



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 14-Jun-2020 | Report No: PIDC29665



BASIC INFORMATION

A. Basic Project Data

Country Comoros	Project ID P174260	Project Name Comoros Emergency DPO for Covid-19 response (P174260)	Parent Project ID (if any)
Region AFRICA EAST	Estimated Board Date Oct 01, 2020	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finances	Implementing Agency Ministry of Finances		

Proposed Development Objective(s)

The objectives of the proposed operation are to i) protect the poor and vulnerable by supporting the immediate COVID-19 response and, ii) help the economic recovery and support reforms that will enhance resilience in the future.

Financing (in US\$, Millions)

SUMMARY

Total Financing	10.00
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DETAILS

Total World Bank Group Financing	10.00
World Bank Lending	10.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

The proposed Comoros COVID-19 Response Development Policy Operation (DPO), in the amount of US\$10 million, is a stand-alone single-tranche operation aimed at supporting Comoros’ economic and social response to COVID-19. The proposed operation aims to assist the Government’s immediate relief response to the COVID-19 pandemic by providing support to firms and households, whilst increasing future resilience by supporting longer term structural measures. This



DPO will also help the government to meet the emerging fiscal and external financing gaps as Comoros experiences lower remittance inflows and a reduction in export earnings (mainly from tourism) resulting from the pandemic.

While the spread of the virus in Comoros seems to be contained so far, economic activity has slowed with adverse impacts on fiscal and external balances. Prior to the COVID-19 crisis, Comoros was still recovering from the Cyclone Kenneth (April 2019), with GDP growth having fallen to 1.9 percent in 2019 as a result, from 3.6 percent in 2018. The pandemic will likely offset the positive impacts from reconstruction efforts after the cyclone, with real GDP growth expected to contract sharply to -1.4 percent in 2020. The COVID-19 crisis is likely to significantly reduce household incomes and affect the poor disproportionately. Job destruction and decline in labor earnings will affect those working in trade, tourism and transport, in a context of already high unemployment (especially among the youth) and high informality.

The macroeconomic policy framework is judged to be adequate for this operation. This assessment assumes sustained progress towards political stability, as well as maintenance of policies to preserve the current macro-fiscal stability and the recent improvement in budget credibility (as in the recent 2020 budget law). While public and external debt remain sustainable, continued efforts to strengthen debt management and improve transparency will be needed. This operation supports initial actions in this regard and will be completed by the IDA's Sustainable Development Finance Policy (SDFP) actions.

Relationship to CPF

A new Comoros CPF (FY20-FY24), which is being finalized, provides the overarching framework for this operation. The CPF is based on the priorities identified in the SCD (2019) and is aligned with the government's Vision 2030 ("Plan for Emerging Comoros", PCE). This long-term strategy builds on the shorter term Updated National Development Strategy (SCA2D), covering the period 2018-21, which was approved in December 2018. The CPF focused on four objectives: (1) Building Human Capital; (2) Supporting Disaster Recovery and Resilience; (3) Improving Business Environment and Governance; and (4) Improving Connectivity. The support provided in this emergency operation relates to these objectives. Policy reforms related to health and social protection in this operation contribute to the CPF objective 1. Crisis support provided to MSMEs, financial and custom reforms, and agricultural investment reforms pursued through this operation are consistent with Objective 3 of the CPF. The debt transparency reform contributes to strengthening macroeconomic management, which is a priority area under the SCD (2019). Debt transparency plays also a key role in the SDFP and the DSSI.

C. Proposed Development Objective(s)

The objectives of the proposed operation are to i) protect the poor and vulnerable by supporting the immediate COVID-19 response and, ii) help the economic recovery and support reforms that will enhance resilience in the future. The operation will provide emergency financing to assist the Government's short-term response to the COVID-19 pandemic, whilst also supporting longer term structural and governance reforms, some of which were under preparation and have been fast tracked in response to the pandemic. This DPO will also help the government to meet the emerging fiscal and external financing gaps as Comoros experiences lower remittance inflows and a reduction in export earnings from the pandemic.



Key Results

The proposed operation is expected to contribute to social and economic relief through an effective response to the pandemic and lay the foundation for stronger resilience in the medium term. The relief response measures will support households by improving the efficiency of the customs clearance process (in particular of medical products) and reducing the price of medical supplies and essential food products. In addition, another relief measure considered in the program will reduce immediate MSME's cash flow pressures. The operation is also targeting medium term resilience and inclusion by improving the efficiency of current cash transfers programs, supporting the development of digital payments, improving debt transparency, and addressing food security challenges and strengthen emergency preparedness in the event of climate shocks and diseases.

D. Concept Description

The proposed operation will support the Government's immediate relief response to the social and economic impacts of the COVID-19 crisis, whilst increasing future resilience by supporting longer term structural measures. The program is organized around three pillars. The first pillar ("Protecting the Poor & Vulnerable") aims to facilitate cross-border trade and reduce the price of medical supplies and essential food products and to enhance the coordination of safety net programs and rapid implementation of future interventions. The second pillar ("Ensuring Sustainable Business Growth & Job Creation") seeks to support the economic recovery by granting tax deferrals to MSMEs and liberal professions (e.g., lawyers, notaries and doctors) and facilitate mobile banking and mobile payments to incentivize financial development and inclusion. The third pillar ("Strengthening Policies, Institutions and Investments for Rebuilding Better") includes measures to improve debt transparency and mobilize reforms and medium-run investments in the agricultural sector to address food security challenges and strengthen emergency preparedness in the event of climate shocks and diseases.

The proposed operation directly supports targeted areas of the government's announced emergency response measures and is supported by other WB projects to respond to the health crisis. The relief policy actions are aligned with the government's announced response measures to address the social impact of COVID-19 by providing households with an immediate support and with the government's plan to support firms. Longer term measures are consistent with the target areas of the government's medium term development strategy, the Emerging Comoros Plan (PCE), that focuses, among others, on digital advancement and modernized agriculture for food security. Policy implementation under this DPO is supported by a number of WB projects (e.g., Social Safety Net Project) and technical assistance (e.g., TA on debt management and transparency) and regular macroeconomic and debt dialogue.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

Pillar 1 support measures that increase Comoros' preparedness to manage the outbreak and strengthen the supply of necessary medical materials to help respond to the pandemic. Despite the agricultural sector accounts for about 30 percent of the Comorian economy, the country meets most of its food needs through imports. The actions under Pillar 1, namely, to facilitate cross-border trade and reduce the price of medical supplies and essential food products, support measures that strengthen the food supply chain which is key to minimize severe negative effects on food security of the population, particularly of the poor. The decree that establishes the creation of a national social registry will improve the coordination of existing social safety net programs with positive effect on the poor in the medium term. Although the



registry is expected to be completed by the end of 2021, the decree is expected to strengthen coordination efforts of donors and provide a legal framework that can result in increased efficiency in the management of cash transfers programs. Beneficiary households receiving multiple assistance under different programs will be reduced and resources will be best targeted to those in need and lacking assistance, particularly in light of the COVID-19 pandemic as well as in case of future emergencies.

Prior actions under Pillar two and three will support the economic recovery while building resilience for future generations. The approval of a draft law of electronic payment services, under Pillar 2, can facilitate aid transfers as well as the development of mobile money payments. This type of payments can make payments more rapid and can also help reduce the spread of COVID-19 by reducing face-to-face interactions at banks or post offices. Access to mobile phones is relatively high among the poor with about 2 in 3 poor households owning one or more mobile phones as of 2014. In addition, the adoption of the National Agriculture Investment Plan, under Pillar 3, is expected to strengthen food security and emergency preparedness in the medium term. This is key to increase the mobilization of resources and the allocation of public funding to agricultural development with positive effects on hunger and malnutrition in the medium-term.

Environmental, Forests, and Other Natural Resource Aspects

The policies and reforms supported through the proposed operation are not likely to result in substantial negative or positive impacts on the environment or natural resources of Comoros, however, some actions to mitigate impacts of COVID-19 may have limited direct or indirect environmental effects. Under Pillar 1, measures to facilitate trade and imports of medical equipment and supplies and essential food products, may result in an increase in the volume of medical and other types of wastes. Comoros has adopted a National Medical Waste Management Plan which includes specific provisions for infectious wastes, such as those that may be generated through testing and treatment of COVID-19 patients. The implementation of the plan, which is supported through the WB's Health Project (P166013) will address and mitigate these potential additional medical wastes. The establishing of a national social registry in support of social safety nets programs, under Pillar 2, is likely to have positive impacts through improved coordination and synergies for safety nets supporting and building the resilience of households depending on natural resources, among others. This may allow for a reduction of pressure on natural resources during and after shocks affecting these communities, such as a pandemic, but also natural disasters. Lastly, supporting the adoption of a National Agriculture Investment Plan could lead to negative effects if the agricultural investments and activities are not managed. Impacts could include increased deforestation for agricultural land availability and increase in pollution and agricultural runoffs without the proper training and management systems in place. These impacts could be mitigated through support from the WB's Integrated Development and Competitiveness Project (P164584).

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APPROVAL

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