the implementation of the cash-for-work program, as such Social Protection Manual may be amended from time to time with the prior agreement of the Association.
25. “Sub-financing” means a financing made, or to be made, out of the proceeds of the Financing to finance a Subproject.
26. “Sub-financing Agreement” means the agreement to be entered into for the purpose of extending a Sub-financing, whether in the form of a Delegated Management Agreement or a Sub-grant Agreement.
27. “Sub-grant Agreement” means a Sub-grant Agreement (*Convention de Financement*) with a community association for the financing of a Subproject under Part B of the Project.
28. “Subproject” means any activity under Part A.1 or B.1 of the Project financed or to be financed out of the proceeds of a Sub-financing.
29. “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.
30. “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 General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

(l) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. 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 term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”