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**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**INTERIM STRATEGY NOTE**

**FOR**

**THE UNION OF THE COMOROS**

**FOR THE PERIOD FY10-12**

**April 29, 2010**

Eastern Africa Country Cluster 2  
Africa Region

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## **CURRENCY EQUIVALENTS**

Currency Unit = Comorian Franc (KMF)

US\$1= KMF 367 (as of April 22, 2010)

## **FISCAL YEAR**

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## **ABBREVIATIONS AND ACRONYMS**

AAA	Analytic and Advisory Activities
ADF	African Development Fund
AFD	<i>Agence Française de Développement</i> (French Development Agency)
AfDB	African Development Bank
AU	African Union
BADEA	<i>Banque Arabe pour le Développement Economique en Afrique</i> (Arab Bank for Economic Development in Africa)
BNPP	Bank Netherlands Partnership Program
CAS	Country Assistance Strategy
COMESA	Common Market for Eastern and Southern Africa
CPIA	Country Performance Institutional Assessment
DPO	Development Policy Operation
DSA	Debt Sustainability Analysis
DTIS	Diagnostic Trade Integration Study
ECF	Extended Credit Facility
EU	European Union
ESW	Economic and Sector Work
EUR	Euro
FADC	<i>Fonds d'Appui au Développement Communautaire</i> (Implementation Agency for the Services Support Project)
FPCR TF	Food Price Crisis Response Trust Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GET	Global Experts Team
GFDRR	Global Facility for Disaster Reduction and Recovery
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HDI	Human Development Index
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IFAD	International Fund for Agricultural Development

IMF	International Monetary Fund
INT	Institutional Integrity Department
ISDB	Islamic Development Bank
JSAN	Joint Staff Advisory Note
JSDF	Japan Social Development Fund
KM	Kilometers
KMF	Comorian Franc
LICUS	Low Income Countries Under Stress
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
M&E	Monitoring and Evaluation
NPV	Net Present Value
OECD DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
PER	Public Expenditure Review
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PRGSP	Poverty Reduction and Growth Strategy Paper
SDR	Special Drawing Rights
SPF	State and Peace Building Fund
SSP	Services Support Project
TA	Technical Assistance
TFSCB	Trust Fund for Statistical Capacity Building
UN	United Nations
UNDP	United Nations Development Program
WBI	World Bank Institute

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FOR THE UNION OF THE COMOROS FY10-12**

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**INTERIM STRATEGY NOTE  
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**EXECUTIVE SUMMARY**

- i. **The Union of the Comoros, with a population of about 670,000, is a small-island fragile state with a history of political instability and vulnerability to external shocks.** With a GDP estimated at US\$525.5 million in 2009, GNI per capita is about US\$785. About 45 percent of the population lives below the poverty line, but poverty incidence varies significantly across the islands and is generally higher in rural areas and on the island of Anjouan. There is a high degree of political instability, characterized by a lack of trust between the three islands and disagreement between island and Union governments over the sharing of resources. A narrow export base and high dependence on food imports and remittances makes Comoros vulnerable to external shocks. While the country kept positive growth rates during 2008-09 average growth remains below population growth and too low to make a dent on poverty.
- ii. **Recent developments offer significant opportunities for advancing the country's reform agenda.** These include: (i) resolution of the political crisis between Anjouan and the Union in 2008; (ii) improvements in inter-island relationships—as well as between the Union and the island governments—and the structure of the federal administration following passage of the May 2009 Constitutional Amendment; and (iii) the agreement in September 2009 of an Extended Credit Facility (ECF), formerly called Poverty Reduction and Growth Facility (PRGF), arrangement with the IMF, followed by the provision of budget support by key donors, opening the possibility for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative.
- iii. **Key entry points for reforms concern economic governance, particularly including the country's public finance and budgetary management system.** These reforms are necessary for Comoros to achieve sustainable growth and reduce poverty. Progress in these areas would also lead the way to successful implementation of the IMF program, the attainment of HIPC debt relief, and further budget support by development partners (including the Bank). It could in the long-term also lead to increases in the country's IDA allocation.
- iv. **Proposed Bank support focuses on a core program commensurate with Comoros' small IDA allocation of SDR5.7 million (US\$8.9 million) for FY09-11.** Comoros' small IDA allocation, which was supplemented with an additional SDR1 million (US\$1.6 million) from the IDA Crisis Response Window in 2009, is mainly due to the country's poor Country Performance Institutional Assessment (CPIA) rating, especially with respect to key governance scores. The Bank team is actively mobilizing trust fund resources to complement the small IDA allocation. Bank assistance will support two objectives: (i) reducing social vulnerability; and (ii) strengthening state capacity and accountability. These objectives are aligned with Comoros' 2009 Poverty Reduction and Growth Strategy Paper (PRGSP).
- v. **The Bank's strategy also aims to help Comoros to achieve debt relief through the HIPC Initiative.** Comoros has carried an unsustainable external debt burden for over two decades. IDA is its largest creditor, holding about 42 percent of total debt. The Bank team will be working closely with the IMF and the government to reach the HIPC decision point in mid-

2010 and the completion point about two years later. To reach these milestones, Comoros will be expected to: (i) maintain macroeconomic stability; (ii) show satisfactory performance under the IMF program; (iii) carry out key structural and social reforms; and (iv) show satisfactory implementation of its poverty reduction strategy.

vi. **IDA financial assistance will be provided through a mix of development policy and investment lending together with trust fund financing.** Continuation of the ongoing Services Support Project, with cofinancing of a cash-for-work program, will aim to reduce vulnerability. A proposed Emergency Crises Response Project (ECRP) will provide assistance to those segments of the population that have been most affected by economic crises. An ongoing regional Southwest Indian Fisheries Project will continue to support fisheries and environmental sustainability and a planned Coastal Resource Co-Management for Sustainable Livelihood Project will support fishing communities in resource use as well as fisheries management to promote sustainable livelihoods. In line with other donors that have recently provided budget support, the ISN also proposes a series of development policy operations aimed at improving economic governance and linked with technical assistance in the areas of public finance management, budgetary management and civil service reform. Support in these reform areas will be necessary to put the country on a sustainable path geared toward growth and poverty reduction.

vii. **The Bank will also strive to rebuild its knowledge base, thereby enabling preparation of a growth-focused strategy towards the end of the ISN-period.** A political economy study will help to better understand the country's reform prospects. Public expenditure notes will be carried out within the context of the planned development policy operation, *inter alia* to analyze social sector spending. A planned Development Policy Review at the end of the ISN period will aim to prepare a shift in the Bank's support program toward a stronger focus on private-sector led growth, which will be a primary objective of the next strategy. The Bank will also aim at providing the analytic basis for an eventual shift in the Bank's strategy towards a stronger focus on specific growth sectors, e.g. tourism, fisheries and agriculture. These activities will be done in partnership with the International Finance Corporation (IFC), which is planning to step up its efforts—building on its support during the period of the previous ISN—aimed at improving the business climate in Comoros.

viii. **There are significant risks to the Bank's engagement in Comoros.** Comoros is a high-risk country because of its volatile politics, poor governance, and extremely weak institutional capacity. Risks include: (i) the country's history of political instability and the potential breakdown of relations between the islands; (ii) potential lack of commitment and political buy in for reforms; (iii) continued high levels of corruption; (iv) weak capacity for planning and executing reforms; (v) macroeconomic risks and (vi) continued high levels of debt distress, including the potential for suspension in IDA disbursements. The Bank cannot directly mitigate many of these risks. That said, the potential rewards of successful implementation of the strategy set out in this ISN significantly outweigh the risks, given the country's high levels of poverty and economic vulnerability. A key mitigation strategy will be the Bank's continued engagement within a broader framework of support by the international community and leading donors.

## I. INTRODUCTION

1. **This Interim Strategy Note (ISN) presents the Bank’s assistance program to the Union of the Comoros for FY10-12.** It updates the previous ISN, which was discussed by the Board of Executive Directors on December 21, 2006, and originally covered an 18-month period ending in June 2008. Preparation of this strategy was postponed due to the political crisis in Anjouan in March 2008 and subsequent uncertainties regarding the May 2009 Constitutional Referendum. Given the continued fragile environment in Comoros, an ISN is still considered to be more appropriate for Comoros than a full Country Assistance Strategy (CAS). Depending on progress under this ISN and a recently completed Poverty Reduction Strategy Paper, the Bank will consider preparing a regular CAS at the end of this ISN period. This new strategy will have a strong focus on growth, building on the foundations provided through this ISN.

## II. COUNTRY CONTEXT

2. **The Union of the Comoros is a small archipelago with an estimated population of 670,000<sup>1</sup> covering a territory of about 1,800 km<sup>2</sup>.** About 52 percent of the population lives on the largest island, Ngazidja (or Grande Comore), which is also home to the Union capital, Moroni, the seat of the Union government. The second largest island, Nzwani (Anjouan), has 42 percent of the population, and the smallest, Mwali (Mohéli), 6 percent. (A fourth island, Mahoré (Mayotte), opted against independence from France in a referendum held on all four islands in 1974.<sup>2</sup>) Comoros has a high population density of about 328 inhabitants per km<sup>2</sup> and a population growth rate estimated at 2.1 percent. About 53 percent of the population is younger than 20 years old. With a GDP estimated at US\$525 million in 2009, GNI per capita is about US\$785. Some 45 percent of the population lives below the poverty line, but poverty incidence varies significantly across the islands and is generally higher in rural areas and in Anjouan. Comoros ranked 139 out of 182 countries on the UN Human Development Index in 2009.

3. **The economy of Comoros is characterized by geographical isolation, limited resources, poor macroeconomic management, a small domestic market, and a narrow export base, which makes it vulnerable to external shocks.** The primary sector (dominated by subsistence agriculture and fishing) and small-scale retail dominate the economy, accounting respectively for about one-half and one-fifth of GDP. The primary sector consists mainly of the production of three high-value export crops—vanilla, cloves, and ylang-ylang—which provide the bulk of export earnings. Production of food crops (mostly bananas, copra, and tubers) as well as fishing cater to domestic consumption. The economy of Comoros is also characterized by a high dependence on food imports and remittances, which makes it vulnerable to external shocks. Imports (mostly rice, meat and cooking oil) cover about half of food consumption while remittances represent about one-fifth of GDP. Comoros is a member of the Common Market for Eastern and Southern Africa (COMESA), but does not participate in its free trade area or grant preferential trade access to any partner. Comoros is vulnerable to natural disasters, including

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<sup>1</sup> This is according to data from the Poverty Reduction and Growth Strategy Paper (PRGSP), but population estimates for the Comoros vary widely from about 600,000 to 800,000. The last population census was in 2003 (the next is planned for 2013) with a population of 576,000.

<sup>2</sup> In another referendum in March 2009, Mayotte voted for even closer ties to France and became the 101<sup>st</sup> *département* of the French Republic.

tropical cyclones and other hydro-meteorological hazards as well as risks associated with the presence of an active volcano on the main island of Grande Comore. Climate change will increase exposure to these risks, as rising sea levels will lead to coastal erosion and potentially increase coastal flooding on all three islands. Another risk stems from the uncontrolled exploitation of natural resources and its threat to the preservation of biodiversity on the islands.

4. **The global food price and economic crises of 2008 and 2009 had an adverse effect on Comoros, and especially on the poor, due to the country's high dependence on food imports and remittances.** As the prices of rice, vegetable oil, and meat increased by over 50 percent in 2008, and the prices of dairy products (mostly dried milk) doubled, many of the poor exhausted their coping mechanisms and became even more vulnerable to economic hardship than they had been before. Prices stabilized in 2009, but at higher levels than before the crisis started, and many people, having consumed or otherwise disposed of their few assets, remain highly vulnerable to future exogenous shocks. The global economic crisis affected Comoros through several channels. While remittances initially (in a counter-cyclical reaction in 2008) increased by about 20 percent and stabilized in 2009, preliminary IMF data suggest that they will decline by 20 percent in 2010. Foreign direct investment (FDI) also decreased sharply as major planned investments in the tourism sector did not materialize due to the impacts of the global economic crisis on major investors from the Gulf States, including Dubai World.

5. **The history of Comoros has been characterized by recurrent political crises and conflict between the islands.** Comoros has suffered about 21 coups and coup attempts since it declared independence from France in July 1975. The main source of conflict has historically been the sharing of power and resources between the three islands, and between the Union Government and Grande Comore (as seat of the Union Government). Against this backdrop, the country also experienced several secessionist attempts, primarily by Anjouan. Since independence, successive regimes were unable to establish strong state institutions (over 35 years of independence, the country experienced five successive constitutions). Attempts at building political consensus have led to overlapping layers of decision-making mechanisms and bureaucracy leading to administrative inefficiencies.

6. **Democratic elections in April 2006 resulted in the country's first-ever peaceful transfer of power, with Ahmed Abdallah Sambi winning the Union Presidency on a reformist platform, with a focus on anti-corruption and an increase in living standards.** President Sambi's promise of social and economic reform has been difficult to deliver, given country circumstances. Modest progress has been in improving public financial management and reforming the civil service. The government also completed Comoros' first full PRSP and responded adequately to the 2008-09 food price crisis, including mobilizing support from various development partners. Two rounds of legislative elections in 2009, on December 6 and 20 respectively, resulted in a victory for the pro-Sambi "Baobab" movement in the Union Assembly. On March 2, 2010, the Union Assembly accepted a Constitutional Referendum, in which voters approved a measure to align the election of the Union President with the elections of the island governors, and extended President Sambi's term by 18 months until November 2011.

7. **While development partners have enhanced support in light of positive political developments, they also recognize that several factors continue to make Comoros a fragile state.** The current engagement by the European Commission (EC) is founded in the 2006 elections, which the EC saw as a first step to consolidate democracy in Comoros. However, the EC strategy of December 2007 also highlights the various factors that continue to contribute to instability such as: (i) weak state capacity; (ii) major challenges with public finances; (iii) rapid population growth; (iv) high unemployment; and (v) high dependency on aid and remittances. Reengagement by the African Development Bank (AfDB) in early 2009 was based on progress in the political and economic spheres, notably the 2006 elections, the settlement of the Anjouan crisis in 2008, and the December 2008 clearance of arrears, but the AfDB's Interim Strategy of March 2009 also acknowledges that the political framework in Comoros has not yet stood the test of time and that Comoros remains weak in terms of political stability and institutional capacities. Finally, the Extended Credit Facility (ECF) agreement with the IMF also followed the settlement of the Anjouan crisis and cited the approval of the May 2009 Constitutional Amendment through a national referendum as another sign for improved stability and basis for engagement, while at the same time highlighting the continued tensions between the Union and island authorities over power-sharing issues.

8. **One key contributor to fragility and instability in Comoros is the heterogeneity and lack of social cohesion between the three islands.** While all islands received populations from highly different ethnic and cultural origins (East Africa, Madagascar and the Arabic peninsula), their different historic paths led to a great variety in the population composition of each island. The three islands in fact present differentiated social systems, shown by the existence of a matrilineal social system in Grand Comore versus a patrilineal system in Anjouan.<sup>3</sup> While social cohesion is strong within the extended family, clan or village, it has historically been weak at the island level and even weaker at the Union level.<sup>4</sup> Since independence, successive regimes were unable to establish strong state institutions and attempts at building political consensus have led to overlapping layers of decision-making and bureaucracy, leading to administrative inefficiencies. These problems add up to limited economic exchanges between the islands, a narrow export base and the constraints of a low productivity economy. It would therefore be important to study the social dynamics in Comoros (including assessing the gender dimensions) and their impact on political stability and growth.

#### A. Recent Political Developments

9. **Two recent political developments are expected to have a positive impact on national reconciliation and development in Comoros.** Both developments have given new impetus to the Government's economic development and poverty reduction program and opened prospects for reforms.

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<sup>3</sup> Grande Comore has developed a unique social system in which the wife is traditionally the owner of the house that the couple occupies after a *grand mariage*, a lavish and costly wedding ceremony, which is necessary if the husband wants to gain the status of *notable* or social leader. The wife traditionally retains the house, including after a divorce, and even certain landholdings can be passed on via matrilineal inheritance.

<sup>4</sup> Since the 16th Century, the islands also suffered from successive invasions which led to the establishment of unstable sultanats and constant internal feuds. In the 18<sup>th</sup> century, Comoros' nickname was "L'archipel des Sultans batailleurs" (the archipelago of quarrelsome sultans).

10. **First, a political crisis in Anjouan, which started in 2007, was resolved in 2008 through an African Union-led military intervention and new elections that brought a pro-Union government to the island.** The political crisis occurred in June 2007, when the Union government attempted to postpone elections in Anjouan, citing irregularities and intimidation in the run-up to the voting. The Anjouanese authorities refused to postpone and Mohammed Bacar, in power in Anjouan since an August 2001 coup, claimed a landslide victory. The Union government and the African Union issued resolutions condemning the events and eventually joined together in a military intervention in March 2008. Bacar was deposed, and a new poll, which took place in June 2008, resulted in the election of Moussa Toybou, who had received the open backing of Union President Sambi, as President of Anjouan. While the root causes of the conflict still need to be addressed, these events constitute an important step forward in improving stability in the political and economic relationships between Anjouan and the rest of the Union.

11. **Second, in a May 2009 referendum, Comorians adopted an amendment to the 2001 constitution, which should result in a more streamlined federal administration.** After various secessionist attempts during the 1990s—first in Mohéli and then more prominently in Anjouan starting in 1997—a new constitution was adopted, creating the Union of Comoros and providing considerable autonomy to each of the three islands. In particular, each island was granted its own president and parliament, with the Union presidency rotating among the islands. This formula of four presidents, four governments and four parliaments proved to be a cumbersome and costly structure, and it also failed to address the core issue of the division of powers between the Union and the islands. What followed was a struggle for power and influence between the Union and island authorities over revenue sharing and budget execution. The May 2009 amendment aimed to streamline this institutional architecture to improve governance and enhance prospects for fiscal consolidation and growth. Among other things, the amendment: (i) outlaws secessionist attempts; (ii) replaces the office of island president with the post of governor; (iii) clarifies the division of responsibilities between the island governments and the Union; (iv) establishes a principle of “equitable” sharing of foreign aid and investments among the islands; and (v) aligns the election of the Union president with the elections of the island governors. While the amendment solidifies the principle of a division of labor between the Union and the islands, it does not in itself guarantee the working of such an arrangement. As the amendment highlights, the actual implementation of this principle still requires the passing of laws to determine the exact limits and scope of operation of this division of labor.

## **B. Recent Economic Developments**

12. **While Comoros’ economy managed to sustain positive growth rates, despite the political crisis of 2008 and the global economic downturn in 2009, average growth has remained too low to have an impact on poverty reduction.** Economic activity in 2008 was hampered by the political crisis in Anjouan as well as a major petroleum products supply crisis. Depletion of fuel reserves and ensuing energy shortages brought economic activity to a standstill over the summer. These difficulties were compounded by curtailment of credit to the private sector from the major commercial bank, due to a protracted legal dispute. Simultaneously, higher international oil and food prices penalized this highly import-dependent economy. Nonetheless, real GDP growth was maintained at 1 percent in 2008; a rebound in retail and construction activities in the last quarter of the year partly offset the marked decline in the first

half of the year. Growth for 2009 is estimated to have been 1.8 percent. However, with an average growth rate of about 1.7 percent over the last five years and a population growth rate of at least 2.1 percent, growth has not been sufficient to reduce poverty.

13. **The trade balance deteriorated in 2008, due to higher energy and food import prices, but improved in 2009.** The crisis in Anjouan—the main region for producing export commodities—also depressed exports. That said, remittances from the diaspora continued to play their counter-cyclical role and increased markedly in 2008, limiting the slide in the current account deficit. In 2009, the current account deficit is estimated to have narrowed again, to 8 percent of GDP.

**Table 1: Key Macroeconomic Indicators 2005-2012**  
(Percent of GDP unless specified otherwise)

	2005	2006	2007	2008	2009 <sup>a</sup>	2010 <sup>b</sup>	2011 <sup>b</sup>	2012 <sup>b</sup>
<b>National income and prices</b>								
Real GDP growth (% change)	4.2	1.2	0.5	1.0	1.8	2.0	2.5	3.5
Inflation (% change, annual average)	3.0	3.4	4.5	4.8	4.8	2.2	2.3	2.7
<b>Public finance</b>								
Domestic revenue (excl. grants)	15.7	13.6	12.7	13.1	13.9	14.0	14.2	14.6
Total expenditures (incl. net lending)	19.9	21.2	22.3	26.0	23.0	22.7	23.0	22.8
Domestic primary balance	1.1	-1.2	-2.2	-2.7	-2.6	-1.2	-1.1	-0.6
Overall balance (incl. grants)	-0.5	-1.7	-2.2	-2.3	0.8	-4.5	-2.0	-1.6
Financing gap	0.0	0.0	0.0	0.0	0.0	3.3	2.5	2.5
<b>External sector</b>								
Imports of goods and services	34.7	38.3	41.6	48.3	48.1	49.4	47.4	46.3
Exports of goods and services	12.5	14.0	14.8	14.4	14.7	15.0	14.9	14.8
Current account balance	-3.4	-6.1	-6.7	-10.6	-7.9	-12.3	-12.6	-11.9
Gross reserves (months of imports)	8.1	7.3	7.3	5.2	7.1	6.3	6.3	6.1
<b>External debt</b>								
External debt stock (end of year)	71.5	67.2	57.6	54.2	48.4	44.5	41.3	n.a.
External debt service (% of exports)	17.6	13.1	11.4	11.9	12.9	19.8	9.9	9.3

*Notes:* <sup>a</sup> Estimate; <sup>b</sup> Projection  
*Source:* Comorian authorities and International Monetary Fund

14. **The fiscal outturn remained broadly stable in 2008 and 2009 and is expected to improve in 2010.** Revenues increased slightly in 2008 and again in 2009. While current expenditures increased in 2008 and 2009, owing in part to security expenses related to the military intervention in Anjouan, they are expected to decline gradually over the coming three years and to stabilize at around 15 percent of GDP. Wage expenditures remained high, at 9 percent of GDP, and efforts by the government to control them suffer occasional setbacks, such

as the agreement to significantly higher teacher wages in early 2010. The domestic primary deficit widened to 2.7 percent of GDP in 2008 (from 2.2 the previous year) and is estimated to have reached 2.6 percent of GDP in 2009.

**15. Monetary policy remained supportive of private sector growth in the past few years.** Credit growth to the private sector is estimated to have reached 10 percent in 2009, and the opening of two new banking institutions—ending the de facto monopoly of the former single commercial bank—is expected further to support private sector activity. Even so, access by small and medium sized enterprises to finance remains a key constraint to the growth of private business.

**16. The normalization of inter-island relations in the aftermath of the resolution of Anjouan secessionist crisis in May 2008 allowed the authorities to initiate efforts towards fiscal consolidation.** Measures taken included a freezing—albeit not fully respected—of new hires in the civil service from August 2008, a reduction in the number of ministerial portfolios, and the adoption by Parliament in November 2008 of a supplementary budget reincorporating Anjouan. Moreover, a series of amendments to the constitution were adopted by referendum on May 17 2009, which opened the door for significant rationalization and right-sizing of the administrative and political structures. These measures paved the way for the agreement of an IMF-supported program, utilizing the IMF’s Emergency Post-Conflict Assistance (EPCA) facility, in late December 2008, and then of a three year arrangement under the ECF (then called PRGF) in September 2009. These positive developments must nonetheless be understood in a context of enduring fragility and continued potential for political instability.

### **C. Debt Situation and the HIPC Initiative**

**17. Comoros has carried an unsustainable external debt burden for over two decades, and is in need of debt relief.** According to the Preliminary Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, discussed by the Board in April 2010, the stock of Comoros’ public external debt was about 45 percent of GDP (US\$285.9 million) at end-2009. Roughly three-fourths of this is owed to multilateral creditors, of which IDA is the largest, with 42.1 percent of total debt. Other multilateral creditors are AfDB (13.3 percent of the total external debt), the Arab Bank for Economic Development in Africa (BADEA, 9.6 percent), the IMF (3.5 percent), the Islamic Development Bank (IsDB, 3.3 percent), and the International Fund for Agricultural Development (IFAD, 2.8 percent). The Paris Club creditors, with France as the major creditor, accounted for almost 26 percent of nominal bilateral and commercial claims at end-2009 (6 percent of Comoros’ total external debt). Non-Paris Club official creditors include Kuwait, Saudi Arabia, Mauritius, and the United Arab Emirates, accounting for an estimated 15.1 percent of total external debt.

**18. Comoros has met the Enhanced HIPC Initiative income and indebtedness criteria and is therefore eligible for HIPC and Multilateral Debt Relief Initiative (MDRI) debt relief.** A preliminary Debt Relief Analysis (DRA) shows that Comoros meets the HIPC Initiative indebtedness criterion under the export window, based on end-2009 data. HIPC debt relief is estimated at US\$137 million in net present value terms (NPV), corresponding to a common reduction factor of 55 percent. Some creditors have already started providing HIPC

debt relief. In debt restructuring with Paris Club creditors (in 2009), Comoros obtained debt relief in excess of traditional debt relief mechanisms, with the excess counted as HIPC debt relief. Furthermore, the NPV reduction embedded in the concessional arrears clearance operations undertaken by several multilateral creditors has been counted as HIPC debt relief. The authorities have made progress in discussions on clearance of arrears with other multilateral creditors.

**19. Comoros could reach the decision point for HIPC debt relief in mid-2010 and the completion point by end-2012.** Meeting the decision point will depend on satisfactory completion of the first review under the IMF's Extended Credit Facility (ECF) as well as on agreement with authorities on appropriate completion point triggers to be included in the decision point document. Once Comoros reaches the HIPC completion point, it would also qualify for relief under the MDRI. Under MDRI, the NPV of debt stock to IDA and the African Development Fund would be reduced by US\$31 million and US\$22 million, respectively. There would be no IMF MDRI debt relief as Comoros had no outstanding debt to the Fund at end 2004.

#### **D. Social Conditions**

**20. Poverty remains pervasive in Comoros.** In 2004—the latest year for which data is available—about 45 percent of the population or 37 percent of households lived below the poverty line of about US\$700 per capita per year. The incidence of poverty varies across islands. Total poverty of the population is higher in Mohéli (49 percent) and Anjouan (46 percent) than in Grand Comore (43 percent). Rural poverty is generally higher especially in Anjouan, where about 52 percent of the rural population lives below the poverty line versus 50 percent in Mohéli and 45 percent in Grand Comore. Urban poverty is 37 percent in Moroni and 28 percent in other urban areas of Grand Comore versus 31 percent in Anjouan and 48 percent in Mohéli. Inequality has increased in recent years. Over 1995 to 2004, the Gini coefficient increased from 0.44 to 0.56 according to the Poverty Reduction and Growth Strategy Paper (PRGSP).

**21. High population growth rates and density create demographic and environmental pressures.** Comoros has limited arable land and population growth is imposing strains on farmland, water and firewood—particularly in parts of Anjouan. Population growth is officially estimated at around 2.1 percent, but could be higher,<sup>5</sup> with the average number of children per woman estimated at 4.3 in 2007. Life expectancy was 63 years in 2007.

**22. Comoros is on track to achieve MDG2 (universal primary education) and MDG6 (HIV/AIDS), with progress on MDG1 (poverty) and MDG7 (water access), but despite being on track on some indicators of MDG3 (gender equality), much more effort is needed to integrate women into the labor market and increase their participation in parliament.** The country also made progress toward MDG4 (child mortality) and MDG5 (maternal health)—indicators that many other countries have found very difficult to achieve. Adolescent fertility rates are relatively low in Comoros, at about 50 births per 1,000 women ages 15-19 in 2008. However, a substantial proportion of women continue to have pregnancies ending in still births (23 percent), particularly in rural areas (44.2 percent, as against 20 percent in urban areas). While there has been some progress toward reducing the proportion of people living in poverty,

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<sup>5</sup> Some estimates (i.e. by the Population Reference Bureau) estimate population growth rates at up to 3.6 percent.

there has also been a sharp increase in child malnutrition (with substantial discrepancies between islands). Gender equality in primary schools, at about 96 percent, has nearly been achieved at the national level, but the gap remains large in Grand Comore and Mohéli, in rural areas and among poor households, and even larger at the secondary enrollment level. Also, males are still more literate (about 80 percent) than females (about 70 percent). Female representation in parliament is extremely low—at only 3 percent the second lowest in Africa (after Sao Tome and Principe)—and female participation in the labor force, at 65 percent in 2008, is much lower than male participation, at about 83 percent. Women are also still primarily employed in agriculture, and only a relative small proportion of women (13.7 percent) work in the “modern” tertiary sector. Access to improved water sources have decreased during the last years and efforts are needed to bring the indicator back on track. See Table 2 below for details.

**Table 2: Progress in Achieving the Millennium Development Goals**

MDG Indicators	1990-1996*	2004-2007**	Target 2015	Status
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Proportion of population below poverty line (%)	54.7	44.8	27	Progress
Malnutrition prevalence for children under 5 (%)	13.9	24.9	7	Off track
<b>Goal 2: Achieve universal primary education</b>				
Net primary enrollment rate (%)	63.2	77	100	On track
<b>Goal 3: Promote gender equality and empower women</b>				
Ratio of female to male primary enrollment (%)	85	96	100	On track
Levels of women employed in the non-agricultural informal sector (%)	-	48.6	50	On track
Proportion of seats held by women in national parliament (%)	-	2.3	50	Off track
<b>Goal 4: Reduce child mortality</b>				
Infant mortality rate (per 1,000 births)	86.3	49	28.7	Progress
Mortality for children under 5 (per 1,000 births)	130	66	43.3	On track
<b>Goal 5: Improve maternal health</b>				
Maternal mortality (per 100,000 births)	517	400	129	Progress
Proportion of births assisted by qualified health workers (%)	52	62	100	Progress
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				
Prevalence of HIV in % of population (15-49 years old)	-	0.12	<.025	On track
<b>Goal 7: Ensure environmental sustainability</b>				
Access to an improved water source (% of population)	92	85	100	Off track

\* Indicates data available for the date in time period closest to 1990 (MDG benchmark date).

\*\* Indicates data available for latest date in time period.

Source: PRGSP data; World Bank Development Data Group.

## **E. Governance**

**23. Comoros continues to face major governance challenges, especially regarding corruption and state capacity.** The country fell from a ranking of 123 out of 179 in Transparency International’s Corruption Perception Index in 2007 to 143 out of 180 countries in 2009. On the positive side, Comoros improved its ranking in the Reporters without Borders 2009 Index of Press Freedom to 82 out of 175 (up from 89 in the previous year) due to the vast

and diverse offer of information, especially for a country of such small size. The Worldwide Governance Indicators rank Comoros low with respect to government effectiveness and regulatory quality. Regarding government effectiveness, years of political strife have taken a serious toll on the public administration's capacity to perform its most basic function. The creation of additional administrative structures, anchored in the 2001 agreements aimed at solving tensions between the islands, resulted not just in the duplication of functions but also a much larger civil service, growing from less than 6,000 in 1999 to about 12,000 in 2008; as a result public sector wage expenditures also rose sharply, from 6.2 percent to 9 percent of GDP. A poor regulatory framework is also dragging down the country's business environment; in the 2010 Doing Business report, Comoros ranks 162 out of 183 countries, compared to 153 out of 183 countries in the 2009 Report. Annex 5 provides a more detailed summary of Comoros' ratings across various governance indicators.

24. **Nevertheless, there has been progress in recent years with respect to improving the effectiveness and transparency of government operations.** Progress areas include: (i) the May 2009 amendment to the constitution, which has the potential to significantly improve inter-island cooperation and streamline government structures; (ii) various steps toward rationalization of the civil service, including establishing a civil service authority in charge of personnel at all public entities; (iii) progress in public finance management (PFM), including improved implementation of a revenue-sharing mechanism between the islands, regular meetings by an inter-island budgetary committee to validate fiscal data and prepare budget execution reports every trimester, and adoption of a PFM reform action plan; and (iv) the first external assessments (conducted by IFC) for the two main state-owned enterprises, the oil importing company (*Société Comorienne des Hydrocarbures*) and the telecommunications company (*Comores Telecom*).

### III. GOVERNMENT STRATEGY

#### A. PRSP Progress

25. **The Government of Comoros adopted its first full Poverty Reduction and Growth Strategy Paper (PRGSP) on September 10, 2009.** The PRGSP, which was discussed by the Board in April 2010, builds on the strategy laid out in the Interim Poverty Reduction Strategy Paper (I-PRSP), which was presented to the IDA and IMF Boards in May 2006, and which formed the basis of Bank assistance under the previous ISN. Both the I-PRSP and the full PRGSP are the result of a thorough and inclusive participatory process. At the height of the 2008 separatist crises, the PRGSP process remained one of the last channels of dialogue and national consensus. The process was managed by a steering committee and brought together numerous stakeholders, representatives of civil society, traditional and religious leaders, NGOs and development partners, through sector working groups (chaired by the relevant Secretary General in each ministry) and a series of participatory workshops held at regular intervals. An important feature of the PRGSP preparation process, particularly in the context of a conflict-prone environment, was the involvement of insular authorities through local branches of the Planning Directorate.

26. **The PRGSP draws important lessons from the implementation of the I-PRSP and adds key building blocks,** including: (i) an effort to cost the proposed poverty reduction

programs, including those aimed at facilitating the achievement of the MDGs; and (ii) an examination of cross-cutting issues, such as the quality of statistics and information for policy design and monitoring, Information and Communication Technologies (ICT) development, gender and human rights. The PRGSP sets out an ambitious policy agenda focused on:

- a. Stabilizing the economy and laying the foundations for sustained and equitable growth by strengthening public finance and improving infrastructure provision;
- b. Strengthening key sectors of the economy with the highest growth and poverty reduction potential (namely, tourism, agriculture and fishing);
- c. Improving governance and social cohesion;
- d. Improving human development outcomes, particularly in health care and education, through better social service delivery; and
- e. Promoting environmental sustainability and civilian security.

27. **In February 2010, Staff of the IMF and the World Bank finalized a Joint Staff Advisory Note (JSAN) of the PRGSP.** The JSAN concludes that the PRGSP provides a good basis for the design and monitoring of growth and poverty reduction policies in Comoros. It points out that for a fragile state, where a rapid succession of political upheavals has hampered policy formulation and implementation over many years, completing a full PRGSP is in and of itself a noteworthy achievement. It also welcomes the emphasis on good governance as a condition for long-term development as well as the integration of gender and human rights issues among the cross-cutting themes to be addressed in each priority sector of intervention. The JSAN also notes that the PRGSP has some significant weaknesses, including that it is overly ambitious, given the country's limited capacity and poor track record of implementation of the I-PRSP, and at US\$1.4 billion over a five-year period (nearly all to be funded by donor assistance) too costly given the levels of funding that can be mobilized internally or externally. The JSAN recommends that the authorities identify a restricted number of priority interventions and focus on their implementation.

## **B. Development Challenges and Opportunities**

28. **As the PRGSP rightly emphasizes, persistent political instability remains a major bottleneck to sustained economic development in Comoros.** The underlying reasons for recurrent political conflicts in the country remain difficult to understand and often unexplained (including by the PRGSP). This makes it difficult to determine whether these obstacles can be overcome in the medium-term. It is hoped that recent developments, such as the resolution of the Anjouan crisis and the referendum on the May 2009 Constitutional Amendment, will have positive effects on political stability in Comoros.

29. **Comoros remains a fragile state characterized by poor governance and weak public sector capacity, but continued strengthening of core state functions should gradually lead toward a better environment to increase growth and reduce poverty.** As highlighted by the OECD DAC Policy Commitment and Principles for International Engagement in Fragile States and Situations (April 2007), strengthening the capability of states to fulfill their core functions is essential in order to reduce poverty. Priority functions include: ensuring security and justice;

mobilizing revenue; and establishing an enabling environment for basic service delivery, strong economic performance and employment generation. While past progress has been painfully slow and the overall situation remains fragile, Comoros is on a path of gradual improvement and further strengthening of its key state functions to take on a stronger role in facilitating economic growth and service delivery.

**30. Public financial management (PFM) remains extremely weak, but continued implementation of PFM reforms with IMF and World Bank support will mitigate fiduciary risks.** The Public Expenditure and Financial Accountability (PEFA) exercise conducted in October 2007 confirmed the weakness of PFM systems, with 22 out of 28 performance indicators rated D, five rated C and only one rated A. Some of the weaknesses include: (i) lack of implementation of a cash management plan; (ii) commitments of resources by ministries; departments and agencies and knowledge about the actual availability of funds; (iii) frequent in-year adjustments; and (iv) significant divergence of actual budget out-turns from the original budget. Nonetheless, after years of stalled PFM reforms, there have been signs of improvement during the last year. The May 2009 Constitutional Amendment provides the opportunity to put an end to the duplication of institutions that exert major pressure on the wage bill and public finances. Further government action to improve civil service and wage bill management (with World Bank support) and to avoid further accumulation of internal arrears (in the context of the IMF program) will help to free-up public resources to support development spending and poverty reduction.

**31. Crises have a negative effect on the most vulnerable groups in Comoros, but a further increase in the availability of basic social and economic services should help to reduce vulnerabilities and improve social conditions.** There is no formal safety net in Comoros and the population continues to rely on informal and traditional mechanisms for coping with and mitigating risks. The PRGSP analyzes the perceptions of poverty in Comoros and shows how people experience destitution and obstacles to improving their socio-economic conditions as an interesting complement to the purely monetary indicators of poverty. The analysis shows among other things that food security and access to employment are recurrent concerns among Comoros' poor. The government has begun to implement (with World Bank support) a cash-for-work program that is targeted at the most vulnerable segments of the population in areas affected by the food price crisis and the global economic crisis. The program provides a limited safety net by creating employment and raising disposable income for a targeted part of the population.

**32. As a fragile small island state, Comoros is highly vulnerable to natural disasters including climate change and efforts to improve disaster risk management are urgently needed.** The PRGSP correctly identifies the degradation of land and deforestation, absence of or poor natural resource management, deterioration of the environment, lack of appropriate management tools for urban and coastal areas, and an absence of integrated policies reflecting the cross-cutting dimension of the environment as key challenges and identifies six priority programs<sup>6</sup> to address them. These are important and very relevant threats that Government with

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<sup>6</sup> The priority programs are: conserve biodiversity and equitably share its strengths; conserve and upgrade agrobiodiversity; adapt to climate change; fiscal rehabilitation with an ecological focus; capacity building for multi-

support from Development Partners will have to address. Donor efforts in promoting environmental sustainability—notably by France, the European Commission and the UN—are ongoing. The World Bank is supporting activities in these areas in its capacity as the managing entity for the Global Facility for Disaster Reduction and Recovery (GFDRR), which is currently financing an initiative implemented by the United Nations Development Program (UNDP) aimed at mainstreaming disaster risk management into national policy by focusing on strengthening hazard risk management capacities, disaster mitigation, overall disaster preparedness, and reduction of community vulnerability. The ongoing Southwest Indian Fisheries project aims at developing the legal and institutional capacity to implement an action plan in order to manage fisheries in Comoros and seven other countries in the region for maximum economic returns, consistent with a management strategy that stresses environmental sustainability and socially equitable distribution of the benefits of exploitation. Another planned project will aim at improving coastal resource management and support education of fishing communities in resource use (its limits and how it will have to be adapted to climate change) as well as fisheries management to promote sustainable livelihoods.

33. **Over the medium-term there is an important need to focus on growth.** With an average growth rate of 1.6 percent over the last five years compared with a population growth rate of 2.1 percent, growth remains too low to reduce poverty. The PRGSP identifies fisheries, agriculture and tourism as sectors with the potential to generate sustained economic growth, but it does not well articulate the roles of the public sector versus the private sector within this growth strategy. Faced with severe capacity and financial constraints, the Government should focus on creating an enabling environment for enhanced private sector activity, which would need to include: (i) a more conducive regulatory environment aiming to increase very low investment rates and to reduce the high costs of opening a business;<sup>7</sup> (ii) an overhaul of growth-supporting infrastructure (energy, transport, roads, telecommunications);<sup>8</sup> and (iii) the creation of an institutionalized forum for public-private sector dialogue.

#### IV. WORLD BANK INTERIM STRATEGY

##### A. Implementation of the previous ISN

34. **The previous ISN (FY07-08) emphasized basic service delivery and national reconciliation as key areas for Bank support.** Bank assistance centered around two objectives: (i) providing basic services to the most disadvantaged communities, with a focus on community and local capacity building; and (ii) consolidating national reconciliation through building state capacity and increasing accountability. To support the first objective, the strategy proposed additional financing for the Services Support Project (SSP) in addition to a study on poverty and service delivery as well as a forum with the Comorian diaspora to establish a co-financing framework for community development. To support the second objective, the Bank envisaged

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sector environmental management and coordination; establish prevention and management mechanisms for risks related to natural and climate disasters.

<sup>7</sup> The cost of opening a business in Comoros is twice the average for Sub-Saharan Africa, according to the World Bank's 2010 Doing Business Survey.

<sup>8</sup> There is for example very limited economic exchange between the three islands due to the absence of any boat transport with fixed schedules for passengers and general cargo.

delivery of an Economic Governance Technical Assistance (TA) project, leadership training, statistical capacity building and some analytical work. Another key activity was to provide support to the completion of a full PRSP. The results envisaged under the ISN and their current status are shown in Annex 2. Details of the financing program planned under the previous ISN and actual deliveries are presented in Annex 3. Details of the planned analytical and advisory program and actual deliveries are presented in Annex 4.

**35. There has been satisfactory progress toward the first objective, anchored in the continued implementation of the SSP.** Additional financing to the SSP (US\$5 million) was delivered in FY07 as planned under the ISN. The SSP has achieved much of its development objective, especially in the first half of the ISN period, and has overcome challenging project management, governance and safeguard issues during the latter half. The project is currently rated moderately satisfactory in terms of both development objectives and implementation progress, except for part of 2008-09, when evidence of project mismanagement came to the attention of the Bank and was rated highly unsatisfactory for overall project management and unsatisfactory for procurement, financial management and safeguards.<sup>9</sup> While delivery of the lending program under the previous ISN was satisfactory, the delivery of analytical and advisory activities (AAA) under this objective fared less well. A poverty assessment was planned for FY08, but did not go beyond the concept stage. The planned Diaspora Forum was dropped as well.

**36. Progress toward the second objective has been less satisfactory, especially with respect to reforms related to the civil service.** The Economic Governance TA project, originally planned for FY08, was delayed and is now planned for FY11 delivery. In addition to the IDA program, the Bank implemented a total of five trust funds under this objective. These included: (i) two Institutional Development Funds (IDF) grants (one for statistical capacity building and another for decentralized public expenditure management); (ii) a grant to support drafting of the full-PRSP; and (iii) two Low Income Countries under Stress (LICUS) grants (one on leadership training and another on governance and economic management). While implementation of both IDF grants and the PRSP grant went well, some initiatives under the LICUS program had to be shortened (planned support in economic management and governance only disbursed 50 percent) or cancelled (a WBI leadership program). The Bank planned several analytic and advisory activities during the ISN, but most were either dropped or delivered by other development partners. The Bank was originally asked to lead a Diagnostic Trade Integration Study (DTIS) to support Comoros' effort to enter the World Trade Organization (WTO), but the Government subsequently decided to give the leadership role to UNDP, which has a presence on the ground and finalized the DTIS in December 2007. The Bank also originally planned to lead the work on a Public Expenditure and Financial Accountability (PEFA) Review, which was ultimately completed through the European Commission. Other dropped activities include an activity on environment dialogue and a fiduciary risk assessment.

**37. In 2009, the International Finance Corporation (IFC) provided advisory support to the privatization of two key state-owned enterprises (SOEs), the oil importing company**

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<sup>9</sup> Weaknesses included for example repeated failures to ensure that project activities were consistent with agreed procedures and that critical staff who were absent from the office were appropriately backed-up. Project management was changed in April 2009, and there has been a noticeable improvement in performance since then.

(*Société Comorienne des Hydrocarbures*) and the telecommunications company (*Comores Telecom*). This was an important development as these companies used to operate in relative opacity. IFC produced a comprehensive report on reform privatization options of the two enterprises and offered its support to government for any follow-up. Alongside privatization advisory, IFC has also extended a guaranty facility of US\$5 million to the subsidiary of Exim Bank Tanzania in Comoros to finance external trade operations.

## **B. Lessons Learned**

38. **As the previous section showed, there have been several shortcomings in the implementation of the ISN, the reasons for which yield important lessons for the design of the new strategy.** While it is difficult to determine a direct causality for the poor performance of the Bank's program, a few key reasons for those shortcomings can be identified. First, while the reason for delay of the Economic Governance TA project is partly due to the difficulty of the public sector reform process in Comoros in general, it is also due to a lack of presence by the Bank in Comoros and the need for closer dialogue. Second, while the main reason for the shortcomings in the delivery of the LICUS funds is due to the Anjouan political crisis of 2007-08, it is also due to the lack of understanding of political environment in which these programs were supposed to have been implemented. Third, the failure to deliver many of the planned AAA results from an unrealistic assumption about what can be delivered by a small team in a country without a Country Office and within a challenging country environment.

39. **Based on reasons for shortcomings in the implementation of the previous strategy, but also the positive outcomes achieved, the Bank draws the following lessons for the new ISN:**

- **Community-driven development can achieve results.** The SSP started to face challenges during the latter half of the ISN period, but close attention to project management, fiduciary arrangements as well as safeguards supervision enabled it to continue to deliver positive development outcomes. The planned ECRP, which is using the same implementation entity as the SSP, will include these lessons in its project design.
- **The Bank needs to be realistic about what it can achieve with the relatively small resources at its disposal, and focus on its core competencies.** Areas of engagement should be in line with the Bank's comparative advantages and build on the Bank's worldwide experience in implementing assistance programs in fragile states. As outlined during the latest IDA replenishment, the Bank's core comparative advantage lies in the quality of its policy advice and financing in the areas of economic growth, public finance management, and service delivery. The Bank's role in fragile states mirrors these strengths, resting on its core economic and development competencies, while maximizing its cross-sectoral knowledge to build state capacity and accountability and contribute together with other partners to build linkages between the peace, security and development spheres. The Bank program under this strategy is therefore designed to align with these comparative advantages.
- **Comoros is a very difficult place for the Bank to do business and the political economy of reform is still not well understood.** This has made it difficult for the Bank to find the

counterparts and institutions to conduct a meaningful dialogue. Many initiatives have failed or shown weak results because the Bank has not understood the intricate relationships of different actors within the country's decision-making processes. The Bank therefore plans a political economy study to inform the Country Team about the complex social and political dynamics.

- **The Bank needs staff closer to the ground to have a more effective dialogue, especially in the difficult areas of economic governance and state capacity.** While the previous ISN already noted that “the mission model does not work in Comoros”, the Bank continued with this model throughout the ISN period, with key members based in Washington rather than the region. This resulted in high costs, with many activities either delayed, dropped or delivered by development partners with a more continuous presence. For the implementation of this new ISN, key staff (including the country economist and a lead economist with a focus on Comoros) have been decentralized to the Nairobi office, which has already helped to resolve bottlenecks and give impetus to important work such as the planned Economic Governance TA project. The Bank is also planning to recruit a local staff based in Comoros.

### C. Proposed Interim Strategy

40. **The total IDA resource available to Comoros during the ISN period (FY10-12) is about SDR8.6 million (about US\$13.1 million).** This includes a firm allocation of SDR1.9 million for FY10, which was supplemented by SDR1 million from IDA's Pilot Crisis Response Window in December 2009. In addition, there is an indicative allocation of SDR3.8 million for FY11 (including back-loading of SDR1.9 million from FY09) and an indicative allocation of SDR1.9 million for FY12.<sup>10</sup> Comoros' IDA15 (FY09-11) envelope is only about 13 percent higher than its IDA 14 allocation, reflecting a continuously weak country performance. Since FY06, Comoros' IDA allocation has been on a grant-only basis. The available resources allow for only a limited program of engagement.

41. **Comoros' IDA allocation is not expected to rise significantly in the near future unless the country improves its poor governance performance.**<sup>11</sup> Governance has been a particular and persistent problem, with Comoros' CPIA rating declining over 2005-08 and governance scores consistently below the Africa and IDA averages.<sup>12</sup> Within these ratings, Comoros ranks particularly low on the quality of its budgetary and financial management

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<sup>10</sup> Actual allocation may change from indicative allocation, depending on: (i) total IDA resources available; (ii) the country's performance rating; (iii) the performance and assistance terms of other IDA borrowers; and (iv) the number of IDA-eligible countries. IDA allocations are made in SDRs, and the US\$ equivalent is dependent upon the prevailing exchange rate. Finally, the terms of IDA assistance (i.e., grants, credits or a mix of the two) will depend on Comoros' debt sustainability position.

<sup>11</sup> The allocation of IDA resources among eligible countries depends mainly on each country's performance in implementing policies that promote economic growth and poverty reduction. This is assessed by the Country Policy and Institutional Assessment (CPIA), which for the purposes of resource allocation is referred to as the IDA Resource Allocation Index (IRAI). The IRAI and portfolio performance together constitute the IDA Country Performance Rating (CPR). Comoros' CPR in 2008 has been the third lowest among active IDA countries worldwide (followed only by Afghanistan and Chad).

<sup>12</sup> In 2008, Comoros CPIA governance score averaged 2.2 (out of 6) compared with an Africa average of 3.0 and an IDA average of 3.1.

systems and the quality of public administration. Both areas have recently seen improvements and are good entry points for the Bank to induce positive change (and ultimately help to improve the country's IDA allocation).

42. **The Bank team is striving for the mobilization of trust funds to complement the limited IDA resources.** In July 2009, Comoros received a US\$1 million grant from the Food Price Crisis Response Trust Fund, which allowed the team to add a new component to the Services Support Project aimed at employment creation in food insecure areas. This component has been further supplemented by a US\$2.6 million grant from the Japan Social Development Fund (JSDF), which allows reaching even more vulnerable people. Another proposal for a US\$3 million JSDF grant is currently underway and if approved, would fund a Coastal Resource Co-Management for Sustainable Livelihood Project. To finance the proposed study on the political economy, the team applied for a US\$300,000 grant from the Bank Netherlands Partnership Program (BNPP). The Bank under this ISN will continue to look for opportunities to access additional funds that can be aligned with the ISN objectives, such as for example the State and Peace Building Fund. But even with these important additional resources, the Bank's assistance to Comoros will be significantly less than the assistance being provided by other donors, and will not provide much room for engagement.

43. **The Bank throughout this ISN will be working with the Government and the IMF to help Comoros achieve the enhanced HIPC decision point by mid-2010 and the completion point by end-2012, which will help free-up further resources.** A preliminary HIPC document was discussed by the Bank's Board of Executive Directors on April 8, 2010. When Comoros reaches the HIPC decision point (expected in mid-2010), it will already be eligible to receive interim relief on a provisional basis. It is anticipated that Comoros will take about two more years to reach the HIPC completion point. During this interim period, Comoros will be expected to: (i) maintain macroeconomic stability; (ii) show satisfactory performance under the IMF's ECF-supported program; (iii) carry-out key structural and social reforms as agreed at the decision point; and (iv) show satisfactory implementation under the PRGSP for at least one year. At the completion point, it is expected that Comoros will irrevocably receive the full amount of debt relief from its creditors. Based on the assumption of reaching HIPC decision point by mid-2010 and the completion point by end-2012, IDA assistance would amount to US\$44 million in NPV terms. On reaching HIPC completion point in 2012, Comoros would also qualify for relief under the MDRI. Under MDRI, the NPV of debt stock to IDA and the African Development Fund (ADF) would be reduced by US\$31 million and US\$22 million, respectively.

44. **This Bank strategy is grounded in the alignment of the Bank's efforts with that of other development partners and lessons learned in Comoros and other fragile states.** The Bank, which in terms of financing is a relatively small donor in Comoros (see also section D and Annex 6) is coordinating its program closely with other partners in order to rationalize aid delivery, reduce the burden on government and ultimately make aid more effective. For example, a proposed Development Policy Operation (DPO) will be closely aligned with the IMF ECF program and budget support from other donors. Furthermore, this strategy will closely follow the Bank's experience in designing assistance to fragile states. Within the typology of fragile states, Comoros can be characterized as a gradual reformer, i.e., a country with weak governance and a weak policy framework, limited policy dialogue, lack of a coherent reform

agenda and limited progress in the implementation of reforms. The Bank's experience shows that DPOs focusing on a modest reform agenda may be feasible in these circumstances if there is strong ownership.<sup>13</sup> In addition, the provision of demand-driven community development is advisable in this kind of environment, both as a bottom-up approach to improve capacity and as a guarantor to be able to reach the most vulnerable groups.

**45. The timing for this strategy is considered opportune given recent developments in Comoros and in the overall context of engagement by other development partners.** There are three main reasons why this strategy has a better chance to succeed than the previous ISN. First, Comoros has a relatively more cohesive government thanks to the peaceful resolution of the Anjouan crisis and a new popular mandate for reforming state institutions, as manifested by the adoption of the constitutional amendment. Second, the prospect of reaching HIPC completion point by 2012: (i) creates a stronger platform for donor coordination and for structuring the policy dialogue around a key set of feasible reforms; and (ii) significantly alters Government incentives in favor of “staying the course” on the reform program. Third, the proposed DPO would take place in a context where all major donors are also providing budget support,<sup>14</sup> thus creating a greater constituency for increased accountability and transparency.

**46. While mobilizing IDA and trust fund financing as well as HIPC debt relief, this ISN will also continue to pursue the objectives outlined in the previous strategy, as those objectives remain relevant.** The objectives of the ISN are to:

- reduce social vulnerability, and
- strengthen state capacity and accountability.

The Bank will provide a mix of knowledge products and financing instruments to support both objectives. The main instrument for the first objective remains the ongoing SSP, which now includes a cash-for-work component financed by the Food Price Crisis Support Fund as well as additional financing by the JSDF. An Emergency Crises Response Project planned for FY10 will also be aligned with this objective. In addition, there is an ongoing regional Southwest Indian Fisheries Project and planned additional JSDF financing for a Coastal Resource Co-Management for Sustainable Livelihood Project. Key interventions in support of the second objective include a planned FY10 Governance Reform Support DPO, a second DPO for FY12, and the Economic Governance Support TA project. A study on the political economy is expected to add key knowledge to the Bank's overall engagement in the country and public expenditure notes will inter alia analyze social sector spending. A planned Development Policy Review, to be initiated toward the end of the ISN period, would add to the understanding of key access points for increased growth reform. This would also align with support provided by IFC on strengthening of the business environment.

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<sup>13</sup> World Bank (2005), *Good Practice Note for Development Policy Lending: Development Policy Operations and Program Conditionality in Fragile States*.

<sup>14</sup> The total amount of budget support to Comoros from multilateral and bilateral donors was about US\$36 million in 2009 and estimated to be about \$33 million for 2010.

**Table 3: Interim Strategy for Comoros FY10-12 - Ongoing and Planned Activities**  
(Financing in US\$ million/Source of Funds)

Objective	Ongoing	Planned FY10	Planned FY11	Planned FY12
<b>Objective 1: Reduce social vulnerability</b> <i>Lending</i>	Services Support Project (18.3/IDA) Cash-for-work component of SSP (1/FPCR TF) Supplement to SSP/cash-for work (2.6/JSDF) Regional: Southwest Indian Fisheries Project (12/GEF)	Emergency Crises Response Project (5.6/IDA) Coastal Resource Co-Management for Sustainable Livelihood Project (3/JSDF)		
<i>Analytic and Advisory Activities</i>			PER Notes	
<b>Objective 2: Strengthen state capacity and accountability</b> <i>Lending</i>		DPO (3/IDA) Statistical Capacity Building (TBD/TFSCB)	Economic Governance TA (2/IDA)	Second DPO (2.5/IDA)
<i>Analytic and Advisory Activities</i>		HIPC preliminary and decision point	Political Economy Study Financial Sector Assessment Program	Development Policy Review (private sector development and growth) HIPC completion point

### Objective 1: Reduce Social Vulnerability

47. **The Bank will continue to provide financing, with the aim to contribute to increasing access to basic social and economic services.** Component two of the ongoing restructured SSP is directly aligned with this outcome. The component focuses on building community-driven infrastructure through a community-based subprojects component and a capacity building component. The community-based subprojects component finances small-scale social and economic subprojects identified by communities, including classrooms and schools, small-scale water supply and sanitation, and feeder roads. The capacity building component supports capacity building and social capacity formation for communities, including information and education campaigns, related strategic capacity building for civil society, and capacity building of various stakeholders.

48. **The Bank will continue to provide support in response to the global economic and the international food price crises aimed at increasing access to short-term employment in crisis-affected areas.** In July 2009, the Bank's Board approved a US\$1 million co-financing

from the Food Price Crisis Response Trust Fund (FPCR TF). The co-financing allowed the addition of a new component to the SSP, which provides employment through a cash-for-work program aimed at raising disposable income and thus improving food consumption of vulnerable groups, including women. At least 50 percent of beneficiaries of the cash-for-work component are women. The Bank team has also mobilized a US\$2.6 million emergency grant from the JSDF, which provides additional resources to target vulnerable groups that would otherwise not be reached by the safety net program.

49. **A proposed Emergency Crises Response (ECR) Project would specifically target people affected by the global economic crisis as well as the lingering effects of the global food price crisis and the political crisis in Anjouan.** In December 2009, Comoros received an allocation of SDR1 million (about US\$1.6 million) from IDA's CRW to be able to respond to the global economic crisis. The Bank team is using these resources together with US\$4 million from the country's IDA 15 allocation to prepare an ECR Project. The political crisis in Anjouan in 2007-08, the food and oil price crises in 2008 and the more recent global economic crisis have substantially increased the livelihood vulnerabilities of the poorest segments of the population. The proposed operation would help alleviate the lingering effects of these crises. It would finance a cash-for-work program to increase access to short-term employment and a community-driven development program to contribute to increase access to basic social and economic services in affected communities. This project will continue to require that at least 50 percent of the cash-for-work beneficiaries are women, an indicator that will be monitored closely and has been included in the ISN results framework (see Annex 1).

50. **The proposed new project would be implemented by the unit responsible for implementation of the SSP, the *Fonds d'Appui au Développement Communautaire* (FADC), which has been successfully implementing community-based sub-projects in Comoros since 1993.** As of today, FADC remains the only institution in Comoros with the management, staffing, administrative capacity and decentralized structure to be able to effectively implement projects on all three islands under emergency conditions. The project would also apply lessons learned from the ongoing SSP, particularly with respect to project management, governance and safeguards. The Bank will continue to strive for FADC to be a vanguard for effective project management and a model of transformative leadership (e.g. all four FADC directors, the national director and each one of the three regional directors, are currently women).

51. **The Bank will also respond to the Government's request to support improved coordination of community initiatives.** In addition to the Bank's SSP, there are several similar projects financed by France and the European Commission that support community-driven development. There are also some local initiatives, including a foundation established by President Sambu. Last but not least, the Comorian diaspora is generally acknowledged to be the most important financier of community projects, although very little information is available on the exact activities and their development impact. The proposed assistance, potentially to be financed under the new ECR project, would strengthen government capacity to: (i) collect relevant information; (ii) support coordination of activities; and (iii) contribute to enhancing their development impact (e.g., by introducing standards for school construction, water access points, etc.).

52. **The Bank will continue to promote environmental sustainability with a focus on fisheries and the management of natural resource use in ways that benefit fishing communities.** The ongoing Global Environment Facility (GEF) financed Southwest Indian Fisheries Project (a regional project that includes 8 countries) aims to generate scientific knowledge and develop legal and institutional capacity to implement an action plan in order to manage these fisheries for maximum economic returns, consistent with a management strategy that stresses environmental sustainability and socially equitable distribution of the benefits of exploitation. The objectives of the Project are to: (i) identify and study exploitable offshore fish stocks, and differentiate between environmental and anthropogenic impacts on shared fisheries; (ii) develop institutional and human capacity through training and career building; (iii) develop a regional fisheries management structure and associated harmonized legislation; and (iv) mainstream biodiversity in national fisheries management policy and through national participation in regional organizations that promote sustainable exploitation of fisheries resources. The planned Coastal Resource Co-Management for Sustainable Livelihood Project will address the ISN objective through the following activities: (i) increasing the skills and knowledge needed to utilize natural resources profitably and sustainably; (ii) developing mechanisms to take advantage of new economic opportunities via infrastructure development; (iii) establishing access to a wider market and thereby higher prices for their commodities; and (iv) placing more emphasis on co-management of coastal natural resources.

53. **Public expenditure notes, prepared in the context of the planned DPO will inter alia provide insights into social sector spending.** Analysis of the public expenditures in social services and other areas will determine any gaps in the government's development program and assess the ongoing engagement of the Bank and other development partners.

54. **The activities under the first objective of this ISN are expected to contribute to two key ISN outcomes.** These are to: (i) increase access to basic social and economic services for poor communities; and (ii) increase access to short-term employment in crises affected areas.

## **Objective 2: Strengthen State Capacity and Accountability**

55. **The Bank will also continue its focus on the crucial area of state capacity and accountability by supporting the government's current reform efforts through development policy lending.** The first DPO, a proposed Economic Governance Support Grant, would be aimed at supporting policy actions in two main areas: (i) improving public finance management; and (ii) strengthening public sector efficiency and accountability. This first DPO would be financed through an IDA grant, to be disbursed in a single tranche in FY10, immediately after the date of effectiveness. A second operation is envisaged for the first half of FY12 (thereby still within Comoros' fiscal year 2011), provided that progress in these policy areas is sufficient under the first operation. Both of these DPOs will be firmly embedded within a broader effort by the international community, including the IMF's three-year ECF arrangement and budget support by other donors.

56. **The reform areas of the proposed DPO are considered crucial to restore macroeconomic stability and address core economic distortions so as to provide the basis for economic development, service delivery and poverty reduction.** Improvement of public

financial management and strengthening of public sector efficiency and accountability have been identified as core objectives under the PRGSP. Reforms in both areas will help release financial constraints and shift Government's focus from mainly paying wages and recurrent expenditures toward funding of policy priorities geared toward growth and poverty reduction. Improved budgetary and expenditure management will benefit the general public and particularly the poor through: (i) a reduction in leakages; and (ii) a greater focus on poverty reducing expenditures. Resources are expected to be freed up through tightened controls over public procurement and expenditures as well as through improved management of the wage bill. In addition, a more harmonized budgetary preparation process would also free up scarce resources by reducing the duplication of administrative structures and programs across different levels of government.

**57. The provision of budget support is a calculated risk aimed at leveraging the kind of policy reforms that are necessary to put Comoros on a more sustained path towards poverty reduction and economic growth.** The risks stem from Comoros' weak governance environment and modest track record in carrying-out civil service and PFM reforms. While progress under the state capacity objective was limited under the previous ISN and institutional reforms are risky even in much more stable country environments,<sup>15</sup> support under a DPO provides several advantages in contrast to the status quo. Implementation experience under the previous ISN shows that: (i) lumpy IDA disbursements from investment lending can be ill-matched to a country that has large monthly debt-servicing obligations to IDA; and (ii) a simple continuation of policy dialogue has limited impact and reduces the Bank's effectiveness as a development partner. At the same time, an IDA-funded DPO, deployed alongside other donor-provided budget support and focused on a key set of feasible public sector and PFM reforms, will help to focus government attention on the right priorities, reduce fragmentation in its development program, and help provide the track record that is needed to achieve HIPC debt relief.

**58. Given the risks inherent in providing budget support to Comoros, the Bank will strive to put in place an effective risk management strategy.** The first DPO will be relatively modest in financial terms and will target a limited set of key policy reforms that will make a meaningful difference in public sector management, provide visible indications of progress, and build momentum for deeper reforms to be supported by the second DPO. In addition, an Economic Governance TA project will be implemented alongside the DPOs to help ensure that the Government has the capacity to implement the supported reforms. In particular, the project will complement the envisaged DPOs by: (i) strengthening government core personnel and financial management systems; and (ii) improving the transparency and accountability of government operations. Under the first area, the project will help the authorities design, prepare and implement a prioritized reform program for public finance management. Under the second area, it will support activities initiated in 2005 aimed at better controlling the wage bill and preparing the rationalization of the civil service. In addition, the Bank team will draw on the support of the Global Experts Team (GET) on Fragile and Conflict Situations to undertake an assessment of the political economy of reforms in Comoros.

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<sup>15</sup> A September 2009 Portfolio Review for Fragile and Conflict Affected States by the Bank's Africa Region Quality and Knowledge Department showed that in FY05-08 almost 50 percent of project failure in more stable, lower risk IBRD countries had major sector/institutional reform components.

59. **A political economy study will be undertaken to better understand the complex Comorian social structures and political systems on the different islands.** As noted above, though Comoros has a common culture, language and religion, it is an extremely complex society. To be effective, the Bank needs a better understanding of its dynamics, including an assessment of gender dimensions, and the constraints of political stability and growth. A study might help to explain why, for example, women play a relatively powerful role at the household level, especially in Grande Comore, and take on many leadership roles in society, but are still highly underrepresented in the Union Assembly and largely excluded from high level government positions. This analysis should allow a better understanding of the social political obstacles to growth on each island and identify the social groups that might become possible champions for reform.

60. **The Bank will conduct a Financial Sector Assessment as well as a Development Policy Review that would focus on analyzing policies to spur private sector development and growth.** The Financial Sector Assessment Program, planned for the beginning of the ISN and conducted with the IMF, would help Comoros to identify vulnerabilities in its financial system and determine needed reforms, which would ultimately help in providing more credit to the private sector. A Development Policy Review toward the end of the ISN period would be necessary to rebuild the Bank's knowledge base regarding Comoros growth potential and prepare for a stronger growth focus in the next ISN. The study would focus on sources of growth, including industrial clusters in the key growth sectors identified by the PRGSP, such as fisheries, tourism, and agriculture. While the exact content and depth of the review would still have to be determined, it could focus on identifying constraints to traditional export activities and to enhanced private sector development, including opportunities for improving the business environment.

61. **The Bank is also planning to access resources from the Trust Fund for Statistical Capacity Building (TFSCB) to support design and implementation of the country's National Strategy for the Development of Statistics (NSDS).** Bank support will consist of: (i) reviewing the existing NSDS to make it more relevant to the country context and realistic given available financing and capacity; (ii) developing a strategic training plan to build a core corps of statisticians; (iii) working-out a monitoring framework to track progress on implementation of the NSDS over the years; and (iv) ensuring better coordination between the different players and partners supporting the government in this area.

62. **The activities under the second objective of this ISN are expected to contribute to two key ISN outcomes.** These are to: (i) improve public financial management, and (ii) improve public sector efficiency and accountability.

### **Support by the International Finance Corporation**

63. **The IFC strategy in Comoros focuses on improving the business climate.** As a result of a request by the Government and views expressed by the private sector, IFC will proceed with a diagnostic mission to identify quick wins and propose programs to address the most severe barriers to the development of the private sector. One of the weak points, as noted by the ranking in the *Doing Business* survey (167<sup>th</sup> among 183 countries), is access to credit. IFC will

endeavor to work with local financial institutions to strengthen their capacity as well as provide support so they in turn can better serve the financing needs of the private sector. In parallel, IFC will support and provide capacity building services to small and medium-sized enterprises (SMEs), including women entrepreneurs, to develop their business skills to become more competitive and efficient, which will improve their access to finance. IFC is prepared to provide support and advice to the Government to support SOE privatization and to attract more private sector involvement. Finally, on an opportunistic basis, IFC may consider financing viable projects with reputable sponsors.

#### **D. Donor Coordination and Partnerships**

64. **In terms of financing, the Bank is a relatively small donor in Comoros and needs to coordinate its efforts closely with other development partners to improve its impact.** The most active development partners are France, the European Commission, and more recently AfDB and the IMF. Due to its relatively small program, the Bank stays within its comparative advantage and focuses on economic governance and social development. Other important areas are covered by other donors (e.g., regional integration by the European Commission and natural disasters and climate change by France and the UN). Annex 6 provides an overview of the areas of donor engagement in Comoros.

65. **In September 2009, the IMF's Executive Board approved a three-year SDR 13.57 million (about US\$21.5 million) arrangement under the ECF (then known as PRGF) for Comoros.** The decision enabled Comoros to draw US\$6.7 million from the IMF immediately. In December 2008, the IMF had already provided US\$3.4 million under its Exogenous Shocks Facility (ESF) and US\$1.7 million in Emergency Post-Conflict Assistance (EPCA), aimed at alleviating the immediate macroeconomic impacts of the global economic and food price crisis. The ECF arrangement is supporting a medium-term economic program that is geared toward: (i) accelerating recent progress in fiscal consolidation and restoring external viability; (ii) promoting financial sector soundness; (iii) strengthening institutions and governance; and (iv) improving the investment climate.

66. **AfDB is reengaging in Comoros with a new Interim Strategy for 2009-10, after Comoros cleared their US\$24 million arrears in December 2008.** AfDB's strategy supports two pillars: (i) improved macroeconomic management and strengthened state capacity and (ii) improved water supply and sanitation. The total financing amount for 2009-10 is SDR 15 million<sup>16</sup> (about US\$23.4 million). The strategy envisages budget support in the total amount of SDR 2 million (US\$3.2 million), of which a first tranche of about US\$1.6 million was disbursed in September 2009. In July 2009, the AfDB committed a SDR 5 million (US\$7.8 million) ADF grant to an Institutional Capacity Building Project to strengthen institutional capacity in terms of economic and financial management, especially public resource management and monitoring, as well the design and implementation of poverty reduction policies. The interim strategy also envisages a SDR 8 million (US\$12.5 million) water and sanitation project.

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<sup>16</sup> AfDB financing is normally presented in Units of Account, which are valued as equivalent to SDR 1.

67. **France has traditionally been the largest donor to Comoros, with currently €24.3 million (US\$36.5 million) in active commitments, including projects in various sectors, technical assistance as well as budget support, and another €24 million (US\$36 million) in planned commitments over 2009-2012.** In January 2009, France approved €2 million (US\$3 million) in budget support to Comoros. The program focuses on: (i) food security and agriculture development, aiming to diversify and intensify agricultural production, protect the environment – including support to the adaptation to climate change – and secure water resources; (ii) health care access and quality, particularly on the islands of Anjouan and Mohéli; (iii) development of the productive sector by supporting microfinance networks and operations in the financial sector; and (iv) the extension of drinking water supply to urban and peri-urban areas. France was also instrumental in helping Comoros clear its arrears to the AfDB.

68. **In December 2009, the European Commission (EC) approved €4.7 million (about US\$6.4 million) in the form of budget support to cushion the effects of the economic crisis in Comoros, with more allocations planned for 2010.** Total support during the 2008-2013 period is planned to amount to about €48 million (US\$72 million). The EC's strategy targets: (i) the development of transport infrastructure to facilitate trade, agriculture and the private sector; (ii) consolidating measures in education, particularly technical and vocational training and universal access to education; and (iii) support for the improvement of governance and the country's institutional capacities.

69. **The focus of the System of the United Nations (UN) in Comoros is on supporting progress toward reaching the MDGs.** The UN priorities are: (i) growth and poverty reduction; (ii) basic social services (health, education); (iii) environment and sustainable development; and (iv) peace and social cohesion. Total support over the United Nations Development Assistance Framework (UNDAF) period (2008-2012), from UN agencies' core funds is estimated at US\$23.5 million. Projects include: support to local civil society organizations, capacity building support to the Union Parliament, and support to the implementation of the national gender strategy, sustainable land management, water and sanitation, fight against malaria, agriculture services.

70. **In addition, there are several non-traditional donors active in Comoros.** These include China, which supports the education, health, energy, transport and tourism sectors largely through construction-type activities. Several Arab League countries, including Kuwait, Saudi Arabia, and Libya, are providing budget support, with Libya also financing transport infrastructure. Iran is providing assistance in agriculture and the United Arab Emirates are providing assistance to the health sector.

71. **Enhanced donor coordination is crucial to improve aid effectiveness in Comoros.** In Comoros, donor coordination is often challenging due to the limited amount of donor presence on the ground and very low government capacity to monitor and coordinate donor activities. Enhanced coordination between donors is necessary in order to avoid duplication and reduce transaction costs on government's side. The Bank will therefore work closely with donors with similar priorities. For example, it will coordinate with the AfDB in the area of capacity building to utilize synergies between the AfDB project and the planned Bank support. Another area for enhanced coordination is between various ongoing community development initiatives. As

discussed above, the Bank will follow Government's request and provide assistance to strengthen coordination between various donor projects that support community development. These include projects by traditional donors such as the EC and France, but also projects funded by the diaspora and local initiatives. Last but not least, the decision by the Bank to join the ranks of donors that are providing budget support—which together account for about 80 percent of total donor assistance to Comoros—opens important avenues for enhanced donor coordination as these donors have already agreed to exchange information and coordinate missions to ensure congruency of policies and maximize aid effectiveness. The Bank team will try to use its new role by improving the aid architecture in Comoros and explore the potential establishment of performance assessment frameworks to gauge the impact of budget support.

## **E. Results Monitoring**

72. **Monitoring and evaluation of progress under this ISN will be directly tied with the ongoing and planned portfolio.** The ISN outcomes will be measured through the data collected within the regular portfolio, the ongoing project and the planned operations. The Bank will continue to monitor the standard indicators related to its portfolio on a regular basis. An assessment will be carried out at the end of the ISN period as part of the preparation of a new strategy during FY11. The results framework matrix (see Annex 1) proposes key ISN outcomes – outcomes that the Bank is aiming to achieve by the end of the ISN period – and benchmark indicators (milestones) that the Bank will monitor to measure progress under this ISN. The Bank's support to statistical capacity building (see above) will be aimed at strengthening the country's M&E system and allow for the reporting of progress based on government data.

## **V. MANAGING RISKS**

73. **There are several significant risks facing the program of support in this ISN period, as summarized in the risk matrix (Table 4).** Comoros is considered to be a high-risk country because of its volatile politics, poor governance and extremely weak institutional capacity. Many of these risks cannot be directly mitigated by the Bank. That said, the risks of alternative strategies (such as complete disengagement) are considered even higher, given the country's long history of political instability. A key mitigation strategy will be the continued engagement by the Bank within a broader framework of support by the international community and key leading donors. Table 4 provides risks of the Bank's country program and mitigation measures.

**Table 4: Risk Matrix and Risk Mitigation Strategies**

<b>Risk Factor</b>	<b>Risk Scenario</b>	<b>Risk Rating</b>	<b>Mitigation Measures</b>	<b>Residual Risk</b>
<b>Political Instability</b>	Political instabilities including frequent break-downs of relationship between islands and the Union Government as during the 2007 Anjouan crisis, could lead to another period of political turmoil.	<b>S</b>	<ul style="list-style-type: none"> <li>Stay engaged within the efforts by the international community in supporting an inclusive and constructive dialogue between the Union and the island governments.</li> <li>Analyze political and social dynamics and their impacts on political stability.</li> </ul>	<b>S</b>
<b>Political Economy and Lack of Reform Commitment</b>	Lack of political buy-in to reforms and commitment to their implementation.	<b>H</b>	<ul style="list-style-type: none"> <li>Prospect of HIPC debt relief and continued budget support provide incentives to stay the course.</li> <li>Focus on gradual reforms that are achievable within political context.</li> </ul>	<b>S</b>
<b>Governance and Corruption</b>	Continued high levels of corruption make it impossible to design Bank support in a way that it benefits the population.	<b>H</b>	<ul style="list-style-type: none"> <li>Continue to monitor closely any signs of corruption in Bank projects.</li> <li>Experience and lessons from ongoing projects have been taken into consideration in new project designs.</li> <li>Targeting mechanisms are designed to reach the most vulnerable and avoid elite capture.</li> <li>Bring in INT support immediately including for project preparation.</li> </ul>	<b>M</b>
<b>Macroeconomic Framework</b>	Inability by the authorities to adhere to the medium-term macroeconomic framework agreed with the IMF. Fiscal slippages, accumulation of new domestic and external arrears, or a further deterioration of the external environment—through terms of trade shocks or fading remittances flows.	<b>S</b>	<ul style="list-style-type: none"> <li>Close economic and policy monitoring, notably from the IMF and the Bank.</li> <li>Continued significant and timely financial and technical assistance support to help ensure that government commitment to a sound fiscal policy does not waver.</li> </ul>	<b>M</b>
<b>Capacity Constraints</b>	Weak capacity to manage projects and coordinate aid leads to waste and reduces the effectiveness of available resources.	<b>H</b>	<ul style="list-style-type: none"> <li>Design Bank projects with a focus on increasing counterpart capacity.</li> <li>Coordinate closely with development partners.</li> <li>Accompany budget support with parallel technical assistance.</li> <li>Decentralize key staff to the region and if possible recruit local staff.</li> </ul>	<b>M</b>
<b>Debt Management</b>	Continued high levels of debt distress lead to debt default, failure to service IDA repayments and prolonged periods of stoppage in IDA disbursements.	<b>S</b>	<ul style="list-style-type: none"> <li>Focus Bank support on achieving HIPC/MDRI debt relief.</li> <li>Provide sufficient support through Trust Funds and other resources to be able to continue Bank engagement.</li> </ul>	<b>M</b>

<b>Fiduciary Risks</b>	Comoros' public financial management system poses major fiduciary risks including weak capacity of the control organ as well as the absence of an accounting profession in Comoros.	<b>S</b>	<ul style="list-style-type: none"> <li>• Financial management of IDA projects continue to be implemented by an independent association with extensive experience in managing IDA Funds and a sound FM system.</li> <li>• Project accounts are audited by an international accounting firm acceptable to the Bank.</li> <li>• Extensive FM support and supervision of projects is provided on a regular basis with help of Bank Country Offices in Madagascar and Rwanda.</li> <li>• Provide parallel TA to budget support.</li> </ul>	<b>M</b>
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**H: High; S: Substantial; M: Moderate; L: Low**

74. **Consultations on the ISN have taken place on various levels and with a diverse range of stakeholder groups.** These include consultations on all three islands during November 2009, with civil society, private sector representatives, communities and island governments. In a follow-up round in February 2010, the Bank consulted at the Union level and with the help of a senior expert from the GET and in coordination with the Conflict and Fragility Unit of the Bank's Operations Policy and Country Services (OPCS) department with high-level government representatives as well as other key stakeholders on the key elements of this strategy. Consultations focused deliberately on areas in Comorian society that might not have a strong enough voice in Comorian society and included human rights groups as well as a disproportionately large selection of women groups such as civil society organizations run by women, women entrepreneurs and women rights groups. Stakeholders consulted expressed support for the assistance proposed by the Bank as well as the major areas of engagement envisaged under the ISN. The Bank plans to engage in regular consultations throughout the implementation period of the ISN with help from a planned recruitment of a local staff based in Comoros and key international staff including the country economist based in Nairobi. Nonetheless, the residual risks for the successful implementation of this strategy remain high.

**Annex 1: ISN Results Framework for 2010-2012**

PRGSP Objectives	Issues and Obstacles	ISN Outcomes and Milestones	World Bank Group Program (ongoing/planned)
<b>Objective 1: Reduce social vulnerability</b>			
<p><b>Improving human development outcomes, particularly in healthcare and education, through better social service delivery</b></p>	<ul style="list-style-type: none"> <li>- Low access to basic social services</li> <li>- Low ability by communities to plan their development</li> <li>- Vulnerability to crises</li> </ul>	<p><b>Outcome 1. Contribute to increase access to basic social and economic services</b>  <u>Milestones:</u>                      5,000 students enrolled in FADC built/rehabilitated schools or classrooms by 2014</p> <p>Over 90 percent of people in project areas with access to improved water</p> <p><b>Outcome 2. Increase access to short-term employment in crises affected areas</b>  <u>Milestones:</u>                      Provide employment to at least 5,000 beneficiaries among poor segments of the population</p> <p>Ensure that at least half of beneficiaries are women</p>	<p><b>IDA Financing</b></p> <ul style="list-style-type: none"> <li>- Services Support Project</li> <li>- <i>Emergency Crises Response Project</i></li> <li>- Southwest Indian Fisheries project</li> </ul> <p><b>Trust Fund Financing</b></p> <ul style="list-style-type: none"> <li>- FPCR TF Co-financing Services Support Project</li> <li>- JSDF Co-financing Services Support Project</li> <li>- <i>Coastal Resource Co-Management for Sustainable Livelihood Project</i></li> </ul> <p><b>AAA/ESW</b></p> <ul style="list-style-type: none"> <li>- <i>PER Notes</i></li> </ul>
<b>Objective 2: Build state capacity and accountability</b>			
<p><b>Stabilizing the economy and laying the foundations for sustained and equitable growth by strengthening public finance (and improving infrastructure provision)</b></p> <p><b>Improving governance and social cohesion</b></p>	<ul style="list-style-type: none"> <li>- Low levels of budget transparency</li> <li>- Low budget credibility including alignment of expenditures with strategic priorities and budget allocations</li> <li>- Low accountability</li> </ul>	<p><b>Outcome 3. Improved efficient and transparent use of public resources through enhanced public finance management</b>  <u>Milestones:</u>                      A new legal and institutional framework for PFM is adopted</p> <p>Expenditures for priority sectors compared with original approved budget does not deviate more than 5 percent</p> <p><b>Outcome 4. Improved management of the public service</b>  <u>Milestones:</u>                      Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation</p>	<p><b>IDA Financing</b></p> <ul style="list-style-type: none"> <li>- <i>First and Second Economic Governance Reform Support Grant/DPO</i></li> <li>- <i>Technical Assistance Project</i></li> </ul> <p><b>Trust Fund Financing</b></p> <ul style="list-style-type: none"> <li>- <i>Statistical Capacity Building Trust Fund</i></li> </ul> <p><b>AAA/ESW</b></p> <ul style="list-style-type: none"> <li>- <i>Political Economy Analysis</i></li> <li>- <i>Development Policy Review</i></li> <li>- HIPC support</li> <li>- Financial Sector Assessment</li> </ul>

## Annex 2: FY07 ISN Results Indicators

FY07 ISN Results Indicators	September 2009 Status
<b>Objective I: Provide basic services to the most disadvantaged communities with a focus on community and local capacity building</b>	
Diaspora co-financing framework for community development available for discussion	<b>Not Achieved.</b> This initiative was dropped.
Production of 30 community and local development plans	<b>Achieved.</b> As of April 2009, 136 communities had finalized development plans meeting participatory process criteria. (Services Support Project)
At least 35 communities have benefited from a subproject grant	<b>Achieved.</b> As of April 2009, 91 communities benefitted from at least one sub-project grant. (Services Support Project)
60 percent of the population of the community have participated in developing a community or local development plan	<b>Partially Achieved.</b> As of April 2009, 45 percent of the population of the community participated in developing a community or local development plan. (Services Support Project)
<b>Objective II: Consolidate the national reconciliation through building state capacity and increasing accountability</b>	
Completion of a full PRSP	<b>Partially Achieved.</b> Background documents with strategic relevance (e.g., on the impact of rice prices in response to the food crisis) have been prepared. Completion of the full PRSP is planned for end-2009.
Civil servants wages are paid on a timely manner and no further salary arrears are accumulated	<b>Not Achieved.</b> In June 2009, Government committed to ensure regular payment of wages to avoid accumulation of new salary arrears. It decided to try to pay arrears for December 2008 and January 2009 and mobilize external funding to clear salary arrears accumulated before June 30, 2009. Due to the practice of first paying outstanding past arrears, Government keeps accumulating salary arrears for the current months and wages are not paid in a timely manner.
The unit responsible for the accounting of the consolidated budget is operational and government financial operations data is compiled and consolidated monthly within 30 days of the end of the month	<b>Achieved.</b> The unit is operational and the data is being compiled in a monthly statement on budget execution.
High authority for civil service is fully operational and 100 percent of civil servants for the Union and the Islands are accounted for in the computerized management system	<b>Partially Achieved.</b> Government commissioned the High Authority for Civil Service (HASC) responsible for the personnel roster of all government entities in 2007 and appointed a director. A computerized management system has been developed, but is still being tested. The civil servants of Grande Comore are not yet accounted for in the system. The completion of the computerization is now scheduled for 2010.
Civil service functional review is conducted and adjustment plan validated through a participatory process	<b>Not Achieved.</b> Institutional and legal reform of the civil service, coordination of all public bodies and monitoring the effective application across the Union, as well as developing a plan for administrative and financial management of state personnel are the objectives of the HASC. The plan is currently expected for 2010.
Inter-island Budgetary Committee meets on a monthly basis	<b>Partially Achieved.</b> A Budgetary Committee was set up in late 2004 to coordinate the preparation of a consolidated budget for 2005. After interruptions due to the resurgence of political tensions in 2007 and 2008, the Budgetary Committee has resumed its regular meetings to validate the consolidated fiscal data from the four entities (Union and three islands) and prepare budget execution reports each trimester.

### Annex 3: Planned and Actual Financing during FY07 ISN

Planned Delivery (FY)	Planned Projects (IDA and Trust Fund Financing)	Status
2007	Additional Financing to the Services Support Project (IDA US\$5 million)	<b>Actual.</b> Additional Financing to the original project aimed at scaling-up activities related to the community-based subprojects and capacity building as well as providing additional resources to project monitoring and evaluation and audit. Board Approval December 2006.
	Economic Governance TA (IDA US\$1.8 million)	<b>Delayed.</b> Planned to provide support to the strengthening of government core personnel and financial management systems and improving the transparency and accountability of government operations. Currently planned for FY11.
2008	National Strategy for the Development of Statistics (US\$48,000 IDF Grant)	<b>Actual.</b> Support to the formulation of the National Strategy for the Development of Statistics. Initiated in FY07; closed FY08.
	WBI Leadership Program (US\$137,500 LICUS TF)	<b>Dropped.</b> Planned to promote good governance in Comoros' senior leadership via a leadership seminar for key political decision makers. Seminar was originally scheduled for mid-January 2007 and preparations were in their final stages. Political crisis around run-up to the 2007 elections as well as the following Anjouan crisis led to a cancellation of this initiative.
2009	PRSP Trust Fund (US\$80,000 PRSTF Grant)	<b>Actual.</b> Support to the preparation of the full PRSP. Initiated in FY07; closed FY09.
<b>Additional Financing during the ISN period not mentioned in ISN</b>		
2009	Co-financing Services Support Project (US\$1 million Food Price Crisis Response TF) and Restructuring	<b>Actual.</b> Emergency response to the food price crisis. Adding of cash-for work component as a safety net to protect most vulnerable population. Restructuring of the project to better reflect the activities supported. Approved in June 2009.
	Decentralized Public Expenditure Management Reform (US\$190,000 IDF Grant)	<b>Actual.</b> Support Comoros in establishing a viable decentralized public expenditure management architecture. Initiated in FY04; closed FY09.
	LICUS TF (US\$418,100 LICUS TF)	<b>Actual.</b> Support the Comorian transition in the areas of governance and economic management. Strengthening capacity of ministries of finance at the Union and island levels to function effectively in the new decentralized set-up of the 2001 Constitution and conduct their budget and fiscal policies. Initiated in FY04; closed in FY09.

#### Annex 4: Planned and Actual Analytic and Advisory Activities during FY07 ISN

FY	Planned	Status
2007	Environment Dialogue	<b>Dropped.</b> Planned engagement together with UNDP to improve community-based management of environment assets, to be implemented within SSP. Planned proposal to GEF did not go beyond concept stage.
	Fiduciary Risk Assessment	<b>Dropped.</b> The ISN envisaged carrying-out of a fiduciary risk assessment as part of its efforts to build anti-corruption safeguards into its projects.
2008	Poverty and Service Delivery	<b>Dropped.</b> Planned poverty assessment combined with a public expenditure analysis focusing on the delivery on social services to the poor. The activity was initiated in FY06 for FY09 delivery, but did not reach beyond the concept stage.
	Public Expenditure and Financial Accountability (PEFA) Review	<b>Delivered through EC.</b> Planned to assess accountability procedures in Comoros with particular focus on budget cycles, parliamentary oversight of budget and public accounts. Dropped as Bank deliverable. Ultimately carried out by the European Commission. Finalized in January 2008.
	Diagnostic Trade Integration Study (DTIS)	<b>Delivered through UNDP.</b> Planned preparation of a DTIS led by the World Bank in collaboration with all stakeholders. The report was initiated in FY07 for FY08 delivery. During the course of FY07, Government decided to have UNDP take the lead on the DTIS with Bank collaboration. The DTIS was dropped as formal Bank deliverable. The DTIS was finalized in December 2007.
	Reforming State-owned enterprises (IFC)	<b>Completed.</b> IFC finalized assessments of the oil SOE ( <i>Société Comorienne des Hydrocarbures</i> ) and the telecommunications SOE ( <i>Comores Telecom</i> ), and informed authorities about reform options.
	Diaspora Forum	<b>Dropped.</b> The Bank planned to engage the Comorian diaspora in the potential financing of community projects developed within the framework of the Services Support Project. This initiative was dropped after implementation performance of the project had deteriorated.
2009	Country Strategy	<b>Underway.</b> A new strategy was originally planned for FY09 delivery, but had to be postponed due to the Anjouan crisis and uncertainties around the 2009 referendum. On track for FY10.

## Annex 5: Comoros' Governance Indicators in Perspective

Index/Indicator	World	Year	World	Year	Sub-Saharan Africa	Year
Transparency International, Corruption Perception Index	143 <sup>rd</sup> out of 180	2009	123 <sup>rd</sup> out of 179	2007	29 <sup>th</sup> out of 47	2008
Reporters without Borders, World Press Freedom Index	82 <sup>th</sup> out of 175	2009	96 <sup>th</sup> out of 169	2007	19 <sup>th</sup> out of 45	2008
Fund for Peace, Failed States Index <sup>1</sup>	52 <sup>nd</sup> out of 177	2009	n/a		26 <sup>th</sup> out of 47	2009
Mo Ibrahim Index of African Governance	31 <sup>st</sup> out of 53	2009	26 <sup>th</sup> out of 48	2007	31 <sup>st</sup> out of 53	2009
Kennedy School/World Peace Foundation	25 <sup>th</sup> out of 53	2009	21 <sup>st</sup> out of 53	2008	25 <sup>th</sup> out of 53	2009
World Bank Institute Governance Indicators <sup>2</sup>						
- Voice and Accountability	34.1 out of 100	2008	32.7 out of 100	2007	26 out of 48	2008
- Political Stability	15.3 out of 100	2008	18.3 out of 100	2007	13 out of 48	2008
- Government Effectiveness	1.4 out of 100	2008	1.4 out of 100	2007	13 out of 48	2008
- Regulatory Quality	4.3 out of 100	2008	6.3 out of 100	2007	4 out of 48	2008
- Rule of Law	15.8 out of 100	2008	17.1 out of 100	2007	18 out of 48	2008
- Control of Corruption	25.6 out of 100	2008	29.0 out of 100	2007	24 out of 48	2008
World Bank						
Ease of Doing Business Index	162 out of 183	2009	153 out of 183	2008	29 out of 47	2009
- Starting a Business	168 out of 183	2009	163 out of 183	2008	38 out of 47	2009
- Dealing with Permits	66 out of 183	2009	65 out of 183	2008	9 out of 47	2009
- Enforcing Contracts	153 out of 183	2009	152 out of 183	2008	34 out of 47	2009
- Protecting Investors	132 out of 183	2009	127 out of 183	2008	24 out of 47	2009
World Bank's Country Policy and Institutional Assessment <sup>3</sup>	2.2 out of 6	2008	2.2 out of 6	2007	2.2 versus 3.0	2008

<sup>1</sup> Countries are ranked in order of their perceived failure with the country most likely to fail ranking first and the least likely ranking last.

<sup>2</sup> Shows percentage of countries ranking below, higher percentage indicating a better ranking and vice versa.

<sup>3</sup> Average CPIA scores for Public Sector Management and Institutions (Section D).

### Annex 6: Areas of Donor Engagement in Comoros

Support Areas	AAAID**	AfDB	Arab League	China	EU	France	Global Fund	IMF	Iran	Libya	UN System*	United Arab Emirates	USA	WB
Budget Support		X	X		X	X		X		X				X
<b>Project Support/Sectors</b>														
Agriculture, Fishing, Livestock	X	X			X	X			X		X			
Economic Governance/ Public Administration		X				X		X			X			X
Education				X	X						X		X	
Environment					X	X					X			
Finance						X								
Health				X		X	X				X	X		
Infrastructure														
• Energy				X										
• Telecommunication														
• Transport				X	X	X				X				
• Water		X				X								
Private Sector						X								
Social Development					X	X					X			X
Tourism				X										

\* UNDP, UNICEF, UNFPA, WHO, IFAD

\*\*Arab Authority for Agricultural Investment and Development

## Annex 7: Selected Indicators\* of Bank Portfolio Performance and Management

As Of Date 4-14-10

Indicator	2007	2008	2009	2010
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	1	1	1	1
Average Implementation Period (years) <sup>b</sup>	3.3	4.3	5.3	6.1
Percent of Problem Projects by Number <sup>a, c</sup>	0.0	0.0	100.0	0.0
Percent of Problem Projects by Amount <sup>a, c</sup>	0.0	0.0	100.0	0.0
Percent of Projects at Risk by Number <sup>a, d</sup>	0.0	0.0	100.0	0.0
Percent of Projects at Risk by Amount <sup>a, d</sup>	0.0	0.0	100.0	0.0
Disbursement Ratio (%) <sup>e</sup>	54.6	41.9	28.0	58.8
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	No	No	No	No
Supervision Resources (total US\$)	120.8	125.0	120.3	110.4
Average Supervision (US\$/project)	120.8	125.0	120.3	110.4

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	18	0
Proj Eval by OED by Amt (US\$ millions)	109.2	0.0
% of OED Projects Rated U or HU by Number	47.1	0.0
% of OED Projects Rated U or HU by Amt	48.2	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).  
b. Average age of projects in the Bank's country portfolio.  
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).  
d. As defined under the Portfolio Improvement Program.  
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

**Annex 8: IBRD/IDA Program Summary**  
As Of Date 4-14-10

**Proposed IBRD/IDA Base-Case Lending Program <sup>a</sup>**

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards<sup>b</sup> (H/M/L)</i>	<i>Implementation<sup>b</sup> Risks (H/M/L)</i>
2010	KM DPL	3.0	H	H
	KM-Emergency Crises Response Proj	5.6	H	M
2011	KM-Economic Governance TAL	2.0	H	M
2012	Second DPO	2.5	H	H
<b>Overall Result</b>		<b>13.1</b>		

## Annex 9: Summary of Nonlending Services

As Of Date 4-14-10

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience<sup>a</sup></i>	<i>Objective<sup>b</sup></i>
<b>Underway</b>				
AML/CFT Assessment of Comoros	FY11	54	G,B,P	K,P
HIPC Preliminary and Decision Point	FY10	50	G,B,P	K,P
<b>Planned</b>				
PER Notes	FY11	50	G,B,P	K,P
Political Economy Study	FY11	50	G,B,P	K,P
Financial Sector Assessment	FY11	50	G,B,P	K,P
Development Policy Review	FY12	50	G,B,P	K,P
HIPC Completion Point	FY12	50	G,B,P	K,P
<b>Result</b>		<b>304</b>		

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

## Annex 10: Operations Portfolio (IBRD/IDA Grants)

Closed Projects 18

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**IBRD/IDA \***

Total Disbursed (Active)	17.30
of which has been repaid	0.00
Total Disbursed (Closed)	16.20
of which has been repaid	16.05
Total Disbursed (Active + Closed)	33.50
of which has been repaid	16.05
Total Undisbursed (Active)	1.58
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	1.58

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**Active Projects**

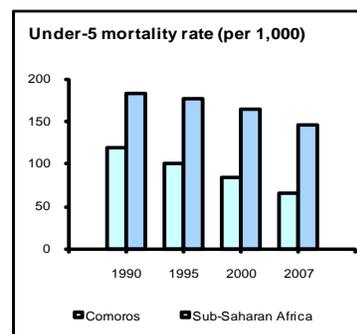
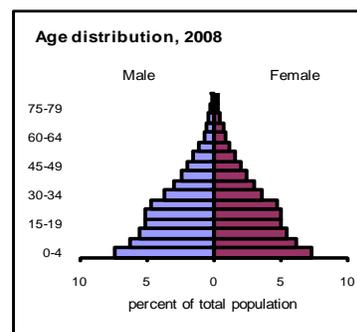
Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$ Millions			Cancel.	Undisb.	Difference Between Expected and Actual Disbursements <sup>af</sup>	
		Supervision Rating			IBRD	IDA	GRANT			Orig.	Frm Rev'd
		Development Objectives	Implementation Progress								
P084315	KM-Srvcs Supt Credit SIL	MS	MS	2004		18.3			1.58	-4.06	0.60

## Annex 11: Comoros At a Glance

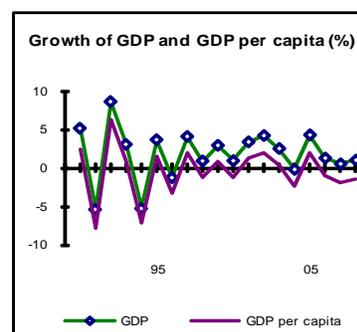
### Comoros at a glance

2/25/10

Key Development Indicators	Comoros	Sub-Saharan Africa	Low income
<b>(2008)</b>			
Population, mid-year (millions)	0.64	818	973
Surface area (thousand sq. km)	19	24,242	19,310
Population growth (%)	2.4	2.5	2.1
Urban population (% of total population)	28	36	29
GNI (Atlas method, US\$ billions)	0.5	885	510
GNI per capita (Atlas method, US\$)	750	1,082	524
GNI per capita (PPP, international \$)	1,170	1,991	1,407
GDP growth (%)	10	5.0	6.4
GDP per capita growth (%)	-14	2.5	4.2
<b>(most recent estimate, 2003–2008)</b>			
Poverty headcount ratio at \$125 a day (PPP, %)	46	51	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	65	73	..
Life expectancy at birth (years)	65	52	59
Infant mortality (per 1,000 live births)	49	89	78
Child malnutrition (% of children under 5)	..	27	28
Adult literacy, male (% of ages 15 and older)	80	71	72
Adult literacy, female (% of ages 15 and older)	70	54	55
Gross primary enrollment, male (% of age group)	91	103	102
Gross primary enrollment, female (% of age group)	80	93	95
Access to an improved water source (% of population)	85	58	67
Access to improved sanitation facilities (% of population)	35	31	38



Net Aid Flows	1980	1990	2000	2008 <sup>a</sup>
<i>(US\$ millions)</i>				
Net ODA and official aid	43	45	19	44
<i>Top 3 donors (in 2007):</i>				
France	12	24	11	18
European Commission	3	7	4	13
Switzerland	0	0	0	1
Aid (% of GNI)	34.8	18.0	9.3	9.5
Aid per capita (US\$)	129	103	35	71
<b>Long-Term Economic Trends</b>				
Consumer prices (annual % change)	..	-7.4	5.9	3.0
GDP implicit deflator (annual % change)	14.6	2.2	3.8	5.5
Exchange rate (annual average, local per US\$)	211.3	272.3	534.0	335.9
Terms of trade index (2000 = 100)	0	111	100	109
Population, mid-year (millions)	0.3	0.4	0.5	0.6
GDP (US\$ millions)	124	250	202	530
<i>(% of GDP)</i>				
Agriculture	34.0	41.4	48.6	45.8
Industry	13.2	8.3	11.5	12.0
Manufacturing	3.9	4.2	4.5	4.2
Services	52.8	50.3	39.9	38.0
Household final consumption expenditure	79.2	78.7	94.0	96.0
General gov't final consumption expenditure	30.9	24.5	11.7	12.1
Gross capital formation	33.2	19.7	10.1	16.1
Exports of goods and services	8.7	14.3	16.7	12.8
Imports of goods and services	51.9	37.1	32.5	36.9
Gross savings	..	-13	9.9	8.9



**1980–90 1990–2000 2000–08**  
(average annual growth %)

	1980–90	1990–2000	2000–08
Population	2.6	2.2	2.2
GDP	2.8	1.2	2.0
Agriculture	4.0	2.6	1.2
Industry	-2.9	3.9	2.6
Manufacturing	4.9	1.6	1.4
Services	3.1	-0.6	3.1
Household final consumption expenditure	3.0	3.9	3.4
General gov't final consumption expenditure	1.8	-4.7	0.0
Gross capital formation	-4.2	-4.9	6.8
Exports of goods and services	9.3	-1.8	-2.0
Imports of goods and services	-0.2	-1.1	5.0
Gross savings	..	-13	9.9

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.

a. Aid data are for 2007.

Development Economics, Development Data Group (DECDG).

**Balance of Payments and Trade**

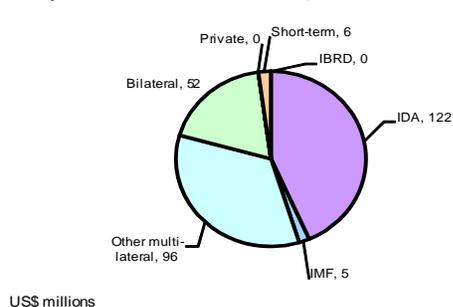
	2000	2008
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	14	11
Total merchandise imports (cif)	56	154
Net trade in goods and services	-32	-112
Current account balance	0	-24
as a % of GDP	-0.2	-4.6
Workers' remittances and compensation of employees (receipts)	12	12
Reserves, including gold	..	..

**Central Government Finance**

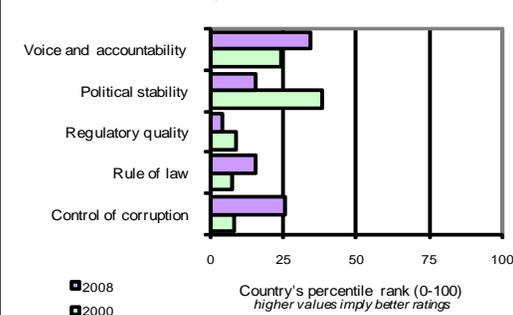
	2000	2008
<i>(% of GDP)</i>		
Current revenue (including grants)	10.2	16.8
Tax revenue	9.0	13.8
Current expenditure	12.5	18.3
Overall surplus/deficit	-6.1	-9.4
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

**External Debt and Resource Flows**

	2000	2008
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	237	281
Total debt service	3	12
Debt relief (HIPC, MDR)	-	-
Total debt (% of GDP)	117.2	53.1
Total debt service (% of exports)	5.1	9.3
Foreign direct investment (net inflows)	0	8
Portfolio equity (net inflows)	0	0

**Composition of total external debt, 2008****Private Sector Development**

	2000	2008
Time required to start a business (days)	-	23
Cost to start a business (% of GNI per capita)	-	188.6
Time required to register property (days)	-	24
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2008
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

**Governance indicators, 2000 and 2008**

Source: Kaufmann-Kraay-Mastuzzi, World Bank

**Technology and Infrastructure**

	2000	2008
Paved roads (% of total)	76.5	..
Fixed line and mobile phone subscribers (per 100 people)	1	9
High technology exports (% of manufactured exports)	0.5	0.6

**Environment**

	2000	2008
Agricultural land (% of land area)	78	80
Forest area (% of land area)	4.3	3.0
Nationally protected areas (% of land area)	..	..
Freshwater resources per capita (cu. meters)	2,129	1910
Freshwater withdrawal (billion cubic meters)	0.0	..
CO2 emissions per capita (mt)	0.16	0.15
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

**World Bank Group portfolio**

	2000	2008
<i>(US\$ millions)</i>		
<b>IBRD</b>		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
<b>IDA</b>		
Total debt outstanding and disbursed	71	122
Disbursements	2	1
Total debt service	2	3

**IFC (fiscal year)**

	2000	2008
Total disbursed and outstanding portfolio of which IFC own account	-	-
Disbursements for IFC own account	-	-
Portfolio sales, prepayments and repayments for IFC own account	-	-
<b>MIGA</b>		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified. 2008 data are preliminary.  
 .. indicates data are not available. - indicates observation is not applicable.

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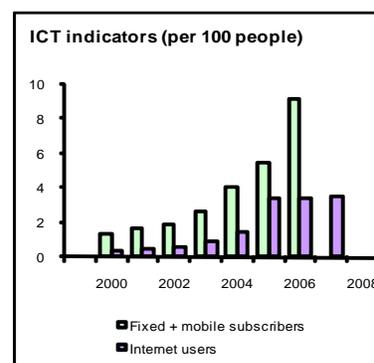
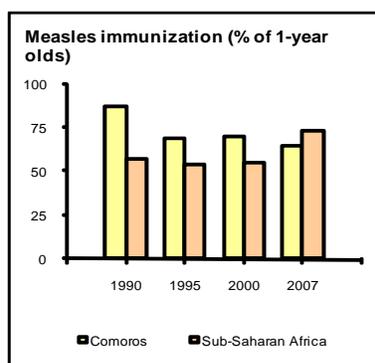
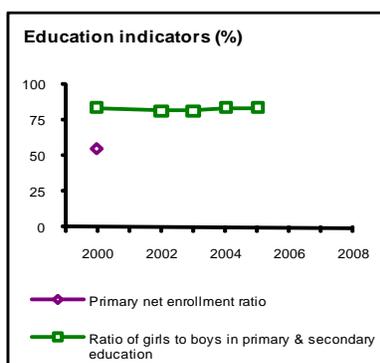
# Millennium Development Goals

Comoros

*With selected targets to achieve between 1990 and 2015*  
(estimate closest to date shown, +/- 2 years)

Comoros

Goal 1: halve the rates for extreme poverty and malnutrition	1990	1995	2000	2008
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	46.1
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	..	..	2.6
Prevalence of malnutrition (% of children under 5)	..	22.3	25.0	..
<b>Goal 2: ensure that children are able to complete primary schooling</b>				
Primary school enrollment (net, %)	57	..	55	..
Primary completion rate (% of relevant age group)	..	..	39	50
Secondary school enrollment (gross, %)	18	20	24	35
Youth literacy rate (% of people ages 15-24)	..	77	..	89
<b>Goal 3: eliminate gender disparity in education and empower women</b>				
Ratio of girls to boys in primary and secondary education (%)	71	..	84	84
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	8	..	..
Proportion of seats held by women in national parliament (%)	0	0	0	3
<b>Goal 4: reduce under-5 mortality by two-thirds</b>				
Under-5 mortality rate (per 1,000)	120	101	84	66
Infant mortality rate (per 1,000 live births)	88	74	62	49
Measles immunization (proportion of one-year olds immunized, %)	87	69	70	65
<b>Goal 5: reduce maternal mortality by three-fourths</b>				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	400
Births attended by skilled health staff (% of total)	..	52	62	..
Contraceptive prevalence (% of women ages 15-49)	..	21	26	..
<b>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</b>				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.1	0.1
Incidence of tuberculosis (per 100,000 people)	85	69	56	42
Tuberculosis cases detected under DOTS (%)	..	54	49	42
<b>Goal 7: halve the proportion of people without sustainable access to basic needs</b>				
Access to an improved water source (% of population)	93	90	88	85
Access to improved sanitation facilities (% of population)	18	23	29	35
Forest area (% of total land area)	6.4	5.4	4.3	3.0
Nationally protected areas (% of total land area)	..	..	..	..
CO2 emissions (metric tons per capita)	0.2	0.1	0.2	0.1
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	..	..	..	..
<b>Goal 8: develop a global partnership for development</b>				
Telephone mainlines (per 100 people)	0.8	0.9	1.3	3.1
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	6.4
Internet users (per 100 people)	0.0	0.0	0.3	3.5
Personal computers (per 100 people)	0.0	0.0	0.6	0.9

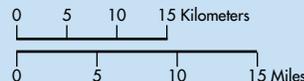
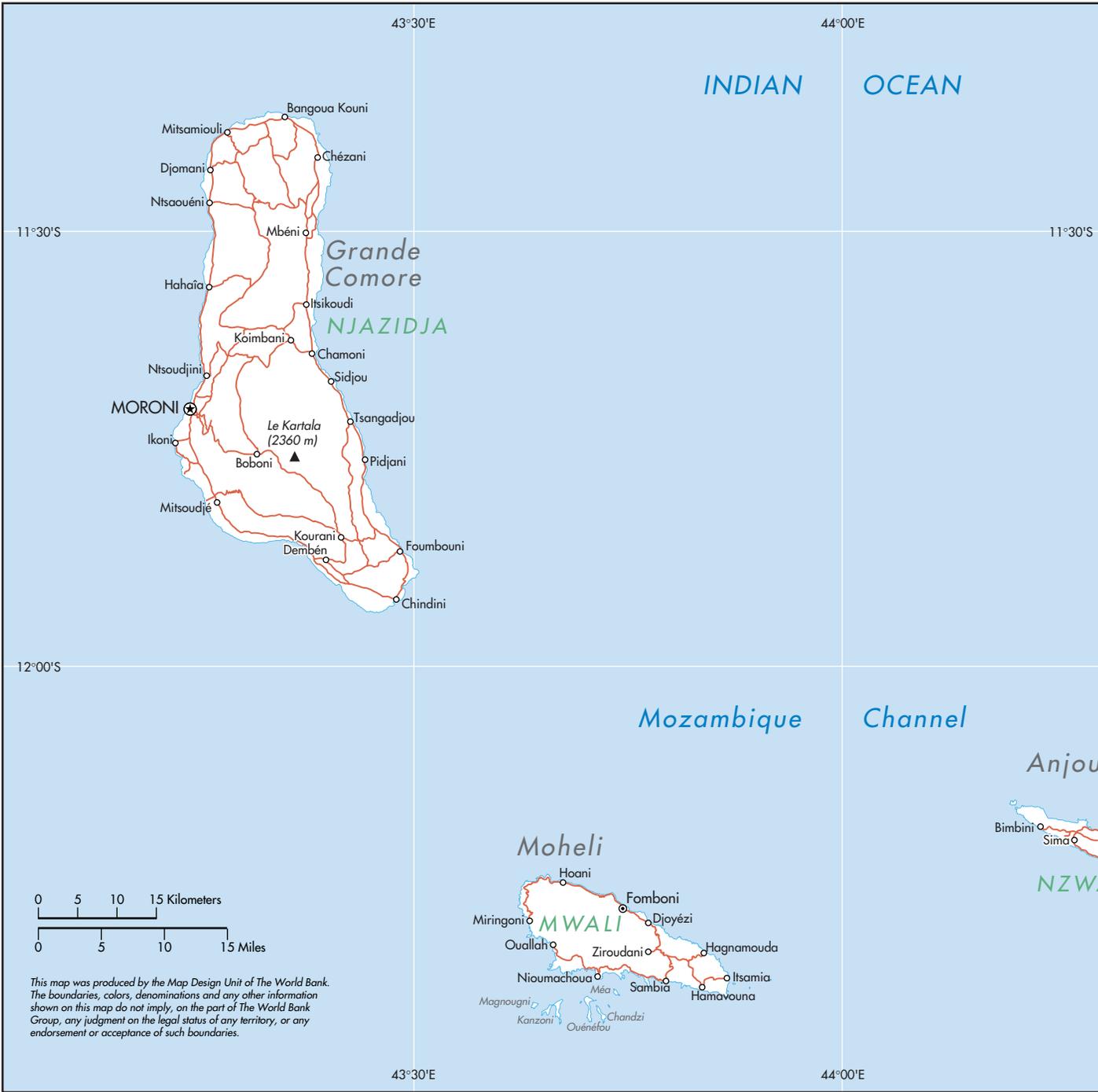
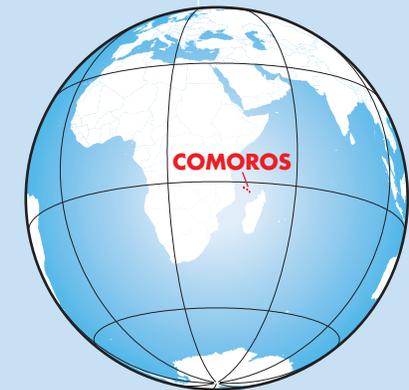


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# COMOROS

- SELECTED CITIES AND TOWNS
- ⊙ ADMINISTRATIVE SEATS
- ⊗ NATIONAL CAPITAL
- MAIN ROADS



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