



Comoros Financial Inclusion Project (P166193)

EASTERN AND SOUTHERN AFRICA | Comoros | Finance, Competitiveness and Innovation Global Practice | IBRD/IDA | Investment Project Financing | FY 2021 | Seq No: 5 | ARCHIVED on 27-Jun-2022 | ISR51731 |

Implementing Agencies: Banque Centrale des Comores, The Union of Comoros

Key Dates**Key Project Dates**

Bank Approval Date: 09-Jul-2020

Effectiveness Date: 02-Feb-2021

Planned Mid Term Review Date: 15-Mar-2023

Actual Mid-Term Review Date:

Original Closing Date: 30-Jun-2025

Revised Closing Date: 30-Jun-2025

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

To increase access to and usage of financial services for adults.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components Table

Name

Component 1: Increasing Access to and Usage of Financial Services:(Cost \$18.00 M)

Component 2: Project and Payment Systems Management:(Cost \$2.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Moderately Satisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Risk Rating	<input type="checkbox"/> Substantial	<input type="checkbox"/> Substantial

Implementation Status and Key Decisions**Component 1: Increasing Access to and Usage of Financial Services****1.1 Automate Interbank Transactions and Develop Digital Payment Interoperability****1.1.1 Core Banking System**

The first RFB was launched on March 24th 2021, 1 month after the effectiveness date of the IPF. The closing date was May 31st 2021 and the evaluation report was completed in September 2021 and shared in its final form to the WB on December 1st 2021. The evaluation report, which took 6 months to finalize, recommended the bid to be awarded to Solvethys with a price tag of 5,826,947€ and an annual maintenance cost of 410,000€, as compared to a budgeted amount of \$2m and with no budgeted annual maintenance costs. The BCC took the decision to relaunch the bid with minimal reductions in the technical specifications and a disclosed cap of \$3million. The final date to receive the bids is June 9th 2022 with an expected evaluation period of 10 days starting June 13th 2022 to be completed by June 26th 2022. The WB expects to receive the final evaluation report on July 4th 2022.



To support the evaluation process, the recruitment of a consultant has been launched, as a single source due to its technical nature, a candidate has been found and his contract is expected to be finalized on June 8th 2022. The WB has provided training to the members of the evaluation committee on June 08 2022.

1.1.2 Automated Transfer System +

The RFB was launched on April 20th 2022, 14 months after the effectiveness date of the IPF, because it was planned that the implementation of the CBS commences before the implementation of the ATS+ as the ATS+ should use the CBS (given the CBS procurement delays, the ATS+ will not temporarily use a manual accounting system). The closing date was June 20th 2022 and now extended to July 4th 2022 and the evaluation report is expected to be completed on August 15th 2022 and shared to the WB on August 22nd 2022.

The evaluation committee is not yet nominated. To support the evaluation process, the recruitment of a consultant who was to lead ATS+ implementation was launched on April 27th 2022 but received only one applicant who was found to be inadequate. The PIU will now relaunch the TOR for professional firms to apply. The TOR for this will be finalized on June 13th 2022 to enable the PIU to upload these on STEP on June 20th. Assuming a 4-week response time and a 2-week evaluation/decision/contracting interval, the selected firm will be able to commence work on August 1st. 2022 with the first immediate task being the evaluation process of the RFB responses received.

1.1.3 Switch

A market study for the Switch was expected to be launched April 29, 2022 but will now be launched on or after June 7th 2022 with an expected closing date of July 17th 2022, an award date of August 1st 2022 and receipt of deliverable on September 1st 2022.

1.1.4 Subscription to the fiber optic network or VSAT

The RFB for this procurement has faced serious delays. The technical specifications have taken 12 months to be drawn up and are not yet finalized. In the last meeting between the Bank and the PIU, on May 06 2022, the Bank recommended that certain terms in the technical specifications be reviewed to better align with the technical specifications of the CBS and the SAT+ RFBs and with changed market conditions giving rise to a higher cost of IT equipment and to therefore also review the budget towards an increase to \$500,000 in the light of higher transport costs. The PIU has still not incorporated the Bank's recommendations nor finalized the RFB.

1.1.5 BCC data center, emergency site, and core banking system

The data center procurement for the telecoms network and the secondary site was drawn up in one document consisting of 2 lots – the primary site, telecoms network connectivity + the secondary site. The RFB for these 2 lots has not been launched yet as the ESG team imposed that an energy audit be carried out and recommendations incorporated in the RFBs. The energy audit was launched at the beginning of 2022 and awarded to a consultant who started on March 21st 2022, with a report delivered on May 12th 2022 covering the secondary site. A second report covering the primary site will be issued on June 15, 2022. For the RFB for the secondary site the draft has finally been finalized on June 01, 2022 and is pending the final review by the PIU consultant before it is uploaded to STEP.

1.2 Facilitate Access and Usage of Digital Financial Services

1.2.1 Financial and digital literacy campaigns

The EOI was launched on September 2021, closed on October 07, 2021. Evaluations of the EOI were completed and draft requests for proposal was sent on December 21, 2021. Evaluation of technical proposal was completed on Jan 25, 2022 and that of the financial proposal was completed one month later ie on Feb 21, 2021. The contract was awarded on April 15, 2022. The firm is currently in-country since June 02 but their mission will effectively start on June 09. This contract is scheduled to end on August 31, 2022.

1.2.2 Support to facilitate and monitor financial institutions' efforts to provide access to BTAs

Not started yet.

1.2.3 Hardware and software for FIs to develop agent banking and merchant networks

Expected to start in September 2022, following an in-country mission.

1.2.4 Hardware and software with operating cost support, and TA, for FIs' digitalization

Expected to start in September 2022, following an in-country mission.

1.2.5 Support to Government and institutions with large reoccurring transaction flows to support digital payments

Expected to start in September 2022, following an in-country mission.

1.2.6 Hardware and software for the CRC, and capacity building

Expected to start in September 2022, following an in-country mission.

1.2.7 Regulatory and Oversight framework support

Expected to start in September 2022, following an in-country mission.

1.3 Enhance Financial Stability and Integrity to Facilitate Usage of Financial Services

1.3.1 Bank supervision application for financial surveillance

The direct agreement justification was shared on September 1, 2020. The contract was awarded on March 5, 2021.

After a field mission conducted by the agents of Bank of Mozambique in October 3-12, 2021 (mission delayed because of the pandemic), BSA was expected to go live in the first half of 2022 after a test phase of three months.

The banking application BSA is now installed, and all the financial institutions can access the portal to submit their prudential and accounting reports. DSBP however needs further capacity building to be able to use all the modules of BSA and make it fully operational. This activity will be



finalized after BCC conducts a mission to Bank of Madagascar to learn from other supervisors about all the functionalities of the supervisory tool to be able to apply them adequately.

1.3.2 Resident advisor to help in capacity building for on-site and off-site banking supervision

The first EOI was launched in October 24, 2020 and was unsuccessful (after unsuccessful negotiations closed on December 12, 2020) because of the lack of incentives for potential advisors to start a mission in Comoros during the pandemic. It was then agreed to split the assignment into remote and hybrid consultancies before the pandemic context enables the hiring of a permanent resident advisor. Two topics justified the hiring of short-term experts:

- On banking resolution and crisis management, PIU hired a remote consultant by direct agreement given the very rare and specific set of skills required for the assignment. A first contract was concluded in April 2, 2021 (for a three-month period), and was extended in October 19, 2021 until January 31, 2021, for 20 additional consulting days. The consultant shared its mission report on February 1, 2022. Because one financial institution experienced a serious deterioration of its financial position during Q1 2022 before being placed under Resolution (June 1, 2022), as provided by the new banking resolution law, BCC requested an extension of the mission of the consultant. The WB team provided its non-objection on April 18, 2022, but the preparation of the contract of the consultant has been delayed and is yet to be finalized. The consultant is expected to start its mission in July 2022.
- On accounting standards : an EOI was launched on September 7, 2021., and the evaluation closed on September 30, 2021. The consultant was selected on October 27, 2021 and started its mission in XX. A field mission was conducted by the consultant April (11-23), 2022. The consultant shared its final report on May 15, 2022. The deliverable consists in a draft regulation that BCC expects to validate within a month.

As the pandemic situation improved during Fall 2021, a new EOI for the resident advisor position on banking supervision was launched on November 22, 2021. PIU received three applications on December 6, 2021. The selection process, including the sharing of financial and technical proposals, took place between December 2021 and February 2022 and the contract was awarded on February 15, 2022. The Resident advisor started his mission on March 15, 2022, in Moroni. Monthly reports have been prepared and delivered to the PIU and the WB team. A detailed work program with specific action plans and key deliverables is being prepared and will be validated by the board of the Central Bank in September 2022. Furthermore, to assist BCC on the supervision of SNPSF, the project financed an audit of the assets and liabilities of SNPSF to prepare the splitting of the banking and postal activities. The EOI for the audit was launched in October 2020 and 3 consulting firms were preselected in January 2021. The final contract was concluded in March 2021. The mission started in March 2021 and three deliverables were shared with the PIU and the WB team in September 2021 : (i) the valuation of the assets and liabilities of SNPSF ; (ii) the projected balance sheets of the future entities ; and (iii) a roadmap to implement the restructuring of the institution. The roadmap comprises the submission of an application for a banking license for the new Postal Bank (LBP) by December 31, 2021, which also presupposes the fulfillment of the following other conditions, namely : (i) the submission of a Business Plan; (ii) the hiring of a CEO and independent Board members; (iii) the preparation of LBP's articles of association and the prior registration with the Registre de Commerce, the companies registry; (iv) the preparation of the recapitalization scheme planned by the shareholder, and (v) the development of the institution's risk management procedures and policies in accordance with the prudential regulations in force. It has also been recommended that a Steering Committee be set up to oversee these processes and that the steering committee to meet weekly until the package for the application for the new license is submitted. It was recommended that the Steering Committee be co-chaired by the Secretaries General of the Ministry of Finance and the Ministry of Transport, Post & Telecommunication. Although the implementation of the roadmap was agreed with both WB and IMF, it has only been partially implemented. The business plan of the new entity has been prepared with AFD's support, but its finalization is still being discussed with the IMF. During the Spring meetings and the latest supervision meeting, the authorities mentioned that the board of the LBP was to be nominated on May 20, 2022, but this has not happened. The submission of the banking application is now scheduled for December 31, 2022.

1.3.3 Diagnostic of the Public Credit Risk Registry and assistance on its improvement

The AMI was launched on November 25, 2021 et evaluation concluded on January 5, 2022. The contract was concluded on February 14, 2022. The mission of the consultant started in Moroni on March 7, 2022. The first draft of deliverable was shared on April 13, 2022. A second field mission was conducted by the consultant in May 2022. An updated version of its final diagnostic of the CDRIP was shared on May 31, 2022, in addition to a report on best practices on credit reporting. BCC validated these deliverables before June 2022.

1.3.4 TA to enhance the integrity of the financial system as informed by NRA

The EOI for the AML/CFT National Strategy, following the NRA, is being prepared by the PIU with support from the BCC and will be finalized on June 28, 2022. The objective is for the EOI to be published on July 07, 2022, and the mission of the selected consultant is expected to start on September 01, 2022.

1.3.5 Capacity building for the reinforcement of the financial analysis of suspicious transactions by banks and the FIU

Expected to start in January 2023, following the adoption of the AML/CFT National Strategy.

Component 2: Project and Payment Systems' Management

Sub-component 2.1: Project Management

2.1.1 Project coordinator

The project coordinator was first recruited on Feb 03, 2020. He then resigned on May 30, 2022 to join a micro-finance institution as CEO. He has been replaced by Mrs Housna Thabit, since June 15, 2020..

2.1.2 Procurement consultant

The procurement specialist was recruited on Feb 10, 2022.

A Post Procurement Review (PPR) was performed by the Bank on May 31, 2022. It concluded with the diagnostic that the risk rating on procurement is high and the recommendation has been made to strengthen the PIU to build capacity through Technical Assistance to help them



when conducting procurement process. The PPR found that the development of the RFB was not up to standard and that the procurement team could not make correct assessment of the budget for the various procurements.

The Supervision mission has confirmed these findings and has recommended the PIU to recruit a second local procurement specialist to work in pair and at the same level with the actual procurement specialist. The second specialist will have another portfolio of procurement activities and will also be a back up to the first one.

Additionally, the WB has recommended that all Comoros projects, including the financial inclusion one, recruit an international procurement specialist to improve the work done by local procurement consultants and to provide a weekly training session for 3 hours every week to answer Q&A and build capacity.

2.1.3 Accounting, audit, and environmental and social safeguard support

The accountant was first recruited on June 03, 2020. He then resigned on Feb 20, 2022 for personal reasons. The EOI for the replacement was launched on April 15, 2022 and the position is still not filled, as at date.

2.1.4 BCC Capacity Building

According to the Post Procurement Review performed by the Bank on May 31, 2022, the supervision of awarded contracts has to be strengthened through increased collaboration of BCC staff – both at the technical level – to ensure that outputs/deliverables are aligned to what was required in the TOR - and with regards to budgeting. The PPR also recommends that the BCC staff is more involved so as to ensure timely implementation of each project/contract.

The supervision mission has recommended that capacity at the BCC, especially within the DSBR, be strengthened. In the regards, an HR diagnostic will be launched by end September.

The supervision mission has also recommended that the Operations Manual be amended to include agreed upon standards of service for BCC and PIU.

2.1.5 M&E Support

An M&E specialist will be recruited by end September 2022. The TOR have already been shared with the PIU on May 24, 2022.

2.1.6 Steering committee capacity building

Expected to start at same time as the capacity building of the National Payment Council.

2.1.7 National Payment Council development and capacity building

The National Payment Council (NPC) was set up on Jan 18, 2022, through decree N°22-008/PR. A first meeting took place on May 11, 2022.

During the supervision mission, a training session was planned for the week of July 11, 2022, for the NPC with the PIU consultant Abib and WB team on the functions and responsibilities of the NPC. The meeting is now postponed as the PIU consultant is not available. No new date has been communicated yet.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	☐ Substantial	☐ Substantial	☐ Substantial
Macroeconomic	☐ Substantial	☐ Substantial	☐ Substantial
Sector Strategies and Policies	☐ Substantial	☐ Substantial	☐ Substantial
Technical Design of Project or Program	☐ Moderate	☐ Moderate	☐ Substantial
Institutional Capacity for Implementation and Sustainability	☐ Substantial	☐ Substantial	☐ Substantial
Fiduciary	☐ Moderate	☐ Moderate	☐ Substantial
Environment and Social	☐ Low	☐ Low	☐ Low
Stakeholders	☐ Moderate	☐ Moderate	☐ Moderate
Other	--	--	--
Overall	☐ Substantial	☐ Substantial	☐ Substantial



Results

PDO Indicators by Objectives / Outcomes

Access to financial services				
▶ Number of transaction accounts per 1,000 adults (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	361.14	361.14	361.14	450.00
Date	01-Jul-2020	01-Jul-2020	01-Jul-2020	30-Jun-2025
Comments:	Number of transaction accounts (i.e., bank and mobile money) per 1,000 adults			

Usage of financial services				
▶ Number of digital retail transactions per 1,000 adults (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	1,500.00
Date	01-Jul-2020	05-Oct-2020	05-Oct-2020	30-Jun-2025
Comments:	The total number of digital payments from the ATS+ (ACH direct credit and debit, and instant payments), mobile money, and national switch, per 1,000 adults			

Intermediate Results Indicators by Components

Component 1: Increasing Access to and Usage of Financial Services				
▶ Number of financial institutions connected to the ATS+ (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	6.00
Date	01-Jul-2020	13-May-2022	13-May-2022	30-Jun-2025
Comments:	Number of financial institutions connected to the Automated Transfer System +. The ATS+ has yet to be procured.			
▶ Number of transaction accounts per 1,000 adult women (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	163.00	163.00	163.00	200.00
Date	01-Jul-2020	01-Jul-2020	01-Jul-2020	30-Jun-2025
Comments:	Number of transaction accounts (i.e., bank and mobile money) per 1,000 adult women.			
► Number of risk-based supervision manuals, processes, and tools adopted (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	7.00
Date	01-Jul-2020	05-Oct-2020	05-Oct-2020	30-Jun-2025
Comments:	Number of risk-based supervision manuals, processes, and tools adopted.			

Component 2: Project Management				
► Percentage of complaints received through the grievance redress mechanism, which are addressed (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	100.00
Date	01-Jul-2020	05-Oct-2020	05-Oct-2020	30-Jun-2025
Comments:	Percentage of complaints, which are received through the grievance redress mechanism (GRM) and which are addressed. The GRM has yet to be established.			

Performance-Based Conditions

Data on Financial Performance

Disbursements (by loan)

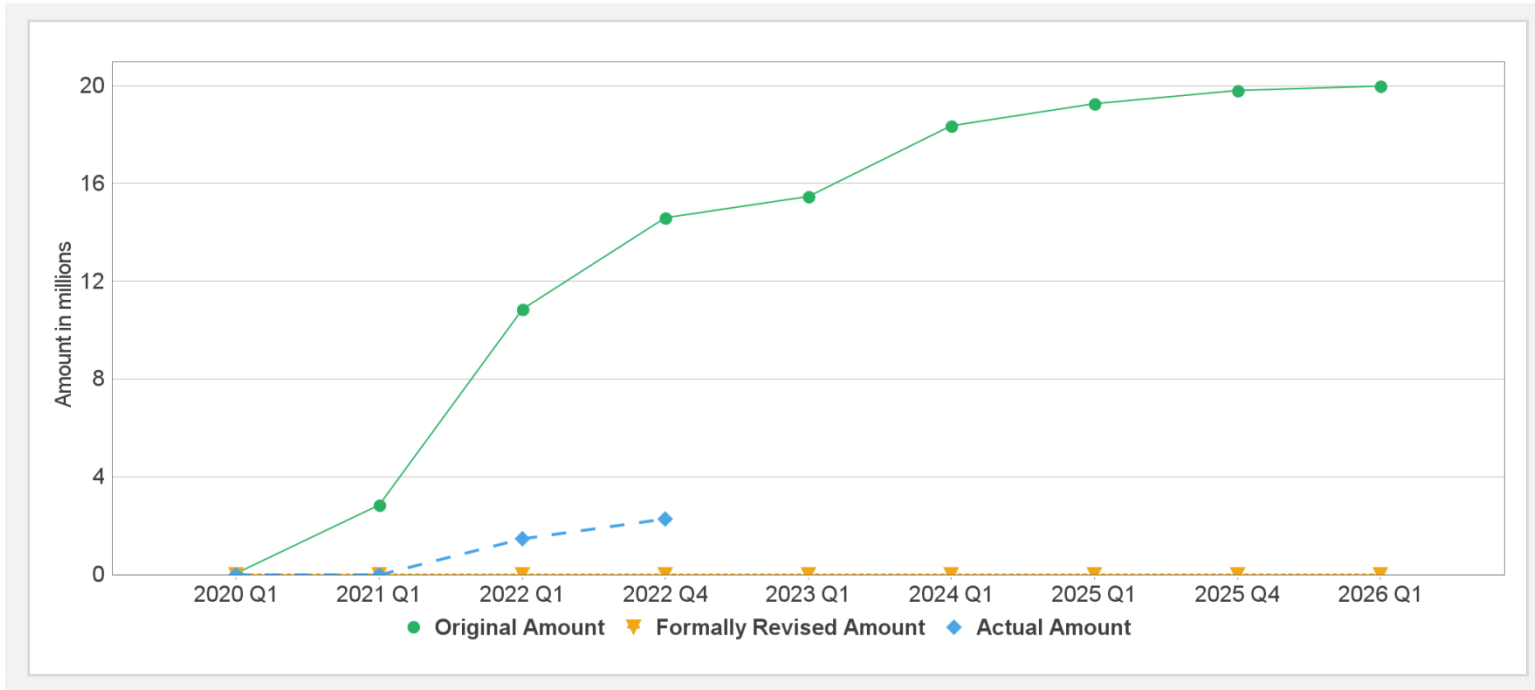
Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P166193	IDA-67070	Effective	USD	10.00	10.00	0.00	0.36	10.58	3.3%
P166193	IDA-D6760	Effective	USD	10.00	10.00	0.00	1.90	8.08	19%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P166193	IDA-67070	Effective	09-Jul-2020	15-Aug-2020	02-Feb-2021	30-Jun-2025	30-Jun-2025
P166193	IDA-D6760	Effective	09-Jul-2020	15-Aug-2020	02-Feb-2021	30-Jun-2025	30-Jun-2025



Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.