



**OFFICIAL USE ONLY**  
IDA/R2019-0117/1

May 1, 2019

---

<p><b>Closing Date: Monday, May 20, 2019 at 6:00 p.m.</b></p>
---

FROM: Vice President and Corporate Secretary

**Comoros - Integrated Development and Competitiveness Project**

**Project Appraisal Document**

Attached is the Project Appraisal Document regarding a proposed credit to Comoros for an Integrated Development and Competitiveness Project (IDA/R2019-0117/1), which is being processed on an absence-of-objection basis.

Distribution:

Executive Directors and Alternates  
President  
Bank Group Senior Management  
Vice Presidents, Bank, IFC and MIGA  
Directors and Department Heads, Bank, IFC, and MIGA



**FOR OFFICIAL USE ONLY**

Report No: PAD2959

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 18.1 MILLION  
(US\$25 MILLION EQUIVALENT)

TO THE

UNION OF COMOROS

FOR AN

INTEGRATED DEVELOPMENT AND COMPETITIVENESS PROJECT

April 29, 2019

Finance, Competitiveness and Innovation Global Practice  
Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2019)

Currency Unit =

---

SDR 0.72 = US\$1

---

US\$ 1.39 = SDR 1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Hafez M. H. Ghanem

Country Director: Mark R. Lundell

Senior Global Practice Director: Alfonso G. Mora

Practice Manager: Douglas Pearce

Task Team Leader(s): Lorenzo Bertolini, Yannick Saleman

## ABBREVIATIONS AND ACRONYMS

AFD	<i>Agence Française de Développement</i> (French Development Agency)
AFDB	African Development Bank
ANACM	<i>Agence Nationale de l'Aviation Civil et de la Météorologie</i> (National Civil Aviation and Meteorology)
ANPI	<i>Agence Nationale pour la Promotion des Investissements</i> (Investment Promotion Agency)
BDS	Business Development Services
BPC	Business Plan Competition
CAPAC	<i>Centrale d'achat des Professionnels Agricoles des Comores</i> (Centre for Purchase of Agricultural Products in Comoros)
CGA	<i>Centre de Gestion Agréé</i> (Business Management Center)
CGIAR	Consultative Group for International Agricultural Research
CIRAD	<i>Centre de Coopération Internationale en Recherche Agronomique pour le Développement</i> (French Agricultural Research Centre for International Development)
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CRDE	<i>Centre Rurale de Développement Economique</i> (Rural Development Center)
CRI	Corporate Results Indicators
DB	Doing Business
DFIL	Disbursement and Financial Report Information Letter
DLI	Disbursement-linked Indicator
EA	Environmental Assessment
EFOICOM	<i>Entreprendre au Féminin Océan Indien Comores</i> (Women Entrepreneurship in the Indian Ocean Comoros).
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
FAO	Food and Agriculture Organization
FCS	Fragile and Conflict Affected Situations
FCV	Fragile, Conflict, and Violence
FDI	Foreign Direct Investment
FI	Financial Intermediaries
FM	Financial Management
FNAC	National Federation of Comoros Farmers
GBV	Gender-based Violence
GDP	Gross Domestic Product
GRS	Grievance Redress Services
IBRD	International Bank for Reconstruction and Development
IC	Investment Climate
ICT	Information and Communications Technology
IDA	International Development Association
IDP	Internally Displaced People
IEG	Independent Evaluation Group
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFR	Interim Financial Report

INRAPE	<i>Institut Nationale de Recherche pour l'Agriculture, la Pêche et l'Environnement</i> (National Agricultural Research Institute)
IPF	Investment Project Financing
IPMP	Integrated Pest Management Plan
KMF	Comorian Franc
M&E	Monitoring and Evaluation
MEAPE	Ministry of Energy, Agriculture, Environment and Fisheries
MECK	<i>Mutuelle d'épargne et de crédit des Comores</i> (Mutual savings and credit of the Comoros)
MIS	Management and Information System
MPA	Multiphase Programmatic Approach
MSME	Micro, Small, and Medium Enterprise
NGO	Non-Governmental Organization
NPF	New Procurement Framework
OHADA	<i>Organisation pour l'Harmonisation en Afrique du Droit des Affaires</i> (Organization for the Harmonization of Corporate Law in Africa)
PAP	Project Affected Person
PEFA	Public Expenditure and Financial Accountability
PDO	Project Development Objective
PFM	Public Financial Management
PIDC	Integrated Development and Competitiveness Project ( <i>Project Intégré de Développement et de la Compétitivité</i> )
PIM	Project Implementation Manual
PIU	Project Implementation Unit / Project Management Unit
POA	Professional Organizations and Associations
PPD	Public Private Dialogue
PPF	Project Preparation Fund
PPSD	Project Procurement Strategy for Development
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SCA2D	<i>Stratégie du Croissance Accélérée pour le Développement Durable</i> (National Development Policy)
SCD	Systematic Country Diagnostic
SMART	Specific, Measurable, Attainable, Realistic and Time-Bound
SNAC	National Farmers Union of Comoros
SOE	Statement of Expenditure
SOP	Series of Projects
SORT	Systematic Operations Risk-Rating Tool
SP	Service Provider
SSA	Sub-Saharan Africa
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TOR	Terms of Reference
UCCIA	<i>Union des Chambres de Commerce, d'Industrie et d'Agriculture</i> (Chambers of Commerce)
UNDP	United Nations Development Program
VCs	Value Chains
WA	Withdrawal Applications
WB	World Bank Group



TABLE OF CONTENTS

<b>DATASHEET .....</b>	<b>1</b>
<b>I. STRATEGIC CONTEXT .....</b>	<b>6</b>
A. Country Context.....	6
B. Sectoral and Institutional Context .....	7
C. Relevance to Higher Level Objectives.....	10
<b>II. PROJECT DESCRIPTION .....</b>	<b>11</b>
A. Project Development Objective .....	11
B. Project Components .....	11
C. Project Beneficiaries .....	24
D. Results Chain .....	24
E. Rationale for Bank Involvement and Role of Partners .....	27
F. Lessons Learned and Reflected in the Project Design .....	27
<b>III. IMPLEMENTATION ARRANGEMENTS .....</b>	<b>28</b>
A. Institutional and Implementation Arrangements .....	28
B. Results Monitoring and Evaluation Arrangements.....	29
C. Sustainability.....	31
<b>IV. PROJECT APPRAISAL SUMMARY .....</b>	<b>31</b>
A. Technical, Economic and Financial Analysis .....	31
B. Fiduciary.....	33
C. Safeguards .....	34
<b>V. KEY RISKS .....</b>	<b>38</b>
<b>VI. RESULTS FRAMEWORK AND MONITORING.....</b>	<b>40</b>
<b>ANNEX 1: Implementation Arrangements and Support Plan.....</b>	<b>48</b>
<b>ANNEX 2: Economic and Financial Analysis .....</b>	<b>62</b>
<b>ANNEX 3: Value Chain Analysis .....</b>	<b>73</b>
<b>ANNEX 4: Maps of Value Chain Interventions .....</b>	<b>88</b>
<b>ANNEX 5: List of potential rural network to be rehabilitated .....</b>	<b>91</b>



DATASHEET

**BASIC INFORMATION**

Country(ies)	Project Name	
Comoros	Integrated Development and Competitiveness Project	
Project ID	Financing Instrument	Environmental Assessment Category
P164584	Investment Project Financing	B-Partial Assessment

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
20-May-2019	31-Jul-2024

Bank/IFC Collaboration

No

**Proposed Development Objective(s)**

To promote the development of Micro, Small and Medium Enterprises (MSMEs) and relevant value chain actors in the agriculture, tourism and associated sectors in Comoros

**Components**

Component Name	Cost (US\$, millions)
----------------	-----------------------



Value-chain development in priority sectors	15,000,000.00
Direct support to firms	7,500,000.00
Project implementation and coordination	2,500,000.00

**Organizations**

Borrower: Ministry of Finance and Budget

Implementing Agency: Ministry of Energy, Agriculture, Environment and Fisheries (MEAPE)

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	25.00
<b>Total Financing</b>	25.00
<b>of which IBRD/IDA</b>	25.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	25.00
IDA Credit	25.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	25.00	0.00	0.00	25.00
<b>Total</b>	<b>25.00</b>	<b>0.00</b>	<b>0.00</b>	<b>25.00</b>

**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2019	2020	2021	2022	2023	2024
<b>Annual</b>	0.74	2.15	4.01	5.88	6.77	5.44



Cumulative	0.74	2.89	6.90	12.78	19.56	25.00
------------	------	------	------	-------	-------	-------

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Finance, Competitiveness and Innovation

**Contributing Practice Areas**

Agriculture, Transport

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	



10. Overall

● High

### COMPLIANCE

#### Policy

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

#### Safeguard Policies Triggered by the Project

	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

#### Legal Covenants

##### Sections and Description

The Recipient shall maintain, at all times throughout Project implementation, a Project implementing unit within MEAPE (MEAPE PIU), and no later than three (3) months after the Effective Date, appoint within the MEAPE PIU, in accordance with the Procurement Regulations, a team comprised of a full-time Project coordinator, a MSME specialist, a value chain specialist, a procurement specialist, a senior accountant, a financial management specialist, an internal auditor, a social safeguards specialist, an environmental safeguards specialist, a monitoring and evaluation specialist, a communications specialist, and such other technical, safeguards and fiduciary specialists as may be agreed with the Association, all under terms of reference, and with qualifications and experience satisfactory to the Association. (Schedule 2, Section I, A, 1 (a)).



Sections and Description

The Recipient shall ensure that throughout Project implementation, the MEAPE PIU has adequate resources and staffing to carry out its responsibilities under the Project, all as further detailed in the PIM. The Recipient, through the MEAPE PIU, shall be responsible for the overall day-to-day management and implementation of the Project, including its technical, fiduciary, safeguards, monitoring and evaluation, supervision and reporting aspects, as further detailed in the PIM. (Schedule 2, Section I, A, 1 (b)).

**Conditions**

Type	Description
Effectiveness	The Recipient, through MEAPE, has prepared and adopted the Project Implementation Manual, in form and substance satisfactory to the Association. (Article IV, 4.01 (a)).
Effectiveness	The Recipient shall have established the Steering Committee, in a manner satisfactory to the Association. (Article IV, 4.01 (b)).
Effectiveness	The Recipient shall have established the MEAPE PIU, in a manner satisfactory to the Association, and appointed a Project coordinator, a procurement specialist, a financial management specialist, a senior accountant, a social safeguards specialist, and an environmental safeguards specialist, in accordance with the Procurement Regulations, and all under terms of reference, and with qualifications and experience satisfactory to the Association. (Article IV, 4.01 (c)).
Disbursement	Notwithstanding the provisions of Part A of the Schedule 2, Section III, A of the Financing Agreement no withdrawal shall be made for: - under Category (2), unless and until: (i) the Subproject Grants Manual has been adopted by the Recipient, through MEAPE, in form and substance satisfactory to the Association; (ii) an independent technical service provider has been hired, in accordance with Section I.A.4. of Schedule 2 to this Agreement; and (iii) the Subproject Grants Facility Selection Committee has been established, in accordance with Section I.A.5 of Schedule 2 to this Agreement. (Schedule 2, Section III, B (b)).



## I. STRATEGIC CONTEXT

### A. Country Context

- The Union of the Comoros (UoC) is a small, island nation occupying a strategic geographical position in the Mozambique Channel**, between East Africa, Madagascar and the other islands of the Indian Ocean (Seychelles, Mauritius, Reunion). The country is home to 800,000 inhabitants. About half of the population lives on the largest island, Grande Comore, which is also home to the union capital Moroni. The population is predominantly young and continues to grow rapidly (2.9 percent a year). The current forecast is for the population to reach one million by 2028 and to more than double by 2050.
- Since independence in 1975, Comoros has experienced recurrent political crises and conflicts between the islands.** This instability contributed to a very low real income per capita growth, constrained private sector led growth and limited fiscal space for investment in infrastructure and social sectors. Comoros regained political stability since the adoption of the Fomboni Agreement in 2001 (which led to four consecutive democratic transitions), although socio-political tensions remain. A referendum held on July 30<sup>th</sup>, 2018 introduced changes to the Presidential rotation system following a National Conference. Presidential elections were held on March 24<sup>th</sup>, 2019.
- Comoros' economy faces challenges stemming from its geographic remoteness, limited resources, and a small and fragmented domestic market.** International and internal connectivity is weak and transport costs are high, making it difficult for Comoros to leverage its geographical position, and integrate domestic, regional and world markets. The real sector is dominated by subsistence agriculture, a small variety of agricultural products exported with minimal or no processing (vanilla, cloves, and ylang-ylang), light agroindustry, fisheries, and some construction. The service sector relies heavily on simple retail commerce (often informal), public-sector services, transport, financial activities, telecommunications, and hospitality and tourism value chains (in which, however, virtually all non-labor inputs are imported at great cost). In combination with low economic diversification and competitiveness, these characteristics contribute to large and persistent trade deficits, a narrow export base, and structural dependence on food imports and remittances (around 9 and 15 percent of Gross Domestic Product, respectively). The sluggish economic performance, combined with sustained demographic growth, increases unemployment (currently estimated to be over 19 percent) especially among the youth and deepens the existing inequality and poverty gap.
- The adverse business environment has restrained the development of the private sector, as reflected by the low level of domestic private investment (7.8 percent of GDP on average between 2014-2016) and even lower foreign direct investment (FDI). Net FDI inflows in Comoros are less than 1 percent of GDP, while "peers" such as Mauritius, the Dominican Republic and Seychelles have average levels over 2007-2015 respectively of 3.3 percent, 5.0 percent, and 17.3 percent.
- Comoros has one of the largest diasporas in Africa (in proportion to population) and is one of the main beneficiaries of remittances in Sub-Saharan Africa.** Many Comorians have migrated elsewhere because of the country's weak socioeconomic development and limited employment opportunities. The



number of emigrants living outside Comoros (mainly in France) has more than doubled during the last two decades, with more intensive emigration among women with tertiary education. According to United Nations (UN) statistics, there were about 120,000 Comorian emigrants in the world in 2015, compared to 40,000 in 1990. Remittances, while significant, have an (unequally distributed) alleviating effect on poverty. It is estimated that over 90 percent of remittances are estimated to go to the island of Grande Comoros, mainly financing consumption and house construction (for example as part of the tradition of “grands marriages”) – with a limited portion directed towards productive activities.

## B. Sectoral and Institutional Context

6. **The private sector in Comoros is structured along five broad categories, each with corresponding challenges and opportunities for growth:** (i) large traders (including exporters and importers), with access to domestic and international finance and markets but for the most part lacking structure and suffering from administrative and fiscal harassment; (ii) small businesses operating in the informal sector largely in retail trade and services sectors, with access to microfinance but operating in a limited and highly competitive market; (iii) micro-enterprises involved in agriculture and small scale agro-processing, of which most are in survival mode due to lack of basic public services and infrastructure, access to markets and financing, but which have a strong development potential; (iv) manufacturing companies and tourism operators that have limited access to technology, infrastructure, markets and skilled labor and therefore provide lower quality products and services; and (v) a dynamic group of young entrepreneurs, operating in the sectors of agricultural processing, hotel and tourism, ICT, e-commerce, and eco-friendly industries (waste treatment, ecotourism centers, environmental protection, etc.) but facing many challenges related to lack of adequate business services, access to finance, lack of support structures, etc.<sup>1</sup>

7. **The private sector is largely informal, counting approximately around 65,000 individual production units (IPUs, with an average of 2.1 workers per unit), predominantly in agriculture and retail trade.** Identified needs include improved technical and management skills, access to credit and raw materials, and simplified business regulations. A new generation of young and better educated workers from households concentrated in informal agriculture activities is transitioning into the services sector.

8. **The formal sector comprises about 1,320 Micro Small and Medium Enterprises (MSMEs)<sup>2</sup> and employs about 50,000 people (about 20 percent of the labor force).** While there is no official definition of MSMEs in Comoros, the Union of Chamber of Commerce, Industry and Agriculture (UCCIA) defines the different categories of firms based on the criteria of annual turnover, number of employees and the size of investments made.<sup>3</sup> Over 40 percent of formal companies are active in retail trade, followed by services

---

<sup>1</sup> It is estimated that about 2,000 young people graduate from universities every year, and that many become entrepreneurs - out of necessity for the most part, because of the lack of opportunities in the labor market or underemployment, but also out of interest for some.

<sup>2</sup> About 740 in Grande Comore, 460 in Anjouan, and 120 in Moheli. Most reliable data and information sources are UCCIA, INSEED and tax authorities' data bases

<sup>3</sup> Accordingly: (i) a micro enterprise employs 1 to 3, has an annual turnover of less than 5 million KMF and an investment not exceeding 3 million KMF. Its taxation regime is the “taxe professionnelle unique, TPU” (single professional tax); (ii) a small enterprise employs from 4 to 25 people, has an annual turnover of less than 60 million KMF and an investment not exceeding 20 million KMF. Its taxation regime is ruled by the “Service de la Fiscalité des Entreprises, SFE”; (iii) a medium enterprise employs from 26 to 200 people, has an annual turnover of less than 4 billion KMF and an investment not exceeding 1 billion KMF. Its taxation regime is ruled by the “Service de la Fiscalité des Entreprises, SFE”; (iv) large enterprises are beyond these boundaries.



(about 11 percent), construction (7 percent) light manufacturing and processing (5 percent), hospitality and food services (5 percent), agriculture (4.6 percent). About 56 percent of formal companies are located in Grande Comore, while 35 percent and 9 percent are in Anjouan and Moehli, respectively. Formal producers' cooperatives exist in agriculture, fishing, breeding, and handicraft. About 17,000 to 20,000 smallholder farmers grow cash crops. Several of these small holder farmers are organized in 25 to 30 cooperatives of up to 100 members. Most cooperatives are located in Grande Comore and some have both producing and processing activities. Development needs include increasing production, access to export markets to capture a greater portion of export sales, value addition with processing activities, technical and management skills, accessing credit for working capital and infrastructure investments.

9. Women are present in all sectors of the economy and are most active in non-salaried and informal low productivity activities (in agriculture, poultry, textile, handicraft, dress making/fashion). Women participating in the informal sector tend to be less educated than men but are increasingly organized into village associations and cooperatives such as *Entreprendre au Féminin Océan Indien Comores (EFOICOM, Women Entrepreneurship in the Indian Ocean Comoros)*. Women benefit from a dedicated attention in the Government's National Development Policy SCA2D (*Stratégie de Croissance Accélérée pour le Développement Durable, Accelerated Growth Strategy for Sustainable Development*). The Government established a General Directorate for Women Entrepreneurship (*Direction Générale de l'Entrepreneuriat Féminin*) to provide orientation and support to women associations such as EFOICOM.

10. **Private sector growth and competitiveness in Comoros is constrained across several economy-wide dimensions.** These include: (i) an adverse business environment and weak MSME ecosystem; (ii) inadequate financial services and products (isolating and delinking the population from opportunities, including the capacity to profit from the supporting diaspora); and (iii) insufficient infrastructure and transport services (in the face of geographical remoteness and spatial fragmentation).

- **Adverse business environment and weak MSME ecosystem.** Burdensome regulations adversely affect market entry, exit, trade, and competition. The country ranked 164 out of 190 countries in the World Bank Group 2019 Doing Business report, lagging behind regional peers. The business environment is cited by the diaspora as the main obstacle to investment in Comoros<sup>4</sup>. Perceived weaknesses in the judiciary system and investment protection are deterring private investments. By improving the business environment, remittances could be shifted to more growth-oriented activities, and FDI flows could be encouraged to tap the potential of key sectors, such as tourism, fishing, agriculture, and renewable energy production.
- **Inadequate financial sector. Funding for investment remains a fundamental constraint for MSMEs and cooperatives, as financial institutions offer mainly short-term loans with high interest rates.** The traditional banking sector is very small, creditor rights are weak, and financing from formal non-banking institutions is not available. The historically largest lender in the country, the Bank for Industry and Commerce (BIC), is restrained in its support to industry due to unresolved debts stemming from the collapse of vanilla exports in early 2000's, when it underwrote 69 percent of price support financing due to agreed policies with the Government (which provided the other 31 percent). The financial sector is undergoing rehabilitation, with micro-saving institutions leading the way. The financial sector, composed of four commercial banks, one state-owned postal bank (SNPSF) and two mutual saving banks, is in process of rehabilitation, which includes the privatization of the Development Bank of Comoros, movement toward unbundling and privatizing

<sup>4</sup> Comoros Poverty Assessment, April 2017, World Bank Africa.



SNPSF, and expansion of the savings and microfinance networks. Credit is provided by microfinance institutions such as *Mutuelle d'épargne et de crédit des Comores* (MECK, Mutual savings and credit of the Comoros) or Union des SANDUK or financial intermediaries mostly for short term maturity and interest rate close to 20 percent annually (Gold and family- owned jewelry are often pledged as guarantees for these loans). The microfinance institution MECK, a not-for-profit which provides largely microcredits for small crafts and small commerce, is growing to become one of the largest banking networks in Comoros, gradually displacing market share from larger commercial banks.

- **Insufficient infrastructure and transport services.** Highland production basins in Anjouan and Grande Comore are hampered by dilapidated feeder roads and the near absence of even non-motorized transport services, segmenting surplus producers from growing urban markets. Erratic inter-island maritime transport and missing cold storage facilities at ports and collection points make it difficult for food produced on one island to be competitive in a different island. These missing linkages especially impact the supply chains for locally competitive perishable produce like milk, fruit, vegetables and fish, resulting in food losses, spoilage and low market prices. Consequently, consumer choice is restricted to imported substitutes at modern retail stores, which pay a premium for reliable food supplies. Since Comoros' remoteness and long shipping times act as a buffer against imports of fresh produce, stronger internal transport and market linkages can enable producers to enhance their domestic competitiveness by differentiating their perishables against processed, chilled or frozen imports. In addition, the tourism sector also suffers from inadequate transport services. Poor connectivity of long-haul and domestic air transport linked to unreliable and costly flight programs are negative for the destination. Lack of direct access to Europe, despite the opening of new hubs such as Addis Ababa, and cost of tickets substantially higher than other destinations of the Indian Ocean directly impact the competitiveness of the destination as compared to other Indian Ocean countries.

11. In summary, based on the above-mentioned issues, Comoros is currently trapped in a low-level economic equilibrium, characterized by governance failures, inadequate provision of public goods (e.g. infrastructure) and import dependence, effectively crowding out opportunities for private sector initiative, investment and growth.

12. **A sustained pattern of inclusive growth can emerge by strengthening high potential value chains and fostering the development of the private sector.** Private sector-led growth requires strengthening the MSME ecosystem (upgrading of management and technical skills of local firms and fostering a more favorable policy and institutional environment in which to operate and be able to contend with other natural and structural factors) and facilitating investment in select sectors showing potential (detailed Value Chain Analysis is provided in Annex 3). Key opportunities reside primarily in the agriculture (fresh fruits and vegetables, arboriculture, export commodities) and livestock (poultry and dairy) sectors, and to a more limited extent in the tourism sector – as well as associated sectors such as transport and logistics. The development of agriculture and tourism as mainstays of economic activity could complement the substantial flows of remittances, and the reliance on small and medium enterprises could sustain the generation of growth and employment in the medium and long run.



### C. Relevance to Higher Level Objectives

13. **The Government of Comoros has requested renewed assistance of the World Bank to provide the technical expertise and resources required to further the development agenda envisioned under its National Development Policy (*Stratégie du Croissance Accélérée pour le Développement Durable - SCA2D 2018-2021*) – supporting the country’s emergence by 2030.** Pillar 1 of the SCA2D calls for accelerating the structural transformation of the economy and the sustainable management of the environment – through the development of infrastructure, agriculture, livestock and fisheries, and tourism sectors, and enhancing the productivity of light manufacturing and agro-processing. Pillar 3 focuses on the consolidation of good governance, including the investment climate.

14. **Against this background, the proposed Integrated Development and Competitiveness Project (PIDC) operation will aim to build foundations necessary to crowd in the private sector, address critical coordination and market failures, and finance public goods with the objective of enhancing the competitiveness in targeted value chains in priority sectors: agriculture (fresh fruits and vegetables, export commodities including ylang-ylang, cloves, and vanilla); livestock (dairy and poultry) and tourism.** Project interventions will help the public sector play its role as a provider of public goods (infrastructure, investment protection, provider of information and coordination services) and enable market dynamics to foster private sector led growth and development. Private sector development will create job opportunities for vulnerable and excluded segments of the population (women, youth), as the PIDC will support entrepreneurship and MSME initiatives to empower the poor and foster inclusive and sustainable growth. The project will also propose specific activities and policy recommendations to encourage private investments by the diaspora, while recognizing that exploiting diaspora’s resources to diversify and strengthen the country’s economy will require greater trust and reform of the national banking and financial sectors.

15. **The project will act as a catalyst for private sector-led growth and investment through a two-pronged approach:**

- a. **Value chain interventions.** Strengthening Government policy, regulations, and capacity to: foster stakeholder coordination and information sharing, promoting the development of existing and new markets, facilitating the expansion of shared infrastructure and other value-chain related services, and enabling public-private risk sharing and investment.
- b. **Firm-level support in the targeted value chains.** Promoting business initiatives and their financing, addressing firm-level constraints, transaction costs, and risks that currently lead to suboptimal private sector investments and growth.

16. **The project aligns with the second pillar of the current World Bank Group’s Country Partnership Strategy (CPS) for the Union of the Comoros that was discussed by the Board in April 2014 (FY14-19).** The CPS has two pillars: (i) increased public sector capacity and (ii) shared growth and increased employment through the private sector. PIDC also aligns with priorities identified in the draft Systematic Country Diagnostic (SCD) -- specifically with regards to addressing the investment gap and leveraging national resources in agriculture and tourism sectors -- and is strongly consistent with the country’s economic transformation objectives. The project will contribute to the WBG’s twin goals of eliminating extreme poverty and boosting shared prosperity through direct support to MSMEs and value chains in strategic sectors, and capacity building of key public institutions to enhance private sector development.



The project is also aligned with the Africa Region strategic priorities, including maximizing finance for development (MFD), focusing on fragile and conflict affected countries (FCS), fostering gender inclusion and women empowerment, and facilitating the adoption of innovative digital solutions (ICT) through the targeted MSME and value chain initiatives.

17. The project will also leverage interventions led by other Global Practices, notably the regional Fisheries (Second South West Indian Ocean Fisheries Governance and Shared Growth Project - SWIOFISH) and ICT (Regional Communications Infrastructure Program - RCIP) operations as well as interventions led by development partners (French Development Agency, African Development Bank, International Fund for Agricultural Development, United Nations Development Program) and by crowding in additional private and public investments (including by IFC). The project will also complement the preparation of a forthcoming Financial Sector operation, fostering inclusion and strengthening the financial sector infrastructure. PIDC is not structured to tackle broader financial sector issues in a comprehensive manner, and no financial intermediation will be supported directly by the project. Project activities will address demand side constraints for new entrepreneurs and MSMEs, thereby increasing the pool of firms eligible for formal financial sector support.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

To promote the development of Micro, Small and Medium Enterprises (MSMEs) and relevant value chain actors in the agriculture, tourism and associated sectors in Comoros.

#### PDO Level Indicators

18. The proposed key results indicators that will be used to measure the achievement of the PDO are:
- Increased revenue among beneficiary start-ups, MSMEs and Value Chain actors (%)
  - Increase in volume of sold raw and processed agriculture products by project beneficiaries (% disaggregated by farmers and cooperatives for selected indicative crops and livestock products)
  - Number of jobs created by beneficiary start-ups, MSMEs, and Value Chain actors (disaggregated by female and youth)
  - Value of private finance catalyzed (US\$ amount)

### B. Project Components

19. **The project is structured as an Investment Project Financing (IPF), funded by an IDA credit in the amount of US\$25 million equivalent over a five-year period.** The Project will include two complementary components designed to develop value chains in priority sectors and provide firm-level support to strengthen MSME competitiveness.

**Component I: Value chain development in priority sectors (SDR10.9 million, US\$15 million equivalent).**



20. For the agriculture sector, activities will place a major focus on addressing value-addition, product quality, and market integration constraints faced by producers and agribusiness firms in the export crops, livestock and horticulture value chains. Priority agriculture value chains were selected based on: (a) contribution to agricultural GDP and to the rural economy, (b) production growth potential, and (c) existing and projected market demand. Specifically, the component aims to: i) address regulatory, investment climate and governance constraints which limit private sector investment, ii) target well-identified gaps and bottlenecks in value chain segments by providing technical assistance, capacity building and small equipment that enables aggregators, associations, and cooperatives to meet the unmet demand for input supply, quality control and post-harvest commercialization services, and iii) invest in market access infrastructure and rehabilitation of rural transport to facilitate internal food trade and raise market participation.

21. This component will also aim to strengthen key tourism sector institutions, policies, and regulations to enhance the attractiveness of the region as a more holistic, connected destination, and pave the way for a sustained effort to address the long-standing sector constraints. This support will facilitate the materialization of scenarios for short-medium term sector development, including: (i) enclave anchor investment (Grande Comore) with island extensions (ii) limited, niche offerings developed on islands; and (iii) anchor investment on Grande Comore stimulating tourism hub and spokes.

**Subcomponent 1.1 Strengthening the Institutional Environment for Agriculture and Tourism Value Chain Development (SDR0.8 million, US\$1 million equivalent).**

22. This sub-component supports key stakeholders in improving governance and introducing growth inducing regulation in project-supported value chains – in the agriculture and tourism sectors. Over time, this sub-component will also consider support to targeted investment promotion and marketing initiatives related to the selected value chains as well as the diaspora.

23. With regards to agriculture, the aim is to create a favorable and sustainable environment for agribusiness investments into post-harvest operations, value addition and market integration. It will help build capacity and strengthen market orientation of support institutions that provide inputs, generate knowledge, regulate, enforce, organize and monitor the value chains. Together, these activities will improve the enabling environment for agribusiness value chain development and support the development of a market driven and competitive agribusiness sector. These activities will be complemented by planned interventions by the Agriculture Global Practice (GP) supporting a broader dialogue on agricultural development. The sub-component provides technical assistance, capacity building and minor equipment to:

- a. Support the MEAPE to structure, monitor and reform the regulatory system for agriculture using the World Bank's *Enabling the Business of Agriculture* indicators;<sup>5</sup> provide technical and financial assistance to the formulation of an investment plan and validation through inclusive and participatory stakeholder consultation;
- b. Establish an agriculture data unit within the MEAPE with the technical capacity to conduct project M&E.

---

<sup>5</sup> Since 2013, EBA has provided globally comparable data and indicators that can enable countries, policy makers and stakeholders to identify barriers that impede the growth of agriculture and agribusinesses, share experiences and develop strategies to improve the policy and legal environment. EBA 2017, presents data for 62 countries and across 12 topics: seed, fertilizer, machinery, finance, markets, transport, information and communication technology, water, livestock and land.



- c. Additional support may also be phased in following mid-term review to coordinate the production of extension programming and agronomic advisories delivered through radio, TV, SMS, social media, and support the establishment of a one-stop shop at ports and airports to reduce time and costs associated with compliance with procedures required for obtaining exemptions for time-sensitive agricultural inputs;
24. With regard to the tourism sector, the project will aim to strengthen key institutions and services to enhance the attractiveness of the region as a more holistic, connected destination. Specific activities will include:
  - a. Reviewing the tourism institutional framework, both public and private, and the regulatory framework (standards and licensing);
  - b. Supporting the areas of Investment promotion (in partnership with the Investment Promotion Agency) campaigns to increase visibility for the country and improving the enabling environment for private investment to attract key investments;
  - c. Leveraging private sector actors through targeted investment and technical advisory support for the development of new, innovative and well-managed tourism offerings (i.e. improved community lodging in Moheli);
  - d. Supporting cruise tourism development and promotion;
  - e. Support to tourism sites: management system, promotion, infrastructure, facilities (interpretation) and welcome services.
25. Finally, this sub-component will finance specific activities to develop economic ties with the Comorian diaspora and facilitate their investments (financial, skills, mentoring, networking) in the project, through: (i) a review of the business environment and binding constraints affecting diaspora investments in the country; (ii) setting up of a Public-Private dialogue (PPD) to identify priority areas of reform; and (iii) provide capacity building to the national investment promotion agency to bridge the communication gap and push the reform agenda to facilitate market access and investment opportunities.

**Subcomponent 1.2: Structuring Value Chains for Agribusiness Development (SDR4.3 million, US\$6 million equivalent).**

26. This sub-component aims to structure export, livestock, vegetable and fruit value chains by operationalizing existing state-supported Rural Economic Development Centers (CRDEs) platforms to deliver production, aggregation, and market linkage services. Project activities are differentiated by value chains, targeting segments based on analysis of specific weaknesses and gaps. For export commodities, the interventions will focus on plantation renewal through the provision of high-quality planting material and transition to sustainable distillation technologies, and professionalization of cooperatives. In the vegetable and fruit value chains, project-supported CRDEs will supply inputs, farm equipment rentals, public extension, storage and marketing services. For livestock value chains, this subcomponent will support foundational investments in poultry production, veterinary services, and establish poultry and dairy hubs at 4 CRDEs. Building on enhanced production in targeted value chains, the project will then promote aggregation and marketing by professionalizing producer associations and building horizontal platforms



that facilitate market linkages and private investments in downstream value addition, development of new products, and premium certification.

**The state-supported Rural Economic Development Centers (CRDEs) offer the main service platform for supporting agricultural value chains at the farm and community levels.** The Union of Comoros established CRDEs in 2013 through an important Presidential decree during the design of the UNDP-supported CRCCA project. Under this decree, the CRDE mandate includes: a) provision of technical extension, training, advice and support to agricultural producers, b) provision of basic services to support improved working conditions for rural communities, c) support for the development of rural economic infrastructure, d) supervision of professional organizations and community development structures, and e) M&E and data management. All 16 CRDEs are envisioned to become fully functional under the management of a Director with a team of technical extension staff, an accounts manager, and an administrative assistant. Further, all CRDEs are to be overseen by a Steering Committee, with strong civil society representation. At the national level, the CRDEs are placed under the technical supervision of the MEAPE and are to be financially supported by the Ministry in charge of Finance and Budget.

**The rehabilitation and operationalization of CRDEs on each island is currently a top government priority.** The 16 decentralized CRDEs – spread over all three islands – are the most proximate rural development and agricultural support institutions for the majority of producers in Comoros, replacing Agricultural Advisory Centers (CCAs) and Professional Agricultural Organizations (OPAs). In principle, the centers are: a) entitled to an annual state grant to finance the annual operating budget, b) authorized to use direct contributions from development partners, beneficiaries, and private sector, and c) generate financial revenues from service provision. However, in practice, the centers have received very little financial support from the government, with almost all agricultural support initiatives relying on donor-supported projects and partnerships with local NGOs and producer organizations. Service provision remains weak and rural infrastructure assets at several CRDEs require urgent rehabilitation in order to operationalize them.

27. The sub-component will also finance technical assistance, capacity building, equipment and small civil works in activities linked to:

#### ***Operationalization of Service Platforms for Export and High-Value Crops***

- (a) *Rehabilitation of service platforms:* The physical infrastructure at three CRDEs covering 54 villages<sup>6</sup> will be upgraded, with a focus on water management structures, seed storage, demonstration and multiplication plots, and tree nurseries to ensure smallholder access to water, seed, high-quality planting material, and extension services. This package of investments will reduce the time and labor inefficiencies associated with water transport and manual irrigation in water-deficient basins, renew aging plantations of export crops, and raise harvest volumes and quality of agricultural

<sup>6</sup> The CRDEs at Maweni and Tsembenoit (Grande Comore) and Ouani (Anjouan) have been selected for investments in export and high-value fruit and vegetable crops based on mapping of production basins, complementarity with other donor-supported projects, and government prioritization of rehabilitation needs.



commodities with demonstrated market demand.<sup>7</sup> The set of fruit and vegetables will be selected at the CRDE-level (Grande Comore – Maweni, Tsembenoit; Anjouan – Ouani) and could be expanded based on future assessments of local production conditions and market trends.

- (b) *Training of trainers:* To enhance the rate of service delivery for producers, the project will support the training of a pool of trainers drawn from CRDE crop technicians, students at the National Center for Horticulture, and community farmer-trainers.<sup>8</sup> The training modules will be designed to promote the formation of farmer groups, maintenance of irrigation systems, multiplication of improved seeds, arboriculture and tree husbandry, and delivery of climate-smart technologies, practices, and advisory services to smallholder farmers.
- (c) *Provision of improved seeds and planting material:* The project will multiply and deliver resilient and biofortified seeds sourced from international research centers through trained crop technicians to 7,000 farmers and cooperatives based in villages covered by project-supported CRDEs.<sup>9</sup> In a subsequent phase, the project will also consider complementing the dissemination of improved seeds with CRDE and on-farm demonstrations, formation of farmer groups, and delivery of advisory services through scheduled technician visits.<sup>10</sup>
- (d) *Shared service provision in the CRDE system:* The project will support rentals and utilization of mechanized farm equipment and transport vehicles available at other CRDEs to enhance service efficiencies across the system.<sup>11</sup> It will also promote the organized collection, quality control, and marketing by professional agricultural organizations (OPAs) at the CRDE-level to enhance aggregation, reduce transaction costs and ensure consistent, reliable supply of goods meeting the volume and quality standards for agro-processors, wholesalers, supermarkets and exporters.

#### **Foundational Investments in Livestock Production**

- (e) *Provision of poultry breeding kits:* Comprising the *kuroiler* breeding stock, feed, vitamins and feeding equipment, construction material for building coops, and complemented with livestock and business management training, this kit is intended to boost poultry meat and egg production and scale up the experience of a successful Food and Agriculture Organization (FAO) pilot in Comoros.<sup>12</sup> The pool of 2000 beneficiaries will consist of backyard poultry producers residing in

---

<sup>7</sup> Production The 5 pre-identified crops are vanilla, cloves, ylang-ylang, tomatoes, bananas. The production basins for export and high-value fruit and vegetable crops overlap to a large extent. Vanilla is generally intercropped with bananas in the Comoros. Clove trees are intercropped with food crops until the age of 3-5 years, after which they are a monocrop.

<sup>8</sup> PIDC will build on the UNDP Resilience project, which has provided training to 25 farmer-trainers on composting, soil restoration, market gardening, banana and potato farming, and cattle and goat rearing. The National Center for Horticulture at Mvouni is the only institution in Comoros that offers a 2-year training cycle for horticultural technicians, with each cohort consisting of 30 students. No such facility exists for livestock and export crop specialists

<sup>9</sup> The Consultative Group on International Agricultural Research (CGIAR) system, the French Agricultural Research Centre for International Development (CIRAD), or Regional Centers of Excellence (RCoEs) have released several new varieties for the project's targeted value chains.

<sup>10</sup> As part of the IFAD-supported PREFER project, INRAPE has already signed an MoU with IITA for the sourcing of improved seeds and planting material. This agreement will be leveraged under the PIDC interventions in subcomponent 1.2

<sup>11</sup> Rentals for tractors, rotovator tillers, sprayers, trucks etc.

<sup>12</sup> The Kuroiler is a dual-purpose (broiler and layer) chicken breed of Indian origin which grows faster and lays more eggs than the local chicken varieties. The birds are low-maintenance scavengers that thrive on household and agricultural waste in the absence of feed, yielding 2.5 – 3kg of meat and 150 – 200 eggs per year in Comoros. The breed has successfully been introduced to 300 households in Comoros through an ongoing FAO pilot project.



villages covered under four CRDEs covering 105 villages across all three islands (Grande Comore – Dibouani, Simboussa; Anjouan – Nyumakele; Moheli – Fomboni).

- (f) *Capacity building of veterinary cadre and delivery of animal healthcare services:* The project will enlarge the small pool of veterinary doctors in the country by providing tuition scholarships to subsidize their education. It will also build up the technical capacity of veterinary technicians through the provision of equipment and modular trainings which enable the enforcement of disease monitoring and quarantine protocols, acceleration of artificial insemination, and comprehensive vaccination and deworming campaigns for dairy and poultry value chains. This cadre of technicians will then be deployed through the CRDE system to deliver veterinary and advisory services to project beneficiaries and other livestock producers.
- (g) *Establishment and operation of livestock hubs:* The project will establish dairy and poultry hubs at four CRDEs to protect investments in backyard poultry production and support existing clusters of dairy producers. The livestock hubs will supply dairy and poultry producers with inputs, veterinary products and services, and serve as aggregation points for primary milk and egg collection. By enabling cash-constrained producers to make service payments in the form of milk and egg sales, livestock hubs will operate a revenue-generating model that has been successfully implemented in several countries. All hubs are expected to be operated by veterinary technicians serving livestock producers in villages covered by CRDEs, with processing and marketing to be carried out by other value-chain actors.<sup>13</sup> Both dairy and poultry hubs will be located in close proximity to the complementary investments in cold-chain transport and storage outlined in subcomponent 1.2.

#### ***Professionalization of Cooperatives and Promotion of Market Linkages***

- (h) *Formation and capacity building of cooperatives* to pool collateral, aggregate output, and contract directly with agribusiness service providers and buyers; training of new cooperatives (less than three years) in the fundamentals of cooperative management, governance, record keeping, and access to banking. These interventions are intended to build the pipeline of mature cooperatives that will be eligible for support under Component 2.
- (i) *Development of professional horizontal platforms* for crop and livestock perishables connecting farmer organizations and cooperatives with input suppliers, transporters, processors, retailers, and CRDEs to promote value-chain coordination, traceability, quality standards, and enhance supply responsiveness to market trends;<sup>14</sup> organization of workshops, learning events and inter-island exchange tours to accelerate knowledge sharing for livestock, fruit and vegetable producers in emerging value-chains (eg. dairy and vegetables in Grande Comore and Moheli, poultry in Anjouan).
- (j) *Technical assistance to export cooperatives* to enhance sustainability and value addition by financing capacity building focused on identified issues, including: i) the adoption of wood and water-saving stoves and stills (ylang-ylang), ii) development of niche qualities and new

---

<sup>13</sup> The initial investment required to set up a fully-equipped and commercially viable dairy hub is estimated to be US\$50,000. Successfully implemented in multiple East African countries, these hubs are expected to be managed by veterinarians. The total investment required to set up a commercially viable poultry hub is estimated to US\$125,000. Owners will likely require financial and capacity support and business development services, which will be provided through Component 2 activities.

<sup>14</sup> SNAC and FNAC are national-level federations of farmers, fishermen and breeders that were originally mandated with input supply and marketing of agricultural products in donor-funded projects, but both have suffered from financial mismanagement and poor internal governance, leading to minimal service delivery at present.



certifications (vanilla, cloves), traceability, and iii) use of standardized field tests of ylang-ylang oil quality to prevent manipulation. This support is expected to grow the number of business plans related to upgrade to eco-friendly distillation units in Component 2, compliance with sustainable production practices, and higher prices for ylang-ylang oil.

- (k) *Organization of South-South exchange* for mature cooperatives and key value-chain stakeholders to competitor origins and destination markets to promote knowledge sharing of frontier production techniques, management and governance practices, and buyer sourcing requirements.

**Sub-component 1.3: Productive Infrastructure for Connectivity and Market Access (SDR5.8 million, US\$8 million equivalent).**

28. The objective of subcomponent 1.3 is to build the public goods infrastructure and services needed to boost internal food trade and lower logistics costs and risks for producers, enabling farmer associations, cooperatives, and agribusiness MSMEs to reach profitable scales, reduce supply risks, and in turn increase investments in value addition. The identified bottlenecks are: (a) the absence of off-farm and post-harvest infrastructure linking targeted value chains to markets, and (b) poor condition of rural roads connecting agricultural production basins to the primary network and to urban consumption centers. This subcomponent will finance: (i) productive infrastructure to enhance the marketability of livestock, vegetable and fruit perishables; and (ii) rural road rehabilitation. The expected benefits of sub-component 1.3 are: (a) decreased travel time and, in turn, transport costs; (b) higher marketed volumes for perishables and value-addition for export products; and (c) lower price volatility for crop and livestock perishables.

***Productive infrastructure (SDR0.8 million, US\$1 million equivalent).***

29. This subcomponent will finance targeted investments in processing and market access infrastructure to unlock well identified off-farm bottlenecks for project-selected value-chains. All investments will be located in production basins or at strategic collection and distribution points (ports, markets), to enhance marketed volume, quality, and farmgate prices for smallholders, lower transaction costs for traders, processors and retailers, and reduce price volatility for consumers.

30. Specific investments would include:

- *Poultry*: The project will finance the establishment and operation of cold storage units near poultry hubs and project areas on all three islands where investments in poultry breeding are concentrated, to enable aggregation and longer shelf lives for meat and eggs. The project will also assess the technical feasibility and financial viability of mobile, solar PV-powered cold storage units that have been successfully deployed in Kenya and India.
- *Fruits and vegetables*: The project will invest in dry storage or warehousing units on all three islands to reduce food loss and enable greater inter-island flow of surplus produce. Further, the project will provide handling equipment at the southern landing area of Chindini (Grande Comore), where several small boats carrying fresh produce from Moheli and Anjouan arrive daily. It will also support the preparation of a development plan which assesses the viability of small port infrastructure like docks, small berthing facilities etc. Given Chindini's proximity to sites with tourism potential (white sand beaches at Male and Chindini and the historical town of Fombouni), project investments in this area are likely to have spillover effects to the tourism sector.



**Rural Road Rehabilitation (Market Access) (SDR5 million, US\$7 million equivalent).**

31. Because of the rugged terrain and the poor condition of feeder roads and agricultural paths, transporting crops from fields to collection points is a significant challenge. Produce is often carried by laborers on their heads over several kilometers. This mode of transport is slow, inefficient and costly. Therefore, rehabilitating a priority network of feeder roads and improving the existing rural pathways in key production basins of the three islands would provide an opportunity to develop more efficient transport services including Intermediate Means such as carts, tricycles, etc., thus reducing the transport costs of crops from areas of production to consumption centers.

32. This subcomponent will aim at carrying out the rehabilitation of priority paved and unpaved feeder roads, including the reconstruction of drainage structures to ensure all-year accessibility to key agricultural areas and tourism sites. It will entail the financing of technical studies, civil works, and supervision of works. A potential network of 36.9 kilometers of feeder roads (cf. annex 5) has been pre-identified through overlaying the main agricultural production basins in the three islands<sup>15</sup> with the priority rural road network defined under the 2015 National Road Masterplan<sup>16</sup>, and priority roads for high-potential agricultural areas, as identified by the MEAPE in 2018.<sup>17</sup> These rural roads are linked to primary network in average or good condition. Additional last mile links and actual feeder roads to be supported by the project (connecting to the seven CRDE locations within the production basins) require additional identification study. Specific interventions on each link will be defined based on feasibility and economic studies, and subject to economic viability. In addition, climate resilience criteria will be considered where possible to ensure year-round accessibility in remote areas. In addition to the priority feeder roads, existing agricultural unpaved paths will be identified and improved during project implementation in the same production basins to improve first mile transport of crops from agricultural fields to villages.

33. **Beneficiaries.** The main beneficiaries of Component 1 include economic operators (agricultural producers, cooperatives, and associations) in the targeted value chains (agriculture: fresh fruits and vegetables, export commodities, livestock: poultry and dairy; and tourism and associated sectors such as transport and logistics), as well as rural communities benefitting from enhanced economic opportunities and connectivity. Component 1 will address key institutional, coordination, upstream productivity and infrastructure gaps at the value-chain level, complementing firm-level support (including support to early stage and established enterprises) provided through Component 2.

**Table 1: Component 1 Beneficiaries**

	Direct	Indirect
Cooperatives / Farmer Associations	30	
Agricultural Producers (crop, livestock)	9,000	50,000
Rural Residents (benefit from rural connectivity)	14,100	28,200

<sup>15</sup> Jean Charles Heyd (TCIA – FAO), *Etudes des chaînes de valeur des fruits et légumes frais aux Comores*, January 2018  
Alban Bellinguez (TCIA – FAO), *Analysis of the poultry and dairy value chains*”, Consultant FAO-TCIA, January 2018  
S. Caiger, *Spice and essential oil sector in Comoros - Review and analysis of value chains*”, January 2018

<sup>16</sup> *Etude d’élaboration du Plan directeur national du transport routier en Union des Comores pour 2015-2025*, 27 mai 2015, p. 76

<sup>17</sup> *Programme de réduction des contraintes à la production et création de nouvelles opportunités pour le monde agricole Comorien*, Ministère de l’Energie, de l’agriculture, de la Pêche et de l’Environnement, p. 8



**Component II: Direct support to firms (SDR5.4 million, US\$7.5 million equivalent).**

34. The objective of Component 2 is to strengthen the competitiveness of the private sector by providing direct financial and technical support to Micro, Small and Medium Enterprises (MSMEs) and cooperatives. Private sector development is a key driver of sustainable employment, investment and economic growth. Most Comorian workers are trapped in low productivity small-scale subsistence agriculture or informal precarious service activities in urban zones. In order to create jobs for the sizable unemployed youth and provide work opportunities for the continuous flow of new university graduates, the country needs to mobilize its private sector to achieve its SCA2D development objectives. This needs to be implemented by fostering entrepreneurship, aiming at (i) young and promising MSMEs in priority sectors that are in turn capable of creating indirect jobs and generating revenues down the line, and (ii) established enterprises with potential for scaling, value addition and job creation. This strategy will revitalize the embryonic formal sector and support its further growth and gradually reshape the informal sector where there is an urgent need for more sustainable and better jobs.

35. Building on the value chain support provided through Component 1 (addressing institutional, coordination, upstream productivity and infrastructure gaps) Component 2 will provide firm-level support (including support to early stage and established enterprises) in agriculture (fresh fruits and vegetables, export commodities), livestock (poultry and dairy); and tourism and associated sectors (such as ICT, transport and logistics, etc.).

36. The component will finance the following activities: (A) a Business Plan Competition (BPC) to assist local entrepreneurs and start-ups during the early cycles of enterprise development such as incubation and early stage development and growth; and (B) development and strengthening of established local MSMEs with a demand driven matching grant facility that provides technical assistance (preparation of business plans and other Business Development Services (BDS)) and matching grants to business development services) and support small capital investment (equipment, infrastructure, etc.) for improved product quality, access to markets and access to finance. This component will also finance capacity building for BDS providers and financial institutions supporting private sector development efforts.

**Subcomponent 2.1 Business Plan Competition to support early stage enterprise development (SDR1.4 million, US\$2 million equivalent).**

37. This sub-component will finance a Business Plan Competition (BPC) to assist young local entrepreneurs and start-ups during the early cycles of enterprise development such as incubation and early stage development and growth. The process combines training, mentorship, skills development coaching to ensure that entrepreneurs with young companies (at least 6 months in operations and less than 3 years old) develop realistic and bankable business plans leading to competitive and durable companies, and financial subventions to contribute to the financing of the business plan.

BPC are one of the broader tools of competitive support to SMEs. A defining characteristic of the BPC is that the intake mechanism is based on the submission of a business plan – a statement of business goals and plans for reaching them. They are an effective tool for identifying entrepreneurs with much greater scope for growth than the typical microenterprise and the prize money generates employment and firm growth that would not have otherwise happened; and (iii) to maximize the impact of the BPC on job creation, it is important to cast a wide net. Job creation impact from BPC targeting start-ups and scale-ups appear similar. Broad targeting of BPC allows capturing relevant and high-impact ideas from across the SME spectrum.



According to the evaluation of “Youth Enterprise with Innovation” (YouWIN) in Nigeria, (i) BPC led to greater firm entry, higher survival of existing businesses, higher profits and sales, and higher employment, including increases of over 20 percentage points in the likelihood of a firm having 10 or more workers. The selected firms were substantially more likely to launch, survive, make profits, and, most importantly, to generate new jobs. BPC provided evidence how direct policy action can spur the growth of such firms; (ii) BPCs can be successful in identifying entrepreneurs with the potential to use the large amounts of capital offered as prizes, and that these individuals appear to be otherwise constrained from realizing this potential. Although YouWin is the largest BPC delivered as part of WBG lending operation, the World Bank also funded entrepreneurs through BPC through the Development Marketplace program from 1998-2016 in 80 countries supporting +1200 enterprises, other WB projects in Cote D’Ivoire (through the SPF TF), in Kenya (P151831), Rwanda (P057295), among others.

38. The BPC process will cover 3 phases:

- (1) Phase 1: Entrepreneurs’ selection will include communication activities, media campaigns to launch a call for applications and carry out the first selection of potential beneficiaries;
- (2) Phase 2: Competition process will include training of a large number of potential beneficiaries on the preparation of business plans, the selection of the best business plans and the awards to the laureates;
- (3) Phase 3: Coaching of laureates will be provided for about 12 months to improve the firms’ management skills and build capacity. Exchange and experience sharing platforms between entrepreneurs will also help get access to new markets.

39. The BPC will be carried in two cycles during the project, with 50 laureates expected to receive financial and technical support in each cycle, for a total number of 100 beneficiaries. The winner awards will provide seed funds (of varying amounts per beneficiary – from US\$10,000 to US\$20,000 based on the business plans) in addition to capacity building, to contribute to the development of the young firm. This program is expected to be implemented by an independent organization in partnership with key financial institutions that are working with MSMEs (such as MECK Moroni) to complement the seed funding with access to credit in the short and medium term.

40. **Beneficiaries.** The proposed BPC will target local entrepreneurs, living in the Comoros, women (at least 40 percent) and men, operating in targeted business sectors (agriculture, agribusiness, livestock, handicraft and tourism, and associated sectors such as transport and logistics) owners of existing young companies (less than 3 years old), formal or not, with high value addition and job creation potential. Specific incentives will be developed to avoid a concentration of activities on the main island and promote inter-island trade and relations.

41. The project will finance targeted communication and dissemination campaigns to attract diaspora in the BPC, who could participate as business partners with local beneficiaries of grant, but also come in as mentors and trainers. Interested members of the diaspora will be included in the selection committee.

42. **Expected results at the end of the project include:** (i) 200 direct jobs (an average of two per MSME and cooperative), 300 indirect jobs created; (ii) Increased revenue by 30 percent for beneficiary firms by year 3 after receiving support from project.

43. **Implementation arrangements:** The BPC will be implemented together with the matching grant fund of high growth MSMEs and cooperatives (subcomponent 2.2) by an international firm or organization



selected competitively by the project. The hired execution organization will manage the provision of technical support and grants to selected beneficiaries. This implementation structure is important to guarantee transparency and equity in the selection process.

**Subcomponent 2.2 Matching fund for high growth MSMEs and cooperatives (SDR4 million, US\$5.5 million equivalent).**

44. This sub-component will provide matching grants and tailored managerial, business and technical capacity building to existing enterprises and cooperatives in targeted sectors that have the potential to grow as well as to eligible financial institutions and public/private BDS providers to better support MSMEs.

45. The following value-chains will be considered for priority support: agri-business, which includes export products, fruits and vegetables, poultry, dairy and fishing sector products; tourism and associated sectors (transport and logistics, connectivity while also leaving space for emerging and emerging sectors ICT, renewable energy, recycling etc.). The objective of the sub-component is to identify and support existing and sizable firms and cooperatives that have a significant potential to grow and generate more jobs in the formal sector. Beneficiaries will be selected based on pre-determined criteria including age (at least 3 years), an expansion plan in terms of business and jobs creation, viability, relevance to identified gaps in targeted agricultural value-chains, gender (at least 40 percent of beneficiaries) and high potential sectors with good national or regional market prospects. The prioritization of identified gaps in agricultural value-chains will enable the project to crowd-in private sector driven solutions for emerging market opportunities as they develop through the project lifetime.

46. The BPC will finance technical assistance for training and capacity building of beneficiary firms and producers’ organizations. In addition, it will provide matching grants for investment needs like critical infrastructure or equipment (cold storage, warehouse, processing line, distillation stills, etc.) or goods and services related to upgrading quality standards (improved seeds, breeding stock, etc.) with a co-financing from the beneficiaries and/or the banking system. The grants will be up to 80 percent with ceilings depending on the business sector and the size of the applicant (up to US\$60,000), with the remainder provided by the applicants.

**Table 2 – Matching grant scheme for financial assistance**

Type of beneficiary	Grant coverage (%)	Grant ceiling
Micro enterprises	80%	US\$6,000
SME/SMI	60%	US\$60,000
Cooperatives and associations	70%	US\$80,000

47. The project will also invite MSMEs, producer organizations, and cooperatives to prepare business plans that address identified value-chain gaps (e.g. industrial feed production and abattoirs in livestock VCs), the market demand for which is likely to grow with the structuration of the production and aggregation segments. To facilitate innovative, sustainable, and inclusive approaches, the activities will be executed through calls for proposals that would encourage the participation of private firms, cooperatives, associations, and NGOs. This would be structured as a challenge fund that would offer matching grants (with high percentage of participation in total costs) for sub-projects, receiving each between US\$30,000 to US\$100,000. For each of the selected sub-projects, this sub-component will also provide technical



assistance to strengthen investment planning and management capacity (including pre-feasibility studies, revenue models to ensure maintenance and sustainability of the activities, etc.). Specific opportunities will include:

- Supporting the construction of a privately-managed, multi-purpose grinding and drying facility catering to clove, vanilla, coffee and pepper producers in Anjouan. To ensure maximum utilization and financial sustainability, the location of this shared-use facility will be chosen to optimize proximity to several value chains (production basins near Sima, Ouani, Domoney).
- Establishing a milk collection route by providing cold chain transport connecting dairy cooperatives, markets, and the existing dairy chilling plant supported by Sanduk and ID in Niumakele (Anjouan). This investment is expected to reduce milk spoilage, increase market penetration, and boost revenues for producers and dairy cooperatives.

48. Finally, to ensure sustainability of the proposed activities, this sub-component will finance capacity building for BDS providers and on-demand technical assistance to the selected financial institutions to successfully help them expand products and services for MSMEs. Results-based capacity building will strengthen the capacities of BDS providers to play a direct and effective role in supporting MSMEs. In regard to financial institutions, the project will finance, beyond products and services for local MSMEs, the development of innovative financial products and services attractive to diaspora investors, to enable the channeling of remittances via formal structures and increase diaspora investments.

49. **Beneficiaries:** this sub-component will support up to 150 high growth MSMEs, cooperatives and associations in key priority and emerging sectors/value-chains. It is expected that will contribute to create about 1,100 new direct and indirect jobs. To encourage participation of women-led MSMEs, this sub-component will establish a ratio of 40 percent matching grant allocation to women-led/owned MSMEs, and women-owned/led SMEs that meet all eligibility criteria will be prioritized in matching grant allocation. Specific incentives will be developed to avoid a concentration of activities on the main island and promote inter-island trade and relations. Similarly, to component 2.1, outreach and communication campaigns will also target the diaspora to promote partnerships with matching grants beneficiaries.

50. **Expected results at the end of the project:**

- Business skills improved
- 500 direct jobs created (an average of 4 per MSME and cooperative with financial assistance, 1 for others); 600 indirect jobs created
- Increased turnover by 30 percent for beneficiary firm after year 3 of project support
- Higher adoption of sustainable distillation technologies for ylang-ylang

51. **Implementation arrangements:** The matching grant will be managed by a competitively selected experienced institution or firm. The program will have two windows, one that supports young entrepreneurs (2.1) and another one for established MSMEs (2.2). MoUs with local partners (UCCIA, Maison de l'Emploi, etc.) will also be pursued – to leverage existing resources and promoting knowledge sharing.

**Component III: Project implementation and coordination (SDR1.8 million, US\$2.5 million equivalent).**

52. This component will support the operating costs of the project's institutional and governance arrangements. These include facilitating the activities of the project Steering Committee, setting up and



managing a dedicated Project Management Unit (anchored under MEAPE), facilitating project stakeholder outreach and communication, and undertaking project evaluation and monitoring studies.

53. The component will finance the PIU staff, equipment, office, and enable it to undertake day to day implementation the project, comply with fiduciary rules and safeguards, stakeholder engagement, and fulfill monitoring and evaluation and impact evaluation commitments. The PIU will be composed of a project coordinator, specialists in financial management, procurement, internal auditor, safeguards, communication, M/E, as well as value chain and MSME specialist. With support of this Component, the PIU will perform required reporting as well as monitoring and evaluation activities related to project implementation. The PIU will collect and present data on PDO-level and intermediate indicators. Data collected will be used to assess the direct and indirect impacts of the various interventions. The Government and World Bank will evaluate progress through regular reporting by the PIU and dedicated implementation support missions. Safeguard management, stakeholder coordination and communication will also be critical functions led by the PIU as part of this Component, with guidance and support from the project Steering Committee.

54. Finally, this component will also support specific measures related to the oversight of Component 2, including inter-alia: facilitating the operations of the public-private grant selection committee (to select beneficiaries of the business plan competition and matching grants); recruiting an experienced private sector firm/NGO to administer the Component 2 grant mechanisms; supporting required safeguard processes (including subproject screening); and supervising fiduciary processes (procurement, financial management, audits).

**Table 3 Implementation Sequence of Key Project Activities**

	Focus	YEAR 1	YEAR 2	YEAR 3-5
<b>Component 1: Value Chain Development in Priority Sectors</b>				
1.1. Institutional Environment for VC Development	AG sector	AG Data Unit, Enabling Business in Agriculture (EBA)	Sector-specific PPD	TA for one-stop shop and communications campaigns
	Tourism sector	Tourism sector Reg and Plan	Sector-specific PPD	Promotion and branding
1.2 Structuring VC	Service Platforms for fruits, vegetables, and export crops	Feasibility, construction and civil works, equipment purchase and management; Training of trainers	Delivery of seed and planting material, poultry kits, extension services;	Ongoing service delivery
	Service Platforms for livestock (poultry and dairy)	Feasibility, construction and civil works, equipment purchase and management TA, Training of livestock technicians and vets		
	Cooperatives and linkages	Coop. training and registration	VC dialogue, inter-island exchanges, nutrition awareness	
1.3 Productive Infrastructure	Shared facilities for Dairy, poultry, fruits and vegetables, and export crops	Pre-feasibility studies and market assessment; Call for proposals	Construction and civil works, management TA	
	Rural roads	Feasibility and rehabilitation	Maintenance	
<b>Component 2: Direct Support to Firms</b>				
2.1 Business plan competition	Young entrepreneurs and start-ups	Mobilization of Management Firm, Marketing, Consultations, Award of First Cycle	Award of Second Cycle	Implementation and M/E
2.2 Matching grant fund	High Growth MSMEs and Cooperative; BDS providers and financial institutions	Mobilization of the Management Firm, Marketing, Award of First Cycle	Second Call for Proposals and	Implementation and M/E



			Award of Second Cycle	
<b>Component 3: Project Implementation and Coordination</b>				
	PIU, Steering Committee, Partners, Beneficiaries	Operationalization of M/E, safeguards, GRM, engagement and communications	Mid-term review	Completion assessment

**C. Project Beneficiaries**

55. The main direct beneficiaries of the project are estimated at around 25,000 including: (i) economic operators including producers, cooperatives, and associations in targeted value chains (agriculture, agri-business, livestock, tourism, and associated sectors such as ICT, transport and logistics, etc.); (ii) local entrepreneurs (including women and youth) during the early cycles of enterprise development and growth; (iii) established, high-growth MSMEs; (iv) public and private agencies in charge of delivering services to the private sector; (v) the business community and public at large through the enhanced investment environment and value chain ecosystem – with increased opportunities for jobs and growth.

**D. Results Chain**

56. **The proposed project aims to build foundations necessary to crowd in the private sector, address critical coordination and market failures, and finance public goods with the objective of promoting the creation and growth of Micro, Small and Medium Enterprises (MSMEs) and relevant value chain actors in targeted sectors in Comoros.** The project will follow a two-pronged approach:

- I. **Value Chain Interventions.** Strengthening Government policy, regulations, and capacity will foster stakeholder coordination and information sharing -- promoting the development of existing and new markets, facilitating connectivity (through the rehabilitation of selected rural roads), developing shared infrastructure and other value-chain related services, and enabling public-private risk sharing and investment.
- II. **Firm level support in the targeted value chains.** Promoting business initiatives and their financing, addressing firm-level constraints, transaction costs and risks that currently lead to suboptimal private sector investments and growth.

57. This approach is supported by the following project interventions: (i) improving the enabling environment for value chain development in priority sectors (agriculture and tourism); (ii) creating productive infrastructure for connectivity and market access by: a) the construction of value-chain infrastructure in targeted production basins to enhance the marketability of livestock and horticulture perishables and reduce price volatility; and (b) the rehabilitation of selected rural roads and paths to bridge transport gaps between urban coastal markets in the same targeted production basins in Anjouan, Grand Comore, and Mohéli; and (iii) direct support to firms to strengthen the competitiveness of the private sector by providing financial; and technical support to Micro, Small and Medium Enterprises (MSMEs) and cooperatives.

58. The project aims to narrow the existing gender gaps in Comoros. Female labor force participation is comparatively low (36 percent as opposed to approximately 81 percent for men) and there are more unemployed women than men. Women’s employment is also more likely to be precarious and a high percentage of women work in the informal agricultural sector (approximately two-thirds). Against this background, the project will provide targeted financial and technical support to foster women

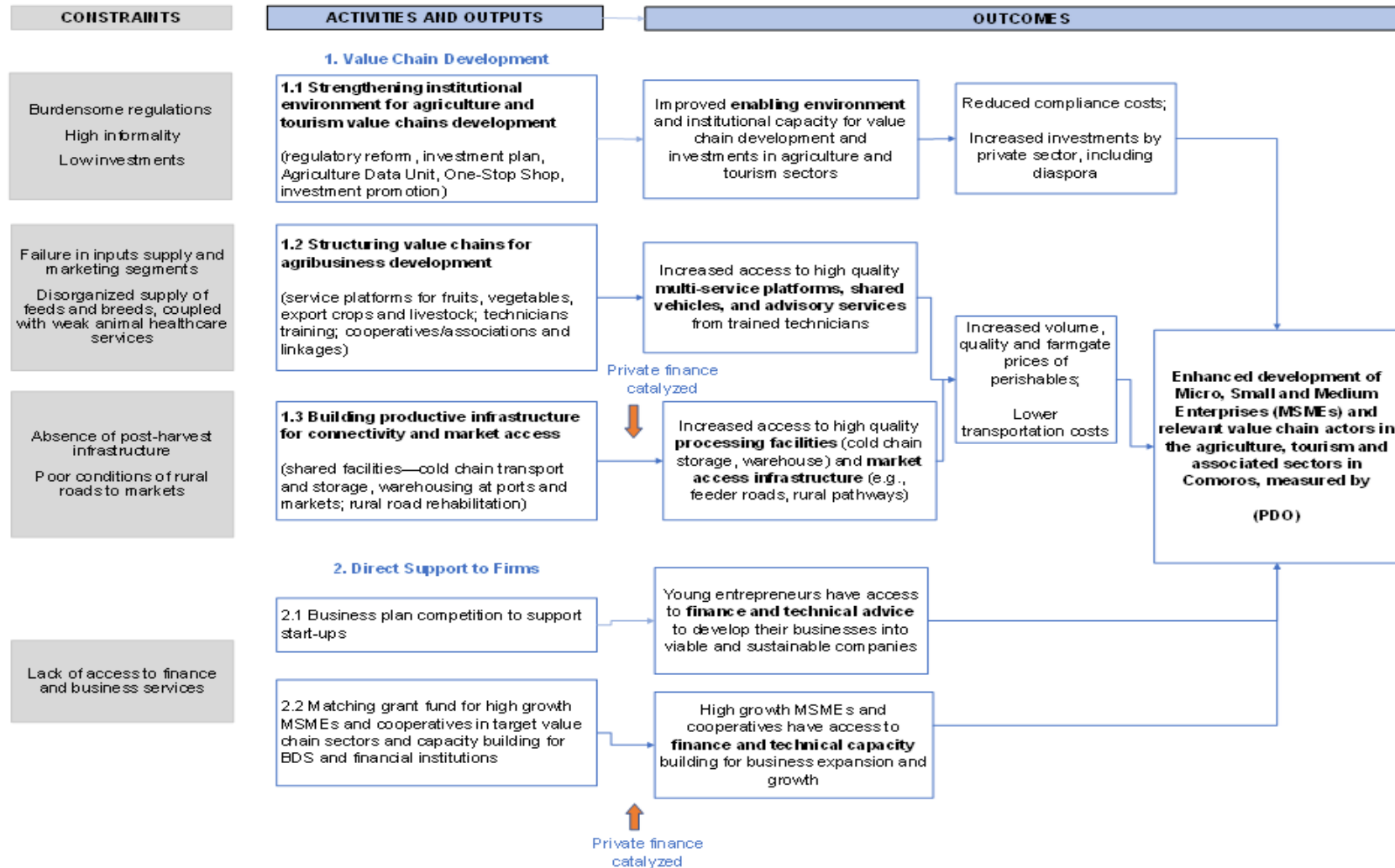


entrepreneurship and strengthen women-led MSMEs in selected value chains (agriculture, tourism and associated sectors).

59. Addressing key institutional, coordination, upstream productivity, infrastructure and gender gaps will promote value chains in agriculture (fresh fruits and vegetables, export commodities), livestock (poultry and dairy) and tourism sectors (as well as associated sectors such as transport and logistics, ICT, etc.). Firm-level support (including youth, women and established enterprises) will revitalize the embryonic formal sector and support its further growth and gradually reshape the informal sector where there is an urgent need for more sustainable and better jobs. Through the combined implementation of value chain and firm-level activities, the PIDC will strengthen efforts to reduce poverty, to promote gender equality and empower the poorest and most vulnerable segments of the population. The achievement of the expected outputs from this project will contribute to the intermediate and long-term outcomes including promotion of the competitiveness of firms and improvement of the business climate to increase investments in the targeted sectors. This will play an important, foundational role to the longer-term objectives of enhancing economic diversification, female empowerment, creating jobs and moving towards overall reduction of poverty and inclusive growth in Comoros.



**Table 4 Theory of Change**





## E. Rationale for Bank Involvement and Role of Partners

60. **Through its engagement in the Comoros, the World Bank’s regional and international experience can leverage both knowledge and resources to help unlock the country’s untapped potential in the tourism, agriculture, and transport sectors, and promote the development of MSMEs.** IDA financing will support a fiscally constrained government in key aspects of private sector competitiveness such as in further streamlining the delivery of public sector services and leveraging private investments. In addition, the Bank’s extensive international experience in the provision of BDS and other direct form of support to firms constitute a key addition for this proposed intervention. The Bank team will also work alongside the IFC which will help engage the private sector and identify investment opportunities to leverage public financing. In this regard, as part of the direct support to firms, the project will provide opportunities for private partnerships between actors in the value chains. Finally, the project will help build the capacity of Government and private sector to pursue these innovative reforms and approaches going forward.

61. **The project is developed in coordination with on-going and planned activities across multiple Global Practices** (notably Agriculture, Transport, MTI and SP). In 2018, another FCI team launched the preparation of a separate IPF to support financial sector stability and development, which will complement the MSME directed value-chain and sector- oriented support mobilized under the PIDC. The PIDC will also help leverage IFC/MIGA expertise and instruments (including with regard to potential SME and infrastructure finance.)

62. **The project requires close and sustained coordination with donors and development partners.** The Bank’s presence in the Comoros enables it to pursue close cooperation with the development partners – such as the United Nations Development Program (UNDP), African Development Bank (AfDB), European Union (EU), French Development Agency (AFD) and the Food and Agriculture Organization (FAO) – for instance on programs in the agriculture sector supporting cooperatives seeking commercial opportunities up the value chain and incubation programs with growing number of young entrepreneurs looking to invest in agribusinesses.<sup>18</sup>

## F. Lessons Learned and Reflected in the Project Design

63. The project design fully aligns with priority themes identified in the Bank’s SME Action Plan (World Bank, 2016) and incorporates key lessons and recommendations from the Independent Evaluation Group (IEG) Report, “The Big Business of Small Enterprises” (IEG, 2014). The IEG report was conducted on 179 WBG projects targeting SMEs during 2006–12 and analyzed 10 relevant SME projects in Africa. The report identified major needs: (i) a clear definition for the targeted SMEs; (ii) strategic sequencing of project interventions; (iii) M&E systems that allow capturing impact at the beneficiary level; and (iv) avoiding a complex project structure.

64. The project draws on lessons learned from the preparation and implementation of other projects

---

<sup>18</sup> In 2017, the UNDP – ITC financed *Compétitivité* project aimed at enhancing the competitiveness of cash crop exports, has contributed to the formation of a *cooperative of vanilla producers* in Grand Comore, which aims to cure, prepare and sell vanilla beans directly to exporters. USAID’s PlaNet Finance microfinance program offered access to microcredit and loans for women and youth, training 1,659 people in business and entrepreneurship between 2012 and 2014. In December 2017, AFD has started implementing its *Facilité Emploi* project targeted at rural youth entrepreneurs, working in partnership with civil society organizations.



in fragile countries. In designing the proposed project, some lessons can be summarized as follows:

- Involving non-state actors for service provision and grants management has proven to be more effective and efficient than public sector service provision, hence the project's reliance on non-state service providers.
- In low-capacity countries, it is important to start small and scale up as competence and familiarity with the project improves. Thus, the project will adopt a phased approach in implementation, gathering data on the local market gradually, piloting the proposed instruments on the ground, identifying local champions and expanding activities based on successes while learning from failures.
- Monitoring of indicators in results frameworks should be realistic in attribution and achievable during implementation. The targets set for the project should be attributable to the project's activities. They should also be achievable within the project implementation timeframe.
- Developing and applying an effective communication strategy is a key aspect of the project to manage expectations and ensure a broad outreach to expected beneficiaries. In many WB projects, due to miscommunication and misunderstanding of project implementation procedures and rules, the Bank has faced reputational risks.
- Good project preparation and implementation requires careful consideration of multiple factors from multiple perspectives. Drawing from other projects' experience, this should include: (i) assessing potential reputational risks and opportunity costs associated with the sectors and activities that World Bank funding supports; (ii) determining and capitalizing on the complementarities of the proposed Investment Project Financing with IFC advisory services; and (iii) ensuring timely preparation of safeguard documents to facilitate satisfactory implementation of activities within the project's timeframe.
- In fragile countries where formal credit provision to small firms continues to be difficult, a well-thought out and targeted matching grant scheme can be effective in assisting firms to grow and increase their productivity levels.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

65. The proposed institutional arrangements for this project include the following oversight and implementing bodies (see also annex 1): (i) a steering committee; (ii) a project management unit (iii) service providers for Components 1 and 2 (private, NGOs).

66. **PIDC Steering Committee:** A steering committee will be officially set up before project effectiveness. It will be chaired by the Ministry of Agriculture (MEAPE) and will also include representatives of key ministries (Ministry of Finance, Ministry of Economy, Ministry of Tourism, Ministry of Transport, public agencies (e.g. ANPI), and civil society and private sector (e.g. Chamber of Commerce and representative from youth and gender-based entrepreneurship associations). The Steering Committee will be responsible for the strategic direction, operational oversight, communication and overall governance of the project – including approving annual budget and action plans by the project implementing agency. The Project Steering Committee will also ensure coordination and adequate execution of project activities across sectoral stakeholders, as well as World Bank implementation support missions. A secretariat will



organize periodic meetings in support of its mandate. It will be supported by a technical working group comprising focal points from the different ministries and public and private agencies involved in project implementation. The composition of the Steering Committee will reflect the broad sectoral scope of the project and will promote public-private representation.

67. **PIDC Project Management Unit (PIU):** Project implementation will be led by a Project Management Unit (PIU) whose staff will be recruited on a competitive basis, anchored within the Ministry of Agriculture. The PIU will be structured to include adequate functional (coordinator, financial management, procurement, accountant, safeguards, internal auditor, monitoring and evaluation, communications) and technical expertise (value chain, MSMEs). Financial and accounting management and procurement will be provided by the PIU, in accordance with the loan agreement, the project implementation manual and the World Bank guidelines. Procurement will be in accordance with the World Bank's new procurement framework of July 2016. The project's fiduciary team will receive technical assistance from the World Bank for effective implementation of the framework. Dedicated environmental and social safeguards specialists will be hired to provide needful safeguards support during the project life cycle. Communication experts will implement the communication strategy validated by the steering committee and developed with all the stakeholders.

68. **PIDC Grant Facility Selection Committee and Service providers for Component 2:** With regard to Component 2, a Grant Facility selection committee will be set up by MEAPE and co-chaired by the private sector and will be composed of independent experts from the private sectors, including commercials banks, entrepreneurs, industry professionals, investors and Chambers of Commerce. Its main task will be to provide strategic guidance on the implementation of the components, review applications, pre-select firms and finalize selection processes of eligible firms. The PIU will recruit service providers (SP) for the implementation of activities under component 2 (business plan competition grants and matching grants for MSMEs). The SP will be a competitively selected private consultancy firm with its own management team composed of a coordinator and experts recruited from the private sector with experience in the provision of BDS for MSME, training, sector specific experience in the targeted industries. Procedural, governance and internal controls will be designed to reduce redundant steps associated with the award of grants under component 2. These types of issues will be addressed early on to avoid unnecessary and detrimental delays and ensure smooth and efficient roll out the service. Other types of activities of the SP will include the promotion and marketing of the grants and initiatives designed to leverage the direct assistance provided to beneficiary firms. The same principle will apply to the Business Plan competition facility. Proceeds from the PIDC will finance the day to day operations of the grant selection committee. In addition, resources will be allocated to ensure adequate monitoring and evaluation of the output and results of component 2 to track the following, but not limited to: sales of beneficiary firms; number of beneficiary firms; satisfaction survey of beneficiary firm; improvement/ introduction of new product; acquisition of new markets; partnership between beneficiary firms and larger strategic buyers / investors.

## **B. Results Monitoring and Evaluation Arrangements**

69. The project will establish an M&E and impact evaluation system that will collect data in a timely manner to enable the adoption of corrective measures. The M&E framework of the project will be also described in detail in the Project Implementation Manual and is based on the following: (i) the program result chain and underlying assumptions of theory of change; and (ii) compliance with the World Bank requirements including the selection of key core indicators as well as specific indicators for gender and civic engagement. The M&E arrangements will be presented in Annex 2 (Implementation Arrangements).



70. The project outcomes and impacts will be evaluated through the PDO and intermediate level indicators that will be defined in the result framework (Section VII) against a baseline survey that is expected to be finalized before the project is effective, using a Project Preparation Fund. The project indicators will also be selected based on the SMART principles (specific, measurable, attainable, realistic and time-bound) with the technical experts. The baseline, mid-term and final survey will be conducted by external service providers.

71. The monitoring of program outputs will be conducted by the Project Management Unit (PIU) in partnership with the various entities that will be contracted to provide specific services. The PIU will be responsible for data consolidation, quality control, and analysis and reporting, which will be tracked through a Management and Information System (MIS). The sources of information for the M&E system will be: (i) reports from the participatory M&E workshops with the beneficiaries; (ii) the reports of service providers and executives of the PIU; (iii) specific impact and evaluation studies carried out by consulting firms, institutions or independent consultants; (iv) the financial monitoring and internal control management reports of the PIU; and (v) reports from World Bank support and oversight missions. A specialized training will be provided to the hired M&E Specialist to build the PIU capacity around M&E. The PIU will also oversee communications with the Project Steering Committee chaired by the MEAPE to feed the national M&E system.



### C. Sustainability

72. The Government aims to foster private sector led growth and diversification of the economy, as reflected under its own National Development Policy (SCA2D). At an institutional level, the long-term sustainability of PIDC is ensured by the diffuse public and private sector ownership from the moment of its materialized conception. The Government set up a task force representing ministries and sectoral administrations, as well as the private sector to accompany the development of the project. The project will also contribute to strengthening the capacity of the investment promotion, agriculture, tourism and MSME business development agencies (ANPI, UCCIA, CRDE, etc.), which would become central pillars to enable domestic and foreign investment.

73. Several project activities under component 1 are designed to reduce risks from extreme weather events and contribute to climate adaptation among agricultural producers in Comoros. In particular, the activities in subcomponent 1.2 include: (a) testing, multiplication and provision of improved, drought and stress-resilient seeds and planting material, (b) delivery of climate-smart technologies, practices, and advisory services to smallholder farmers, and (c) rehabilitation of rainwater storage systems to manage changes in the water cycle due to climate change and variability. In addition, the project will also contribute mitigation co-benefits by providing technical assistance to ylang-ylang distiller cooperatives to promote the adoption of wood and water-saving technologies. Together, these activities are expected to generate climate co-benefits and enhance project sustainability.

74. With regard to Component 2 of the project, the consolidation of the support and funding ecosystem advocated to improve the competitiveness of MSMEs could ensure the sustainability of the actions initiated by PIDC. This sustainability is reinforced by considering the promotion of the entrepreneurial culture. The organization of the Business Plan Competition, the objective of which is to support technically and financially project leaders, will provide a network of MSMEs that can contribute to inclusive growth at the national level.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis

75. As part of project preparation, an economic and financial analysis (EFA) has been conducted across the project components to determine the value of the anticipated benefits relative to the associated costs. The Project Net Present Value (NPV) is estimated at US\$58.2 million at a 12 percent discount rate<sup>19</sup>, an Economic Rate of Return (ERR) of 28 percent, and a benefit to cost ratio (BCR) of 3.56. Information generated through the EFA has been used to refine details of the project design and are consistent with M&E targets and their associated timing.<sup>20</sup> Additionally, if a 10 percent multiplier is assumed from the overall sectoral gains resulting from enabling environment and regulatory improvements, such a multiplier effect would amount to about US\$5.8 million, for an aggregate NPV of US\$64.1 million. However, this multiplier effect does not factor into the project evaluation exercise.

<sup>19</sup> Discount rate: This is based on the risk-adjusted opportunity cost of capital for World Bank financing in The Union of Comoros.

<sup>20</sup> The full economic and financial analysis is available in the project files but not annexed to this PAD.



76. **Rationale for public intervention.** With its considerable endowments in a handful of traditionally farmed crops such as vanilla, ylang-ylang and cloves, Comoros has the potential to achieve substantial private sector-led growth. Other agricultural value chains, a burgeoning tourism sector, as well as logistics and transport, and over time, construction services are industries that would benefit from the positive feedback loops that a higher rate of growth would make possible. Underpinning this growth will be a strong enabling and regulatory environment that incentivizes participation in the formal economy, scale, entrepreneurship and diversification. In this context, the proposed Integrated Development and Competitiveness Project aims to achieve the required regulatory and institutional context for growth and enhance the competitiveness of selected sectors, as well as crowd in private investment by providing business plan support and financing, as well as some key public infrastructure that will in turn enhance private sector growth. Project design followed the MFD approach, by determining systematically the possibility to use private financing instead of public financing to realize the project's objectives. Public activities financed by the project are commensurate to the constraints to be removed to leverage private financing, and the nature of the intervention needed. For example, the project will open a matching grant facility for existing, high potential MSMEs that will incentivize private investment complemented with technical assistance on how to invest to begin to achieve benefits from the improved regulatory and infrastructure environment. It is expected that the combination of interventions will leverage a total of US\$2.4 million in private investment over the life of the project, attributable to it. Grant mechanisms included in the project are designed to: (i) support the de-risking of private investments where justified; and/or (ii) allow the internalization by private investors of externalities. Other project interventions are directly related to the provision of public goods that would facilitate private investments, but which themselves could not be viably provided with private sector participation, e.g., rehabilitation of critical infrastructure which enables key market linkages, removing substantial friction between key production regions and markets.

77. **Actions during implementation to revisit EFA at mid-term.** At mid-term, the project team will use current M&E data to evaluate the impact to date of the project. These actuals will be used to calculate an updated interim ERR and NPV. Given that much of the impact associated with the project will be visible in the years after closing, the interim ERR and NPV will most likely be negative; however, these values can be used to evaluate the quality of the original predictions during project design. Additionally, the EFA will be updated to reflect the mid-term realities of the project. This includes updating the expected ERR and NPV going forward based on actual data and using this information to qualify and assess potential changes to the project budget allocations and design.

78. **Impact of the project on the Borrower's financial situation.** The Union of Comoros is substantially resource constrained, and as such the project as designed would not contribute to Comoros' public debt or deficit. The project aims to provide technical assistance to the public sector, strengthen the regulatory and institutional regime, create and invest in private companies, and reduce its trade deficit by growing specific agricultural value chains and expanding income from tourism. As such, the project may lead to improved tax receipts for government, as well as a higher overall GDP growth rate.

### **World Bank's Value Addition**

79. The World Bank has substantial knowledge and experience in the design and execution of programs focusing on enabling environment reforms, sustainable and inclusive agriculture and tourism sector development, connectivity and infrastructure investments and grant-based funding for emerging and established companies in developing countries (including in fragile environments). In the PIDC, IDA will



be able to tap into this knowledge and resources to unlock the potential of agriculture, tourism, and transport, and promote the development of MSMEs. World Bank financing can complement what is available from the fiscally constrained Union of Comoros, as well as leverage its extensive international expertise in direct support to firms of various kinds. IDA will work with IFC to help engage the private sector and identify opportunities to leverage public financing. Additionally, the project will build capacity at the government level in their efforts to successfully grow the agriculture and tourism sectors in particular, and the economy in general, thereby accelerating tax receipts in the sector.

## **B. Fiduciary**

### **(i) Financial Management**

80. This project will be implemented by a dedicated Project Management Unit (PIU) anchored under the Ministry of Agriculture (MEAPE). The PIU will be responsible for the management of fiduciary aspects (including financial and accounting management) of the project. A Project Management Unit (PIU) will be created within MEAPE to implement the project. A financial management assessment of the MEAPE was carried out in December 2018 as part of the project appraisal process. The Assessment was carried out in accordance with the Directives and Policy for Investment Project Financing (IPF) and the Bank Guidance on FM in World Bank IPF Operations issued on February 28, 2017. The conclusion of the assessment is that subject to the proposed mitigation measures, the financial management arrangements within the MEAPE are acceptable and satisfy the Bank's minimum requirements as per Bank Directive and guidance.

81. The overall financial management risk has been assessed as Substantial due mainly to (i) the lack of experience in implementing WB projects, (ii) the high decentralization level of the project implying large-scale payment of subsidies (matching grants and Business Plan Competition). Some mitigation measures have been proposed and once implemented, they shall bring the residual risk to Moderate level.

82. The PIDC PIU will act as fiduciary agency given its experience in World Bank financed projects. PIU staffing is adequate with a Financial Management specialist and an Accountant familiar with World Bank procedures. The PIDC Unit is endowed with an appropriate fiduciary platform (staff, accounting system, manual of procedures, external audit arrangements). The PIU will: (i) recruit qualified FM staff and Internal Auditor, (ii) develop comprehensive FM procedures manual, and (iii) purchase an appropriate accounting system to accommodate the project in line with the minimum disclosure requirements necessary to accompany satisfactory manual book keeping. Further, this objective will be sustained by ensuring that the existing financial management system is maintained for the project throughout its duration. Detailed Financial Management reviews and support to the PIU financial and accounting team will also be carried out on a risk basis, either within the regular proposed supervision plan or a more frequent schedule if needed, to ensure that expenditures incurred under the project remain eligible. A financial management assessment of the implementing unit of the PIDC fiduciary unit has been carried out as part of project preparation, assessing financial management risk as being Substantial (see Annex 1).

### **(ii) Procurement**

83. As previously mentioned with regards to Component III, the project will be implemented by a dedicated Project Management Unit (PIU) anchored under the Ministry of Agriculture (MEAPE). Project preparation activities and the management of the Project Preparation Fund are coordinated by a Focal point of MEAPE. A procurement capacity assessment has been undertaken on the MEAPE. The procurement risk assessment revealed that the level of risk is HIGH due to the lack of experience in managing World Bank funds and the requirements for the application of the Bank's new procurement



framework. The focal point at MEAPE will be assisted by an FM specialist and a procurement specialist, which will be part of the PIU once established. The Project Preparation Advance will support the additional capacity building of the Ministry of Agriculture, and the World Bank's procurement team will continue to provide coaching and support as required. The PIU will benefit from additional procurement capacity building in view of the requirements of the Procurement Regulations for IPF Borrowers. When the establishment of the PIU is finalized a procurement assessment would be undertaken on the new PIU.

84. A Procurement Code was enacted in December 2011 but given the fact that its application is not yet in its entirety, it was agreed with the Borrower, during the preparation of the project, that the 'World Bank Procurement Regulations for IPF Borrowers' dated July 1, 2016, revised in November 2017 and August 2018 (the Procurement Regulations) will govern the Project procurement activities and Standard Procurement Documents (SPDs) will be used. The Project Implementation Manual will reflect the arrangements for the proposed project.

85. A Procurement Strategy for Development Projects (PPSD) which covers all project activities and an initial 18-month Procurement Plan<sup>21</sup> was developed during project preparation. After the project is approved by the Board it will be published on the CREF website and the Bank's external website. The Procurement Plan will be updated in agreement with the Bank at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The prior review thresholds governing the Procurement Plan are those included in the guidance note for prior reviews and issued by the Accredited Practice Manager (APM). The Project will use the World Bank's online procurement planning and tracking tools, Systematic Tracking of Exchanges in Procurement (STEP), to prepare, clear, and update its Procurement Plan and to carry out all procurement transactions.<sup>22</sup>

86. Procurement under the proposed operation will be guided by the following documents: (i) the 'World Bank Procurement Regulations for IPF Borrowers' dated July 1, 2016, revised in November 2017 and August 2018 (Procurement Regulations); and (ii) the World Bank's Anti-Corruption guidelines called "Guidelines on Preventing and Combatting Fraud and Corruption" revised as of July 1, 2016. The project's implementation manual (PIM) will be drafted in accordance with these documents and submitted to the Bank for approval. The PIM would also include complaint management system in accordance with the Annex III of the World Bank Procurement regulations for IPF Borrowers.

## C. Safeguards

### (i) Environment (including Safeguards)

87. **Project environmental category:** The project is classified as a Category B operation according to OP/BP 4.01 due to the environmental and social impacts are site specific, local, reversible and mainly temporary (during civil works only) and can be reduced to an acceptable level after adoption of specific mitigations measures. Four environmental and social safeguards policies are triggered: OP/BP 4.01

---

<sup>21</sup> The Procurement Plan specifies for each contract (a) a brief description of the activities/contracts, (b) the selection methods to be applied, (c) the estimated cost, (d) time schedules, (e) the World Bank's review requirements, and (f) any other relevant procurement information. Any updates of the Procurement Plan shall be submitted for the World Bank's approval.

<sup>22</sup> All goods and non-consulting services will be procured in accordance with the requirements set forth or referred to in Section VI. Approved Selection Methods: Goods, Works and Non-Consulting Services of the Procurement Regulations. Consulting services will be procured in accordance with the requirements set forth or referred to in Section VII. Approved Selection Methods: Consulting Services of the Procurement Regulations, to the Project Procurement Strategy for Development (PPSD) and the procurement plan approved by the World Bank.



(Environmental Assessment); OP/BP 4.09 (Pest Management), OP/BP 4.11 (Physical Cultural Resources) and OP/BP 4.12 (Involuntary Resettlement). The PIDC project is not expected to have long-term adverse environmental and social impacts in the project areas: likely adverse impacts include air, soil and water pollution, loss of vegetation, soil erosion, accident risks, potential loss of livelihoods and temporary involuntary resettlement required for future rehabilitation of rural roads and feeder roads; harm to potential chance finds of physical cultural resources; and health and safety risks on use of potentially harmful pesticides and other biocide products. Civil works may expose populations living in the project areas to risks of HIV/AIDS (for example in the case of a temporary influx of workers).

88. **Environmental and Social Management Framework:** Since the sub-projects to be financed by the project will be defined during implementation, the Government of Comoros has prepared an Environmental and Social Management Framework (ESMF) which was prepared to be used to screen sub-project proposals for environmental, social, gender, and health and safety impacts by using the ESMF screening form. The ESMF outlines an environmental and social screening process for future sub-projects to ensure that they are environmentally and socially sound and sustainably implementable. Prior to its commencement, and as soon as the implementation sites are identified, each subproject/activity will be screened as per the Environmental and Social Screening Form (ESSF) procedures detailed in the ESMF. The screening outcomes will determine the need to prepare a specific Environmental and Social Management Plan (ESMP) for the selected subprojects. The works of these selected subprojects will be executed with the environmental and social clauses in the respective enterprise contracts and with the required Contractor Environmental and Social Management Plans (CESMP). The public consultations and field visits have confirmed that the project activities will not affect any sites defined as physical cultural resources. For more assurance, the ESMF has made provisions for cultural resources management as well as for chance finds procedures for inclusion in the contractor's contract. Funds to prepare and implement these potential ESIA, ESMPs, have been included in the project costs.

89. **Integrated Pest Management Plan (IPMP):** Given the project's activities in agribusiness promotion, improving agricultural performance and agribusiness investments, the extensive use of pesticides to boost agriculture productivity is possible. In compliance with OP 4.09 (Pest Management), to ensure safe pest management, the project has prepared an Integrated Pest Management Plan. Project funds will not be used to purchase and distribute agrochemicals. The IPMP includes: (i) a survey on the use of pesticides and agronomic technical practices to reduce the impacts of pests on some agriculture value chains in each Island; (ii) actions to reduce the exposure of farmer groups to pesticides used in agricultural production systems; and (iii) capacity building program to be conducted to improve efficacy and reduce any risks on the possibility of agrochemical application and disposal. It is proposed to conduct training sessions to strengthen capacity of different actors (farmers, local vendors, regional agricultural agents, etc.) on the use, storage and disposal of agrochemical products with a coherent budget available in the project financing. It is proposed to apply FAO guidance in addition to O.P. 4.09 given the absence of National regulation on the management of pesticide currently.

90. **Environmental and social safeguards capacity building:** The implementation of this project will be under the MEAPE with the support of a dedicated project implementation unit (PIU). The project coordination unit, in close collaboration with the Ministry in charge of Environment, will be responsible for following up on all safeguards concerns and would also ensure that all safeguard screening and mitigation requirements to each subproject will be applied. One Environmental Specialist, and one Social Safeguard specialist will be recruited by the PIU to help oversee and ensure that the environmental and social safeguards mitigation measures are implemented, and due diligence are conducted. The screening of the



sub-projects will be undertaken by the safeguard environmental and social focal points hired in the project coordination unit team. The environmental and social safeguard focal point is responsible for the procurement of consultants to prepare the safeguards instruments, supervision of the consultants and monitoring of the implementation of the ESMPs, and RAPs in the project areas. The safeguard specialists will also ensure that all contractor contracts include environmental and social clauses (including a worker code of conduct, specific grievance redress mechanism, specific measures regarding gender-based violence), which are attached as an annex to the ESMF and will also be developed in the specific ESIA for the selected subproject sites during implementation in order to ensure adequate environmental and social management practices during construction and operation. Each activity requiring a safeguards instrument shall be subject to the Bank prior written approval and shall only be made eligible for Financing if and to the extent approved by the Bank and publicly disclosed.

**(ii) Social (including Safeguards)**

91. The project is classified as a Category B due to the moderate level of social risks and impacts of its foreseen activities, whose scope will be rather site specific, and thus easily manageable. The project is expected to bring positive social impacts to its beneficiary populations but may have some negative impacts for which specific mitigation measures are proposed in the safeguard instruments. The expected project activities trigger OP/BP 4.12 (Involuntary Resettlement).

92. **Policy triggered. The OP/BP 4.12-Involuntary Resettlement** is triggered as project activities planned under Component II such as road rehabilitation and the rehabilitation/extension of water supply infrastructure have the potential to cause direct and/or indirect resettlement impacts. It is not anticipated that the project will lead to significant land acquisition or significant restrictions on access to sources of livelihood. However, some planned infrastructure (mainly water supply and rural road rehabilitation) may lead to land acquisition. Because of the low population density in rural areas of the Union of Comoros, the risk of physical resettlement is assessed as moderate, although there may be potential economic displacement or loss of assets. Since the precise locations and the exact nature of the project interventions will be determined during implementation, the project has prepared a Resettlement Policy Framework (RPF). The RPF will guide the MEAPE in the preparation of Resettlement Action Plan(s) (RAP) to mitigate potential negative impacts once specific sites for activities are identified. The instrument has been prepared, consulted upon and disclosed in country, as well as on the World Bank external website.

93. **Workers mobilization.** The rehabilitation/construction/maintenance of road rehabilitation or civil works related to component 1 could be subject to the mobilization of external contractors. Based on the relatively small scale of the planned interventions, it is not expected that a large mobilization of workers will be necessary. Nevertheless, the ESMF of the project was developed to cover worker mobilization issues and health security and safety measures for workers.

94. **GBV prevention.** The Gender-based violence (GBV) risk for the project was assessed as low. Indeed, the project will pay attention to prevent and address possible GBV or cases of SEA because of mobilization of short-term workers close to local communities mainly during the road rehabilitation. The World Bank GBV screening tool will be applied to identify potential risks, including in agriculture and tourism infrastructure, and MSMEs subprojects. Measures developed in the ESMF to address these challenges include: (a) a continuous assessment of labor influx risks; (b) a requirement that the borrower includes clauses on workers' conditions and management, child protection, and GBV prevention in all contracts; (c) provision of technical assistance and training to the borrower and awareness raising on GBV among all contractors, workers, and local residents; and (d) the setup of an accessible and accountable Grievance



Redress Mechanism (GRM) to ensure that any incident related to workers and GBV will be addressed in an effective manner with sufficient social sensibility. The PIM will cover worker GBV/SEA issues.

95. **Social inclusion, Gender equality and Citizen Engagement:** During implementation, the project will use a participatory approach, involving stakeholders in design and planning for implementation. Gender and vulnerability issues have been factored into design (particularly regarding proactive targeting of female beneficiaries in Component 2), and the project is meant to bring more value to women, youth and elderly people, both with regards to IDPs, as well as their local hosts.

96. **Citizen Engagement in the Project Cycle.** The project will include a citizen engagement review mechanism, conducted by the Project Management Unit. This approach already initiated during project preparation will include consultations that measure: (i) the level of satisfaction of the population affected by the project, (ii) feedback from beneficiaries in the selection of specific interventions, and (iii) empowerment of citizens who report satisfaction with the project in the project area. In addition to the Bank's Grievance Redress Service (GRS), the project will prepare and adopt a project-level grievance redress mechanism (GRM). The GRM will address all project-related complaints at local, regional and national level, including, but not limited to: (i) corruption, (ii) the non-respect of the rights of direct project beneficiaries; and (iii) resettlement issues; and (iv) gender-based violence and labor issues. As part of its M&E on citizen engagement, the project will track the satisfaction rating from project beneficiaries (administered through a survey questionnaire) as well as the percentage of complaints addressed on time.

97. **Public Consultation and Disclosure of Safeguards Instruments:** To facilitate safeguards understanding and implementation, public consultations during the preparation of safeguards documents were undertaken in project areas in Grand Comore, Anjouan, and Moheli in February 2019 with government and project stakeholders. The ESMF, RPF and IPMP were disclosed in the country, as well as at the Bank external website on April 10, 2019. Each of these instruments, requires a participatory Grievance Redress Mechanism, well-grounded in local practices, that PAPs and stakeholders could use to seek redress.

#### **Other Safeguard Policies (if applicable)**

98. No other safeguards policies are triggered.

#### **Grievance Redress Mechanisms**

99. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).



## V. KEY RISKS

100. **The overall risk is rated high, reflecting the fact that the PIDC is an ambitious and complex operation that requires strong ownership and coordination capacity across multiple levels of stakeholders and beneficiaries, in the context of weak institutional capacity and fragility.** The project results and sustainability are linked to several factors, namely:

- **Political and Governance (High):** New elections took place in March 2019, following the approval of the constitutional referendum held on July 30<sup>th</sup>, 2018. These new developments present a high risk to the project in terms of coordination, implementation and institutional anchoring.
- **Macroeconomic (Substantial):** The fragility of the macroeconomic framework in Comoros, may adversely impact the Bank's portfolio and could lead to social or political resistance to reform.
- **Sector Strategy and Policies (Substantial):** The strategic importance of the private sector agenda is well understood by key members of the government and the private sector, as well as development partners. During project preparation, the team confirmed the presence of strong demand from private stakeholders for the proposed interventions. However, the Government may unexpectedly introduce sector specific or broader policies that may induce distortion in sectors where the project plans to intervene resulting in further regulatory uncertainty and mixed messages within the business community.
- **Technical Design of Project or Program (Moderate):** The project includes specific features to mitigate risks and ensure long term sustainability, such as: demand-driven selection of targeted value chains and beneficiary MSMEs, continued stakeholder consultations and public-private dialogue during implementation, recruiting private firms/NGO to manage the MSME grant mechanism and Business Plan Competition, establishing an inclusive Project Steering Committee, providing capacity building for business development service providers and financial institutions, recruiting private sector firms to manage the shared infrastructure financed under the project.

**Institutional Capacity for Implementation and Sustainability (High):** The main risks to the effective implementation of PIDC are related to the recent change of the institutional environment and the probability of coordination failures (given the complexity of the reform agenda involving a multi-pronged approach). The organizational weakness of the private sector and lack of trust vis-à-vis the public sector may also hinder support for the advocacy necessary to further advance the reform program. The limited implementation capacity of Government agencies and the sensitivity of reforms constitute a main risk for the implementation of regulatory reforms under component 1.

- **Fiduciary, Environment and Social (Substantial):** This operation presents significant implementation and coordination risks, considering the weak capacity on fiduciary management, as well as social and environmental safeguards. The lack of reliable data may limit the availability of information necessary to adequately evaluate and supervise project



performance during implementation. A monitoring and evaluation framework which will include a strong management of information system and data collection mechanism will be established to improve data collection during project implementation.

Stakeholders (Moderate): The governance and institutional environment presents significant risks of capture by politically connected public or private stakeholders. In particular this could be more pronounced with component 2 where it has been shown that connected private parties show a tendency for capturing subsidies and other business development services provided by the project (this represents an additional socioeconomic risk as some stakeholders may be left out of the value chain development schemes). Project design mitigates this risk by applying clear selection criteria for beneficiaries (including through a private-public grant selection committee), close fiduciary supervision by the PIU, and recruiting an experienced private sector firm/NGO to administer the Component 2 grant mechanism.



**VI. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

**COUNTRY: Comoros**

**Integrated Development and Competitiveness Project**

**Project Development Objectives(s)**

To promote the development of Micro, Small and Medium Enterprises (MSMEs) and relevant value chain actors in the agriculture, tourism and associated sectors in Comoros

**Project Development Objective Indicators**

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>To promote the creation and growth of MSMEs and relevant VC actors in targeted sectors in Comoros</b>								
Increased revenue among beneficiary start-ups, MSMEs and Value Chain actors (Percentage)		0.00			10.00	20.00	30.00	30.00
Increase in volume of sold raw and processed agriculture products by project beneficiaries (% disaggregated by farmers and cooperatives for selected indicative crops and livestock products) (Percentage)		0.00			5.00	15.00	25.00	25.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Number of jobs created by beneficiary start-ups, MSMEs and Value Chain actors (# disaggregated by female and youth) (Number)		0.00			500.00	1,000.00	1,600.00	1,600.00
Value of private finance catalyzed (Amount(USD))		0.00			500,000.00	1,000,000.00	2,000,000.00	2,000,000.00

**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Value Chain Development in Priority Sectors</b>								
Agriculture investment plan adopted by government (Y/N) (Yes/No)		No	No	No	Yes	Yes	Yes	Yes
Agriculture Data Unit Established and Operational (Yes/No)		No	No	No	Yes	Yes	Yes	Yes
Number of tourism investment promotion campaigns conducted (Number)		0.00		1.00	2.00	3.00	4.00	4.00
Number of multi-service platforms for export crops and livestock established or upgraded (Number)		0.00		1.00	3.00	5.00	7.00	7.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Number of Trained livestock and crop technicians (Number)		0.00		25.00	50.00	75.00	100.00	100.00
Number of farmers benefitting from enhanced services and assets (Number)		0.00		500.00	3,000.00	6,000.00	9,000.00	9,000.00
Increase in yield per hectare, selected indicative crops (disaggregated by gender). (Percentage)		0.00			5.00	15.00	25.00	25.00
Cooperatives established, registered, or received training (number, disaggregated) (Number)		0.00			10.00	20.00	30.00	30.00
Increase in volume of chilled milk collected and transported to market (%) (Percentage)		0.00			5.00	15.00	25.00	25.00
Operational cold-storage, dry storage and warehouse facilities (number, disaggregated) (Number)		0.00			3.00	6.00	10.00	10.00
Feeder roads/agriculture paths and drainage rehabilitated (km) (Kilometers)		0.00		5.00	10.00	20.00	30.00	30.00
<b>Direct support to firms</b>								
Number of established firms/cooperatives that receive matching grants, with breakdown for		0.00			100.00	200.00	300.00	300.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
women-owned companies (Number)								
Percentage of women-owned companies that received matching grants (Percentage)		0.00		10.00	20.00	30.00	40.00	40.00
Number of young entrepreneurs who receive cash grants or technical assistance (Number)		0.00	0.00	0.00	30.00	60.00	100.00	100.00
Number of beneficiaries in the business development services capacity building program (Number)		0.00	0.00	0.00	30.00	60.00	100.00	100.00
Satisfaction rating by project beneficiaries administered through a survey questionnaire (%) (Citizen Engagement) (Percentage)		0.00			75.00	75.00	75.00	75.00
Percentage of complaints responded and/or resolved within the stipulated standard for response times. (Citizen engagement) (Percentage)		0.00		75.00	100.00	100.00	100.00	100.00

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Increased revenue among beneficiary start-ups, MSMEs and Value Chain actors	Increase in annual turn over by firms benefitting from project activities	Annual	PIU	Survey of beneficiaries	PIU
Increase in volume of sold raw and processed agriculture products by project beneficiaries (% disaggregated by farmers and cooperatives for selected indicative crops and livestock products)	Increase in volume of sold raw and processed agriculture products by project beneficiaries (% disaggregated by farmers and cooperatives for selected indicative crops and livestock products)	Annual	PIU	Survey of beneficiaries	PIU
Number of jobs created by beneficiary start-ups, MSMEs and Value Chain actors (# disaggregated by female and youth)	This indicator measures the number of jobs created by beneficiaries of the business plan competition, value chain actors and the matching grant (technical and financial support) facility provided under Component 2	Annually	PIU	Survey of beneficiaries	PIU
Value of private finance catalyzed	Amount of investment made by beneficiaries of the business plan competition and matching grant facility under Component 2 and the Challenge Fund under Component 1.3	Annual	PIU	Survey of beneficiaries	PIU

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Agriculture investment plan adopted by government (Y/N)	Adoption of agriculture investment plan by Government	by project mid term	PIU	PIU report	PIU
Agriculture Data Unit Established and Operational	Agriculture Data Unit Established and Operational	by Mid Term review	PIU	PIU report	PIU
Number of tourism investment promotion campaigns conducted	Number of tourism investment promotion campaigns conducted	Annually	PIU	PIU report	PIU
Number of multi-service platforms for export crops and livestock established or upgraded	Number of value chain platforms for export crops and livestock established or upgraded	Annual	PIU	PIU report	PIU
Number of Trained livestock and crop technicians	Number of Trained livestock and crop technicians	Annual	PIU	PIU report	PIU
Number of farmers benefitting from enhanced services and assets	Number of farmers benefitting from enhanced services and assets	Annual	PIU	PIU report	PIU
Increase in yield per hectare, selected indicative crops (disaggregated by gender).					
Cooperatives established, registered, or received training (number, disaggregated)	Cooperatives established, registered, or received training (number, disaggregated)	Annual	PIU	PIU report	PIU



Increase in volume of chilled milk collected and transported to market (%)	Increase in volume of chilled milk collected and transported to market (%)	Annual	PIU	PIU report	PIU
Operational cold-storage, dry storage and warehouse facilities (number, disaggregated)	Operational cold-storage, dry storage and warehouse facilities (number, disaggregated)	Annually	PIU	PIU report	PIU
Feeder roads/agriculture paths and drainage rehabilitated (km)	Number of kilometers of feeder roads rehabilitated	Annual	PIU	PIU report	PIU
Number of established firms/cooperatives that receive matching grants, with breakdown for women-owned companies	Number of established firms/cooperatives that receive matching grants, with breakdown for women-owned companies	Annual	PIU	PIU report	PIU
Percentage of women-owned companies that received matching grants	Percentage of women-owned companies that received matching grants	Annual	PIU	Survey	PIU
Number of young entrepreneurs who receive cash grants or technical assistance	Number of young entrepreneurs who receive cash grants or technical assistance	Annual	PIU	PIU report	PIU
Number of beneficiaries in the business development services capacity building program	Number of beneficiaries in the business development services capacity building program	Annual	PIU	PIU report	PIU
Satisfaction rating by project beneficiaries administered through a survey questionnaire (%) (Citizen Engagement)	Satisfaction rating by project beneficiaries administered through a survey questionnaire (%) (Citizen Engagement) o Out of which female beneficiaries	Annual	PIU report	Survey of beneficiaries	PIU



---

	<ul style="list-style-type: none"><li>o Out of which young entrepreneurs</li><li>o Out of which MSMEs beneficiaries</li><li>o Out of which BDS providers</li></ul>				
Percentage of complaints responded and/or resolved within the stipulated standard for response times. (Citizen engagement)	Complaints related to all activities of the project registered by the GRM and addressed on time.	Bi-annual	PIU	PIU Report	PIU (Safeguard specialist)

---



## ANNEX 1: Implementation Arrangements and Support Plan

### Project Institutional and Implementation Arrangements

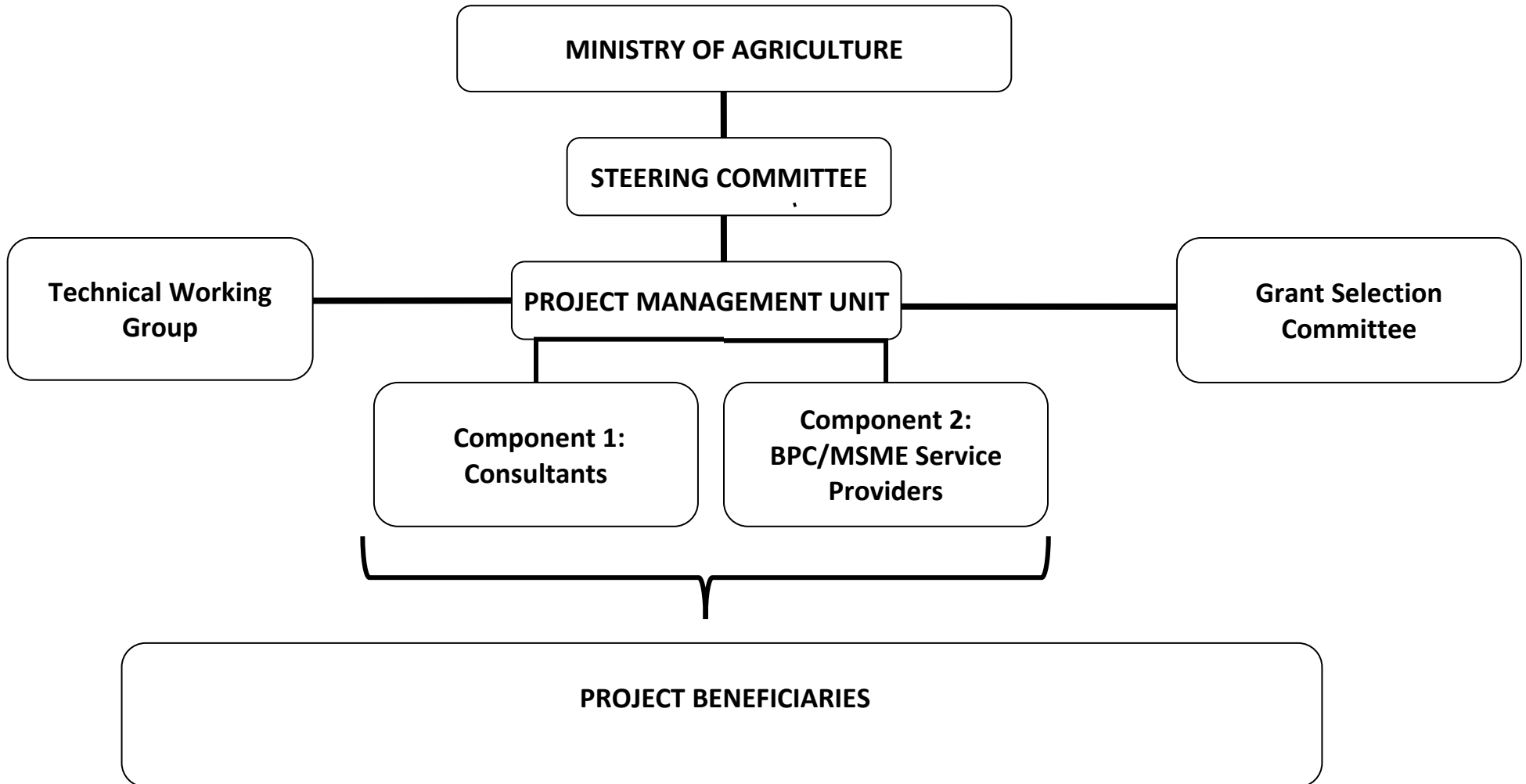
1. The proposed institutional arrangements for this project include the following oversight and implementing bodies (see chart below): (i) a steering committee; (ii) a project management unit (iii) service providers for Components 1 and 2 (private, NGOs).
2. Steering Committee: A steering committee will be officially set up before project effectiveness. It will be chaired by the Ministry of Agriculture (MEAPE) and will also include representatives of key ministries (Ministry of Finance, Ministry of Economy, Ministry of Tourism, Ministry of Transport, public agencies (e.g. ANPI), and civil society and private sector (e.g. Chamber of Commerce and representative from youth and gender-based entrepreneurship associations). The Steering Committee will be responsible for the strategic direction, operational oversight, communication and overall governance of the project. It will be supported by a technical working group comprising focal points from the different ministries and public and private agencies involved in project implementation.
3. Project Management Unit (PIU): Project implementation will be led by a Project Management Unit (PIU) whose staff will be recruited on a competitive basis, anchored within the Ministry of Agriculture. The PIU will be structured to include adequate functional (coordinator, financial management, internal auditor, procurement, accountant, safeguards), and technical coverage (value chain development, MSMEs). Financial and accounting management and procurement will be provided by the PIU, in accordance with the financing agreement, the project implementation manual and the World Bank guidelines. Procurement will be in accordance with the World Bank's new procurement framework of July 2016. The project's fiduciary team will receive technical assistance from the World Bank for effective implementation of the framework. Dedicated environmental and social safeguards specialists will be hired to provide needful safeguards support during the project life cycle. Communication experts will implement the communication strategy validated by the steering committee and developed with all the stakeholders.
4. Grant Facility Selection Committee and Service providers for Component 2: With regard to Component 2, a Grant Facility selection committee will be set up and co-chaired by the head of the PIU and the private sector and will be composed of independent experts from the private sectors, including commercial banks, entrepreneurs, industry professionals, investors and Chambers of Commerce. Its main task will be to provide strategic guidance on the implementation of the components, review applications, pre-select firms and finalize selection processes of eligible firms. The PIU will recruit service providers (SP) for the implementation of activities under component 2 (business plan competition grants and matching grants for MSMEs). The SP will be a competitively selected private consultancy firm with its own management team composed of a coordinator and experts recruited from the private sector with experience in the provision of BDS for MSME, training, sector specific experience in the targeted industries. Procedural, governance and internal controls will be designed to reduce redundant steps associated with the award of grants under component 2. These types of issues will be addressed early on to avoid unnecessary and detrimental delays and ensure smooth and efficient roll out the service. Other types of activities of the SP will include the promotion and marketing of the grants and initiatives designed



to leverage the direct assistance provided to beneficiary firms. The same principle will apply to the Business Plan competition facility. Proceeds from the PIDC will finance the day to day operations of the grant selection committee. In addition, resources will be allocated to ensure adequate monitoring and evaluation of the output and results of component 2 to track the following, but not limited to: sales of beneficiary firms; number of beneficiary firms; satisfaction survey of beneficiary firm; improvement/introduction of new Product; acquisition of new markets; partnership between beneficiary firms and larger strategic buyers / investors.



## Project Institutional Arrangements





## Financial Management and Disbursement

5. **Country Issues.** The overall country fiduciary risk is high. A Public Expenditure and Fiscal Management Review was finalized in October 2016 and concluded that there had been a degree of improvement in public financial management since the previous assessment done in 2007. However, the PEFA<sup>23</sup> assessment also identified several gaps in the areas of budget credibility, completeness and transparency, execution, and control. The Government has been pursuing a program of public financial management (PFM) reforms since 2010 and the Ministry of Finance is committed to modernizing the PFM system through the implementation of the PFM Strategy for 2010-2019. The PFM Strategy is a comprehensive response by the authorities to address the weaknesses of their PFM system, as identified by the previous PEFA assessment and recommendations from development partners, including France, the European Union, the International Monetary Fund and the World Bank.

### 6. **Financial Management Arrangements for the Project.**

- **Budgeting and planning:** Budget arrangements will be described in the FM procedures manual to be developed. The MEAPE will prepare the annual budget which will be approved by the Project Steering Committee. The periodic variance analysis will enable the timely identification of deviations from the budget. These reports will be part of the interim unaudited financial reports (IFRs) that will be submitted to the Association on a quarterly basis.
- **Accounting:** The MEAPE will acquire an appropriate accounting software for the preparation of the quarterly interim financial reports, the annual financial statements and the daily monitoring of the project financial transactions.
- **Internal controls / FM procedures manual:** The FM procedures manual will develop the procedures governing the budgeting, accounting, reporting, auditing procedures, contract management as well as the flow of funds applicable to the project. The MEAPE will also develop a specific manual for matching grants procedures. The MEAPE will periodically review the manual over the project life to ensure their continuing adequacy and compliance with the requirements set out therein.
- **Internal audit:** The MEAPE will recruit a qualified internal auditor (IA) to support the existing control department. The IA will continuously review the governance, risk management and control over the project's activities. A risk-based audit program will be submitted to the bank for review. During the project implementation, the IA will prepare after each audit a report to be submitted to the Project Steering Committee. The reports will be shared with the Bank.
- **Financial reporting:** The MEAPE will prepare quarterly un-audited IFRs for the project, the report format will be agreed with the Bank. These IFRs will be submitted to the Bank within 45 days after the end of the quarter to which they relate. The annual financial statements will be prepared using internationally accepted accounting standards. At the end of each fiscal year, the project will prepare annual financial statements which will be subjected to an external audit.
- **Staffing:** The MEAPE will recruit a senior accountant with qualifications and experience acceptable to carry out the financial management activities of the project. The senior accountant

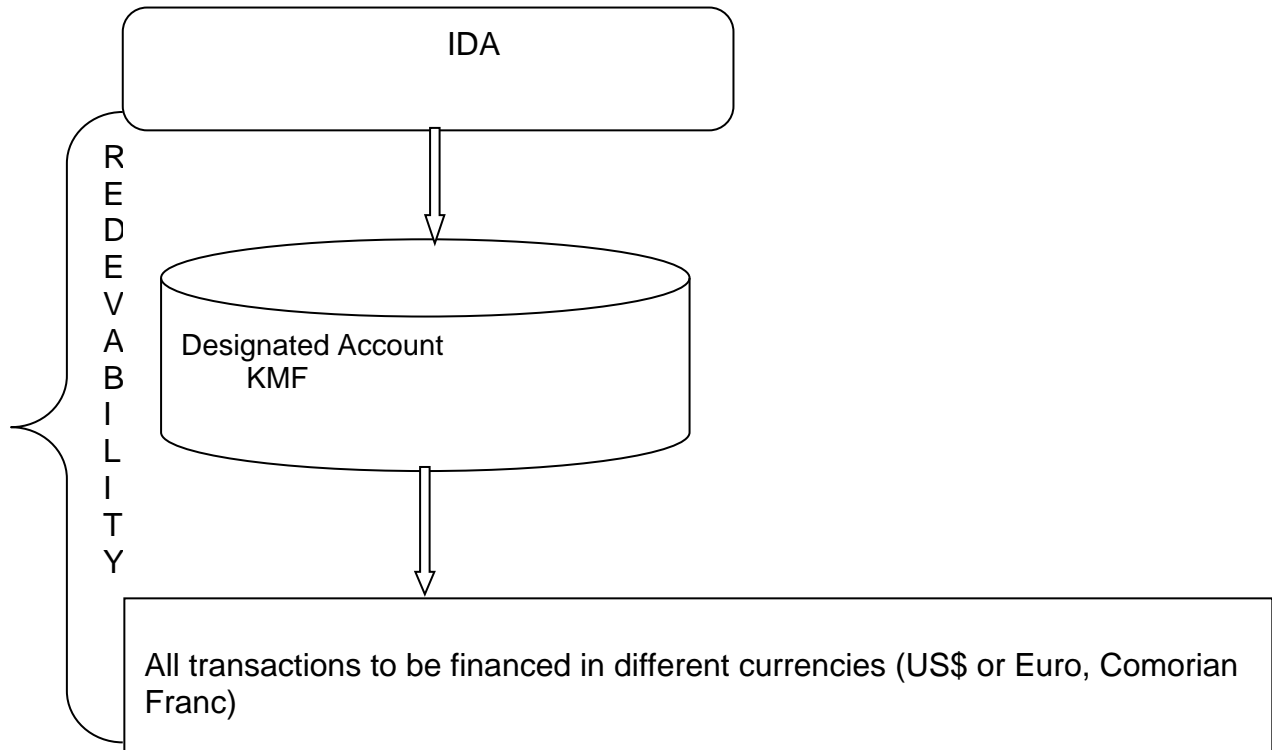
---

<sup>23</sup> PEFA: Public Expenditure and Financial Accountability



will be supported by an Accountant.

- **Flow of Funds - Designated Account.** The Designated Account (DA) is denominated in local currency KMF (Franc Comorien) to receive funds from the Bank. This account will be opened at an acceptable commercial bank to enable payment of eligible expenditures.



- **Disbursement arrangements.** Transaction-based disbursements will be used. An initial advance up to the ceiling of the DA and representing four months forecasted project expenditures payable through the DA will be made into the DA and subsequent disbursements will be made monthly against submission of the Statement of Expenditures (SOEs) or other documents as specified in the Disbursement and Financial Report Information Letter (DFIL).
- **External Audit:** The project accounts will be audited annually, and the audit report will be submitted to the World Bank no later than 6 months after the end of each financial year. At the time of this appraisal, there is no overdue audit report for the sector. The Project will comply with the Bank disclosure policy on audit reports (including making publicly available, promptly after receipt of all final financial audit reports (including qualified audit reports) and place the information provided on the official website within one month of the report being accepted as final by the Association.
- **Supervision plan:** Based on the current overall FM risk, the project will be supervised twice a year, in addition to routine desk-based reviews and FM regular meeting, to ensure that Project's FM arrangements operate as intended and that funds are used efficiently for the intended purposes.



**7. FM Risk assessment and mitigation.** The content of these risks is described in the table below:

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
<b>Inherent risk</b>	H			S
<b>Country level:</b> The MEAPE system mirrors the Central level PFM system and its weaknesses resulting in the risk of lack of transparency and accountability in the use of public funds.	H	The Government of Comoros is committed to implement further reforms of the country's PFMs (with support from the development partners)	N	H
<b>Entity level:</b> Financial management requirements not met, weak financial management capacity	H	The MEAPE will recruit financial management staff that possesses adequate experience and competence.	Y	S
<b>Project level:</b> The resources of the project may have been distracted due to weak control environment	S	The MEAPE will comply with the internal control processes as set out in the FM procedure manual. The internal audit unit will also continuously review the adequacy of internal controls and make improvement recommendations.	N	S
<b>Control Risk</b>				
<b>Budgeting:</b> Weak budgetary execution and control leading to budgetary overruns or inappropriate use of project funds.	S	The FM manual (part of the PIM) will spell out the budgeting and budgetary control arrangements to ensure appropriate budgetary oversight. The budget follow-up will be documented in the quarterly IFR. The matching grants procedures will be developed in a separate manual.	Y	S
<b>Accounting:</b> Reliable and accurate information not provided to inform management decision	S	The MEAPE will recruit suitably qualified and experienced FM personnel to ensure appropriate performance of the accounting and financial management functions. The financial reporting processes will be facilitated by the utilization of appropriate computerized accounting systems.	N	M
<b>Internal Control:</b> Business process, role and responsibilities within the project is not clear leaving to ineffective of control.  Delay in the project implementation due to weaknesses in contract management	H	The FM Procedures Manual will be reviewed to ensure continuing adequacy over the course of the project life.  The manual will contain all the key internal control processes pertaining to the various project activities.  The FM procedures will establish robust contract management	N	S



		procedures.		
<b>Funds Flow:</b> Inappropriate Funds arrangements may lead to non-financing of the project activities. Delay (payment and replenishment of funds) due to the lack of experience in managing WB financed project	S	The process leading to payment will be well described in the financial manual and monitored to mitigate the risk of the use of funds for unintended purposes.	N	S
<b>Financial Reporting:</b> The project may not be able to produce the financial reports required in a timely manner as required for project monitoring and management	M	The MEAPE will recruit qualified financial management personnel that possess adequate experience and competence. The MEAPE will use appropriate computerized accounting that will enable the efficient and timely generation of financial information.	N	M
<b>Auditing:</b> Delays in submission of audit reports. Poor quality of audit report	S	The auditor will be recruited early. The computerized accounting system will lead to timely generation of IFRs and financial statements. The Union of Comoros does not have a professional accountancy body recognized by IFAC <sup>24</sup> . Hence, the external auditor recruitment will be opened at international level and only qualified external auditors will be short-listed	N	M
<b>Governance and Accountability:</b> Possibility of corrupt practices including bribes, abuse of administrative & political positions, mis-procurement and misuse of funds etc., are a critical issue.	S	Robust FM arrangements, Bank FM and procurement supervisions. Effective internal control arrangements.	N	M
<b>Overall FM risk</b>	S			S

8. **Financial Management Action Plan.** The Financial Management Action Plan described below has been developed to mitigate the overall financial management risks.

Remedial action recommended	Responsible Entity	Completion date	Effectiveness Conditions
Recruit qualified internal auditor	MEAPE	No later than 3 months after the effectiveness	No
Recruit qualified staff including senior accountant and an Accountant,	MEAPE	Effectiveness	Yes
Develop FM procedures manual (as part of the PIM)	MEAPE	Effectiveness	Yes

<sup>24</sup> IFAC – International Federation of Accountants



Category	Amount of the Loan Allocated (in US\$ million)	Percentage of Expenditures to be financed (inclusive of Taxes)
1. Goods, works, non-consulting services, consulting services, Training, and Incremental Operating Costs for Parts 1, 2 and 3 of the Project (except sub-project Grants under Part 2 of the Project)	15.75	100%
2. Sub-project Grants under Part 2 of the Project	6.75	100%
3. Refund of the Preparation Advance	2.5	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	25	

**Procurement**

9. The procurement of goods, non-consulting, and consulting services for the project will be carried out in accordance with the procedures specified in the ‘World Bank Procurement Regulations for IPF Borrowers’ dated July 2016 and revised November 2017 and August 2018 under the NPF (Procurement Regulations), and the World Bank’s ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’ (dated July 1, 2016), as well as the provisions stipulated in the Financing Agreement.

10. All goods, and non-consulting services will be procured in accordance with the requirements set forth or referred to in the Section VII. Approved Selection Methods: Goods, Works, and Non-Consulting Services of the Procurement Regulations, and the consulting services will be procured in accordance with the requirements set forth or referred to in Section VII. Approved Selection Methods: Consulting Services of the Procurement Regulations, the PPSD, and the Procurement Plan approved by the World Bank.

11. A PPSD was prepared with World Bank support to ensure the procurement activities are packaged and prepared in such a way that they expedite implementation taking into account (i) the market analysis and the related procurement trends, and (ii) the procurement risk analysis. This PPSD includes the recommended procurement approaches for the project reflected in the approved Procurement Plan covering the first 18 months of the project implementation. The table below summarizes the various procurement methods to be used for main activities financed by the proposed IDA credit.

**Procurement methods**

Type of Procurement	Selection Methods
Goods and Non-Consulting Services	Request for Proposals, Request for Bids, Request for Quotations, and Direct Selection
Consulting Services	Quality Cost Based Selection, Fixed Budget Based Selection, Least Cost Based Selection, Quality Based Selection, Consultant’s Qualification Based Selection, Direct Selection, and Selection of Individual Consultants.

12. **Procurement Plan.** The Procurement Plan, including its updates, shall include for each contract (a) a brief description of the activities/contracts; (b) the selection methods to be applied; (c) the cost estimates; (d) time schedules; (e) the World Bank’s review requirements; and (f) any other relevant procurement information. The Procurement Plan covering the first 18 months of the project implementation was prepared and approved by the World Bank. Any updates of the Procurement Plan shall be submitted for World Bank approval. The recipient shall use the World Bank’s online procurement



planning and tracking tools (STEP) to prepare, clear, and update the Procurement Plans and manage all procurement transactions and related documentation.

13. **Institutional arrangements for procurement.** The PIU will be responsible for the implementation of PIDC. It will be staffed with qualified and experienced staff to manage the project and will draw on the experience and expertise developed by the PIDC Coordination Unit, which had a satisfactory experience in procurement of the project co-financed by the World Bank. In view of the challenges to be met and for a good mastery of the New Procurement Framework, the PIU will at its request benefit from direct and ad hoc technical assistance from the World Bank for the implementation of procurement activities.

14. **Procurement risk assessment.** Given the (a) country context and associated risk; and (b) the fact that this project will be implemented under the World Bank’s New Procurement Framework, the procurement risk is rated **high**.

15. The prevailing risk can be improved to substantial if the corrective measures identified in table 2 are implemented.

**Procurement Action Plan Corrective Measures**

Ref	Tasks	Responsibility	Due Date
1	Recruit at least, one qualified and experienced staff for the procurement unit within the PIU.	PIU	After kick-off / effectiveness
2	Train all the procurement staff on the World Bank’s New Procurement Framework (online courses and face-to-face courses) and on the use of Systematic Tracking of Exchanges in Procurement (STEP) tools, which will be used to manage all procurement transactions and related documentation.	PIU World Bank	Three months after effectiveness
3	Organize a launch workshop involving all stakeholders.	PIU	Three months after effectiveness
4	Develop a contract management system to ensure that all contracts under the project are effectively and efficiently managed.	PIU	Continuously
5	Develop a project implementation manual (including administrative procedures, financial management and procurement)	PIU	Effectiveness
6	Develop an implementation manual of administrative procedures, financial management and procurement for Component 2 (grants)	PIU	Disbursement condition for Grants Category (Component 2)



**Procurement Reviews and Thresholds**

**Thresholds for Procurement of Goods and Non-Consulting Services and Consulting Services**

	Procurement Type	Prior Review Threshold (US\$)	Comments
1	Goods and Non - consultant Services	Above 1,500,000	All
2	Consulting Services firm	Above 500,000	All
3	Individual Consultant	Above 200,000	All

16. **Frequency of procurement supervision.** In addition to the prior review to be carried out by the World Bank, at least two implementation support missions will be carried out annually, including field visits to be carried out for post review of procurement actions. As agreed with the Government, contracts will be published on the web through STEP. Annual compliance verification monitoring will also be carried out by an independent consultant and will aim to (a) verify that the procurement and contracting procedures and processes followed for the project were in accordance with the Financing Agreement; (b) verify technical compliance, physical completion, and price competitiveness of each contract in the selected representative sample; (c) review and comment on contract administration and management issues as dealt with by the PIU; (d) review capacity of the PIU in handling procurement efficiently; and (e) identify improvements in the procurement process in light of any identified deficiencies.

**Environmental and Social (including safeguards)**

17. PIDC is classified in the EA Category B, as the environmental and social impacts of the project are expected to be moderate with no negative irreversible impacts. The intervention zone concerns rural, urban and peri-urban agglomerations and production zones in Comoros and the environmental and social impacts are related to component 2 of the PIDC through the sub-projects that will be supported.

18. To improve or mitigate the effects of these sub-projects, an environmental and social management plan has been developed with the following main objectives:

- serve as a guide for the different project stakeholders to identify the positive and negative impacts of the different activities;
- define the guidelines for the different actors on the desirability and nature of the environmental assessments to be undertaken;
- provide criteria for how to formulate mitigation measures;
- enable the preparation of a monitoring and evaluation plan for mitigation measures;
- build capacity within structures involved in the process of identifying, assessing and monitoring environmental and social impacts.

19. The ESMF will include: recommendations for environmental and social management; the monitoring and follow-up plan, and the budget to ensure effective management of environmental impacts. To be effective, the environmental and social management plan must be fully integrated into the overall project management effort at all levels. It must be considered during the cycle. The ESMF will be included in the Project Implementation Manual. The PIDC PIU, in coordination with the Ministry in charge of Environment will be responsible for the implementation of the ESMF.



20. Citizen Engagement in the Project Cycle. The project will include a citizen engagement review mechanism, conducted by the Project Management Unit. This approach already initiated during project preparation will include consultations that measure: (i) the level of satisfaction of the population affected by the project, (ii) feedback from beneficiaries in the selection of specific interventions, and (iii) empowerment of citizens who report satisfaction with the project in the project area. In addition to the Bank's Grievance Redress Service (GRS), the project will prepare and adopt a project-level grievance redress mechanism (GRM). The GRM will address all project-related complaints at local, regional and national level, including, but not limited to: (i) corruption, (ii) the non-respect of the rights of direct project beneficiaries; and (iii) resettlement issues; and (iv) gender-based violence and labor issues. As part of its M/E on citizen engagement, the project will track the satisfaction rating from project beneficiaries (administered through a survey questionnaire) as well as the percentage of complaints for addressed time.

### **Monitoring and Evaluation**

21. The project will establish an M&E and impact evaluation system that will collect data in a timely manner to enable the adoption of corrective measures. The M&E framework of the project will be also described in detail in the Project Implementation Manual and is based on the following: (i) the program result chain and underlying assumptions of theory of change; and (ii) compliance with the World Bank requirements including the selection of key core indicators as well as specific indicators for gender and civic engagement. The project outcomes and impacts will be evaluated through the PDO and intermediate level indicators that will be defined in the result framework (Section VII) during project preparation against a baseline survey that is expected to be carried out before the project is effective, using a Project Preparation Fund. The project indicators will also be selected based on the SMART principles (specific, measurable, attainable, realistic and time-bound) with the technical experts. The baseline, mid-term and final survey will be conducted by external service providers.

22. The monitoring of program outputs will be conducted by the Project Management Unit (PIU) in partnership with the various entities that will be contracted to provide specific services. The PIU will be responsible for data consolidation, quality control, and analysis and reporting, which will be tracked through a Management and Information System (MIS). The sources of information for the M&E system will be: (i) reports from the participatory M&E workshops with the beneficiaries; (ii) the reports of service providers and executives of the PIU; (iii) specific impact and evaluation studies carried out by consulting firms, institutions or independent consultants; (iv) the financial monitoring and internal control management reports of the PIU; and (v) reports from World Bank support and oversight missions. A specialized training will be provided to the hired M&E Specialist to build the PIU capacity around M&E. The PIU will also oversee communicating the monitoring information to the Project Steering Committee chaired by Ministry of Energy, Agriculture, Environment and Fisheries (MEAPE) to feed the national M&E system.

### **Role of Partners (if applicable)**

23. In addition to the PIDC, other World Bank and donor-funded (European Union, African Development Bank, French Development Agency) projects address private sector and economic diversification issues.

24. The Government's approach to the coordination of development assistance is still evolving. This increases the risk of loss of resources from duplication of activities and therefore reduced efficiency. In the framework of PIDC, resources will be allocated to ensure this coordination to optimize the efficiency



of the investments made and to reduce as much as possible the possible redundancies. Further reflection on the mechanisms and modalities for operationalizing this coordination could be done in a special workshop during the preparation period of PIDC, in which project stakeholders would participate. This coordination would be under the authority of the government. This workshop could lead to the establishment of a mechanism that would operate at two levels: strategic and operational.

### **Strategy and Approach for Implementation Support**

25. The strategy for Implementation Support describes how the WBG and other development partners will support the implementation of the risk mitigation measures and provide the technical advice necessary to achieve the PDO. It was developed based on the nature of the project and its risk profile. Supervision and field visits will be carried out semiannually and focus on the following:

- a.** Strong coordination between the WBG, the implementing agencies, and partners. The WBG task team will bring a comprehensive set of instruments and expertise to advise on project activities and implementation. The team will work closely with the implementing agencies to ensure project success.
- b.** Technical. Review and supervise the execution of the project with partner institutions to ensure that activities are implemented in line with the PDO and adjust the design and procurement plan when necessary. Ongoing support for M&E to strengthen the Bank's and the PIU's ability to both monitor project progress and assess the impact of interventions.
- c.** Fiduciary. The Bank's FM and procurement specialists will: (i) support the PIU in its familiarization with Bank guidelines and procedures; (ii) prepare PIU staff to work with the Procurement Regulations; (iii) ensure the PIU's capacity to manage flow of funds and accounting procedures, in line with FM guidelines; and (iv) work with PIU in building its overall FM and procurement capacity to improve and facilitate project management. Supervision of the project's FM arrangements would be conducted semiannually. The implementation support plan will focus primarily on contract management and on improving proficiency and efficiency in implementation, according to the Bank guidelines for reviewing procurement documents; and monitoring procurement progress against the detailed procurement plan.
- d.** M&E. The WBG will review the updated Results Framework submitted quarterly by the PIU during supervision missions or through desk review. The task team leader (TTL) will discuss the progress and deviations with the PIU to identify areas where additional help from the WBG is needed. The TTL will facilitate the use of the M&E data to promote awareness of the project results.
- e.** Client relations. The TTL and the team will: (i) coordinate Bank supervision to ensure consistent project implementation, as specified in the legal documents (that is, Financing Agreement, Project Implementation Manual); and (ii) interact regularly with the client and the PIU to gauge project progress in achieving the PDO and address implementation bottlenecks as they may arise.
- f.** Safeguards. Bank environment and social specialists and consultants will work with the PIU in the implementation of the ESMF and will: (i) support the PIU and stakeholders with familiarization of the Bank's instruments; (ii) ensure the PIU capacity to undertake social and gender analysis and develop mitigation approaches; and (iii) ensure regular and close



supervision of progress and implementation of these plans.

### Implementation Support Plan and Resource Requirements

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Number of Trips</i>	<i>Resource Estimate</i>
<i>First twelve months</i>	<i>Project management, coordination and supervision</i>	<i>Task Team Leader</i>	<i>4</i>	<i>10 staff weeks (SWs)</i>
	<i>Financial Management experience, knowledge of Bank FM norms, training</i>	<i>FM Specialist</i>	<i>0</i>	<i>4 SWs</i>
	<i>Procurement experience, Banks procurement norms knowledge, training</i>	<i>Procurement Specialist</i>	<i>0</i>	<i>3 SWs</i>
	<i>Environmental and safeguards. Bank norms knowledge, environmental safeguard</i>	<i>Environmental/Safeguards specialist</i>	<i>1</i>	<i>1 SWs</i>
	<i>Implementation support and monitoring</i>	<i>IC, Transport &amp; SME Competitiveness Team</i>	<i>6</i>	<i>12 SWs</i>
<i>12-48 months</i>	<i>Project management, supervision, coordination</i>	<i>Task Team Leader</i>	<i>4 per year</i>	<i>8 SWs per year</i>
	<i>Financial Management (FM reviews and supervision, training and monitoring)</i>	<i>FM Specialist</i>	<i>0</i>	<i>4 SWs per year</i>
	<i>Procurement Management (reviews and supervision, training as needed)</i>	<i>Procurement Specialist</i>	<i>0</i>	<i>4 SWs per year</i>
	<i>Environmental safeguards, supervision and monitoring, training as needed</i>	<i>Environmental/Safeguards specialist</i>	<i>0</i>	<i>1 SWs per year</i>
	<i>Implementation support and monitoring</i>	<i>IC, Transport &amp; SME Competitiveness Team</i>	<i>4 per year</i>	<i>12 SWs per year</i>

### Skills Mix Required

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>	<i>Comments</i>
<i>Task Team Leader</i>	<i>16</i>	<i>34</i>	<i>Base in HQ</i>
<i>FM specialist</i>	<i>0</i>	<i>16</i>	<i>Based in Madagascar</i>
<i>Procurement Specialist</i>	<i>0</i>	<i>15</i>	<i>Based in Madagascar</i>
<i>Value Chain, Transport &amp; SME Competitiveness Team</i>	<i>18</i>	<i>24</i>	<i>Based at HQ</i>
<i>Environmental and Safeguards Specialist</i>	<i>8</i>	<i>15</i>	<i>Based in Madagascar</i>

The following FM implementation support plan is proposed. The objective of the implementation support plan is to ensure the project maintains a satisfactory financial management system throughout its life.



<b>FM Activity</b>	<b>Frequency</b>
<b>Desk reviews</b>	
Interim financial reports review	Quarterly
Audit report review of the project	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
<b>On site visits</b>	
Review of overall operation of the FM system	Twice per year (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
<b>Capacity building support</b>	
FM training sessions	During implementation and as and when needed.



## **ANNEX 2: Economic and Financial Analysis**

1. As part of project preparation, an economic and financial analysis (EFA) has been conducted across the project components to determine the value of the anticipated benefits relative to the costs associated with this project. The Project Net Present Value (NPV) is estimated at US\$58.2 million at a 12 percent discount rate<sup>25</sup>, and the Economic Rate of Return (ERR) at 28 percent over a 20-year time horizon from 2019 - 2038. Information generated through the EFA has been used to refine details of the project design and are consistent with M&E targets and their associated timing. Details on these calculations are provided in the “Detailed Economic Analysis” section further below. Additionally, if a 10 percent multiplier is assumed from the overall sectoral gains resulting from enabling environment and regulatory improvements, such a multiplier effect would amount to US\$5.8 million, for an aggregate NPV of US\$64.1 million. However, this multiplier effect does not factor into the project evaluation exercise.

### **Rationale for Public Intervention**

2. The PIDC aims to leverage development financing to crowd in the private sector in the Union of Comoros, create a more robust regulatory environment conducive to business formalization, capital formation and economic growth, and develop key infrastructure in economically important value chains that will result in catalytic change for the people and economy of the Union of Comoros. IDA funds will be used to help the public sector play its role as a provider of public goods, such as an enabling environment conducive to pro-poor economic growth and poverty alleviation, infrastructure development, and information and coordination services. For example, building roads along key market-access routes will decrease transaction costs to bringing agricultural foodstuffs to market, and cold storage infrastructure will help unlock the potential in value chains such as dairy, potentially substantially increasing farmer/rancher remuneration and economic well-being.

3. The Business Plan Competition and technical and financial Matching Grants will facilitate economic growth, spur the creation of new businesses and services, and leverage private sector investment in high potential sectors in Comoros, such as agriculture, tourism, and potentially digital entrepreneurship. Such businesses and private investments would not be possible without targeted IDA funds made available for such activities. The project will leverage the World Bank’s substantial expertise in Matching Grants to low income farmers in developing countries. These investments, combined with the infrastructure and enabling environment interventions, can help move the Union of Comoros closer to its production frontier possibility.

### **World Bank’s Value Added**

4. The World Bank has substantial knowledge and experience in the design and execution of programs focusing on enabling environment reforms, sustainable and inclusive agriculture and tourism sector development, connectivity and infrastructure investments and grant-based funding for emerging and established companies in developing countries (including in fragile environments). In the PIDC, IDA will be able to tap into this knowledge and resources to unlock the potential of agriculture, tourism, and transport, and promote the development of MSMEs. World Bank financing can complement what is available from the fiscally constrained Union of Comoros, as well as leverage its extensive international expertise in direct support to firms of various kinds. IDA will work with IFC to help engage the private

---

<sup>25</sup> Discount rate: This is based on the risk-adjusted opportunity cost of capital for World Bank financing in Comoros.



sector and identify opportunities to leverage public financing. Additionally, the project will build capacity at the government level in their efforts to successfully grow the agriculture and tourism sectors in particular, and the economy in general, thereby accelerating tax receipts in the sector.

#### **Contribution of the EFA to Project Design**

5. This EFA has been used as an input to refine details of the project design, which have then in turn further informed the EFA itself, such as the timing and size of project investments, the impact chain and results framework, and M&E indicators and their associated targets.

#### **Actions During Implementation to Revisit the EFA at Midterm**

6. At mid-term, the project team will use current M&E data to evaluate the impact to date of the project. These actuals will be used to calculate an updated interim rate of return and net present value. Given that much of the impact associated with the project will be visible in the years after closing, the interim ERR and NPV will most likely be negative; however, these values can be used to evaluate the quality of the original predictions during project design.

7. Additionally, the EFA will be updated to reflect the realities of the project at mid-term. This includes updating the expected ERR and NPV going forward based on the actual data available and using this information to qualify and assess potential changes to the project budget allocations and design.

#### **Impact of the project on the borrower's fiscal situation and analysis of anticipated cost recovery**

8. Comoros currently has a GDP US\$1.1 billion, and with a population of 800,000 people, a GDP per capita of US\$1,294. They have a slight budget surplus in 2017, of 0.4% of GDP or US\$44 million, though this is expected to swing to negative 1.6 percent in 2018 due to increased public expenditure.<sup>26</sup> Public debt as a percentage of GDP is 17.6 percent. Though this project would add to the public debt, such debt is issued on highly concessional terms (zero or close to zero interest rate and a grace period) and as such will not increase the fiscal debt service burden of Comoros. Furthermore, because the project is expected to lead to increased revenues of formal firms, as demonstrated in the ERR, government tax receipts are expected to rise, thereby increasing the capacity of the Union of Comoros to service existing and new debt.

#### **Detailed Economic Analysis**

9. This economic analysis utilizes a discounted cash flow analysis, as well as data provided by a variety of stakeholders such as World Bank team members and consultants, third party experts, stakeholders such as government counterparts and members of the private sector, and independent third-party data, to estimate the incremental cash flows derived as a result of the project intervention. In the case of more qualitative interventions that involve technical assistance to government or regulatory agencies (for example subcomponents 1.1 Enabling Agriculture and Tourism and 1.2 Structuring Value Chains), incremental cash flows accrued to firms resulting from such interventions are less direct and therefore harder to estimate. As a result of the challenging attributional nature of such interventions, despite their importance, incremental cash flows to firms or individuals from these subcomponents have

---

<sup>26</sup> World Bank, Oct 2018. <http://pubdocs.worldbank.org/en/249791492188156070/mpo-com.pdf>



not been estimated. Instead, a multiplier of 10 percent to the overall NPV has been applied, however this is not included as part of the formal economic and financial analysis in this section.

10. In cases wherein direct attribution is clearer, for example in subcomponents 1.3 Productive Infrastructure, and Component 2 Direct Support to Firms, beneficiary cash flows have been estimated both with and without the project intervention. These have been forecasted using data from the variety of sources mentioned above. The company cash flows in the scenario with the project intervention are netted from those without the intervention to ascertain the incremental cash flows estimated to be created by the project. From these project costs are deducted, and the remaining net cash flows are discounted at the appropriate rate, in this case 12 percent. This is done for all three project components to derive the project net present value. An internal rate of return analysis is applied to the project to derive its economic rate of return (ERR).

### **Component I: Value chain development in priority sectors (US\$15 million)**

11. This component will provide the institutional, enabling environment, and infrastructure resources necessary for agribusiness and tourism to reach their potential in Comoros.

12. The relationship between the characteristics of the business regulatory environment and the performance of firms has also been documented (Djankov et. al, 2002; Botero et. al, 2004, Acemoglu and Johnson, 2005; Mastruzzi, 2006; and Kaufmann et. al, 2006) but most of this work is non-experimental and hence faces problems of endogeneity.

13. The literature supports the link between stronger institutions and economic performance. For example, Hall and Jones (1999) argues that differences in factor productivity are due to differences in “social infrastructure” – meaning that institutions can contribute to the accumulation of skills that contribute to economic performance.

14. Research also highlights the importance of trade and investor facilitation on investment projects and the costs and ability to export. Delays in getting goods back and forth through the customs, as well as the overall unpredictability of transport times constrain firms from participating in time-sensitive production often important for manufacturing and agribusiness industries. Nordas (2005) finds that an additional day required for exporting is equivalent to being 70km farther away from the trade partner. Similar calculations suggest that if time to export can be reduced by 1 percent, exports on average could increase by more than 1.5 percent.

15. The data also show a positive and significant relationship between economic and financial development and entrepreneurship. The log of GDP per capita and domestic credit to the private sector (as a percentage of GDP) are both positively and significantly correlated with entry rates (see below) and business density. This suggests that greater business opportunities and better access to finance are related to a more robust private sector (Klapper et al. 2008), lending further credence to the government reforms supported by the Project.

### **Subcomponent 1.1 Strengthening the Institutional Environment for Agriculture and Tourism Value Chain Development (US\$1 million)**



16. Subcomponent 1.1 supports key stakeholders in improving governance and introducing growth-inducing regulation in project-supported value chains (agriculture and tourism). In the context of the EFA, this was modeled by mirroring the overall arch of project spending. Below, please find both this overall arch (as a percentage of the total) as well as the disbursement costs associated with it.

	2019	2020	2021	2022	2023	2024
1.1 Enabling Ag, Tourism	2.96%	8.60%	16.04%	23.52%	27.08%	21.80%
Cost	\$ 29,600	\$ 86,000	\$ 160,400	\$ 235,200	\$ 270,800	\$ 218,000

17. Because these costs are purely outflows with no associated *direct* incremental cash flows to beneficiaries, these were not modeled.

**Subcomponent 1.2: Structuring Value Chains for Agribusiness Development (US\$6 million) and Sub-component 1.3: Productive Infrastructure for Connectivity and Market Access (US\$8 million).**

18. Subcomponent 1.2 aims to structure export, livestock and horticulture value chains by enhancing production, value addition, and development of market linkages. For export and horticultural products, the project will directly finance investments in production quantity and quality. For livestock value chains, the project will support critical ancillary services through the provision of animal healthcare and the establishment of commercially viable, multi-purpose livestock hubs. Building on enhanced production in selected value chains, the project will promote aggregation and marketing through producer organizations and platforms that facilitate productive alliances and private investments in downstream value addition, development of new products, and transition to sustainable technologies.

19. Subcomponent 1.3 will make complementary investments in market access infrastructure (milk chilling plant, cold storage and port warehousing) that are critical for value chain development and too large to be financed through direct firm support in Component 2. All investments will be targeted in CRDEs and geographies with livestock and horticulture value chains, with concentrations of smallholders that are unorganized or in the initial stages of producer organization formation. Together, investments in productive infrastructure expected to enhance the marketability of perishables and reduce price volatility, with spillovers to producers of other food and export crops.

20. Component 1 has the following beneficiaries:

Direct Beneficiaries	
Farm households	9,000
Economic Road Users	14,100
Enterprises and Coops	30
Jobs Created	4000
Indirect Beneficiaries	
Farm Households	50,000
Economic Road Users	28,200

21. The overall disbursement schedules for subcomponents 1.2 and 1.3 are shown below. These are based on internal World Bank estimates of the timing of project expenditures related to storage, roads, and other key infrastructure.



	2019	2020	2021	2022	2023	2024
1.2 Structuring VCs	5%	25%	40%	20%	10%	0%
Cost	\$ 300,000	\$ 1,500,000	\$ 2,400,000	\$ 1,200,000	\$ 600,000	\$ -
1.3 Productive Infra	5%	25%	40%	20%	10%	0%
Cost	\$ 400,000	\$ 2,000,000	\$ 3,200,000	\$ 1,600,000	\$ 800,000	\$ -
Total	\$ 729,600	\$ 3,586,000	\$ 5,760,400	\$ 3,035,200	\$ 1,670,800	\$ 218,000

22. Current estimates for the cost and length of rural roads to be rehabilitated are shown below, broken out by island geography within the Union of Comoros.

Roads Built	Cost	Type	Length
Grand Comore 1	\$ 900,000	Unpaved	6.0
Grand Comore 2	\$ 1,125,000	Unpaved	7.5
Grand Comore 3	\$ 300,000	Unpaved	2.0
Grand Comore 4	\$ 1,000,000	Paved	4.0
Anjouan 1	\$ 2,775,000	Paved	11.1
Anjouan 2	\$ 1,575,000	Paved	6.3
Roads Total	\$ 7,675,000	TOTAL	36.9

23. As mentioned above, project beneficiaries fall into four buckets: Farm households, economic road users, enterprises and coops, and new employees of jobs created. Based on World Bank research on the revenues or income of such entities in the Union of Comoros,<sup>27</sup> the following basic figures were used as starting points for the count and income base of beneficiaries.

Salary/Income Assumptions	
Farm Households	Based on Yield and Price
Economic Road Users	200,000
Enterprises and Coops	250,000,000
New Jobs (Salary)	50,000
Bene. Growth w/ intervention	3.00%

24. The EFA analyzed the impact of the project on six value chains in the Union of Comoros: Cloves, Vanilla, Ylang Ylang, Tomatoes, Bananas, and Chickens. Below, please find the historical growth in production and average yield per hectare of each. Data is from FAOSTAT.

<sup>27</sup> See for example “Union of Comoros: Integrated Development and Competitiveness Report (P160806). MSME Baseline and Ecosystem Diagnostic Draft Report. June 2018”



Item	Number	Unit
Cloves Production CAGR	4.0%	Tonnes
Cloves Average Yield	283.96	kg/ha
Vanilla Production CAGR	-13.5%	Tonnes
Vanilla Average Yield	241.46	kg/ha
<i>Vanilla Production Forecast Estir</i>	1%	Tonnes
Ylang Ylang Average Yield	30.00	kg/ha
Ylang Ylang CAGR	1.50%	Tonnes
Tomatoes CAGR	1.61%	Tonnes
Tomatoes Average Yield	9120	kg/ha
Bananas CAGR	-0.80%	Tonnes
Bananas Average Yield	5,765	kg/ha
Chickens CAGR	0.9%	1000 head
Chickens Average	525.8	1000 head

25. The table below indicates the base rate prices and growth rates of each value chain during the intervention period. In general, a higher growth rate was assumed from 2022 – 2024, after which growth slowed to inflation (2.5 percent). Some figures have been annualized for ease of computation. For example, Export Price Boost is the annual rate of growth to achieve 10 percent growth over five years, and Yield increase is set to achieve 15 percent growth over three years. To estimate the growth rates of the value chain with and without the intervention, each farmer is assumed to have a 1 ha farm. Furthermore, the exchange rate is fixed at 0.0023 KMF/USD.



Value Chain	Price		Export Price Boost
Cloves	200	KMF/kg	1.92%
Vanilla	25000	KMF/kg	1.92%
Ylang Ylang	300	KMF/kg	1.92%
Tomatoes	522	KMF/kg	N/A
Bananas	500	KMF/kg	N/A
Chickens	85.71	1000 head	N/A
Value Chain	Yield Increase	Adoption Rate	Marketable Surpl.
Cloves	4.77%	50%	N/A
Vanilla	4.77%	50%	N/A
Ylang Ylang	4.77%	50%	N/A
Tomatoes	4.77%	50%	50%
Bananas	4.77%	50%	50%
Chickens	4.77%	50%	50%

26. Under these assumptions, the NPV of component 1 is US\$51.5 million and the ERR is 35 percent.

**Component II: Direct Support to Firms (US\$7.5 million)**

27. The objective of Component 2 is to strengthen the competitiveness of the private sector by providing direct financial and technical support to Micro, Small and Medium Enterprises (MSMEs) and cooperatives in the Union of Comoros. Because it involves both a business plan competition as well as a matching grant window, a firm will be hired to administer the grants delivered under the business plan competition and the matching grants. This will amount to 8 percent of the total project cost, creating a US\$562,500 expense for the firm managing both of those windows and a balance of US\$6,937,500 to be disbursed to beneficiaries. See these details below.

Component Total	\$ 7,500,000
Admin Fee to Grant Servicer (%)	8%
Admin Fee to Grant Servicer (\$)	\$ 562,500
Net Component Funds to Beneficiaries	\$ 6,937,500

28. The disbursement schedule for payments to the firm that will administer the Matching Grant and Business Plan Competition is listed below. Estimates here are based on World Bank expertise.

Budget for Fees to Grant Admin Consultants				\$ 562,500			
2019	2020	2021	2022	2023	2024	Check	
10.00%	20%	20%	20%	20%	10%		100%

29. The literature studying the impact of financing on SMEs supports the direct financial support to firms provided under this project. "Support services" show a positive impact on SMEs sales, workers'



wages, and technology adoption rates. While the exact additional impact depends on the location and sector, the following studies demonstrate the impact of direct financing on SMEs:

- a. Sarder, et al. (1997) study “The Importance of Support Services to Small Enterprises in Bangladesh” and find 5-16% increase in employment, sales and productivity;
- b. Similarly, Tan & Lopez-Acevedo (2005) look at the impact of SME programs in Mexico using panel firm data and find that 9-14 percent improvement in training and 9 percent improvement in technology absorption have been achieved.<sup>28</sup>;
- c. Various SME programs – Business Advisory Services, Technology Development, Credit, Supplier Development (1992 – 2000) in Chile presented similar results.
- d. Lopez-Acevedo & Tan (2010), “Impact Evaluation of SME Programs in Latin America and Caribbean” found 8 percent increase in wages and 9 percent increase in productivity as a result of these programs.<sup>29</sup>
- e. According to Intelcon, ICT investments increase prices paid to African farmers by 10–20 percent (Intelcon, 2011, in Grow Africa: Unlocking Africa’s Agribusiness Potential, World Bank, 2013).

**Subcomponent 2.1 Business Plan Competition to support early stage enterprise development (US\$2 million), Subcomponent 2.2 Matching fund for high growth MSMEs, cooperatives, BDS providers (US\$5.5 million)**

30. The total budget and disbursement schedule for the Business Plan Competition (BPC) and Matching Grant (MG) are shown below. The disbursement schedule is based on World Bank expertise on the timing and requirements to successfully set up the infrastructure for and execute the BPC and MG. Additionally, because disbursement for the MG are primarily happening in 2022 and 2023, we assume 40 percent of the *number* of beneficiaries are served in those years, with 20 percent in 2024. Subcomponent 2.2 includes capacity building activity, which will finance capacity building for BDS providers and on-demand technical assistance to the selected financial institutions to successfully help them expand products and services for MSMEs. The Capacity Building Budget is also shown here. Due to its qualitative nature, estimating the direct incremental cash flows resulting from the capacity building exercise is too challenging to include in this economic analysis.

---

<sup>28</sup> Lopez-Acevedo & Tan (2005). “Impact Evaluation of SME Programs in Mexico.”

<sup>29</sup> Lopez-Acevedo & Tan (2010): “Impact Evaluation of SME Programs in Latin America and Caribbean.”



BPC Total Budget	\$	1,850,000	BPC Analysis Check	\$	1,850,000			
BPC Disbursement schedule								
	2019	2020	2021	2022	2023	2024	Check	
	5.0%	12.5%	15.0%	35.00%	25.00%	7.5%	100.0%	
MG Total Budget	\$	4,625,000	MG Analysis Check	\$	4,774,500			
MG Disbursement schedule								
	2019	2020	2021	2022	2023	2024		
Per Year	5.0%	12.5%	30.0%	20.00%	25.00%	7.5%		
Cumulative	5.00%	17.5%	47.5%	67.5%	92.5%	100.0%		
Percentage of Beneficiaries Served by MG								
			0%	40%	40%	20%		
Capacity Building Budget			\$	462,500				
Capacity Building Disbursement Schedule								
	2019	2020	2021	2022	2023	2024		
	5.0%	12.5%	30.0%	20.00%	25.00%	7.5%		

31. The BPC and MG share a number of key assumptions that are listed below. Key among them are that 100 businesses will be launched; that 25 percent of BPC businesses will fail after 1 year; that 5 percent of MG and BPC businesses will fail every year; that three direct and on average four indirect jobs will be created per BPC and MG intervention; that the revenue increase for BPC and MG businesses in the first 3 years after intervention will be 30 percent, and consistent with inflation thereafter. See an overview of the assumptions below.

Businesses lauched	100
BPC attrition after 1 year	25%
BPC attrition years 2+	5%
BPC Grant Amount per Grantee	\$ 18,500
Rev Multiple on BPC Grant	0.15
Initial Cash Flows from BPC Businesses	1,206,522
MG Attrition Rate	5%
Viable businesses in business after >1 year	75
Direct Jobs per new business	3
Indirect Jobs per new business	4
Direct Jobs created	200
Direct Job Average Salary (KMF)	50,000
Indirect Jobs created	300
Indirect Job Average Salary (KMF)	50,000
Revenue Increase after BPC/MG	30%
BPC/MG Intervention No. of Years	3
Annual Rev CAGR w/ Intervention	9.14%
Growth rate after BPC/MG Intervention	2.5%
KMF to USD	0.0023

32. 33. The Matching Grant portion will have two types of grant: technical and financial. The MG portion will be administered according to the following parameters (in terms of grant cover and rate, number of firms participating, jobs created, mix of firm type, and revenue assumptions for those firms.



MG - Technical Assistance			MG - Financial		
Type of Beneficiary	Grant Cover (%)	Grant Ceiling	Type of Beneficiary	Grant Cover (%)	Grant Ceiling
Microenterprises	80%	\$ 2,000	Microenterprises	80%	\$ 6,000
SME/SMI	70%	\$ 10,000	SME/SMI	60%	\$ 60,000
Coops and Assoc.	70%	\$ 15,000	Coops and Assoc.	70%	\$ 80,000
				<i>Revenue (KMF)</i>	
Number of firms	150	Microenterprises	66%	Microenterprises	2,500,000
Direct Jobs created	3.3	SME/SMI	23%	SME/SMI	15,000,000
Indirect Jobs created	4	Coops and Assoc	11%	Coops and Assoc	250,000,000

34. We assume that BPC and MG disbursements will begin in 2022. After deducting costs from net incremental cash flows to microenterprises, SMEs/SMIs, and Cooperatives and Associations, and discounting those cash flows back to the present at a 12 percent discount rate, we get an NPV for these subcomponents of US\$8.3 million and an ERR of 18 percent.

### **Component III: Project implementation and coordination (US\$2.5 million)**

35. This component will finance the PIU and enable it to implement the project, comply with fiduciary rules and safeguards, and fulfill M/E and impact evaluation commitments. Because this component refers to internal World Bank implementation measures, no incremental cash flow to beneficiaries is directly accrued. It is assumed that these costs track the overall arc of planned spending in this project as shown below.

Assumptions							
Component Total	\$	2019	2020	2021	2022	2023	2024
	2,500,000						
Per Year	2.96%	8.60%	16.04%	23.52%	27.08%	21.80%	
Cumulative	2.96%	11.56%	27.60%	51.12%	78.20%	100.00%	

### **Benefits to Cost Ratio**

36. A benefit to cost ratio (BCR) was calculated for components 1 and 2 of the project, as well as for the project overall. To compute the BCR, total project benefits were discounted for each component, as well as total project costs. The total discounted project benefits were then divided by the total discounted project costs on a per-component and total project basis. A BCR was not calculated for component 3, because it does not have any directly attributable project benefits (cash flows), though component 3 discounted costs were included in the project-level BCR. Below please find a table of project and component level BCRs. A higher ratio indicates a higher “return on investment” for World Bank funds.

Benefits to Cost Ratio	
<b>Component 1</b>	<b>5.86</b>
<b>Component 2</b>	<b>2.64</b>
<b>Project Overall</b>	<b>3.56</b>

### **Sensitivity Analysis**

37. The sensitivity analysis is presented below.

Item	NPV of Project Overall	ERR of Project Overall	BCR of Project Overall
No change / Project Baseline	\$58,269,408.59	28,29%	3.56
Delay project launch by	\$60,388,854	43%	3.83



1 year			
10% Cost overrun	\$56,999,106.58	26%	3.30
Additional Yield Boost (to 20% after 3 years)	\$62,901,947.64	30%	3.78
Lower than expected Yield Boost (to 10% after 3 years)	\$53,664,803.55	27%	3.34
Increase Price Boost (to 15% after 5 years)	\$59,595,303	29%	3.62
Decrease Price Boost (to 5% after 5 years)	\$56,996,992	28%	3.50
Acceleration of MG take-up to 2021	\$58,386,266.59	30%	3.60
Delay of MG take-up to 2023	\$57,337,365.58	27%	3.50



**ANNEX 3: Value Chain Analysis**

1. Comoros has opportunities for growth and expansion of its economy building on the comparative advantage of its traditional export crops (cloves, vanilla and ylang-ylang), domestic agriculture and livestock market, and, possibly, tourism and logistics, given the privileged position of the country in the Mozambique Channel.

**Agriculture**

2. The agriculture sector has an outsized footprint, but agricultural transformation has stagnated. Endowed with fertile volcanic soil, a gradient of altitudes and micro-climates, and a colonial legacy of export crop plantations and related factories, the small economy of Comoros has historically been dominated by agriculture. In terms of contribution to GDP, agriculture contributes 36 percent of GDP (ranks in the 94th percentile globally), is the largest employer (38 percent of jobs) and provides for 90 percent of export income. Since 2000, the sector has grown slowly but agricultural transformation has stagnated. Nearly all growth in the 2001 – 2013 period was driven by input expansion, rather than improvements in yield or TFP. Farm productivity is low and stagnant, and Comoros ranks 41st out of 54 African countries in terms of agribusiness competitiveness. Historical linkages between agriculture and industry are now weakened (e.g. coconuts and soap, oil) and new linkages have not been developed.

**Table 1: Benchmarking the Size of the Agriculture Sector, 2014**

	Comoros	Mauritius	Fiji	Samoa
Share of GDP (value-added), %	35.9	3.5	11.3	
Share of Employment, %	38	7.5	1	5.4
Population in Agriculture, 1000	288.6	94.4	8.9	10.4
Rural share of population, %	71.6	60.4	45.9	80.9
Share of Land, %	71.5	42.4	23.3	12.4
Land under cereal production, 1000 ha	26.9	3	0.4	
Poultry meat output, 1000 MT	0.6	47.6	19.2	0.5

Source: World Development Indicators, FAOSTAT. Note: Population in agriculture is calculated using the WDI indicator for share of employment.

**Table 2: Benchmarking the Performance of the Agriculture Sector, 2014**

	Comoros	Mauritius	Fiji	Samoa
Growth rate (value-added), %	2	-0.3	-0.3	6.4
Value-added per worker (constant 2010\$)	982	9,653	2,800	4,255
Cereal yield, 1000 kg/ha	1.4	3.8	2.4	
Vegetables yield, 1000 kg/ha	6.6	9.3	11.5	1.2
Fresh Fruit yield, 1000 kg/ha	4.8	8.9	5.5	4.9

Source: World Development Indicators, FAOSTAT

3. Local food production is inadequate and out of sync with market demand. The Comorian food and beverage market is estimated to be US\$570 million, with food expenditure per capita being significantly higher than SIDS of comparable size and income. Diet transformation is already underway, with spending on crop and livestock perishables now surpassing cereals. Perishables – vegetables, meat and eggs, fish, fruit, and dairy – account for 45 percent of the food market and are growing. However, domestic producers have been slow to respond to market signals. The market shares of local poultry and bovine meat are just 1 percent, largely due to disorganized supply of feeds and breeds, coupled with weak animal healthcare services that have depleted animal populations in the past. Fruit and vegetable production is highly seasonal and geographically segmented, due to failures in the input supply and marketing segments.



4. Large trade deficits are chronic, with imports of processed foods being a major contributor. Even among import reliant SIDS, Comoros is an outlier.<sup>30</sup> The country currently imports nearly 70 percent of its food requirement by volume<sup>31</sup>, and an uptick in food imports represented large shares of imports (44 percent) and GDP (29 percent) in 2015. Diet staples – rice, chicken and beef – frequently top commodity import tables, and traders often dump cheap imports to restrict competition from domestic producers. In recent years, processed vegetables and beverage imports have also surged, with the absence of agro-processing and growing urban demand contributing to import dominance in the local retail sector. The current dynamic places a growing burden on foreign exchange reserves, exposes consumers to food insecurity due to price shocks like 2008, and discourages private investment in food production.

**Table 3: Top 5 Agricultural Import Commodities, 2015**

Commodity	Value, million US\$	Share of Imports, %	Origin
Prepared Vegetables	86.9	24	Tanzania
Rice	13.2	3.6	Pakistan
Fruit Juice	12.4	3.4	Tanzania
Chicken Meat	10.6	2.9	Argentina
Bovine meat	6.4	1.9	India
Agricultural Imports	162	44.3	

**Table 4: Top 3 Agricultural Export Commodities, 2015**

Commodity	Value, million US\$	Share of Exports, %	Destination
Cloves	22.2	57	India
Ylang-Ylang	6.6	17	France
Vanilla	6.3	16	Germany
Agricultural Exports	35.1	90	

Source: MIT Observatory of Economic Complexity

5. Foundational investments supporting perishables and export crops can bring the sector in sync with market demand, raise farm incomes, and reduce the trade deficit. At present, at least 72 percent of Comorian farmers are subsistence producers with weak linkages to a rapidly growing market for meat, vegetables, and dairy. The use of improved seeds and planting material, modern inputs, and mechanized farm tools is rare and only 20 – 30 percent of harvest is marketed through low-volume, informal transactions. To ensure all-year supply of high-value fruit and vegetables, the priority is to integrate from production to commercialization by developing multi-service platforms for input supply, seed multiplication, extension, aggregation, and marketing. Given intercropping practices and overlapping production basins, spatially-targeted investments can also enable the smallholder base of export value chains to renew aging plantations and improve the quality of crops experiencing favorable global market conditions (vanilla, ylang-ylang). Similarly, developing a sizable market segment for domestic chicken meat requires direct support to smallholder producers, coupled with investments in nutrition awareness, feed production, and a robust veterinary system. On the other hand, livestock products like milk and eggs are competitive in geographically segmented markets but are limited by weaknesses in animal healthcare and complementary infrastructure.

<sup>30</sup> Comoros was in the top three countries of the world in terms of food import share of merchandise imports every year from 2010 to 2012 (CIA World Factbook 2016).

<sup>31</sup> CIA World Factbook 2016.



**Table 5: Island-level Distribution of Agricultural Value Chains**

	<i>National</i>	<i>Grande Comore</i>	<i>Anjouan</i>	<i>Moheli</i>
<b>Cloves</b>	Output, 2017 (vol.): 3,600 MT Output, 2016 (val.): \$43m Growers: 11,000 – 12,000 Producer Org.: 5	Production: 5% Growers: <100	Production: 80% Growers: 10,000+	Production: 15% Growers: 1,000 – 2,000
<b>Vanilla</b>	Output, 2017 (vol.): 35 MT Output, 2016 (val.): \$9.7m Growers: 5,000 Cooperatives: 3 – 5 Exporters: 3	Production: 80% Growers: 4,300 Curers: 3-6	Production: NA Growers: 300 Curers: 1 – 3	Production: 20% Growers: 400 Curers: 1 – 3
<b>Ylang-Ylang</b>	Output, 2017: 45 MT (vol.) Output, 2016 (val.): \$7.1m Growers: 1,150 – 3,200 Cooperatives: 18 – 20	Production: 22.22% 50-100 growers Distillers: 3	Production: 66.66% Growers: 1000-3000 Distillers: 500	Production: 11.11% Growers: 100 Distillers: 100
<b>Milk</b>	Output: 24.8m lt. Dairy farmers: 4,140 Dairy cows: 9,450 Cooperatives: >1	Production: 2% Dairy Farmers: 100 Dairy cows: 9,000	Production: 97% Dairy Farmers: 4000 Dairy cows: 300	Production: 1% Dairy Farmers: 40 Dairy cows: 150
<b>Poultry meat</b>	Output: 76 MT Broilers: 16,000	Production*: 75% Broilers: 12,000	Production*: 25% Broilers: 4,000	Production*: NA Broilers: NA
<b>Eggs</b>	Output: Layers: 72,000 – 80,000 Semi-industrial units: 155 Backyard poultry: several thousand	Production*: 50% Layers: 40,000 – 50,000 Semi-industrial units: 60	Production*: 40% Layers: 25,000 – 30,000 Semi-industrial units: 80	Production*: 10% Layers: 7,000 Semi-industrial units: 15
<b>Fruits</b> (Top 3 – bananas, avocados, mangoes)	Output: >5,000 MT	Intermediate	Highest	Lowest
<b>Vegetables</b> (Top 3 – tomato, onions, peppers)	Output: >8,000 MT	Intermediate	Highest	Lowest

Note: Production estimates refer to island share of annual national output, by volume. Production\* is an estimate based on number of animals

**Table 6: Budget Shares, by Food Segment**

(1)	(2)	(3)	(4)
Food Segment	Categorization	Household Budget Share, %	Estimated Market Segment Size, millions (USD)
Cereals (including bread)	Non-perishable/Perishable (bread), processed low-value	24.5	140.3
Vegetables	Perishable, unprocessed	19.2	110.1
Meat and eggs	Perishable, processed low-value	17.4	99.5



Fish	Perishable, unprocessed	16.3	93.5
Fruit	Perishable, unprocessed	5.3	30.6
Dairy	Perishable, processed high-value	4.0	23.0
Condiments	Non-perishable, processed high-value	3.5	20.0
Sugar	Non-perishable, processed low-value	3.2	18.5
Oil	Non-perishable, processed high-value	3.1	17.6
Beverages	Non-perishable, processed high-value	1.6	9.1
Coffee	Non-perishable high-value	0.2	1.0

Note: Column (3) categorization is derived from Tschirley et al (2015). Column (4) is computed by multiplying column (3) with estimated size of food market – US\$572.3 million and divided by 100.

Table 7: Selected Value Chains at a Glance

0	Farm production	Collection/Intermediate markets	Value-added processing	Retail/Export
<b>Established</b>				
<b>Ylang ylang</b>	1000 – 3000 Smallholders; 18 Cooperatives; 2 Plantations; High share of women	Flower collectors; Essential oils collectors aggregate from distillers	<u>Distillation</u> ~ 500 small units	2 Buyers/Exporters (Bernardi, Biolande)
<b>Cloves</b>	11,000 – 12,000 Smallholders; 5 Producer Organizations	Collectors deliver dry cloves to exporters	<u>Drying and removing stems</u> High share of women	Exporters Associations (Anjouan and Moheli)
<b>Vanilla</b>	5,000 Smallholders; 3 Cooperatives; High share of women	Collectors of green beans; Collectors of cured beans	<u>Curing</u> 6 – 12 curers; Controlled by 3 exporters	3 major exporters (Vaniacom, AGK Sarl, AHH Export); 17 minor exporters
<b>Growing</b>				
<b>Milk</b>	4,140 Dairy farmers and 9,450 cows	Mostly direct sales; Some collectors are also final retailers; Informal traders between Anjouan and Grande Comore	<u>Pasteurization and packaging</u> <i>Minimal:</i> Niumakélé dairy plant not fully operational	Consumption centers in Domoni and Mutsamudu
<b>Poultry</b>	155 Semi-industrial intensive units; Several thousand backyard units	Non-existent	Non-existent	Local shop owners, market vendors, some door-to-door sales
<b>High Potential</b>				
<b>Vegetables</b>	Subsistence producers	<i>Weakly developed:</i> Central purchasing market in Moroni; Local sourcing by one	Non-existent	Traditional wet markets; Seasonal market during Ramadan and <i>Grande Marriage</i> ;



Fruits		supermarket chain		Occasional export to Mayotte
	Subsistence producers	Non-existent	<u>Jam, juice and pickling</u> <i>Minimal: Very few small-scale units</i>	Roadside sellers and wet markets

**Livestock Value Chains**

6. **Livestock value chains are growing from a small base and are limited by weaknesses in animal healthcare, complementary infrastructure, and market segmentation.** There are three main livestock value chains in the archipelago: cattle dairy (~4,140 farmers, 9,450 cows), intensive poultry (155 semi-industrial units), and backyard poultry (widespread in rural households). The small quantity of beef produced locally is a by-product of dairy or mixed systems. Poultry meat production is higher but uncompetitive against imports from Brazil and Argentina. Market segmentation limits expansion of milk and egg value chains, which are locally competitive against imports in Anjouan and Grande Comore respectively. The most significant productivity bottlenecks for dairy systems are the provision of veterinary services and absence of cold storage. For poultry, the corresponding constraints are the disorganized supply chains for feed and breed, which are costly and inaccessible for backyard poultry producers; for intensive poultry operators, disruptions in input supply create planning and production inefficiencies. The potential for livestock development through production support and last-mile dairy and poultry hubs that distribute livestock inputs and provide veterinary services is significant.

7. **The smallholder dairy sector is concentrated in Anjouan’s highlands and is emerging in Grande Comore.** Ninety seven percent of dairy producers are in Anjouan, where nearly a quarter of all households own a cow, and the intensive dairy production is concentrated in the Niumakélé production basin. Dairy production is intensive and productive, well integrated in the agricultural production, with excess supply on the island. However, there is no processing of local milk, marketing channels are rudimentary, and almost no milk reaches Grande Comore’s markets. In Grande Comore and Mohéli, the development of modern dairy is still recent, and farmers face critical capacity deficits that limit the size and performance of the production systems. Cumulatively, local supply accounts for a less than 1 percent of consumption on both islands, with imported milk products cornering the market. However, given the relatively high production in Anjouan and the growing stock of dairy cows in Grande Comore through the UNDP-supported CRRRA project, there is great potential for greater supply, primary processing of milk products (yoghurt, butter, ghee, etc.) and enhanced complementarities with food crop production.<sup>32</sup>

8. **Developing a market segment for domestic chicken meat requires public investments in nutrition awareness, feed production, and a robust veterinary system.** The egg value chain is market-oriented and competitive against imported eggs in Grande Comore and has the potential to be competitive on all islands. Simultaneously, a traditional poultry value chain also exists on all islands; in fact, free-range backyard chickens are kept by nearly every rural household. However, 99 percent of consumed chicken meat is imported, driven by a 50 – 100 percent price differential. Like several African countries, frozen

<sup>32</sup> Three improved cattle breeds (Maillot, Nguni and Frison Holstein) were imported to Grande Comore from approved farms in South Africa in 2017. 12 pilot received training, new barns, improved techniques and advanced technologies, and were able to produce 100 liters of milk per day, which secured 1250 KMF/liter on account of higher quality (50 percent higher than prevailing market prices). Further, they also created 10 tons of compost, which was used to fertilize a 1.3-hectare piece of farmland.



chicken wings – a residual from European demand for lighter chicken meat – are imported at low prices, and local producers are unable to compete due to the high cost of feed and low meat-yielding indigenous varieties.<sup>33</sup> Shifting consumer preferences towards light meat through a sustained nutrition campaign is required to change current demand patterns. Stimulating supply requires the development of local feed production, with linkages to maize producers and fisheries. Lastly, provision of veterinary care and inexpensive vaccination is critical for mitigating against disease risks.

### **Vegetable and Fruit Production**

9. **Vegetable production is highly seasonal and geographically segmented despite growing demand.** The consumption of fresh vegetables was traditionally reserved for special occasions (*Ramadan*, *Grande Mariage*) or restricted to consumers with higher purchasing power in Comoros. However, given their growing demand, suitability to small plots, and higher profitability relative to grains, the vegetables segment – especially tomatoes, onions and potatoes – represents a promising opportunity for local producers.<sup>34</sup> On all three islands, vegetable supply is highly seasonal with the wet markets of Anjouan and Moheli often being saturated during July – November, with little off-season supply or conservation (e.g. tomato drying) to smooth prices inter-temporally. While excess produce reaches Grand Comore via maritime transport when Anjouan and Moheli experience gluts, the absence of cold storage at ports and markets leads to significant food loss along the supply chain.

10. **The low elasticity of off-season vegetable supply is linked to market failures in the input supply segment.** Even as tomato and onion imports from nearby Madagascar and Tanzania are growing during the off-season when prices are 2-3 times higher, Comorian producers are unable to respond to market signals by switching to similar, long-season varieties. The wedge between prices and off-season supply is driven by the failure of the market to consistently provide improved quality seeds in alignment with the production cycle. The supply of vegetable seeds, fertilizers, and plant protection products – exempt from import duties<sup>35</sup> – is undertaken by the cash-strapped input importer association Centre for Purchase of Agricultural Products in Comoros (CAPAC), federations of professional agricultural organizations like the National Farmers Union of Comoros (SNAC) and National Farmers Federation of Comoros (FNAC), and by private traders.<sup>36</sup> Since both suppliers (CAPAC) and market makers like SNAC and FNAC are constrained by limited working capital, only pre-financed orders are placed for select producers who are able to pick up inputs from centralized locations in the absence of a wide distribution network. Consequently, fertilizer and seed imports experience great year-on-year volatility correlated with fluctuations in access to credit

<sup>33</sup> Consumption is twice the SSA average (14 kg per capita annually) and demand is rising. Prices exhibit a seasonal increase in July-August due to a surge in demand during Ramadan and *Grande Mariage* when local production becomes competitive, but temporary price control mechanisms are often imposed to protect consumers.

<sup>34</sup> The gross margins for five vegetable – tomato, onion, potato, carrot, cabbage – ranges from 138 to 158 percent. The number of working days for a crop cycle (3-4 months) varies between 49 and 67 days per 10 acres for vegetable crops. The return to family labor is between 2,850 and 6,840 KMF per workday (World Bank Agriculture Sector Review 2018).

<sup>35</sup> Since 2012, inputs are exempt from all taxes and customs (Arrêtés conjoints n° 012-004/VP-MPEEIA/CAB et 012-036/VP-MPEEIA/CAB et Arrêtés conjoints n° 17-004/VP-MAPEATU/CAB et 17-007/MFB/CAB portant exonération totale des taxes et droits de douanes sur les intrants agricoles). However, importers must be approved by MEAPE annually to establish an exemption for each import.

<sup>36</sup> After the government withdrew from input supply, *Centrale d'achat des Professionnels Agricoles des Comores* (CAPAC) was created in 2000 by the PAFIA (Projet d'appui à la filière des intrants agricole) project, placed under SNAC control and endowed with working capital. In the initial years, CAPAC fulfilled its mandate of the import and the distribution of agricultural inputs. Today, it no longer has its own working capital but continues to import and distribute inputs independently from SNAC, but only on pre-financing of orders by customers.



for producers and level of working capital for importers. In the absence of organized demand, non-specialized private importers no longer stock high quality inputs.<sup>37</sup> Further, seed and fertilizer imports often experience erratic delays, leading to misalignment with the cropping calendar, and consequently lower yields and output.

11. **Fruit production is diverse but completely unorganized in isolated plots, and orchards are conspicuous in their absence.** While a large variety of tropical fruit species grow wild on the archipelago (citrus, mango, litchi, guava, pineapple, banana, jackfruit, papaya), arboriculture and crop husbandry of the trees is non-existent. Fruit production has an even shorter season than vegetables and food losses are larger due to the complete absence of post-harvest management in the form of aggregation, storage, and processing. Developing this sub-sector requires the introduction of improved varieties and multiplication of short-cycle tree crops like pineapple and bananas, which can be cultivated on smaller scales, require lower upfront investment, and are a part of the Comorian diet. Once these investments bear fruit, linkages with marketing and processing facilities that are shared with the vegetables value chain are likely to be successful.

12. **Vegetable and fruit producers have little bargaining power in low-volume transactions with rural roadside vendors or urban wet market sellers.**<sup>38</sup> Neglected by both the public and private sector players in the marketing segment, vegetable and fruit producers, who successfully supplied the upscale Hotel Galawah when it was operational in the 1990s, no longer have the institutional support to organize and aggregate output to successfully respond to market signals. Linkages to a growing modern retail sector are minimal as Professional Organizations and Associations (POAs) like SNAC and FNAC have not invested in the aggregation, quality control, and branding required to match the retail sector's sourcing requirements. At present, only one of the four supermarket chains in Moroni – MAG-Market with 3 stores – sources from producers who regularly deliver vegetables, but not fruit which is more seasonal. A few other points of sale are operated by SNAC/UWEZO and FNAC-FA.<sup>39</sup> In the absence of organized collection, structured marketing channels, and vertical integration, high transaction costs are the principal constraint to the emergence of a processing segment, and the development of a robust value chain.

13. **Investments in all segments of the fruit and vegetables value chain are required to supply the growing demand in this market segment.** A multi-pronged product organization and broad development strategy is necessary to ensure all-year supply of fruit and vegetables. The market for fruit and vegetables is growing, but apart from bananas, tomatoes, and sweet potatoes, any one product market is too small to justify selective investment. For vegetable value chains, the priority is to integrate from production to commercialization by developing multi-service platforms for input supply, seed multiplication, extension, aggregation and marketing. For fruit value chains, initial interventions should focus on the introduction and multiplication of fruit and seedlings adapted to the local eco-climate context in nurseries, and then building linkages from nurseries to horticulture value chains.

14. **Missing transport linkages and value-chain gaps segment markets and are binding supply**

<sup>37</sup> Specialized private companies, such as COMAGRO at Moroni and Réseaux agricoles at Mutsamudu (Anjouan), provide import and distribution of agricultural inputs and also provide technical advice to the farmers, while trying to ensure adequate and continuous availability of inputs. Finally shops, like Doigts Verts at Moroni, stopped supplying inputs recently.

<sup>38</sup> The rental price at Mutsamudu Bazari market location is 3,000 – 6,000 KMF per month, depending on the size of the location and the level of facilities provided.

<sup>39</sup> Modern distribution is limited to the capital and the main towns of region. The 4 supermarket chains operating in Moroni are: Komocash (5 stores); MAG-Market (3 stores); Sara-Market (3 stores) and Sawa-price (6 stores), with new specialty stores being established recently.



**constraints to greater domestic competitiveness of perishables.** On one hand, highland production basins in Anjouan and Grande Comore are hampered by dilapidated feeder roads and the near absence of even non-motorized transport services, segmenting surplus producers from growing urban markets. On the other hand, erratic inter-island maritime transport and missing cold storage facilities at ports and collection points, make it difficult for food produced on one island to be competitive in a different island. These missing linkages especially impact the supply chains for locally competitive perishable produce like milk, fruit, vegetables and fish, resulting in food losses, spoilage and low market prices. Consequently, consumer choice is restricted to imported substitutes at modern retail stores, which pay a premium for reliable food supplies. Since Comoros' remoteness and long shipping times act as a buffer against imports of fresh produce, stronger internal transport and market linkages can enable producers to enhance their domestic competitiveness by differentiating their perishables against processed, chilled or frozen imports.

### **Food Processing**

15. **Established private sector players are reluctant to enter food processing due to a weak enabling environment; however, young startups keen to enter the agri-food sector require direct support.** Despite growing demand for processed food, the established Comorian private sector – predominantly traders and small manufacturers – displays little appetite for investing in food and beverage processing. In addition to the weak contract enforcement environment (Comoros is ranked 180<sup>th</sup> on this dimension of *Doing Business* indicators), interviewed private sector players cited three constraints specific to food processing: i) inconsistent aggregation and supply (quantity, quality and timing of agricultural raw materials), ii) unpredictable customs duties associated with inter-island maritime and air transport, and iii) high transaction costs associated with direct sourcing from poorly connected production basins. However, in contrast with the established private sector, young startups currently being incubated by industry associations have a high share of agribusiness plans that could be supported. Given large price differentials and an eager diaspora, processed food products could potentially be exported to Mayotte and mainland France, but these markets remain untapped due to an inability of small-scale local processors to meet the minimum EU phytosanitary requirements.

16. **The installation of processing units has been tried by various projects, but none have proven to be sustainable.** The conservation and processing of vegetables is so far non-existent, with erratic power supply, limited potable water, high packaging costs, and the transaction costs associated with procuring raw materials from a fragmented production system proving to be major bottlenecks. For vegetables, the processing of tomato paste is a promising option in theory, given widespread use and demand, but competing with the price of imported paste is difficult at current prices. The commercial production of fruit juices and jams, successfully being done by a small number of entrepreneurs, suggests that it is a model that can be scaled up. Given the aforementioned constraints, the successful establishment of other fruit processing units requires multiple interventions and strong market assessment, which have been largely absent in previous donor-funded projects.

### **Export Commodities**

17. **Agricultural exports have been stagnant for a decade, but vanilla and ylang-ylang prices are currently booming, increasing the risk of quality deterioration.** The production systems for cloves, ylang-ylang and vanilla are characterized by quasi-contract farming, well-developed value chain linkages, and established relationships between exporters and international buyers. However, a vicious cycle of worsening quality, low prices, and reduced output led to a slowdown in exports over the last decade, compounding the growing trade deficit. While cloves are now the Comoros' biggest export (57 percent of



revenues in 2015), ylang-ylang and vanilla revenues (17 and 16 percent in 2015) are now rising in response to dramatic price booms after more than a decade of decline.<sup>40</sup> In such tight markets, vanilla and ylang-ylang oil are highly susceptible to quality deterioration through premature harvest and deliberate manipulation.<sup>41</sup> The absence of geographical indications, reliable and inexpensive field testing, and monitoring through industry associations has contributed to the lack of quality control in both products.

18. **Support to nascent cooperatives through targeted investments in quality control and downstream product development are required to capture greater value domestically and mitigate against price volatility.** 25 – 30 cooperatives formed after the introduction of the 2014 Cooperatives Law have nascent experiences with aggregation to secure higher prices, modernization of curing and distillation technologies, and moving up the value chain to sell processed product directly to exporters and international buyers. Supporting cooperatives to overcome market barriers and gain stability through consistent, higher prices while buyers receive a consistent, reliable supply of goods meeting their quality standards can mitigate the effects of volatility in export markets.<sup>42</sup>

19. **International buyers are looking to diversify procurement of vanilla, an opportunity for new cooperatives in Comoros.** The global market for vanilla has continued to expand even as Comorian production has declined over the last decade.<sup>43</sup> Given the global reliance on Madagascar, whose market share is 80%, international buyers are actively encouraging diversification by supporting vanilla producer organizations in minor origins. Comorian vanilla cooperatives, which have recently started operating as part of a UNDP – ITC financed project and have the advantage of being located close to Madagascar, can capitalize on this opportunity to secure inputs, financing and technical assistance targeted at certifications like Organic and FairTrade, which can help secure price premiums when the inevitable market downturn occurs. Investment in vanilla curing facilities can also raise the margins for vanilla curers and smallholder returns by minimizing the conversion ratio of green to cured beans, and secure higher prices through better quality grades.

20. **Incentives nudging quality differentiation in cloves are required to access higher priced niche markets.** While Comoros exports to all the major markets, its exports have become increasingly focused on India in recent years, where it shares a significant duty advantage with Madagascar and other LDC origins. If Indian or Indonesian production ramps up significantly, exports from Comoros are likely to suffer. To insure against adverse market movements, clove production requires quality differentiation in Comoros. Since all cloves are mixed into the general supply of minimum quality at the export stage, the current value chain structure does not reward quality improvements. To access higher priced niche markets, established exporters need to identify buyers, and require technical and financial assistance in developing post-harvest traceability systems. Large-scale grower groupings (100+ MT) can then directly

---

<sup>40</sup> Vanilla hit a 13 year high in 2017 and ylang-ylang flowers were at 3x their 2015 prices. However, there remains a high risk of a vanilla crash given widespread speculation and premature harvest of green beans in Madagascar, the global price-setter. Comoros' market share in the vanilla market has dropped to just 1 percent over the last decade.

<sup>41</sup> Distillation practices like heating to increase density has led to reduced product differentiation and truest in Comoros' ylang-ylang oil despite its position as the global leader in a niche market (70 percent of production).

<sup>42</sup> 18,000 – 20,000 smallholders comprise the base of export value chains at present, with cloves and ylang-ylang growers receiving large shares of export prices (78 and 62 percent respectively) in favorable market conditions. Vanilla growers receive much smaller shares, as their bargaining power is reduced by an exporter oligopoly and a government determined price structure. While cloves are exported in bulk as the simple dried spice, vanilla is exported in the form of the cured bean and ylang-ylang oil is exported according to fractions, a proxy for quality.

<sup>43</sup> Export data for the major origins over the period 1999 to 2015 shows that volumes have increased from around 2,000 MT to the 3,000 – 3,500 MT range.



supply to exporters without going through collectors, negotiate individual pricing, and prepare batches of qualities that could be marketed separately by exporters for a price premium.

21. **Water and wood-saving upgraded ylang-ylang distillation units will enhance commercial and environmental sustainability.** Access to water is increasingly a binding constraint for distillation during the dry season, restricting oil production. Wood overuse has led to severe environmental degradation, and improved furnaces have proven difficult to maintain. Since wood will remain the dominant fuel source for the medium term, policies linking woodlot plantations to distillation use must be developed. Access to finance is required for investments in stainless steel stills, which will improve yield, oil quality, and thus margins, relative to galvanized steel still, many of which are still in use despite age and repair requirement. Coupled with installation of improved furnaces, closed water circulation systems, and construction of large storage areas for fresh flowers, there is great scope to move ylang-ylang exports closer to the production possibilities frontier.

22. **Diversification of export revenues is possible with the downstream development of existing export products and niche products.** The value addition of existing export products at origin is technically feasible and financially viable for multi-purpose processing facilities. As an example, cured vanilla beans can be transformed to high-value vanilla powder at a grinding facility, that could also be utilized for grinding cloves, black pepper and coffee for local and regional markets. In addition, extraction of essential oils from clove leaves, stems and buds – treated as waste currently – by adapting the ylang-ylang distillation process could lead to Comoros' entry into established markets.<sup>44</sup> The revival of older export value chains like coconut oil, which contributed a large share of revenues until the 1980s, can be supplemented with new products like coconut water and coconut sugar, which have growing global markets. Traditional and quintessentially Comorian products like sago flour are now primed for export to regional markets like Mayotte and the diaspora based in Marseille.<sup>45</sup> As part of the National Industrial Strategy drafted in 2017, other niche products and markets were also identified, with the fruits and fisheries segments also being represented. Industry associations, incubators and the higher education sector has a key role in the development of these business operations which require the integration of commercial and agricultural skills and expertise.

### ***Institutional Landscape in Agriculture***

23. **The Government involvement in agriculture is minimal, restricted to price-setting and harvest monitoring for vanilla, operation of a rice import and distribution parastatal, and price control for imports.** Consequently, traditional public goods in agriculture – agricultural research and development, extension, agrometeorological data monitoring and advisory services, land administration – are underprovided and service delivery is poor, with almost all agricultural support relying on donor-funded projects. Further, there exists an unmet need for strategic public investments in transport systems, cold storage, and market information systems that enable a better functioning of markets for perishables and induce market participation by subsistence-oriented producers. While this type of underinvestment is

---

<sup>44</sup> Clove leaves are not currently used in Comoros, but clove leaf oil is a large volume market. Madagascar produces 1,000 to 2,000 MT annually and current prices are in the range US\$15 to 18/kg. Clove stem oil is a standard product with current prices around US\$17.50/kg. Clove stems are currently a waste product in Comoros, although occasional purchases are reported at around KMF 450/kg. With an oil content of around 15%, the raw material cost of production of the oil would be in the range US\$6.10/kg. Lastly, a niche market exists for clove bud oil. The oil is priced in relation to clove prices, based on an oil content in the 15 percent range. Current prices are around US\$24/kg.

<sup>45</sup> Nutrizione Foods, started by entrepreneur Anturia Mihidjai, has led the processing and retailing of sago. <http://carrefourentrepreneursoceanindien.org/comores-le-sagou-au-coeur-du-succes-de-nutrizione-food/>



widespread across many economies, its consequences are far more debilitating for the Comorian archipelago, a small internal market which is further segmented. Lastly, the government can tangibly accelerate private investment in the sector through regulatory simplification and reduced compliance costs, playing a matching role in the credit market for agriculture, and convening dialogue to enable productive alliances between producer cooperatives and buyers.

24. **The Ministry of Environment, Agriculture, Fishing, and Energy (MEAPE) provides sectoral governance at the central-level.** MEAPE is responsible for planning, programming and the monitoring and evaluation of development actions in the fields of agriculture, livestock, fisheries and the environment. The executive functions are delegated to the governorates in each island, Regional Centre for Economic Development (CRDE) and various donor-supported projects. Under it are the following directorates: the National Directorate of Agricultural Strategies and Livestock (DNSAE), the National Directorate of Fisheries and Fishery Resources; the Directorate of General of Environment and Forests (DGEF); the National Directorate of Energy and Mines; the National Directorate of Industry and Crafts and the National Research Institute for Agriculture, Fisheries and Environment (INRAPE). These directorates are represented in all the three islands. The MAPEAU has stated its commitment to achieving the following four goals for the agriculture sector: a) securing jobs and incomes for those employed by the sector, b) enhancement of food security for rural and urban populations, c) contribute to the balance of trade between imports and exports, and d) sustainable management of natural and cultivated environments.

25. **The state-supported Rural Economic Development Centers (CRDEs) offer the main service platform for supporting agricultural value chains at the farm and community levels.** The Union of Comoros established CRDEs in 2013 through an important Presidential decree during the design of the UNDP-supported CRCCA project.<sup>46</sup> Under this decree, CRDEs replaced Agricultural Advisory Centers (CCAs) as the main rural development and agricultural support institution in the country. In particular, the decree signaled the government's intent to revive the decentralized rural development centers which implemented sector policies and plans until 1994, after which the onus of service provision had shifted to OPAs after the adoption of a new agriculture strategy.<sup>47</sup> Since 2013, the CRDE mandate includes: a) provision of technical extension, training, advice and support to agricultural producers, b) provision of basic services to support improved working conditions for rural communities, c) support the development of rural economic infrastructure, d) supervision of professional organizations and community development structures, and e) M&E and data management.

26. **The rehabilitation and operationalization of CRDEs on each island is currently a top government priority.** Under the 2013 decree, it is envisioned that 16 CRDEs – 7 in Grande Comore, 6 in Anjouan, and 3 in Moheli – will become fully functional under the management of a Director with a team of technical extension staff, an accounts manager, and an administrative assistant. Further, all CRDEs are to be overseen by a Steering Committee, with strong civil society representation.<sup>48</sup> At the national level, the

<sup>46</sup> law n°95-09/AF, decree n°95-106. The UNDP supported project was “Enhancing Adaptive Capacity for Increased Resilience to Climate Change in the Agriculture Sector in the Union of the Comoros – 2014-2018

<sup>47</sup> The Centre fédéral d'appui au développement rural – Cader (CEFADER-CADER) system consisted of design, planning, coordination and resource mobilization by the central structure and then implementation by decentralized centers. After the adoption of the 1994 strategy, the onus of implementation shifted to Professional Organizations and Associations (POAs), which were unable to fulfill their representational and commercial functions, forcing a legislation (the Agricultural Professional Organizations Act) to separate these functions and reorganize the institutional landscape to encourage the formation of professional cooperatives.

<sup>48</sup> The composition of the CRDE Steering Committee includes: a representative of the prefecture, two representatives of



CRDE are placed under the technical supervision of the Vice President in charge of MEAPE and will be financially supported by the Vice-President in charge of Finance and Budget. In principle, the centers are to be publicly financed but are also authorized to use direct contributions from the private sector. However, in practice, the centers have received very little financial support from the government, with almost all agricultural support initiatives relying on donor-supported projects and partnerships with local NGOs and producer organizations.

27. **Established in 1994, INRAPE is a public agricultural research institute under MEAPE which is in the process of building up its severely constrained technical capacity and infrastructure.**<sup>49</sup> INRAPE is the main counterpart of the Regional Programme for Plant Protection (PRPV) and is responsible for issuing seed import permits and certification, plant disease testing, and phytosanitary inspection. The institute has administrative and management autonomy and has a broad mandate that includes development of research programs, development of training programs on rural development, fisheries, and the environment, and the promotion of techniques that enhance agriculture productivity and environmental conservation. In practice, it lacks the financial, human and material resources to produce quality seeds, conduct phytosanitary inspections, or deliver training programs for seed multiplication. The institute's research agenda is heavily reliant on donor-funded projects and there are no long-term programs. However, its research infrastructure is currently being upgraded with the rehabilitation of its dilapidated in-vitro culture laboratory and propagation greenhouses. The institute has also partnered with IITA to receive technical support for the establishment of nurseries and the multiplication of healthy plant material under the International Fund for Agricultural Development (IFAD)-supported PREFER Project.

28. **Several POAs represent farmers but are unable to consistently provide input supply, advisory, aggregation, and marketing services.** Until 2016, the Union of Chambers of Commerce, Industry and Agriculture (UCCIA) and its three regional chambers also represented the interests of commercial, industrial and service companies in agriculture. An autonomous Chamber of Agriculture (CA) has recently been established to better represent farmers and farmer organizations. However, the CA has been unable to secure office premises, financial resources, and its legitimacy as a sector representative is challenged by existing national-level federations of agricultural POAs. The existing federations consist of: a) the National Union of Comorian Farmers (SNAC), a grouping of nine island-level POAs<sup>50</sup>, b) the National Federation of Comoros Farmers (FNAC), c) the National Federation of Comoros and Women Farmers (FNAC-FA), and d) the National Union for the Development of Fisheries in the Comoros (SNDPC). For the livestock sector, the main POAs are the Association of Anjouan Poultry Farmers, Mwana wakuhi (poultry farming) of Mohéli, Nema ya Lidziya de Niumakele, etc. Most POAs are managed by notables and former civil servants, that are distant from the base of smallholders. As their capacity to organize commercial activities have declined, these organizations have experienced significant loss of credibility. The reorganization that is taking place

---

professional organizations (such as fishermen and farmers), two representatives of NGOs working in the agriculture, fisheries and environment, two representatives of service providers (nurseries, seed production, vets etc.), a representative of the local Commissioner, and four representatives of associations and producer groups of all disciplines.

<sup>49</sup> The *Institut National de Recherche pour l'Agriculture, la Pêche et l'Environnement* (INRAPE) was established by law n°95-09/AF, decree n°95-106

<sup>50</sup> Anjouan: Bahati Yamlimizi, Neema, Trindi Djema, Moheli: APEGDM, Vuna Djema, Grande Comore: Association for Comorian Poultry Farmers (ASAVIC), National Farmers Union of Comoros for Market Crops (SNAC-FM). SNAC is the most active federation, was strongly supported by French cooperation between 2001 and 2011. It provided support to: a) the structuring and capacity building of FOs, b) the production of onion, tomato, potato, pineapple, vanilla, ylang-ylang, milk and poultry, c) marketing (UWEZO) and input supply (CAPAC) affiliates etc. Difficulties in administrative and financial management and persistent governance problems led AFD to end its support for the SNAC in 2011.



following the passing of the Agricultural Professional Organizations Act, which requires the separation of representation and commercial activities, should enable cooperatives to perform the supply and marketing functions for their members and the representative organizations to play fully their role.

**Tourism**

29. **The tourism sector is far from being competitive as a destination despite comparative advantages notably in term of ecological and cultural diversity of the Comorian islands.** Each of the three islands has its own unique attractions, thereby making inter-island circuits an attractive tourism proposition. Grande Comore is a scenic volcanic island dominated by Mount Karthala (2,361 meters), one of the world’s most active volcanoes. Moroni’s port offers a strong sense of the island’s history and Arab-Swahili heritage. The main market resembles a small version of Zanzibar’s famous Stone Town before its rehabilitation--urban restoration activities could potentially transform this asset into a strong tourism attraction as well. The coastline is fringed with white sand beaches such as Galawa and Maloudja, as well as coral reefs that offer world-class scuba diving and snorkeling opportunities. Lac Salé is a deep salt-water lake formed in a steep-sided volcanic crater. Mohéli, the smallest island of the archipelago, offers pristine beaches such as Nioumachoua, Moimbasa, Sambia, and Itsamia. The relatively unspoilt natural environment plays host to endemic and emblematic marine fauna such dugongs, humpback whales, and sea turtles. Local communities hope to transform the island into an ecotourism destination. Anjouan is called “l’île aux parfums” because of the ylang-ylang tree plantations. The landscape consists of mangroves, mountains, lakes, and plantations. The city of Mutsamudu has the most important medina of UoC, as well as a citadel. The port area could potentially be upgraded to receive cruise ships.

**Table 5: International Tourist Arrivals to Comoros (2010 – 2016)**

Year	Arrivals	% growth	Purpose of Travel				Purpose of Travel			
			Leisure	Business	VFF	Other	Leisure	Business	VFF	Other
2010	15 251	33,8%	15,60%	21,30%	52,40%	10,70%	2 379	3 248	7 992	1 632
2011	18 765	23,0%	14,30%	23,30%	52,60%	9,80%	2 683	4 372	9 870	1 839
2012	22 771	21,3%	5,28%	24,79%	66,73%	3,21%	1 202	5 644	15 194	731
2013	21 907	-3,8%	7,13%	15,29%	69,69%	7,89%	1 562	3 350	15 266	1 729
2014	22 760	3,9%	24,04%	22,31%	46,33%	7,32%	5 472	5 078	10 545	1 665
2015	23 614	3,8%	22,40%	24,12%	42,47%	11,01%	5 289	5 696	10 030	2 599
2016	26 842	13,7%	18,68%	19,04%	53,27%	9,01%	5 013	5 111	14 300	2 418

Source: Direction Nationale du Tourisme et de l’Hôtellerie (DNTH), juin 2017

30. The World Travel & Tourism Council (WTTC) estimates that the tourism sector directly accounted for 4.7% of Comorian GDP in 2016.<sup>51</sup> To put this into context, corresponding WTTC figures for other Indian Ocean island nations are 5.1 percent for Madagascar, 8.4 percent for Mauritius, and 22 percent for Seychelles. With respect to employment, precise figures are difficult to ascertain, yet the National Tourism and Hospitality Directorate (DNTH) estimates that the hospitality and tourism industry is responsible for approximately 500 jobs, with a ratio of 1.17 jobs per room.

31. An emerging tourism sector also represents an untapped opportunity for Agribusiness. Implementation of the existing Tourism Development Plan with a goal of stimulating tourism by attracting more airline carriers and promoting the construction of large hotels could bear fruit for domestic

<sup>51</sup> WTTC (2017) *Comoros: Travel and Tourism Economic Impact, 2017*, WTTC, London.



agriculture producers, as an influx of foreign tourists will increase the demand for high-quality local food products. Yet, if the sector remains unable to meet this demand through production of safe, durable food products that comply with international phytosanitary standards, the current upward trend of food exports will remain unabated. In the Eastern Caribbean islands where tourism is more developed, fresh products (fruits and vegetables, seafood etc.) account for about 60 percent of food purchased by hotels; however, most continue to be imported. The potential is to strengthen the tourism sector in the Comoros in order to reach an annual volume of 58,000 arrivals in the medium term by increasing the total accommodation capacity to 1,250 rooms (2/3 to international standards), by the establishment of international hotel investors and an improvement in occupancy rates through effective promotion of the destination. The additional annual tourist receipts expected could be of the order of US\$37 million in 2022.

32. **Despite its potential, Comorian tourism suffers from an important image deficit and competition from its immediate neighbors (Mayotte, Zanzibar and Madagascar).** Of the three islands in UoC, the greatest amount of tourism development has taken place on the largest island, Grande Comore—particularly in the capital city of Moroni. Comoros aspires to bring the tourism sector back to the golden ages experienced during the 90s. This was greatly led by the resort Galawa - Maloudja Beach (350 rooms), managed by the South African group Sun International, and targeting a clientele of South African tourists' subject to the restrictions of anti-apartheid measures. This leisure tourism success lasted almost 10 years and ended with the closure of the complex in 2001. The Comoros has not been included in the Indian Ocean cruise itineraries for several reasons. It retains an image of a high-risk country with significant political instability; port infrastructure is not adequate to accommodate cruise ships even in the best climatic conditions; cruise lines are not always in contact with local incoming agencies and informed about the possibilities for excursions or ground activities; and visa administrative procedures can be complicated. There are only a few cruise ships that call in Moroni annually. Yachting activities are also limited in the Comoros as very few boats are registered and procedures for foreign registered boats are unclear and vary according to the island and even the officer-in-charge.

33. The tourism enabling environment is far from being conducive to substantial development. The existing connectivity infrastructure and transport services are inadequate. The limited number of sizable accommodations establishments and significant anchor investments in other sectors of the tourism supply chain remains the most significant impediment to tourism growth in Comoros. In addition, the lack of information and branding, linked to inadequate infrastructure and connectivity keep Comoros as a hidden destination.

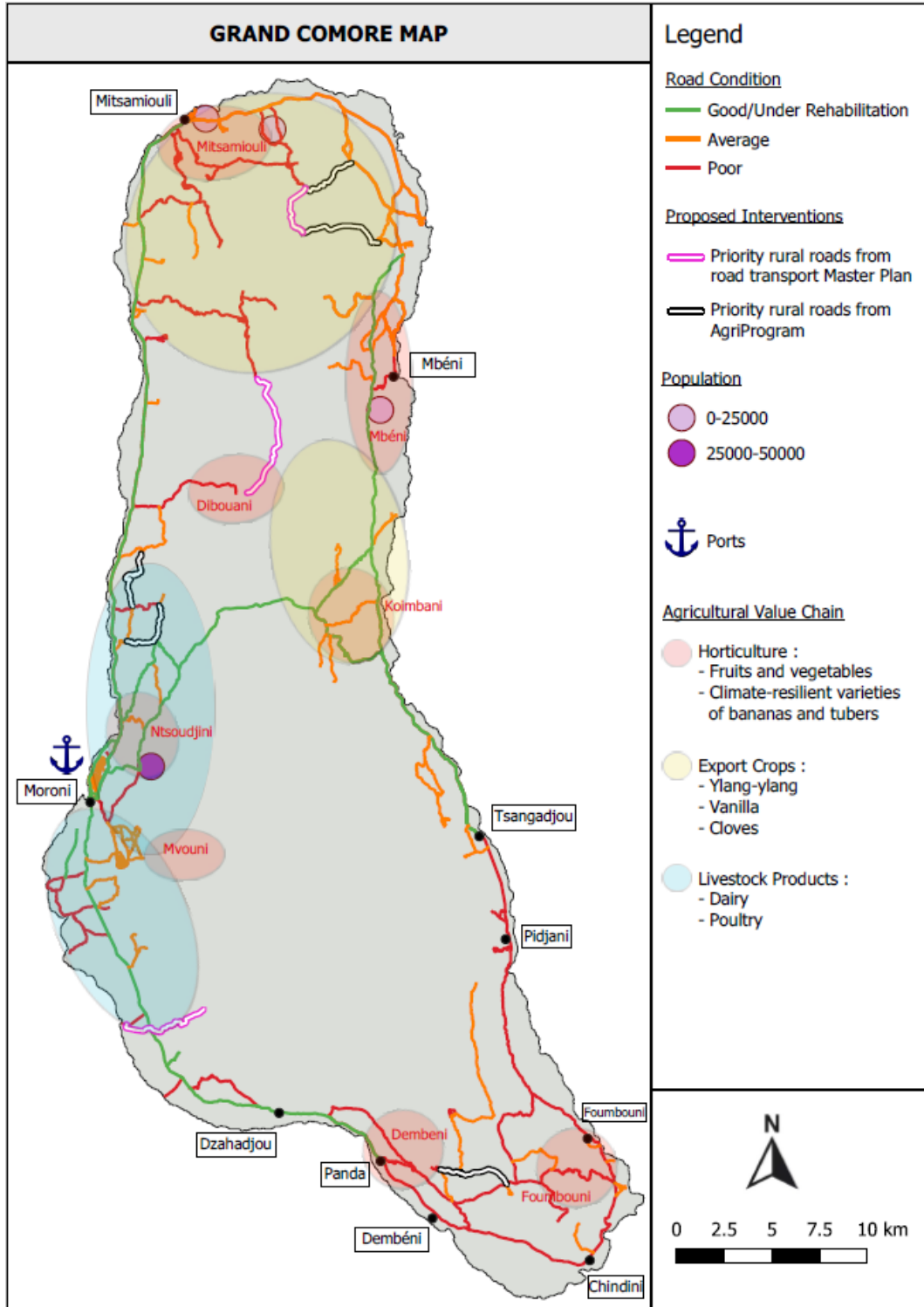


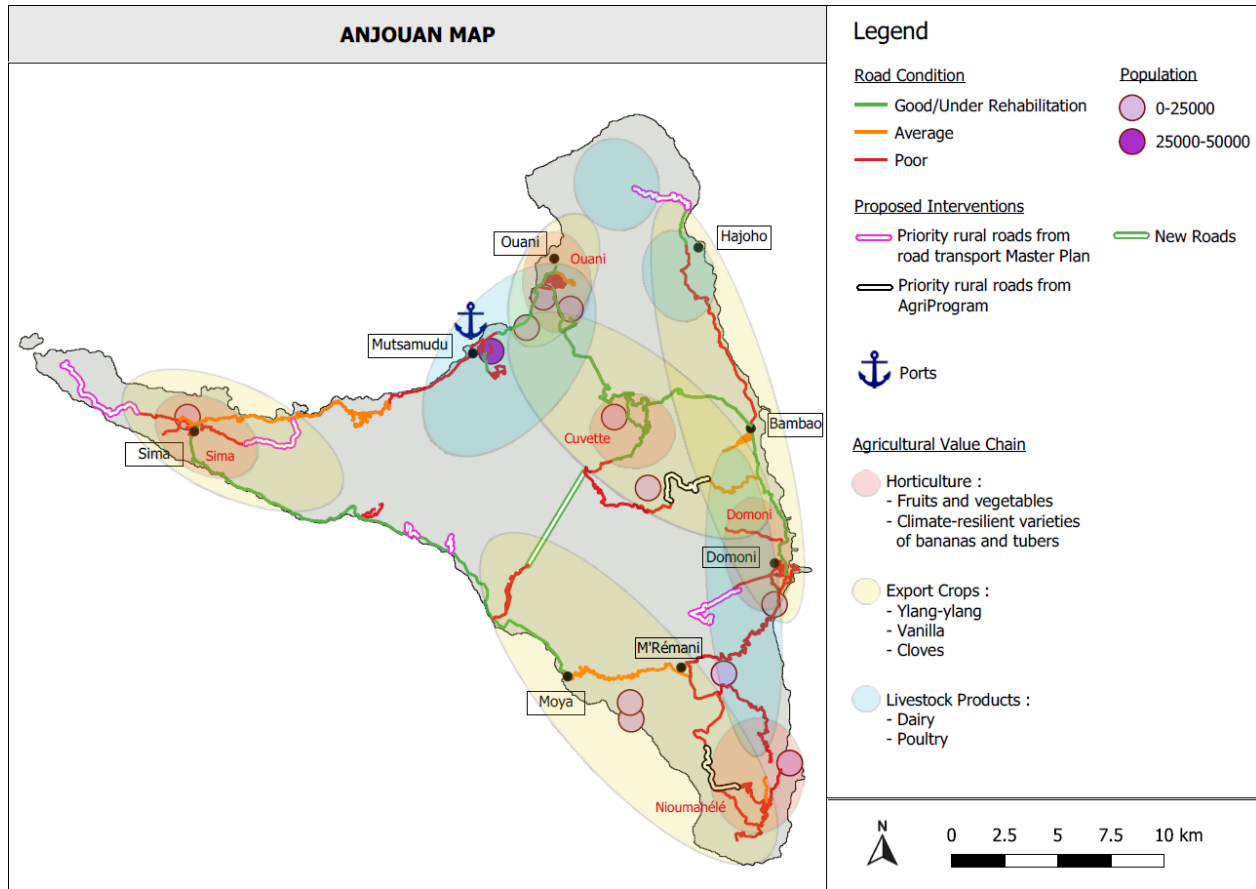
Table 8. Scenarios for Tourism Value Chain Development

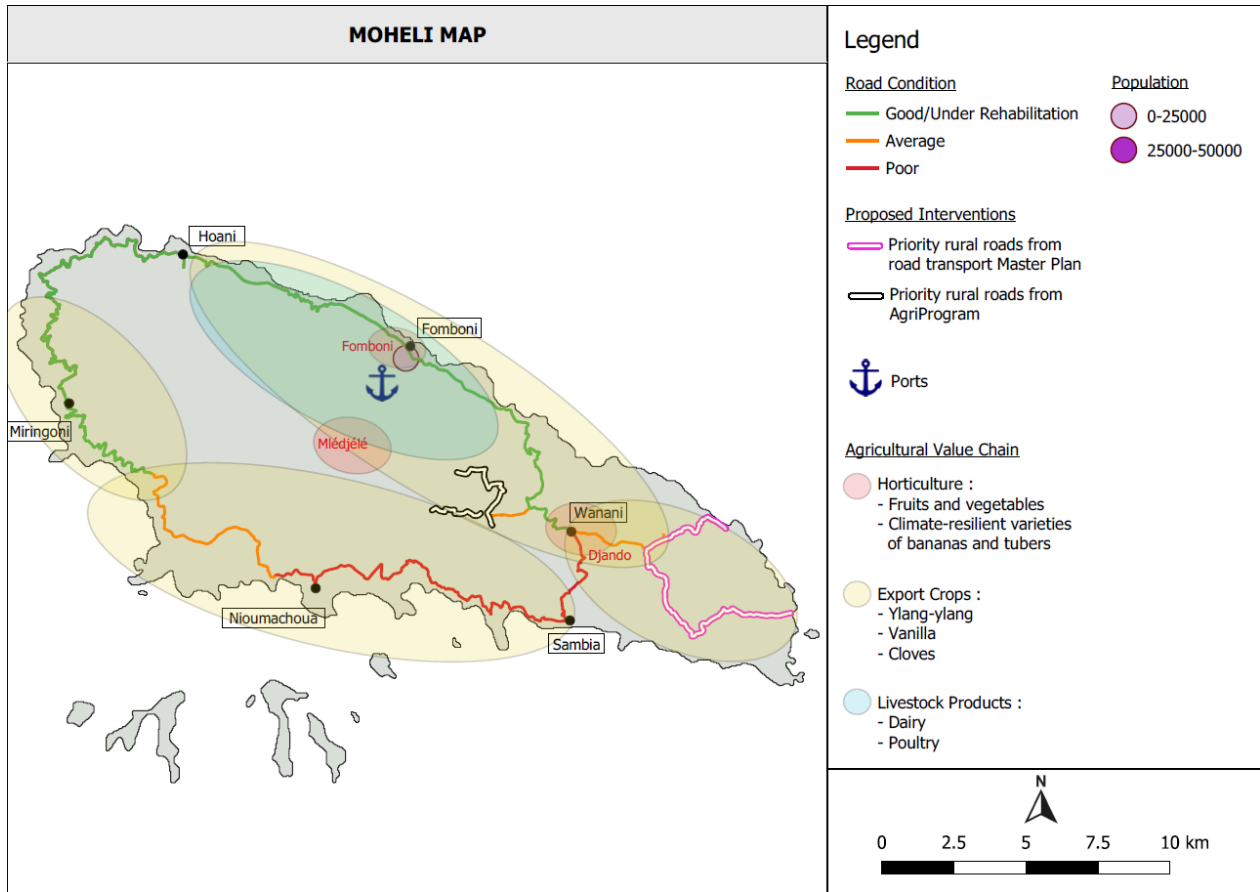
Scenario	Description	Prerequisites	Pros-Cons
<b>Enclave anchor investment (Grande Comore) with island extensions</b>	One or two anchor investments (e.g. Galawa site) would develop a large operation and much related infrastructure/services (e.g. charter flights, import line, in-house training) and operate (despite a difficult business environment) by controlling most of the value chain. Clients would be flown in for tropical beach experience and based within all-inclusive model (ensuring quality control), also doing day-excursions to sites on Grande Comore and possible overnight stays on Anjouan and Moheli. These would need to be developed as extensions by Galawa or tightly managed/prescribed by international tour operators. Assuming a conservative 50% occupancy at Galawa, the market could support one new ecolodge on Moheli (15-20 rooms) and one on Anjouan, sites permitting.	Appropriate branded operator for property with excellent marketing and destination promotion channels is essential -- as well as a more competitive operating environment (reduced operating costs, power, water, ability to source labor competitively, contracts enforced), improved air connectivity and road infrastructure.	Branded anchor investment and a new market driven by international tour operators will help position the country in the short-term. It will create jobs and provide some opportunity for limited development on the islands. Quality will be secured. High levels of leakage would be expected, as well as limited spillover into local economy. Likely to be most attractive proposition for frontier investor, with a limited role (and risk) for government/donors.
<b>(ii) Limited, niche offering developed on islands.</b>	Existing niche markets would be expanded (Mayotte and Reunion residents and tourists, leisure yachts from Mayotte, niche #adventurers# from Europe) to increase occupancy in existing products and create a small market for new ones. Products would focus on authenticity, value, pristine/nature/diving (Mayotte), cultural heritage and agri-tourism - vanilla, ylang in Anjouan. One or two new lodges could be supported on each island, plus a number of activities (guides, marina, restaurants, bird-watching, dive, bike/hike trails, environmental interpretation center etc.). All should have a distinct USP or differentiation from comparable offers on Reunion/Mayotte.	Links to niche tour operators, preservation and development of raw assets (asset management, especially in the national park), market-appropriate product development with external/international partners, waste management, vehicle guide training, interpretation, air/sea connectivity/reliability and road infrastructure improvements.	The scenario would have a small but direct local impact; jobs, supply chain. A niche brand would be developed, with relatively elastic high spending markets prepared to overcome some risk. Some markets are already in the area therefore the scenario would have a lower threshold to visitation, and potential for repeat visitation. Small-scale development will protect the environment. Ultimately, this scenario would have small (but direct/rural) impacts, as part of a high-risk strategy without guaranteed access to markets.
<b>(iii) Anchor Investment on Grande Comore stimulates tourism hub and spokes</b>	This would be as Option One above but not involve an all-inclusive resort. Although anchor investment (e.g. Galawa) would control most of the value chain, the operator would be open to increasing local linkages in a meaningful way through the upstream supply chain and also the downstream spin-off of services (excursions, local attractions etc.). Client proposition is broader than sun/sea/sand. A network of products may be developed by local service providers to cater to the market. This could include developing the town of Mitsamiouli into a small tourism hub with landscaping, street renovations, corniche, shops and restaurants. From here service providers (in a second phase) can offer day excursions around Grande Comore and to the islands.	Local villages support (including culturally) of tourism/tourists, openness of anchor investor to invest time/resources in building up linkages' programs (with other NGO/government/donor support), plus all other pre-requisites under Scenario 1.	More inclusive and significant development impact, more significant intervention requiring a lot of support



ANNEX 4: Maps of Value Chain Interventions









**ANNEX 5: List of potential rural network to be rehabilitated**

Islands	Rural roads proposal	Approximate length	Road surface	Associated production basins
Grand Comore	Ouzio (RR 128E) - Ossao - Pandé (RR128M-02)	6.0 km	UNPAVED	- <b>Export products:</b> ylang-ylang, vanilla, cloves - Setting up of pilot farmhouses - A CRDE is located in Dimadjou
	Bandassamlini (RR101-03) - Djiboini	7.5 km	UNPAVED	- <b>Dibouani production basins:</b> climate-resilient varieties of bananas and tubers, dairy, Fruits and vegetables - A CRDE of reference is located in Dibouani
	Mvouni mbadani-Oussivo	2.0 km	UNPAVED	- <b>Livestock products:</b> dairy products, poultry, - A CRDE is located in Dzahadjou
	Batsa-Dzahadjou-Vanadjou	4.0 km	PAVED	- <b>Livestock products:</b> dairy products, poultry, - A CRDE is located in Dzahadjou
Anjouan	Mridjou - Vers Gnamboimro	11.1 km	PAVED	- <b>Nyumakele production basins:</b> dairy products, poultry, fruit and vegetables, spices - A CRDE is located in Mremani
	Koni Djodjo - Houngouné	6.3 km	PAVED	- <b>Domoni production basins:</b> Cloves, ylang-ylang, poultry, fruit and vegetables - A CRDE is located in Bambao Mtsanga

**Total: 36.9 km**