



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 12-Apr-2019 | Report No: PIDISDSA24967



BASIC INFORMATION

A. Basic Project Data

Country Comoros	Project ID P164584	Project Name Integrated Development and Competitiveness Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 15-Apr-2019	Estimated Board Date 20-May-2019	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Budget	Implementing Agency Ministry of Energy, Agriculture, Environment and Fisheries (MEAPE)	

Proposed Development Objective(s)

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

Components

Value-chain development in priority sectors
Direct support to firms
Project implementation and coordination

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

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

DETAILS

World Bank Group Financing

International Development Association (IDA)	25.00
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IDA Credit	25.00
Environmental Assessment Category	
B-Partial Assessment	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context

- The Union of the Comoros (UoC) is a small, island nation occupying a strategic geographical position in the Mozambique Channel**, between East Africa, Madagascar and the other islands of the Indian Ocean (Seychelles, Mauritius, Reunion). With an estimated population of 795,000, the country stretches across four islands—Grande Comore, Mohéli, Anjouan, and Mayotte, the latter of which remains under French administration. About half of the population lives on the largest island, Grande Comore, which is also home to the union capital Moroni. Anjouan has the largest population density of 575 inhabitants/km² and 42 percent of the population, while Mohéli is the smallest and least populated island with 6 percent of the population and 171 inhabitants/km². The population is predominantly young and continues to grow rapidly (2.9 percent a year). The current forecast is for the population to reach 1 million by 2028 and to more than double by 2050.
- Since independence in 1974, Comoros has experienced recurrent political crises and conflicts between the islands.** This instability contributed to a very low real income per capita growth, constrained private sector led growth and limited fiscal space for investment in infrastructure and social sectors. Comoros regained relative political stability since the adoption of the Fomboni Agreement in 2001 (which led to four consecutive democratic transitions), although socio-political tensions remain. A referendum held on July 30th, 2018 endorsed a constitutional change to remove the Presidential rotation system following a controversial National Conference. Presidential elections were held on March 24th, 2019.
- Comoros' economy faces challenges stemming from its geographic remoteness, limited resources, and a small and fragmented domestic market.** International and internal connectivity is weak and transport costs are high, making it difficult for Comoros to leverage its geographical position, and integrate domestic, regional and world markets. The real sector is dominated by subsistence agriculture, a small variety of agricultural products exported with minimal or no processing (vanilla, cloves, and ylang-ylang), light agroindustry, fisheries, and some construction. The service sector relies heavily on simple retail commerce (often informal), public-sector services, transport, financial activities, telecommunications, and hospitality and tourism value chains (in which, however, virtually all non-labor inputs are imported at great cost). In combination with low economic diversification and competitiveness, these characteristics



contribute to large and persistent trade deficits, a narrow export base, and structural dependence on food imports and remittances (around 9 and 15 percent of GDP, respectively). The sluggish economic performance, combined with sustained demographic, growth increases unemployment (currently estimated to be over 19 percent) especially among the youth and deepens the existing inequality and poverty gap.

4. The adverse business environment has restrained the development of the private sector, as reflected by the low level of domestic private investment (7.8 percent of GDP on average between 2014-2016) and even lower foreign direct investment. Net FDI inflows in Comoros are less than 1 percent of GDP, while “peers” such as Mauritius, the Dominican Republic and Seychelles have average levels over 2007-2015 respectively of 3.3 percent, 5.0 percent, and 17.3 percent.

5. **Comoros has one of the largest diasporas in Africa (in proportion to population) and is one of the main beneficiaries of remittances in Sub-Saharan Africa.** Many Comorians have migrated elsewhere because of the country’s weak socioeconomic development and history of political instability. The number of emigrants living outside Comoros (mainly in France) has more than doubled during the last two decades, with more intensive emigration among women with tertiary education. According to United Nations (UN) statistics, there were about 120,000 Comorian emigrants in the world in 2015, compared to 40,000 in 1990. Remittances, while significant, have an (unequally distributed) alleviating effect on poverty. It is estimated that over 90 percent of remittances are estimated to go to the island of Grande Comoros, mainly financing consumption and house construction (for example as part of the tradition of “grands marriages”) – with a limited portion directed towards productive activities.

B. Sectoral and Institutional Context

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

7. **The private sector is largely informal, counting approximately around 65,000 individual production units (IPUs, with an average of 2.1 workers per unit), predominantly in agriculture and retail trade.** Identified needs include improved technical and management skills, access to credit and raw

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



materials, and simplified business regulations. A new generation of young and better educated workers from households concentrated in informal agriculture activities is transitioning into the services sector.

8. **The formal sector comprises about 1,320 Micro Small and Medium Enterprises (MSMEs)² and employs about 50,000 people (about 20 percent of the labor force).** While there is no official definition of MSMEs in Comoros, the Union of Chamber of Commerce, Industry and Agriculture (UCCIA) defines the different categories of firms based on the criteria of annual turnover, number of employees and the size of investments made.³ Over 40 percent of formal companies are active in retail trade, followed by services (about 11 percent), construction (7 percent) light manufacturing and processing (5 percent), hospitality and food services (5 percent), agriculture (4.6 percent). About 56 percent of formal companies are located in Grande Comore, while 35% and 9% are in Anjouan and Moehli, respectively. Formal producers' cooperatives exist in agriculture, fishing, breeding, and handicraft. About 17,000 to 20,000 smallholder farmers grow cash crops. They are the most organized in 25 to 30 cooperatives of up to 100 members. Most cooperatives are located in Grande Comore and some have both producing and processing activities. Development needs include increasing production, access to export markets to capture a greater portion of export sales, value addition with processing activities, technical and management skills, accessing credit for working capital and infrastructure investments.

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

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

- **Adverse business environment and weak MSME ecosystem.** Burdensome regulations adversely affect market entry, exit, trade, and competition. The country ranked 164 out of 190 countries in the World Bank Group 2019 Doing Business report, lagging behind regional peers. The business environment is cited by the diaspora as the main obstacle to investment in Comoros⁴. Perceived weaknesses in the judiciary system and investment protection are deterring private investments. By improving the business environment, remittances could be shifted to more growth-oriented

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

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

⁴ Comoros Poverty Assessment, April 2017, World Bank Africa.



activities, and FDI flows could be encouraged to tap the potential of key sectors, such as tourism, fishing, agriculture, and renewable energy production.

- **Inadequate financial sector. Funding for investment remains a fundamental constraint for MSMEs and cooperatives, as financial institutions offer mainly short-term loans with high interest rates.** The traditional banking sector is very small, creditor rights are weak, and financing from formal non-banking institutions is not available. The historically largest lender in the country, the Bank for Industry and Commerce (BIC), is restrained in its support to industry due to unresolved debts stemming from the collapse of vanilla exports in early 2000's, when it underwrote 69 percent of price support financing due to agreed policies with the government (which provided the other 31 percent) The financial sector is undergoing rehabilitation, with micro-saving institutions leading the way. The financial sector, composed of four commercial banks, one state-owned postal bank (SNPSF) and two mutual saving banks, is in process of rehabilitation, which includes the privatization of the Development Bank of Comoros, movement toward unbundling and privatizing SNPSF, and expansion of the savings and microfinance networks. Credit is provided by microfinance institutions such as U-MECK Moroni or SANDUK or financial intermediaries mostly for short term maturity and interest rate close to 20 percent annually (Gold and family- owned jewelry are often pledged as guarantees for these loans). The microfinance institution MECK, a not-for-profit which provides largely microcredits for small crafts and small commerce, is growing to become one of the largest banking networks in Comoros, gradually displacing market share from larger commercial banks.
- **Insufficient infrastructure and transport services.** Highland production basins in Anjouan and Grande Comore are hampered by dilapidated feeder roads and the near absence of even non-motorized transport services, segmenting surplus producers from growing urban markets. Erratic inter-island maritime transport and missing cold storage facilities at ports and collection points make it difficult for food produced on one island to be competitive in a different island. These missing linkages especially impact the supply chains for locally competitive perishable produce like milk, fruit, vegetables and fish, resulting in food losses, spoilage and low market prices. Consequently, consumer choice is restricted to imported substitutes at modern retail stores, which pay a premium for reliable food supplies. Since Comoros' remoteness and long shipping times act as a buffer against imports of fresh produce, stronger internal transport and market linkages can enable producers to enhance their domestic competitiveness by differentiating their perishables against processed, chilled or frozen imports. In addition, the tourism sector also suffers from inadequate transport services. Poor connectivity of long-haul and domestic air transport linked to unreliable costly and flight program are negative for the destination. Lack of direct access to Europe, despite the opening of new hubs such as Addis Ababa, and cost of tickets substantially higher than other destinations of the Indian Ocean directly impact the competitiveness of the destination as compared to other Indian Ocean countries.

11. **Private sector-led growth could emerge by strengthening the MSME ecosystem and facilitating investment in select sectors showing potential.** Key opportunities reside primarily in the agriculture (fresh fruits and vegetables, export commodities) and livestock (poultry and dairy) sectors, and to a more limited extent in the tourism sector – as well as associated sectors such as transport and logistics. The development of agriculture and tourism as mainstays of economic activity could complement the substantial flows of remittances, and the reliance on small and medium enterprises could sustain the generation of growth and employment in the medium and long run.



C. Relevance to Higher Level Objectives

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

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

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

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

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



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

16. The project will also leverage interventions led by other Global Practices, notably the regional Fisheries (Second South West Indian Ocean Fisheries Governance and Shared Growth Project - SWIOFISH) and ICT (Regional Communications Infrastructure Program - RCIP) operations as well as interventions led by development partners (AfD, AfDB, IFAD, UNDP) and by crowding in additional private and public investments (including by IFC). PIDC will address institutional, regulatory and firm level constraints in targeted sectors such as agriculture, livestock and tourism, complementing infrastructure investments carried out through related public and private projects

17. PIDC is not structured to tackle broader financial sector issues in a comprehensive manner, and no financial intermediation will be supported directly by the project. Project activities will address demand side constraints for new entrepreneurs and MSMEs, thereby increasing the pool of firms eligible for formal financial sector support. The project will also complement the preparation of a forthcoming Financial Sector operation, fostering inclusion and strengthening the financial sector infrastructure.

I. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

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

PDO Level Indicators

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

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

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

20. For the agribusiness sector, activities will place a major focus on addressing value-addition, product quality, and market integration constraints that producers and agribusiness firms in the export



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

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

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

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

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

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

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



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

Subcomponent 1.2: Structuring Value Chains for Agribusiness Development (US\$6 million)

26. This sub-component aims to structure export, livestock, vegetable and fruit value chains by operationalizing existing CRDE platforms to deliver production, aggregation, and market linkage services. Project activities are differentiated by value chains, targeting segments based on analysis of specific weaknesses and gaps. For export commodities, the interventions will focus on plantation renewal through the provision of high-quality planting material and transition to sustainable distillation technologies, and professionalization of cooperatives. In the vegetable and fruit value chains, project-supported CRDEs will



supply inputs, farm equipment rentals, public extension, storage and marketing services. For livestock value chains, this subcomponent will support foundational investments in poultry production, veterinary services, and establish poultry and dairy hubs at 4 CRDEs. Building on enhanced production in targeted

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

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

value chains, the project will then promote aggregation and marketing by professionalizing producer associations and building horizontal platforms that facilitate market linkages and private investments in downstream value addition, development of new products, and premium certification.

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

Operationalization of Service Platforms for Export and High-Value Crops

(a) *Rehabilitation of service platforms:* The physical infrastructure at 3 CRDEs covering 54 villages⁶ will be upgraded, with a focus on water management infrastructure, seed storage, demonstration and multiplication plots, and tree nurseries to ensure smallholder access to water, seed, high-quality planting material, and extension services. This package of investments will reduce the time and labor inefficiencies associated with water transport and manual irrigation in water-deficient basins, renew aging plantations of export crops, and raise harvest volumes and quality of

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



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

(b) *Training of trainers:* The project will support the training of a pool of trainers drawn from CRDE crop technicians, students at the National Center for Horticulture, and local farmer-trainers.⁸ The training modules will be designed to promote the formation of farmer groups, installation and maintenance of irrigation systems, multiplication of improved seeds, arboriculture and tree husbandry, and delivery of climate-smart technologies, practices, and advisory services to smallholder farmers.

(c) *Provision of improved seeds and planting material:* The project will multiply and deliver resilient and biofortified seeds sourced from international research centers through trained crop technicians to 7,000 farmers and cooperatives based in villages covered by project-supported CRDEs.⁹ In a subsequent phase, the project will also consider complementing the dissemination of improved seeds with CRDE and on-farm demonstrations, formation of farmer groups, and delivery of advisory services through scheduled technician visits.¹⁰

(d) *Shared service provision in the CRDE system:* The project will support rentals and utilization of mechanized farm equipment and transport vehicles available at other CRDEs to enhance service efficiencies across the system.¹¹ It will also promote the organized collection, quality control, and marketing by professional agricultural organizations (OPAs) at the CRDE-level to enhance aggregation, reduce transaction costs and ensure consistent, reliable supply of goods meeting the volume and quality standards for agro-processors, wholesalers, supermarkets and exporters.

Foundational Investments in Livestock Production

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

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

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

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

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

¹¹ Rentals for tractors, rotovator tillers, sprayers, trucks etc.

¹² The Kuroiler is a dual-purpose (broiler and layer) chicken breed of Indian origin which grows faster and lays more eggs than the local chicken varieties. The birds are low-maintenance scavengers that thrive on household and



will consist of backyard poultry producers residing in villages covered under 4 CRDEs covering 105 villages across all three islands (Grande Comore – Dibouani, Simboussa; Anjouan – Nyumakele; Moheli – Fomboni).

(f) *Capacity building of veterinary cadre and delivery of animal healthcare services:* The project will enlarge the small pool of veterinary doctors in the country by providing tuition scholarships. It will also build up the technical capacity of existing veterinary technicians through the provision of equipment and modular trainings which enable the enforcement of disease monitoring and quarantine protocols, acceleration of artificial insemination, and comprehensive vaccination and deworming campaigns for dairy and poultry value chains. This cadre of technicians will then be deployed through the CRDE system to deliver veterinary and advisory services to project beneficiaries and other livestock producers.

(g) *Establishment and operation of livestock hubs:* The project will establish dairy and poultry hubs at 4 CRDEs to protect investments in backyard poultry production and support existing clusters of dairy producers. The livestock hubs will supply dairy and poultry producers with inputs, veterinary products and services, and serve as aggregation points for primary milk and egg collection. By enabling cash-constrained producers to make service payments in the form of milk and egg sales, livestock hubs will operate a revenue-generating model that has been successfully implemented in several countries. All hubs are expected to be operated by veterinary technicians serving livestock producers in villages covered by CRDEs, with processing and marketing to be carried out by other value-chain actors.¹³ Both dairy and poultry hubs will be located in close proximity to the complementary investments in cold-chain transport and storage outlined in subcomponent 1.2.

Professionalization of Cooperatives and Promotion of Market Linkages

(h) *Formation and capacity building of cooperatives* to pool collateral, aggregate output, and contract directly with agribusiness service providers and buyers; training of new cooperatives (less than 3 years) in the fundamentals of cooperative management, governance, record keeping, and access to banking. These interventions are intended to build the pipeline of mature cooperatives that will be eligible for support under Component 2.

(i) *Development of professional horizontal platforms* for crop and livestock perishables connecting farmer organizations and cooperatives with input suppliers, transporters, processors, retailers, and CRDEs to promote value-chain coordination, traceability, quality standards, and enhance supply responsiveness to market trends;¹⁴ organization of workshops, learning events and inter-island exchange tours to accelerate knowledge sharing for livestock, fruit and vegetable

agricultural waste in the absence of feed, yielding 2.5 – 3kg of meat and 150 – 200 eggs per year in Comoros. The breed has successfully been introduced to 300 households in Comoros through an ongoing FAO pilot project.

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

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



producers in emerging value-chains (eg. dairy and vegetables in Grande Comore and Moheli, poultry in Anjouan).

(j) *Technical assistance to producer-processor export cooperatives* to promote the adoption of wood and water saving stoves and stills (ylang-ylang), development of niche qualities and new certifications (vanilla, cloves), traceability, and use of standardized field tests of ylang-ylang oil quality to prevent manipulation. This support is expected to grow the number of business plans related to upgrade to eco-friendly distillation units in Component 2, compliance with sustainable production practices, and higher prices for ylang-ylang oil.

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

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

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

29. The expected benefits of sub-component 1.3 are: (a) decreased travel time and, in turn, transport costs; (b) higher marketed volumes for perishables and value-addition for export products; and (c) lower price volatility for crop and livestock perishables.

Productive infrastructure (US\$1 million)

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

31. Specific investments would include:

- *Poultry*: The project will finance the establishment and operation of cold storage units near poultry hubs and project areas on all 3 islands where investments in poultry breeding are concentrated, to enable aggregation and longer shelf lives for meat and eggs. The project will also assess the technical feasibility and financial viability of mobile, solar PV-powered cold storage units that have been successfully deployed in Kenya and India.
- *Fruits and vegetables*: The project will invest in dry storage or warehousing units on all 3 islands to reduce food loss and enable greater inter-island flow of surplus produce. Further, the project will provide handling equipment at the southern landing area of Chindini (Grande Comore), where several small boats carrying fresh produce from Moheli and Anjouan arrive daily. It will also support the preparation of a development plan which assesses the viability



of small port infrastructure like docks, small berthing facilities etc. Given Chindini’s proximity to sites with tourism potential (white sand beaches at Male and Chindini and the historical town of Foubouni), project investments in this area are likely to have spillover effects to the tourism sector.

Rural Road Rehabilitation (US\$7 million)

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

33. This subcomponent will aim at carrying out the rehabilitation of priority paved and unpaved feeder roads in the same production basins where value-chain infrastructure will be built (subcomponent 1.3.1), including the reconstruction of drainage structures to ensure all-year accessibility. It will entail the financing of technical studies, civil works, and supervision of works. A potential network of 36.9 kilometers of feeder roads (cf. annex 5) has been pre-identified through overlaying the main agricultural production basins in the three islands¹⁵ with the priority rural road network defined under the 2015 National Road Masterplan¹⁶, and priority roads for high-potential agricultural areas, as identified by the MEAPE in 2018¹⁷. These rural roads are linked to primary network in average or good condition. Additional last mile links and actual feeder roads to be supported by the project (connecting to the 7 CRDE locations within the production basins) require additional identification study. Specific interventions on each link will be defined based on feasibility and economic studies, and subject to economic viability. In addition, climate resilience criteria will be considered where possible to ensure year-round accessibility in remote areas.

34. In addition to the priority feeder roads, existing agricultural unpaved paths will be identified and improved during project implementation in the same production basins to improve first mile transport of crops from agricultural fields to villages.

Table 6: Component 1 Beneficiaries

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

¹⁵ Jean Charles Heyd (TCIA – FAO), *Etudes des chaînes de valeur des fruits et légumes frais aux Comores*, January 2018

Alban Bellinguez (TCIA – FAO), *Analysis of the poultry and dairy value chains*”, Consultant FAO-TCIA, January 2018

S. Caiger, *Spice and essential oil sector in Comoros - Review and analysis of value chains*”, January 2018

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

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



connectivity)

Component II: Direct support to firms (US\$7.5 million)

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

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

Subcomponent 2.1 Business Plan Competition to support start-ups (US\$2 million)

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

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

According to the evaluation of “Youth Enterprise with Innovation” (YouWIN) in Nigeria, (i) BPC led to greater firm entry, higher survival of existing businesses, higher profits and sales, and higher employment, including increases of over 20 percentage points in the likelihood of a firm having 10 or more workers. The selected firms were substantially more likely to launch, survive, make profits, and, most importantly, to generate new jobs. BPC provided evidence how direct policy action can spur the growth of such firms; (ii) BPCs can be successful in identifying entrepreneurs with the potential to use the large amounts of capital offered as prizes, and that these individuals appear to be otherwise constrained from realizing this potential. Although YouWin is the largest BPC delivered as part of WBG



lending operation, the World Bank also funded entrepreneurs through BPC through the Development Marketplace program from 1998-2016 in 80 countries supporting +1200 enterprises, other WB projects in Cote D'Ivoire (through the SPF TF), in Kenya (P151831), Rwanda (P057295), among others.

38. The BPC process will cover 3 phases:

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

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

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

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

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

- 200 direct jobs (an average of 2 per MSME and cooperative), 300 indirect jobs created
- Increased revenue by 30 percent for beneficiary firms by year 3 after receiving support from project.

43. **Implementation arrangements:** The BPC will be implemented together with the matching grant fund of high growth MSMEs and cooperatives (subcomponent 2.2) by an internationally firm or organization selected competitively by the project. The hired execution organization will manage the provision of technical support and grants to selected beneficiaries. This implementation structure is important to guarantee transparency and equity in the selection process.

Subcomponent 2.2 Matching fund for high growth MSMEs and cooperatives (US\$5.5 million) and capacity building)

44. This sub-component will provide matching grants and tailored managerial, business and technical capacity building to existing enterprises and cooperatives in targeted sectors that have the potential to



grow as well as to eligible financial institutions and public/private BDS providers to better support MSMEs.

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

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

Table 8 – Matching grant scheme for financial assistance

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

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

- Supporting the construction of a privately-managed, multi-purpose grinding and drying facility catering to clove, vanilla, coffee and pepper producers in Anjouan. To ensure maximum utilization and financial sustainability, the location of this shared-use facility will be chosen to optimize proximity to several value chains (production basins near Sima, Ouani, Domoney).



- Establishing a milk collection route by providing cold chain transport connecting dairy cooperatives, markets, and the existing dairy chilling plant supported by Sanduk and ID in Niumakele (Anjouan). This investment is expected to reduce milk spoilage, increase market penetration, and boost revenues for producers and dairy cooperatives.

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

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

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

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

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

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

52. This component will support the operating costs of the project's institutional and governance arrangements. These include facilitating the activities of the project Steering Committee, setting up and managing a dedicated Project Management Unit (anchored under MEAPE), facilitating project stakeholder outreach and communication, and undertaking project evaluation and monitoring studies.

53. The component will finance the PIU staff, equipment, office, and enable it to undertake day to day implementation the project, comply with fiduciary rules and safeguards, stakeholder engagement, and fulfill monitoring and evaluation and impact evaluation commitments. The PIU will be composed of a project coordinator, specialists in financial management, procurement, safeguards, M/E, as well as value chain and private sector development. With support of this Component, the PIU will perform required reporting as well as monitoring and evaluation activities related to project implementation. The PIU will collect and present data on PDO-level and intermediate indicators. Data collected will be used to assess



the direct and indirect impacts of the various interventions. The Government and World Bank will evaluate progress through regular reporting by the PIU and dedicated implementation support missions. Safeguard management, stakeholder coordination and communication will also be critical functions led by the PIU as part of this Component, with guidance and support from the project Steering Committee.

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



Table 9 Implementation Sequence of Key Project Activities

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

E. Implementation



Institutional and Implementation Arrangements

55. Project interventions for each component will be managed and implemented by a PIU, anchored within MEAPE (Ministry of Energy, Agriculture, Fisheries, Environment) which has shown strong support and ownership for the integrated project. The PIU will oversee the flow of funds for each component and sub-component, as well as ensure the reporting of information to the Ministry. The PIU will contract a private sector entity / NGO for the administration of the Business Plan Competition and SME grant facility under component 2.1 and 2.2. The PIU will be composed of a project coordinator, specialists in financial management, accountant, procurement, safeguards, M/E, as well as value chain and private sector development.
56. The PIDC project Steering Committee will include representatives from central and line Ministries (including Economy/tourism, Agriculture, Transport), public agencies, and the private sector. The composition of the Steering Committee will reflect the broad sectoral scope of the project and will promote public-private representation. The PIU will contract a private sector entity / NGO for the administration of the Business Plan Competition and SME grant facility under sub-components 2.1 and 2.2.
57. The project will establish an M&E and impact evaluation system that will collect data in a timely manner to enable the adoption of corrective measures. The M&E framework of the project will be also described in detail in the Project Implementation Manual and is based on the following: (i) the program result chain and underlying assumptions of theory of change; and (ii) compliance with the World Bank requirements including the selection of key core indicators as well as specific indicators for gender and civic engagement.
58. The project outcomes and impacts will be evaluated through the PDO and intermediate level indicators that will be defined in the result framework (Section VII) during project preparation against a baseline survey that is expected to be carried out before the project is effective, using a Project Preparation Fund. The project indicators will also be selected based on the SMART principles (specific, measurable, attainable, realistic and time-bound) with the technical experts. The baseline, mid-term and final survey will be conducted by external service providers. The monitoring of program outputs will be conducted by the Project Management Unit (PMU) in partnership with the various entities that will be contracted to provide specific services. The PMU will be responsible for data consolidation, quality control, and analysis and reporting, which will be tracked through a Management and Information System (MIS). The sources of information for the M & E system will be: (i) reports from the participatory M & E workshops with the beneficiaries; (ii) the reports of service providers and executives of the PMU; (iii) specific impact and evaluation studies carried out by consulting firms, institutions or independent consultants; (iv) the financial monitoring and internal control management reports of the PMU; and (v) reports from World Bank support and oversight missions. A specialized training will be provided to the hired M&E Specialist to build the PMU capacity around M&E. The PMU will also oversee communications with the Project Steering Committee chaired by the MEAPE to feed the national M&E system.



F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

At National level in the three Comoros Islands: Grande Comores, Anjouan and Moheli.

G. Environmental and Social Safeguards Specialists on the Team

Paul-Jean Feno, Environmental Specialist
Andrianjaka Rado Razafimandimby, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The policy is triggered because of the proposed infrastructure and agribusiness investments. The proposed PIDC activities will potentially induce adverse environmental and social impacts : component 1 Value chain development in priority sectors mainly the Subcomponent 1.2: Structuring Value Chains for Agribusiness Development; Sub-component 1.3: Productive Infrastructure for Connectivity and Market Access (construction/rehabilitation rural road and feeder road infrastructures) and component 2 Direct support to firms (support to the local Micro, Small and Medium Enterprises -MSMEs). The adverse environmental impacts include air, soil and water pollution with the pesticide, loss of vegetation, soil erosion, accident risks, health and safety risks on use of potentially harmful pesticides and other biocide products; the civil works (community health and safety risks such as the increased STD/AIDS transmission risks as a result of the number of workers during the civil works, the local recruitment, accident risks, Gender Based violence, Sexual Exploitation and Abuse (SEA) risks, nuisances such as noise, dust, vibration); harm to potential chance finds of physical cultural resources. Given the low scale size of the potential social and environmental risks and impacts, and the site-specific nature of the



foreseen project activities, the project is rated Category B. To set up the way forward and given that at this stage the exact locations and scope of civil works of these infrastructure investments and activities cannot be determined prior to project appraisal and meet triggered safeguard policy requirements, the Borrower has prepared an Environmental and Social Management Framework (ESMF). The ESMF report has been approved by the Bank and will be disclosed publicly in-Comoros and on the World Bank's external website before appraisal.

Performance Standards for Private Sector Activities OP/BP 4.03	No	Not applicable
Natural Habitats OP/BP 4.04	No	There is no natural habitat site located in the potential subproject sites location. The current land occupation picture shows human settlements and degraded land in the surrounding areas..
Forests OP/BP 4.36	No	There is no vegetation coverage in the potential project site location.
Pest Management OP 4.09	Yes	Pest management may be required given the potential magnitude of the grants/funding and TA for MSMEs in agribusiness. Extension of agribusiness services may require the use of pesticides, fertilizers or other chemicals to boost agriculture productivity, which can create negative effects on the environment and health risks to the local population. The Integrated Pesticide Management Plan (IPMP) is a stand-alone report has been prepared, approved by the Bank and will be disclosed publicly in-Comoros and on the World Bank's external website before appraisal.
Physical Cultural Resources OP/BP 4.11	Yes	The rehabilitation of existing rural road and feeder roads will not lead to the discovery of new physical cultural resources. No Physical Cultural Resources or archaeological vestiges are expected to be impacted by the Project following the results of public consultation and field visits because the project will work under the existing right-of-ways. For more assurance, the ESMF has considered a chance find procedure for the project which will be included in the contractors' contract.
Indigenous Peoples OP/BP 4.10	No	Based on the World Bank definition of Indigenous Peoples, this policy will not be triggered by any of



		the project activities as there are no Indigenous Peoples in Comoros
Involuntary Resettlement OP/BP 4.12	Yes	The Involuntary Resettlement (OP/BP 4.12) policy is triggered because of the proposed infrastructure (feeder roads, and rural infrastructure) that may require land for temporary or permanent use. The land acquired for this purpose may lead to loss of assets, sources of income, or means of livelihoods for some households. Since the physical locations of the proposed activities are unknown at this stage, the Borrower has prepared a Resettlement Policy Framework (RPF) to ensure that proper mitigation/compensation measures are taken. The RPF was disclosed prior to appraisal and will guide the preparation of potential Resettlement Action Plan (RAP). The screening procedure set forth in the RPF will identify the need for the preparation of RAPs. The RPF report has been approved by the Bank and will be disclosed publicly in-Comoros and on the World Bank's external website before appraisal.
Safety of Dams OP/BP 4.37	No	The Project is not financing any activities related to dams. This policy is not triggered.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered as Comoros, is composed of three Islands, that does not share international waters with neighboring countries
Projects in Disputed Areas OP/BP 7.60	No	There are no known areas under dispute in the project area.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The proposed project is likely to incur environmental and social impacts due the proposed activities and investments under component 1 Value chain development in priority sectors mainly the Subcomponent 1.2: Structuring Value Chains for Agribusiness Development; Sub-component 1.3: Productive Infrastructure for Connectivity and Market Access (construction/rehabilitation rural road and feeder road infrastructures) and component 2 Direct support to firms (support to the local Micro, Small and Medium Enterprises -MSMEs). Likely adverse impacts include air, soil and water pollution, loss of vegetation, soil erosion, accident risks, potential loss of livelihoods, minor land acquisition, temporary involuntary resettlement required for future rehabilitation of rural roads and feeder roads ; harm to potential chance finds of physical cultural resources; and health and safety risks on use of potentially harmful pesticides and other biocide products. There are no potential large scale, significant and/or irreversible impacts



expected to arise from this project. The environmental and social impacts of anticipated activities are expected to be moderate, site-specific, and manageable to an acceptable level. The proposed project requires no exceptions to the World Bank's policies on environmental and social safeguards. Moreover, civil works may expose populations living in the project areas to significant risks HIV/AIDS, and also to Gender Based Violence (GBV) issue which is however classify as low or minimal risk. Therefore, the Project is classified as category B in the World Bank's Environmental Assessment classification due to the low size and site specific nature of its foreseen social and environmental risks and impacts. The environmental and social Safeguard Policies triggered by this operation are: OP 4.01 (Environmental Assessment), OP 4.09 (Pest Management), OP 4.11 (Physical Cultural Resources), and OP 4.12 (Involuntary Resettlement).

Since the sub-projects to be financed by the project will not yet be defined before appraisal, the Government of Comoros has prepared an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) as instruments for mitigating or minimizing the potential adverse impacts which could arise as a result of implementing the proposed project.

To promote private investments on selected agribusiness value chains, the Project will intervene in linking of small-holders and to support to the local Micro, Small and Medium Enterprises -MSMEs. These activities aim to improve the quality of the agricultural products in their existing own land, collect and/or buy the products, store them and sell them to large consumers. Nevertheless, improving agricultural performance and agribusiness investments may lead to the extensive use of pesticides to boost agriculture productivity. The irresponsible using of pesticides and fertilizers could generate contamination and pollution of water and soil; health issues and human toxicity risks with facilities, use, storage/disposal and application of agrochemicals, ..etc. To mitigate risk related to pesticide use the Borrower has prepared an Integrated Pest Management Plan (IPMP).

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

No long term risks or impacts are anticipated as a result of potential future project activities. In addition, an appropriate institutional arrangement for environmental and social management will be implemented throughout project implementation -- such as setting up camps, exploiting quarries for the rehabilitation/rehabilitation of rural road and feeder road infrastructures and agriculture activities under the agribusiness component with the increasing of pesticide usages. In regards to rural road and feeder roads, no archaeological vestiges will be impacted. Therefore, the project's impacts on the environment are generally modest. A census has been conducted in the area of potential impacts of the projects. Identified impacts include:

- Negative impacts on human health and the environment with potential increase of using of pesticides and fertilizers by the farmers;
- Loss of livelihoods and temporary involuntary resettlement required for future rehabilitation of rural roads and feeder roads;
- Increase in social conflicts and increased STD/AIDS transmission risks;
- Improved livelihood of local populations, farmers, opening of new markets and improving the quality of the agricultural products and creating new jobs.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

There are no alternatives to the present project design.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The borrower has engaged the services of a consultant to prepare three separate safeguards instruments: ESMF, IPMP and RPF.



Environmental and Social Management Framework (ESMF): In compliance with OP 4.01 (Environmental Assessment). Since the precise locations and potential impacts of future sub-projects cannot be identified prior to appraisal, an Environmental and Social Management Framework (ESMF) has been prepared to be used to screen sub-project proposals for environmental, social, gender, and health and safety impacts by using the ESMF screening form. The ESMF includes an Environmental and Social Management Plan (ESMP). The ESMF/ESMP outlines an environmental and social screening process for future sub-projects to ensure that they are environmentally and socially sound and sustainably implementable. The ESMF also mentions the importance of developing an operational grievance redress mechanism which will capture and address environmental, social, governance, and other grievances and any negative impacts of the project. Prior to its commencement, and as soon as the implementation sites are identified, each sub-project/activity will be screened as per the Environmental and Social Screening Form (ESSF) procedures detailed in the ESMF. The screening outcomes will determine the need to prepare a specific Environmental and Social Management Plan (ESMP) for the selected sub-projects. The Resettlement Policy Framework (RPF) will determine the need for preparation of additional Resettlement Action Plans (RAPs). The works of these selected sub-projects will be executed with the environmental and social clauses in the respective enterprise contracts and with the required Contractor Environmental and Social Management Plans (CESMP) included in the specific ESIA approved by the Bank. The screening of the sub-projects will be undertaken by the safeguard environmental and social focal points hired in the project implementation unit team.

The environmental and social safeguard focal point is responsible for the procurement of consultants to prepare the safeguards instruments, supervision of the consultants and monitoring of the implementation of the ESMPs, and RAPs in the project areas. The safeguard specialists will also ensure that all contractor contracts include environmental and social clauses (including a worker code of conduct, specific grievance redress mechanism, specific measure regarding gender-based violence) , which are attached as an annex to the ESMF and will also be developed in the specific ESIA for the selected sub-project sites during implementation in order to ensure adequate environmental and social management practices during construction and operation.

For the sub-projects that could be financed by the project, the ESMF has analyzed the EHS general and specific guidance that could be applied by the subprojects -- namely:

General :

https://www.ifc.org/wps/wcm/connect/00dbdb8048855b7588f4da6a6515bb18/010_General%2BGuidelines.pdf?MOD=AJPERES&CACHEID=00dbdb8048855b7588f4da6a6515bb18

Perennial Crop Production :

https://www.ifc.org/wps/wcm/connect/ef0d4b804c3c5ad9bcb9bed8bd2c3114/English_2016_Perennial+Crop+Production_EHS.pdf?MOD=AJPERES

Annual Crop Production (in English only) :

https://www.ifc.org/wps/wcm/connect/c6f002804c3c4596bb44bfd8bd2c3114/Annual+Crop+Production+EHS+Guidelines_2016+FINAL.pdf?MOD=AJPERES

Toll Roads :

https://www.ifc.org/wps/wcm/connect/4c4c238048855590b71cf76a6515bb18/048_Toll%2BROADS.pdf?MOD=AJPERES&CACHEID=4c4c238048855590b71cf76a6515bb18

Integrated Pest Management Plan (PMP): In compliance with OP 4.09 (Pest Management), for the agribusiness promotion, improving agricultural performance and agribusiness investments may lead to the extensive use of pesticides to boost agriculture productivity. To ensure safe pest management, the project has prepared a Pest Management Plan for the value chains selected to be supported by the project. Project funds will not be used to purchase and distribute agrochemicals. The IPMP includes: (i) a survey on the using of pesticides and agronomic technical practice to reduce the impacts of pests on the some agriculture value chains in each Island: (ii) actions to



reduce the exposure of farmer groups to pesticides used in agricultural production systems; and (iii) capacity building program to be conducted to improve efficacy and reduce any risks on the possibility of agrochemical application and disposal. It is proposed to conduct training sessions to strengthen capacity of different actors (farmers, local vendors, regional agricultural agents, etc.) on the use, storage and disposal of agrochemical products with a coherent budget available in the project financing. It is proposed to apply FAO guidance with the absence of National regulation on the management of pesticide currently.

For OP 4.11 Physical Cultural Resources: The public consultations and field visits have confirmed that the project activities will not affect any sites defined as physical cultural resources. For more assurance, the ESMF has made provisions for cultural resources management in the event the Physical Cultural Resources OP 4.11 is triggered during the implementation phase and includes “chance finds” procedures for inclusion in the contractor contract.

Resettlement Policy Framework (RPF): in compliance with OP 4.12 on Involuntary Resettlement: The Project will not finance large infrastructure investments, but will instead focus on small to medium-scale infrastructure interventions with regard to the rehabilitation of rural feeder roads, small water supply systems, etc. It is expected that the Project will have very limited land acquisition requirements. The RPF includes screening procedure principles to identify the need for, and guide the Ministry of Agriculture in the preparation of a Resettlement Action Plan (RAP) or Abbreviated Resettlement Plan (ARAP). The RPF also developed a Grievance Redress Mechanism (GRM) to ensure that Project affected people with grievances concerning proposed or actual resettlement and/or compensation arrangements should be able to present their complaints to the Communes or Municipalities who can act as linkages to others who may be needed to resolve the problem. A green line will also allow PAPs to present their complains anonymously.

Environmental and Social Capacity Building: The proposed PIDC project will be implemented by a new project Implementation Unit (PIU). The ESMF and RPF include institutional arrangements outlining the roles and responsibilities for the various stakeholder groups involved, for screening and approval of activities, as well as implementation and monitoring of their mitigation measures and capacity building activities needed. The capacity assessment conducted as part of the ESMF and the RPF concluded that the Project Implementation Unit Team will be composed of a full time Environmental and Social Focal Point who will ensure the implementation and monitoring of Environmental and social safeguards instruments. Instruments such as Environmental and Social Management Plans (ESMPs); Environmental and Social impacts assessments (ESIA), likewise Resettlement action plans (RAPs) will be developed in compliance with the safeguard frameworks documents (ESMF and RPF) by the consultant firm in parallel of technical studies of selected subprojects and should be approved by the Bank before launching any activities on the ground. The Environmental and Social Safeguard focal point will work closely with the Monitoring and Impact Assessment Department at Ministry of Environment to ensure compliance of Environmental Impact Assessment of project activities with the National Environmental Law. The safeguards training workshops will be iterative and open to other key stakeholders including beneficiary communities, private sector (consultant firms, CSOs, etc.) with the aim of reinforcing the grounding of public consultation and participation to foster more engagement, and the ownership and social accountability for the sustainability of project implemented activities. During project implementation, the World Bank Environmental and Social team will assess the appropriate implementation of the environmental and social mitigation measures and subsequently recommend additional strengthening measures whenever required. implementation Environmental and Social training sessions to the PIU team will be scheduled to ensure correct safeguard compliance during the project cycle.

Funds to prepare and implement potential ESIA, ESMPs, PMPs and RAPs have been included in the project costs. The project funds will not be used to purchase and distribute agrochemicals, however agribusinesses may encourage farmer groups to use more inorganic fertilizers and pesticides.



5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Key stakeholders of the project include: the public and the private sector, the municipalities and the local communities. Project preparation as well as implementation will be adopted the participatory process. In the context of the project preparation, the PIU with the concerned Municipalities and local population have conducted of public consultations and meetings relating to the project with these proposed activities in each Island. Extensive public consultations have been conducted during the preparation of safeguard instruments to take into account the local populations and communities preoccupations on the project design and impacts.

During implementation of the proposed project, the environmental and social safeguards instruments (ESIA, RAP, ESMP,...etc.) will be prepared accordingly with the principles set forth in the safeguard instruments prepared and approved during project preparation (ESMF, RPF, IPMP) through a consultative and participatory process involving all stakeholders at each Island and community levels as well as among beneficiaries of the subprojects. During implementation, the PIU will prepare a Stakeholder Engagement Plan (SEP) and consult project-affected groups , local non governmental organizations and other relevant stakeholders on all environmental and social aspects of the project and will take their views into account accordingly.

The PIU will initiate these consultations as early as possible and will provide all relevant material in a form and language(s) that are understandable and accessible to the groups being consulted in a timely manner prior to consultation. The SEP will identify effective methods and structures through which to disseminate project information and to ensure regular, accessible and transparent consultation; guide the Ministry of Agriculture to build mutually respectful, beneficial and lasting relationships with stakeholders; Establish a Grievance Redress Mechanisms; and define roles and responsibilities for the implementation of the SEP. All the Safeguard instruments (IPMP, RPF and ESMF) have been approved by the Bank and will be disclosed in-Comoros and to World Bank’s External Website before appraisal.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
27-Mar-2019	10-Apr-2019	

"In country" Disclosure

Comoros
09-Apr-2019

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
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27-Mar-2019

10-Apr-2019

"In country" Disclosure

Comoros

09-Apr-2019

Comments

Pest Management Plan

Was the document disclosed prior to appraisal?

No

Date of receipt by the Bank

27-Mar-2019

Date of submission for disclosure

10-Apr-2019

"In country" Disclosure

Comoros

09-Apr-2019

Comments

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

No

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP 4.09 - Pest Management



Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

Yes

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

No

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

No

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

No



All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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APPROVAL

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