

GRANT NUMBER H265-COM

Financing Agreement

(Services Support Project)

between

UNION OF COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 21, 2007

GRANT NUMBER H265-COM

FINANCING AGREEMENT

AGREEMENT dated February 21, 2007, between UNION OF 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 the Financing 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) (“Grant”) 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.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. 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.

- 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- (a) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project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.
- 4.02. The Additional Event of Acceleration consists of the following:
- (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

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 Manual of Procedures and the Administrative and Accounting Procedures Manual have been updated in a manner satisfactory to the Association
- 5.02. The Additional Legal Matter consists of the following:
- (a) 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.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance, Budget, Economy, Planning and Labor.

6.02. The Recipient's Address is:

B. P. 324
Moroni
Comoros

Telex:	Facsimile:
245-MIEF-CAB KO	(269) 74 41 40

6.03. 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) or 64145 (MCI)	1-202-477-6391

AGREED at Washington DC, United States of America, as of the day and year first above written.

UNION OF COMOROS

By /s/ Mahamoud Aboudou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Irene Xenakis

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) maintain basic social and economic infrastructure to prevent further deterioration in the living conditions of a significant number of disadvantaged communities and specific vulnerable groups; and (ii) contribute to building the basic capacity of communities and other local actors to conduct a local development process.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A: Community-Based Sub-projects and Communal Pilot Projects

1. Promotion, identification, designing, appraisal, supervision and evaluation of community initiated activities, and provision of Grants for the financing thereof, for the construction and rehabilitation of essential local economic and social infrastructure, including, *inter alia*, activities relating to: (i) primary education; (ii) basic health services; (iii) water supply and sanitation systems; (iv) rural feeder roads; and (v) environmental protection and conservation activities.

2. Design, appraisal, supervision and evaluation of Communal Pilot Projects for the rehabilitation and maintenance of essential local economic and social infrastructure, including, *inter alia*, activities relating to (i) rural roads; and (ii) environmental protection and conservation activities.

Part B: Capacity Building

1. Strengthening of the technical capacities of local communities and communes to develop and carry out local and community development plans in a participatory manner, through the provision of technical advisory services and training.

2. Strengthening of the technical capacities of local enterprises, communities and communes through the provision of technical advisory services, to improve the quality and maintenance of local economic and social infrastructure, including the Sub-projects.

3. Carrying out of information and sensitization campaigns, workshops, training and pilot initiatives to benefit, *inter alia*, local communities, civil society, government representatives, civil servants and the general public, regarding, in particular, the Project,

participatory development and decision making processes, good governance, community based monitoring and evaluation activities, gender and environmental, health and social protection.

4. Supporting FADC to implement the Project through the provision of training, the carrying out of study tours and the acquisition of equipment and vehicles.

Part C: Health Services

Strengthening of the technical capacities of the health facilities personnel through the provision of training in the delivery of quality specialized health care, and the acquisition of medical equipment.

Part D: Urban Water Supply

1. Rehabilitation and extension of existing urban water networks in Mutsamudu, Domoni and Ouani towns on Anjouan island, and Fomboni and Djoiezi towns on Moheli island.
2. Supporting the restructuring of, and strengthening the technical capacities of the management committee operating each of such five urban water networks through the provision of technical advisory services and the acquisition of equipment.
3. Carrying out of awareness and sensitization campaigns to the benefit of the general population regarding water management, hygiene and sanitation.

Part E: Project Monitoring and Evaluation and Audits

1. Carrying out the monitoring and evaluation activities under the Procedures Manual through the provision of technical advisory services to FADC, the carrying out of training and workshops for the FADC staff, communities and Communes, and the carrying out of studies.
2. Carrying out financial and technical audits of the Project and FADC through the provision of technical advisory services.

* * *

The Project is expected to be completed by December 31, 2009.

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. 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 (“Subsidiary Agreement”):
 - (a) the amount allocated to Sub-projects shall be used exclusively to finance Sub-projects on a grant basis;
 - (b) no Sub-project shall be considered for financing under the Project except in accordance with the eligibility criteria and terms and conditions set forth in the Procedures Manual, the Environmental and Social Management Framework and the Resettlement Policy Framework, and approved by the Recipient and the Association;
 - (c) goods, works and services required for the purposes of financing Sub-projects shall be procured in accordance with the Association’s procedures as set forth in Schedule 1 to the Project Agreement and as detailed in the Procedures Manual;
 - (d) any Grant equal to or in excess of fifteen million KMF (KMF 15,000,000) shall be approved by the FADC National Executive Secretariat;
 - (e) no Grant shall be in excess of seventy-five million KMF (KMF 75,000,000); and
 - (f) no Sub-project shall be executed under Part A.1 of the Project unless a Financing Agreement has been concluded between FADC and the concerned Beneficiary, setting forth the respective obligations of the parties there under, including details of disbursement schedules and procurement procedures and the amount of the relevant counterpart contribution;

(g) no Communal Pilot Project shall be executed under Part A.2 of the Project unless a Framework Agreement has been concluded between FADC and the relevant Commune, setting forth the respective obligations of the parties thereunder, including specific arrangements for oversight of implementation of activities as well as maintenance obligations, as further detailed in the Procedures Manual.

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, arrogate or waive the Subsidiary Agreement of any of its provisions.

B. Institutional arrangements

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of the Project Manual, of the Administrative and Accounting Manual, of the Resettlement Policy Framework, of the Environmental and Social Management Framework, and of the Project Implementation Plans and except as the Association shall otherwise agree, shall not amend or waive any provision of said frameworks, manuals or plans if such amendment or waiver may, in the opinion of the Association materially or adversely affect the implementation of the Project.
2. The Recipient shall ensure that the positions of National Project Director, Regional Project Directors, financial management specialists, procurement specialists, internal auditors, monitoring and evaluation personnel, and environmental and social specialist at FADC shall be kept filled at all times by persons having qualifications, experience and terms of reference acceptable to the Association.
3. The Recipient shall ensure that the concerned Recipient's Ministries and agencies shall collaborate with FADC for the compliance with the provisions of the Procedures Manual, the Accounting and Administrative Procedures Manual, the Project Implementation Plans, the Environmental and Social Management Framework and the Resettlement Policy Framework, in particular with respect to the appointment of individuals whose experience, positions and performance are satisfactory to the Association, and who shall assist FADC in ensuring proper implementation of the Project and consistent application of the Recipient's sectoral policies .

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) 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 indicators set forth below in sub-paragraph (b) of this paragraph. 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) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - By the end of the second Project Year, at least 39 Sub-projects have been completed, and by the end of the Project, at least 70 Sub-projects have been completed.
 - By the end of the second Project Year, at least 42 different communities have benefited from at least one Subsidiary Grant, and by the end of the Project, at least 78 different communities have benefited from at least one Subsidiary Grant.
 - By the end of the Project, at least 70% of the beneficiary communities and communes have maintained their Sub-project after the implementation.
 - By the end of the Project, at least 90% of beneficiary communities have respected the deadline related to mobilizing their financial and/or in-kind contribution for their Sub-project.
 - By the end of the Project, at least 90% of beneficiary communities and communes have applied the agreed environmental mitigation measures.
 - By the end of the Project, at least 40 communities have executed activities not supported by the Project in their development plan.
 - By the end of the Project, at least 90% of the beneficiary communities and communes have a development plan that has been validated by the community/commune.

- By the end of the Project, at least 60% percent of the population of the community has participated in developing a community or local development plan.
- By the end of the Project, at least 90% of health personnel who have benefited from scholarships under the Project are using the knowledge gained from such training.
- During implementation of the project, hospital-related medical equipment supported under the Project is operational and maintained in a satisfactory manner.
- By the end of the Project, at least 75 percent of the population in the Project intervention areas has access to drinking water within less than 100 meters.
- By the end of the Project, at least 50 percent of those people in the Project intervention areas having access to drinking water are knowledgeable about water management, hygiene and sanitation.
- The monitoring and evaluation system allows for an annual review of the activities of the project and progress on achieving development objectives.
- By the end of each Project Year, financial audit reports demonstrate satisfactory management of Financing funds.
- By the end of the Project, the incremental operating costs have not exceeded 15 percent of the amount of the Financing.

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 not later than 45 days after the end of each calendar quarter, interim un-audited 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 of the Recipient. 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 Schedule.
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 Schedule.
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

1. **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:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Procurement from UN Agencies
(d) 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.

Procurement Method
(a) Selection based on consultants' qualifications
(b) Single Source Selection
(c) Procedures set forth in paragraphs 5.2 and 5.3 of Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

1. 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 may 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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
1. Grants for Sub-projects	406,000	100% of amounts disbursed
2. Works	642,000	100%
3. Goods and vehicles	170,000	100%
4. Consultants' services, including audits	1,290,000	100%
5. Training	170,000	100%
6. Incremental Operating Costs	620,000	100%
7. Unallocated	<u>102,000</u>	
TOTAL AMOUNT	3,400,000 =====	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2010.

APPENDIX

Definitions

1. “Accounting and Administrative Procedures Manual” means the manual adopted by the FADC Central Coordination Committee (as hereinafter defined) on March 4, 2004 outlining the accounting policies and administrative procedures, guidelines and arrangements which shall be followed by FADC in the implementation of the Project, referred to in paragraph A.2 of the Schedule to the Project Agreement, and as the same may be amended from time to time, and such term includes any schedules to the Accounting and Administrative Procedures Manual.
2. “Beneficiary” means a community-based organization established and operating under the laws of the Recipient, which has met the eligibility criteria set out in the Procedures Manual (as hereinafter defined) and the requirements of paragraph B of the Schedule to the Project Agreement and, as a result, has received or is entitled to receive a Grant (as hereinafter defined) for the carrying out of a Sub-project (as hereinafter defined).
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Communal Pilot Project” means activities for the rehabilitation and maintenance of essential local economic and social infrastructure to be carried out at the communal level on the basis of an agreement to be entered into between FADC and the relevant Commune, referred in Section C of Schedule 2 to the Project Agreement.
5. “Commune” means *mairies*, an administrative entity of the Recipient established pursuant to Decree No 05-35/PIAM dated April, 11, 2005, Decree No 05-36/PIAM dated July, 22, 2005 and Law No 99-001 dated November 27, 1999.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
7. “Environmental and Social Management Framework” means the document, satisfactory to the Association, outlining the modalities for environmental screening and social analysis and defining the rules and procedures for the preparation and implementation of environmental assessments to be complied

with, as the case may be, prior to carrying out a Sub-project or water supply civil works under Part D of the Project.

8. "FADC Central Coordination Committee" means the central coordination committee under Chapter I of the Recipient's Decree No. 93-068/PR dated April 13, 1993 as modified by the Recipient's Decree No. 01-119/CE dated October 22, 2001 and the Recipient's Decree No. 03-013/PR dated January 28, 2003, responsible for *inter alia* the establishment of the policies of FADC, approval of the Procedures Manual and the Accounting and Administrative Procedures Manual, and approval of the annual work programs and budgets of FADC, and referred to in paragraph A.1 of Schedule 2 to the Project Agreement.
9. "FADC National Executive Secretariat" means the national secretariat established under Chapter II of the Recipient's Decree No. 93-068/PR dated April 13, 1993 as modified by the Recipient's Decree No. 01-119/CE dated October 22, 2001 and the Recipient's Decree No. 03-013/PR dated January 28, 2003, responsible for the management and day to day operation of FADC.
10. "FADC Regional Committee" means the committee established in each of the three islands comprised in the Recipient's territory, under Chapter III of the Recipient's Decree No. 93-068/PR dated April 13, 1993 as modified by the Recipient's Decree No. 01-119/CE dated October 22, 2001 and the Recipient's Decree No. 03-013/PR dated January 28, 2003, responsible *inter alia* for the development of regional community development strategies and validation of annual regional work programs.
11. "FADC Regional Executive Secretariat" means the regional secretariat established in each of the three islands comprised in the Recipient's territory under Chapter IV of the Recipient's Decree No. 93-068/PR dated April 13, 1993 as modified by the Recipient's Decree No. 01-119/CE dated October 22, 2001 and the Recipient's Decree No. 03-013/PR dated January 28, 2003, responsible for *inter alia* the preparation of annual regional work programs, provision of technical assistance and training to local communities, communes and civil society as needed, the appraisal, supervision and impact evaluation of Sub-projects located in the island where the regional secretariat is established, and referred to in paragraph A.1 of Schedule 2 to the Project Agreement.
12. "Financing Agreement" means the agreement to be entered into between FADC and a Beneficiary for the purposes of carrying out and financing a Sub-project.

13. “Framework Agreement” means the agreement to be entered into between FADC and a Commune for the purposes of carrying out a Communal Pilot Project.
14. “Franc de l’Union des Comores” or “KMF” means the currency of the Recipient.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
16. “Procedures Manual” means the manual adopted by the FADC Central Coordination Committee on March 2, 2004 outlining the administrative, financial, procurement, technical and organizational policies, procedures, guidelines and arrangements which shall be followed by FADC in the implementation of the Project, referred to in paragraph A.2 of the Schedule to the Project Agreement, and as the same may be amended from time to time, and such term includes any schedules to the Procedures Manual;
17. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 1, 2006 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.
19. “Project Agreement” means the agreement between the Association and FADC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
20. “Project Implementation Plan” means the annual plan which shall be followed by FADC in the implementation of the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Plan;
21. “Project Implementing Entity” means FADC or *Fonds d’Appui au Développement Communautaire*, a governmental organization with financial and administrative autonomy established and operating under the laws of the Recipient.
22. “Project Implementing Entity’s Legislation” means the Presidential Ordinance No. 93-001/PR dated January 6, 1993, Decree No. 93-068/PR dated

April 13, 1993 as modified by its Decree No. 01-119/CE dated October 22, 2001 and Decree No. 03-013/PR dated January 28, 2003.

23. "Resettlement Policy Framework" means the document, satisfactory to the Association, defining the modalities for land acquisition, resettlement and rehabilitation of displaced persons under a Sub-project;
24. "Sub-Grant" means a grant made, or proposed to be made, by FADC out of the proceeds of the Financing to finance a Community-based Sub-project;
25. "Sub-project" means a specific activity financed, or proposed to be financed, through a Grant under Part A.1 of the Project.
26. "Subsidiary Agreement" means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.