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**The World Bank**

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Report No: PAD4149

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF EUR 4.9 MILLION  
(US\$6.0 MILLION EQUIVALENT)

TO THE

UNION OF COMOROS

FOR A

SECOND ADDITIONAL FINANCING OF THE SOCIAL SAFETY NET PROJECT

February 5, 2021

Social Protection and Jobs Global Practice  
Eastern and Southern Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2020)

Currency Unit = Comorian Franc (KMF)

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US\$1 = 400.78839104 KMF  
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US\$1 = 0.816667 Eur  
-----

US\$1 = 0.694 SDR

### FISCAL YEAR

January 1 - December 31

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Task Team Leader: Julia Rachel Ravelosoa

## ABBREVIATIONS AND ACRONYMS

|          |  |
|----------|--|
| AF       | Additional Financing   |
| AfDB     | African Development Bank   |
| BCC      | <i>Banque Centrale des Comores</i> (Central Bank of the Comoros)                         |
| BP       | Bank Procedure   |
| CERC     | Contingent Emergency Response Component  |
| COVID-19 | Coronavirus Disease 2019   |
| CPF      | Country Partnership Framework  |
| DA       | Designated Account   |
| DGSC     | <i>Direction Générale de la Sécurité Civile</i> (General Directorate for Civil Security) |
| DP       | Development Partner  |
| DPO      | Development Policy Financing   |
| DRM      | Disaster Risk Management   |
| DSA      | Debt Sustainability Analysis   |
| DSSI     | Debt Service Suspension Initiative   |
| ESMF     | Environmental and Social Management Framework  |
| ESMP     | Environmental and Social Management Plan   |
| FM       | Financial Management   |
| FPAD     | <i>Forum des Partenaires au Développement</i> (Development Partners Forum)               |
| FY       | Fiscal Year  |
| GBV      | Gender-based Violence  |
| GDP      | Gross Domestic Product   |
| GoC      | Government of Comoros  |
| GRM      | Grievance Redress Mechanism  |
| GRS      | Grievance Redress Service  |
| IFC      | International Finance Corporation  |
| IFR      | Interim Financial Report   |
| IMF      | International Monetary Fund  |
| INSEED   | National Institute of Statistics, Economic, and Demographic Studies                      |
| IPF      | Investment Project Financing   |
| IRR      | Internal Rate of Return  |
| ISR      | Implementation Status and Results Report   |
| M&E      | Monitoring and Evaluation  |
| MFI      | Microfinance Institution   |
| MIS      | Management Information System  |
| MoHSSP   | Ministry of Health, Solidarity, Social Protection and Gender Promotion                   |
| MSMEs    | Micro, Small, and Medium Enterprises   |
| KMF      | Comorian franc   |
| NGO      | Nongovernmental Organization   |
| NPL      | Nonperforming Loan   |
| NPV      | Net Present Value  |
| OP       | Operational Policy   |
| PDO      | Project Development Objective  |
| PFM      | Public Financial Management  |

|        |  |
|--------|--|
| PIU    | Project Implementation Unit  |
| PPA    | Policy and Performance Action  |
| PPSD   | Project Procurement Strategy for Development                               |
| SDFP   | Sustainable Development Finance Policy                                     |
| SEA    | Sexual Exploitation and Abuse  |
| SOE    | State-owned Enterprise   |
| SSN    | Social Safety Net  |
| SSNP   | Social Safety Net Project  |
| TOR    | Terms of Reference   |
| UCCIA  | Union of Chambers of Commerce (Union des Chambres de Commerce des Comores) |
| UNICEF | United Nations Children's Fund   |
| WB     | World Bank   |
| WBG    | The World Bank Group   |

Union of Comoros

Second Additional Financing of the Social Safety Net Project

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**BASIC INFORMATION – PARENT (Comoros Social Safety Net Project - P150754)**

|                       |  |  |                        |  |
|-----------------------|--|--|------------------------|--|
| Country<br>Comoros    | Product Line<br>IBRD/IDA                             | Team Leader(s)<br>Julia Rachel Ravelosoa |                        |  |
| Project ID<br>P150754 | Financing Instrument<br>Investment Project Financing | Resp CC<br>HAES1 (9340)                  | Req CC<br>AECS2 (5547) | Practice Area (Lead)<br>Social Protection & Jobs |

Implementing Agency:

Is this a regionally tagged project?

No

Bank/IFC Collaboration

No

|                              |                             |                                    |  |   |
|------------------------------|-----------------------------|------------------------------------|--|---|
| Approval Date<br>19-Mar-2015 | Closing Date<br>31-Dec-2022 | Expected Guarantee Expiration Date | Original Environmental Assessment Category<br>Partial Assessment (B) | Current EA Category<br>Partial Assessment (B) |
|------------------------------|-----------------------------|------------------------------------|--|---|

**Financing & Implementation Modalities**

|   |  |
|---|--|
| <input type="checkbox"/> Multiphase Programmatic Approach [MPA]   | <input type="checkbox"/> Contingent Emergency Response Component (CERC)        |
| <input type="checkbox"/> Series of Projects (SOP)                 | <input type="checkbox"/> Fragile State(s)                                      |
| <input type="checkbox"/> Performance-Based Conditions (PBCs)      | <input checked="" type="checkbox"/> Small State(s)                             |
| <input type="checkbox"/> Financial Intermediaries (FI)            | <input checked="" type="checkbox"/> Fragile within a Non-fragile Country       |
| <input type="checkbox"/> Project-Based Guarantee                  | <input type="checkbox"/> Conflict  |
| <input type="checkbox"/> Deferred Drawdown                        | <input checked="" type="checkbox"/> Responding to Natural or Man-made disaster |
| <input type="checkbox"/> Alternate Procurement Arrangements (APA) | <input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)      |



**Development Objective(s)**

Increase poor communities' access to safety net, nutrition, and community services.

**Ratings (from Parent ISR)**

|                                      | Implementation |             |             |             |             | Latest ISR  |
|--------------------------------------|----------------|-------------|-------------|-------------|-------------|-------------|
|                                      | 21-Dec-2017    | 25-Jun-2018 | 11-Feb-2019 | 19-Sep-2019 | 02-Apr-2020 | 07-Oct-2020 |
| Progress towards achievement of PDO  | MS             | MS          | MS          | S           | S           | S           |
| Overall Implementation Progress (IP) | MS             | MS          | MS          | S           | S           | S           |
| Overall Safeguards Rating            | MS             | MS          | —           | S           | S           | S           |
| Overall Risk                         | S              | S           | S           | S           | M           | M           |
| Financial Management                 | MU             | MU          | MU          | MS          | MS          | MS          |
| Project Management                   | MU             | MU          | MS          | MS          | MS          | MS          |
| Procurement                          | S              | S           | S           | S           | S           | S           |
| Monitoring and Evaluation            | S              | S           | S           | S           | S           | S           |

**BASIC INFORMATION – ADDITIONAL FINANCING (Second Additional Financing for Social Safety Nets in Comoros - P174866)**

|            |   |                            |                                     |
|------------|---|----------------------------|-------------------------------------|
| Project ID | Project Name  | Additional Financing Type  | Urgent Need or Capacity Constraints |
| P174866    | Second Additional Financing for Social Safety Nets in Comoros | Cost Overrun/Financing Gap | No                                  |



|  |                              |                              |  |
|--|------------------------------|------------------------------|--|
| Financing instrument<br>Investment Project Financing | Product line<br>IBRD/IDA     | Approval Date<br>03-Mar-2021 |  |
| Projected Date of Full Disbursement<br>31-Oct-2023   | Bank/IFC Collaboration<br>No |                              |  |
| Is this a regionally tagged project?<br>No           |                              |                              |  |

**Financing & Implementation Modalities**

|   |  |
|---|--|
| <input type="checkbox"/> Series of Projects (SOP)                       | <input checked="" type="checkbox"/> Fragile State(s)                           |
| <input type="checkbox"/> Performance-Based Conditions (PBCs)            | <input checked="" type="checkbox"/> Small State(s)                             |
| <input type="checkbox"/> Financial Intermediaries (FI)                  | <input type="checkbox"/> Fragile within a Non-fragile Country                  |
| <input type="checkbox"/> Project-Based Guarantee                        | <input type="checkbox"/> Conflict  |
| <input type="checkbox"/> Deferred Drawdown                              | <input checked="" type="checkbox"/> Responding to Natural or Man-made disaster |
| <input type="checkbox"/> Alternate Procurement Arrangements (APA)       | <input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)      |
| <input type="checkbox"/> Contingent Emergency Response Component (CERC) |  |

**Disbursement Summary (from Parent ISR)**

| Source of Funds | Net Commitments | Total Disbursed | Remaining Balance | Disbursed  |      |
|-----------------|-----------------|-----------------|-------------------|--|------|
| IBRD            |                 |                 |                   | <div style="width: 0%; height: 10px; background-color: #ccc;"></div>     | %    |
| IDA             | 24.00           | 17.18           | 7.16              | <div style="width: 71%; height: 10px; background-color: #4CAF50;"></div> | 71 % |
| Grants          |                 |                 |                   | <div style="width: 0%; height: 10px; background-color: #ccc;"></div>     | %    |

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (Second Additional Financing for Social Safety Nets in Comoros - P174866)**

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





**SUMMARY (Total Financing)**

|                           | Current Financing | Proposed Additional Financing | Total Proposed Financing |
|---------------------------|-------------------|-------------------------------|--------------------------|
| <b>Total Project Cost</b> | 24.00             | 6.00                          | 30.00                    |
| <b>Total Financing</b>    | 24.00             | 6.00                          | 30.00                    |
| <b>of which IBRD/IDA</b>  | 24.00             | 6.00                          | 30.00                    |
| <b>Financing Gap</b>      | 0.00              | 0.00                          | 0.00                     |

**DETAILS - Additional Financing**

**World Bank Group Financing**

|   |      |
|---|------|
| International Development Association (IDA) | 6.00 |
| IDA Credit                                  | 6.00 |

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

|                | Credit Amount | Grant Amount | Guarantee Amount | Total Amount |
|----------------|---------------|--------------|------------------|--------------|
| <b>Comoros</b> | 6.00          | 0.00         | 0.00             | 6.00         |
| National PBA   | 6.00          | 0.00         | 0.00             | 6.00         |
| <b>Total</b>   | <b>6.00</b>   | <b>0.00</b>  | <b>0.00</b>      | <b>6.00</b>  |

**COMPLIANCE**

**Policy**

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

Yes  No

Does the project require any other Policy waiver(s)?

Yes  No

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Social Protection & Jobs



**Contributing Practice Areas**

**Climate Change and Disaster Screening**

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

**PROJECT TEAM**

**Bank Staff**

| Name  | Role  | Specialization              | Unit  |
|---|---|-----------------------------|-------|
| Julia Rachel Ravelosoa                            | Team Leader (ADM Responsible)                     | Social protection economist | HAES1 |
| Sylvain Auguste Rambelason                        | Procurement Specialist (ADM Responsible)          | Procurement                 | EAERU |
| Maharavo Harimandimby Ramarotahiantsoa            | Financial Management Specialist (ADM Responsible) | Financial management        | EAEG2 |
| Erik Reed   | Environmental Specialist (ADM Responsible)        | Safeguards                  | SAEE3 |
| Hasina Tantelinirina Ramarson Ep Rafalimanana     | Social Specialist (ADM Responsible)               | Safeguards                  | SAES3 |
| Adama Diop  | Team Member                                       | Finance and accounting      | WFACS |
| Amr S. Moubarak                                   | Team Member                                       | Social protection           | HAES1 |
| Andrea Vermehren                                  | Team Member                                       |                             | HAEDR |
| Andrianjaka Rado Razafimandimby                   | Social Specialist                                 | Safeguards                  | SAES3 |
| Eva Lovaniaina Ramino                             | Team Member                                       | Team support                | AEMMG |
| Ghislaine Kouedi Nombi                            | Team Member                                       | Finance and accounting      | WFACS |
| Hajalalaina Consuella Rabearivony Andrianjakanava | Team Member                                       | Team support                | HAES2 |
| Khurshid Banu Noorwalla                           | Team Member                                       | Team support                | HAWS3 |
| Landiniaina Angelina Rakotonalina                 | Team Member                                       | Team support                | AEMMG |
| Lynette Doreen MacAdam                            | Team Member                                       | Team support                | EA1RU |
| Margaux Laurence Vinez                            | Team Member                                       | SP specialist               | HAES1 |
| Noro Hajalalaina Rasoloarimanana                  | Procurement Team                                  | Procurement                 | AEMMG |



Andriamihajas

Siv Elin Tokle

Team Member

SP Operations specialist

HAES1

**Extended Team**

**Name**

**Title**

**Organization**

**Location**

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## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### A. Introduction

- 1. This Project Paper seeks the approval of the Executive Directors of the World Bank Group to provide a Second Additional Financing (AF2) in the amount of Eur 4.9 million (US\$6.0 million equivalent) to the Comoros Social Safety Net Project (SSNP or “Parent Project”; P150754).** The AF2 is proposed based on the request of the Government of Comoros (GoC) to fill the financing gap that has emerged to support GoC response to the economic shocks due to COVID-19<sup>1</sup> and associated impacts on the national social safety nets program. The need for a second additional financing is further exacerbated due to a continuous sharp decline in Gross Domestic Product (GDP) (1.4 percent) since the pandemic, which will result in increased demand for social services including health and social protection.
- 2. The Comoros SSNP was approved on March 19, 2015 and became effective in July 2015.** The Parent Project is funded by a US\$6.0 million International Development Association (IDA) Grant which has been used to launch a new productive social safety pilot and nutrition program. Additional financing (AF), in an amount of SDR13.1 million (US\$18.0 million equivalent) was approved in December 2019 and became effective in March 2020. This first AF aimed to respond to the effects of Cyclone Kenneth. The Project Development Objective (PDO) of the Parent Project is to: “increase poor communities’ access to safety net and nutrition services”. To reflect additional activities, the First Additional Financing amended the PDO to “increase poor communities’ access to safety net, nutrition, and community services”.
- 3. The proposed AF2 is fully aligned with the World Bank Group Country Partnership Framework (CPF) objectives for FY20–24.** The social protection response is aligned with CPF (Report No. 145699-KM) Focus Area 1 which focuses on crisis response and building resilience and investment in human capital. The AF2 will contribute to support increased resilience by supporting the recovery and protection of human capital of vulnerable households through livelihood diversification, economic inclusion, and enhanced resilience at the household and community level.
- 4. The proposed AF2 is fully compliant with the World Bank Policy on Investment Project Financing and the accompanying World Bank Directive.** The project is well-performing with Implementation Status and Results Report (ISR) ratings for implementation progress and development objectives consistently rated Moderately Satisfactory or above over the last 12 months and the project shows full compliance with key loan covenants. The process for hiring internal the auditor has been slow, but the recruitment was completed on January 19, 2021. There are no outstanding audits.
- 5. The proposed AF2 maintains the PDO, institutional arrangements and components of the first additional financing (AF1).** The PDO would remain to “increase poor communities’ access to safety net, nutrition, and community services”. The AF2 will be implemented using the same institutional arrangements as AF1.
- 6. Closing dates.** This project paper proposes an additional financing and a restructuring of the SSNP that includes the extension of the Parent Project and AF1 by six months, until June 30, 2023. The additional

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<sup>1</sup> Coronavirus Disease 2019 – COVID-19.



six months for implementation are needed to ensure that all remaining activities are completed prior to close of project. Based on past disbursement history and expected effectiveness of the AF2 in mid-March 2021, the project is expected to be fully disbursed by the newly proposed closing dates.

## B. Country Context

7. **The Union of Comoros (Comoros) is a small nation highly vulnerable to natural disaster and characterized by high dependency on remittances. It was classified as a lower-middle-income country in July 2019.** Around 54 percent of the population and 59 percent of the land are highly exposed to natural disasters (cyclones, floods, volcanic eruptions and drought), all of which have shown an increase in intensity in recent years and are partially linked to climate change. The disasters are affecting the national economy and the livelihoods and living conditions of the population. Despite recurrent political crises since independence, Comoros has shown economic stability due, in large part, to remittances; economic growth remained steady at 2.8 percent in 2018. However, economic prosperity has not been broadly shared, thus the overall welfare of the poorest households, who have no access to remittances, has seen marginal improvement. The steady economic gains experienced over the last few years are threatened by the COVID-19 pandemic economic shutdown that is expected to drive more households into poverty.

8. **Poverty remains significant affecting two-fifth of the population in Comoros and the overall Human Capital Index (HCI) for Comoros remains low.** In 2018, Comoros (HCI) was at 0.40,<sup>2</sup> indicating that a child born today in Comoros will achieve on average 40 percent of his/her potential by age 18. Between 2003 and 2014, Comoros made strides in reducing monetary poverty. In 2021, nearly a fifth of the population is living under the international poverty line (US\$1.9) and about 40 percent of the population live below the poverty line for lower middle income countries.<sup>3</sup> However, economic vulnerability (chronically poor and non-poor with high probability of falling into poverty in the event of a shock) has stagnated and remains high; around 48 percent of households in 2003 and 45 percent in 2013.<sup>4</sup> According to the latest household survey (2013–2014), 60 percent of Comorian households' consumption is spent on food, reflecting economic vulnerability, limiting investments in human and productive capital, and thereby sustaining the intergenerational transmission of poverty. Children's outcomes are especially poor; Comoros has a high rate of malnutrition where almost 30 percent of the children are stunted. While some progress has been made in school enrollment, around 25 percent of children ages 6–17 are out of school due mainly to household's financial constraints. Finally, access to safe drinking water and sanitation management remains a constraint. According to the Multiple Indicator Cluster Survey in 2012, only 12 percent of the population has access to safe drinking water and 37 percent to sanitation facilities.

9. **While Comorian society is matrilineal and gender equality is embedded in the Constitution, gender imbalance translates into unequal access to economic opportunities and incidence of gender-based violence (GBV).** This represents a major barrier women's economic and social empowerment. The 2018 Human Development Index value for females in Comoros was 0.504 in contrast with 0.568 for males,

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<sup>2</sup> 2018 Human Capital Index, Comoros, published by the World Bank Group's Human Capital Project, World Development Indicators portal

<sup>3</sup> Most recent available value for international poverty line for Comoros is 2013, where 19.1% of the population live below the poverty line. For the Lower middle-income poverty rate (\$3.2), 39.7% of the population live below poverty

<sup>4</sup> World Bank, 2018. Comoros Household Survey : Household Poverty Assessment (2013/2014), (*Etude sur la vulnérabilité à la pauvreté des ménages aux Comores. Etude basée sur l'enquête 123. 2013/2014.*)



resulting in a Gender Development Index value of 0.888, placing it slightly below the average for Sub-Saharan Africa. There is a large education gap, female labor force participation is comparatively low (36 percent as opposed to approximately 81 percent for men) and there are more unemployed women than men. This participation rate is one of the lowest in the region and compounds women's economic vulnerability. Women's employment is also more likely to be precarious and a high percentage of women work in the informal agricultural sector (approximately two-thirds), their access to public service jobs is limited, and social and customary norms translate into low influence over household decision making and low control of assets. Over 17 percent of all women ages 15–49 reported experiencing physical and sexual violence. They are often widowed, separated or divorced, paid in cash and with low education.

**10. The earlier expectation of a positive impact on economic activity from the reconstruction efforts after Cyclone Kenneth will likely be more than offset by the negative impact of COVID-19.** Prior to the global COVID-19 pandemic, the GDP growth forecast for 2020 was 4.4 percent. These estimations were revised for Comoros projecting the economy to shrink by -1.4 percent at the end of 2020. The pandemic is hurting Comoros' economic growth via three channels. First, through the direct impact of the outbreak as it temporarily decreases labor demand and weakens economic activity due to social distancing. Second, through demand and supply effects related to external trade and the disruption of international travel. Third, through drop of remittances from the diaspora due to a slowdown of economic growth in Europe (France in particular). Comoros is also expected to experience large external and fiscal financing gaps in 2021 and beyond; Comoros is characterized by high exposure to external demand shocks, debt-service obligations, contractions caused by climate and other natural disasters, and limited fiscal space. The projections for the impact of the pandemic are, however, subject to high uncertainty around the spread of the disease domestically as well as overseas. However, it is expected that at the end of the pandemic, growth is expected to rebound in 2021 (2.6 percent) due mainly to a recovery of remittances and higher investments (some of which were delayed due to the crisis), although growth will stay low compared to the pre-COVID-19 forecast (3.2 percent).

**11. The pandemic represents a serious challenge for political stability, economic recovery and social progress. The COVID-19 crisis is likely to significantly reduce household incomes and affect the poor disproportionately.** Job destruction and decline in labor earnings are affecting those working in trade, tourism and transport, in a context of already high unemployment (especially among the youth) and high informality. Those working in the primary sector and commerce (mostly informal) are being impacted by the limited opportunities to sell their goods in local markets due to social distancing measures and restrictive movements between islands. The decrease of remittances is expected to substantially reduce households' income, especially the poorer ones. Lastly, further disruptions of service delivery could have adverse effects on health and education, particularly on the poor who already have limited access to basic services. Limited fiscal space, incipient social safety net systems, and a weakly developed financial sector are limiting the Government's capacity to respond to the crisis and reach vulnerable households. All these factors could reinforce inequalities, in particular across islands, and lead to renewed social unrest.

### C. Sectoral Context

**12. The GoC has started to progressively establish the foundations of a social safety net (SSN) system but coverage of existing SSN programs is still insufficient to cover the needs.** The country adopted its first National Social Protection Policy in 2016. It involves improving access to basic social services and establishing SSNs for reaching the most vulnerable. While this institutional framework



provides the basis for an SSN, it is not well coordinated. The GoC has recently (June 2020) issued a decree establishing a national registry to improve coordination. The country, with support from the World Bank and United Nations Children’s Fund (UNICEF), has begun to establish SSN programs for the vulnerable and poorest groups. Covering seven percent of the population, the coverage of SSN programs has increased but the current SSN programs are not yet able to meet the needs of the country. Other existing initiatives are fragmented despite the Government’s coordination effort. Due to the limited capacity of the social protection system, Comoros is not able to cope with economic and climatic hazards. This situation has especially affected the poorest and the most vulnerable households after Cyclone Kenneth hit Comoros on April 24–25, 2019 and in the aftermath of the COVID-19 pandemic.

13. **The COVID-19 crisis has increased the vulnerability of the Comorian population and highlighted the gaps on social protection.** Since April 30, 2020, the GoC took measures to limit the entry and spread of the virus in the country including : (i) halting commercial flights and travel to other countries; (ii) closing of schools, madrassas and non-essential businesses; (iii) communication campaign on social distancing and hand washing; (iv) limiting of mass gathering including meetings, events and prayer assemblies in mosques; and (v) mandatory use of masks in public settings. This situation induced by COVID-19 combined with the previous shock caused by Cyclone Kenneth intensifies the vulnerability of the Comorian population. Households and individuals, especially in urban areas, are likely to be affected by COVID-19 restriction measures through the following channels:

- (a) **Human capital impacts.** In Comoros, health shocks, whether an event of death or illness of a family member, were already reported as one of the top five most serious shocks for households, both in rural and urban areas. The introduction of the containment measures and temporary school would disproportionately affect children from poor and vulnerable households as temporary quarantine may also lead to permanent drop-out and/or result in a decline in food intake for those who frequently rely on school feeding programs.
- (b) **Loss or reduction of labor income** due to decline in aggregate demand, supply disruptions and the associated decrease in employment and/or the returns to productive activities.
- (c) **Loss or reduction of non-labor income** due to a decline in remittances and potentially in private transfers.
- (d) **Disruptions in the functioning of markets** due to decline in international trade, and economic activity that could lead to prices increases and/or rationing of basic consumption goods, including food (and production inputs).
- (e) **Disruptions to service delivery (health, transport, education) for the general population** due to closure of schools, movement restriction, and strained capacity of the health system that affects treatment services for non-coronavirus diseases.

#### D. Performance of the Project

14. **The Project is progressing in a satisfactory way.** Of the original total IDA grant of US\$6.0 million, 99 percent of funds has been disbursed. In December 2019, the Parent Project was supplemented by an Additional Financing (AF1) of US\$18.0 million to support the recovery response efforts to Cyclone Kenneth. These additional activities have been implemented at a steady pace. In the first six months after effectiveness of AF1, 27 percent of the US \$18.0 million allocated were disbursed.



15. **The SSNP had three ‘Level Two’ restructurings.** The first restructuring (in February 2019) was based on the request by the GoC to reinforce the nutrition activities. The restructuring: (i) adjusted targets of selected indicators; (ii) reallocated funding between categories; (iii) documented the institutional changes; and (iv) added an expenditure category to strengthen the capacity building, monitoring and communication of the community-based nutrition services. The second restructuring (in June 2019) extended the project closing date to allow for the preparation of additional financing to respond to the effects of the cyclone Kenneth as requested by the GoC. The third restructuring (in June 2020) added new activities related to COVID-19 response and therefore reallocated funding between categories and updated the Results Framework.

16. **The Project is rated Satisfactory for progress towards achievement of the PDO and has been consistently rated at or above Moderately Satisfactory since December 2017.** Overall implementation progress, procurement and monitoring and evaluation have been rated at or above Moderately Satisfactory since Project start. All components are also rated at or above Moderately Satisfactory as reflected in the last ISR. Of a total amount of US\$24.0 million, 50 percent has been disbursed as of December 30, 2020. The Project is compliant with key legal covenants, including audit and financial management reporting requirements.

17. **The project includes three components.**

- Component 1: Establishing a Productive and Disaster Responsive Safety Net
  - Subcomponent 1.1: Establishing a Productive Safety Net
  - Subcomponent 1.2: Ensuring an Early Recovery Response to Natural Disasters
  - Subcomponent 1.3: COVID-19 response
- Component 2: Improving the Nutrition of Young Children and Mothers from Poor Communities
- Component 3: Strengthening Safety Net Management, Coordination, Monitoring and Evaluation.

18. **Status of Component 1. Establishing a Productive and Disaster Responsive Safety Net (US\$18.93 million).** The aim of this component is to provide income support to poor households through three subcomponents:

- (a) **Subcomponent 1.1: Establishing a Productive Safety Net.** The productive safety net program provided regular cash to 4,217 targeted poor families in exchange for their participation in productive cash-for-work activities in the poorest 69 villages of Comoros over a three-year period. The gender and social impacts have been high, with 59 percent of cash transfer direct recipients being women. Over 685,000 person days of employment were created, through works in reforestation, water management, terracing, and so on. The subcomponent exceeded the target coverage PDO indicator of 4,000 beneficiary households and 60 poor communities getting access to safety net and nutrition services.
- (b) **Subcomponent 1.2: Ensuring an Early Recovery Response to Natural Disasters.** This subcomponent aimed to finance post-disaster cash transfers and the rehabilitation and





reconstruction of small village infrastructure damaged by natural disasters. In the absence of a disaster during the first two years of the project period and following the request of the GoC, the budget of this subcomponent was reallocated in January 2019 to Component 2 to enhance nutrition services. However, with the devastation caused by Cyclone Kenneth in April 2019, subcomponent 1.2 was reactivated through AF1. Activities included recovery grant to the poorest affected households and rehabilitation/reconstruction of small infrastructure. **Although activities under AF1 coincided with the arrival of COVID-19 in Comoros, gains have been made relative to overall anticipated outcomes during the pandemic.** The post-Kenneth recovery fund, designed to target 10,000 poor households in 118 rural villages, carried out in three waves, is currently under implementation on each of the three islands. As part of the first wave, the Project Implementation Unit (PIU) has met its goal to identify 453 of 1,276 beneficiaries across 13 villages in Mohéli; 1,067 of 3,306 beneficiaries across 22 villages in Anjouan and 1807 of 5708 households in Ngazidja. Despite delays due to COVID-19 restriction measures, the PIU started with its first payments in September 2020 and continues progressing. It is expected that the project will target all beneficiaries by the end of March 2021.

- (c) **Subcomponent 1.3: COVID-19 response.** In response to the COVID-19 pandemic, the GoC asked to restructure the components of AF1. Funds were reallocated from subcomponent 1.2 (Recovery Response to Disasters) and Component 3 (management, coordination, and monitoring and evaluation) to subcomponent 1.3 (COVID-19 response) which aims to provide unconditional cash transfers (UCT) designed to increase poor communities' access to safety net, nutrition, and community services. **Unconditional cash transfers (UCT) in response to COVID-19 are intended for 20,000 households in urban and suburban areas.** To date, the project has completed: (a) launch of targeting of 21,600 COVID-19 response beneficiaries across the urban/peri-urban areas of the three islands; (b) validation of the procedural manual in response to crises such as COVID-19 is in the final phase; and (c) contracting of payment agencies and NGO partners for implementation of interventions on the ground.

19. **Status of Component 2: Improving the Nutrition of Young Children and Mothers from poor Communities (US\$1.17 million).** Complementary to the safety net activities, this component has provided preventive nutrition services in the same 69 villages benefitting from the productive safety net activities. It has delivered a minimum package of nutrition-specific interventions for children under five years of age, with a focus on the 'first thousand days' window of opportunity (from conception to two years of age) and promoting better nutrition and reproductive health for mothers. With technical support from The United Nations Children's Fund (UNICEF), the Ministry of Health, Solidarity, Social Protection and Gender Promotion (MoHSSP) has completed the implementation of this component. It has exceeded the target PDO indicator of 9,600 beneficiaries with 2,571 pregnant women, 12,287 mothers, and 13,081 children under five years of age receiving basic nutrition services, or a total coverage of 27,885 beneficiaries. In addition, the nutrition program covered 6,254 children under the age of 24 months who benefited from improved infant and young child feeding practices, also exceeding the target indicators of 2,800 children.

20. **Status of Component 3: Strengthening Safety Net Management, Coordination, and Monitoring and Evaluation (US\$3.9 million)** The Component 3 has supported the provision of the social safety net programs under the Component 1 as well as building the institutional capacity for coordination,



monitoring and evaluation of social protection system in Comoros. By establishing a long-term social safety net delivery system, the component has supported the development of a management information system (MIS) under the MoHSSP. Regarding financial management (FM), the FM rating was upgraded from Moderately Unsatisfactory to Moderately Satisfactory in 2019. Procurement activities are rated Satisfactory and there are no overdue financial audits.

**21. Compliance with environmental and social safeguards is rated Satisfactory.** The project is currently rated Satisfactory regarding the implementation of environmental safeguards policies based on the successful implementation of safeguards instruments. The PIU has had an environmental and social safeguards specialist with adequate capacity since the beginning of the project. Activities are implemented with adequate measures to mitigate and/or manage the limited negative environmental impacts. The proposed AF2 replenishes funds previously reallocated as part of the urgent response to the COVID-19- pandemic to support low-income households affected by the crisis. The AF2 thus addresses a financing gap to ensure that the project achieves its original targets, development objectives and results indicators, for which existing safeguards systems will be followed. The current Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) for the Parent Project have been revised to manage the risks and potential impacts under the proposed AF2. Updated ESMF and CPR were disclosed in-country on December 24, 2020 and on the World Bank's external web site on January 20, 2021 for ESMF and January 23, 2021 for CPR. The AF2 has been screened against COVID-19 specific risk considerations, and AF2 will integrate key measures to address them.

#### E. Rationale for Second Additional Financing

**22. The third restructuring (June 2020) to support the urban vulnerable populations affected by the COVID-19 crisis and valued at US\$6.5 million has created a financing gap for activities under the subcomponent 1.2: "Early Recovery and Response to Natural Disasters".** These activities covered: (a) the socio-economic recovery grant for poor households affected by Cyclone Kenneth supported by accompanying measures and technical training; (b) cash for work; and (c) rehabilitation and reconstruction of community-based infrastructures damaged by Cyclone Kenneth. Current funding level of the project following the COVID-19 pandemic response, is not sufficient to meet the Project's key indicators under the First Additional Financing (AF1). At present, the Implementing Agency (IA) estimates that only 8,300 households (of the original 10,000 households) would receive recovery grants. Furthermore, only 39 infrastructure sites (of the target 100) would be rehabilitated. In other words, around 50 schools and 10 water tanks would not be rehabilitated. For cash for work, it is estimated that 3,900 households would not benefit from short term income support and 117,000 person-days would not be realized. These findings highlight the need to ensure that the replenishment financing of AF2, under the current scope of the project, is a necessary step to achieving the PDO.

**23. The proposed AF2 would not include new activities but ensure continuity of protection of vulnerable households in rural areas while implementing a COVID-19 cash transfer response in urban areas.** By addressing the financing gap, the AF2 would ensure continuity of protection of human capital and livelihoods of vulnerable people which is crucial in the context of COVID-19, as are the efforts to increase their access to social services. If not addressed, the financing gap would undermine efforts to protect vulnerable households already affected by Cyclone Kenneth and rehabilitate community-based infrastructure which may play a role in supporting local economic activity to mitigate the effects of the



COVID-19 economic shock. In order to mitigate these identified risks and achieve the project development objectives, the GoC requested a replenishment of the US\$6.5 million through an additional financing.

**24. The proposed AF2 would ensure continuity of accompanying measures to the cash transfers and the investments in early child development, women’s empowerment and economic inclusion.** The SSNP has developed a package of accompanying measures and technical training which complement recovery grant and cash for work and promote resilience and long-term results. The proposed AF2 would ensure continuity of the implementation of accompanying measures. They are designed to encourage early childhood development, human capital development (education, health, nutrition), women’s empowerment while technical training includes coaching, saving facilitation, business plan and supports productive inclusion and livelihoods.

**25. The COVID-19 cash transfer for urban vulnerable households is part of several measures by GoC to respond to the COVID-19 pandemic.** Comoros declared its first detected suspected case of COVID-19 on April 30, 2020. According to the World Health Organization (WHO), as of January 27, 2021 the outbreak has resulted in over 100 million infected and over two million deaths worldwide. There are 2,260 confirmed cases of COVID-19 with 70 deaths reported in Comoros (as of January 27, 2021) and cases continue to increase daily. After the WHO declared COVID-19 as a Public Health Emergency of International Concern (PHEIC), the GoC started to develop a health response strategy; established a crisis committee to coordinate multisectoral COVID-19 efforts and prepared a national multisectoral plan. The Government has requested World Bank support to implement a cash transfer program for urban areas included in this multisectoral plan while maintaining support for the original vulnerable population beneficiaries of the project.

**26. The COVID-19 cash transfer is also part of a comprehensive World Bank response to address impacts of COVID-19.** It complements other Government operations and programs by focusing on a sector where there is no or limited donor support and where the World Bank has added value. Given the extraordinary level of impact of the COVID-19, the World Bank response combines the strategic use of IDA resources of US\$21.5 million as detailed below:

- (a) US\$6.5 million to Social Protection COVID-19 response.
- (b) Contingent Emergency Response Component (CERC) of US\$5.0 million to contribute to the implementation of the national plan. The CERC component of Comoros Comprehensive Approach to Health System Strengthening Project (P171361) has been activated to address immediate COVID-19 health needs in Comoros.
- (c) Development Policy Operation (DPO) for COVID-19 of US\$10 million (P174260). The Comoros COVID-19 Response DPO (P174260) is a stand-alone single-tranche operation aimed at supporting Comoros’ economic and social response to COVID-19. The proposed operation aims to assist the Government’s immediate relief response to the COVID-19 pandemic by providing support to firms and households, whilst increasing future resilience by supporting longer term structural measures. This DPO will also help the Government to meet the emerging fiscal and external financing gaps as Comoros experiences lower remittance inflows and a reduction in export earnings (mainly from tourism) resulting from the pandemic.

**27. The World Bank Group response to the COVID-19 crisis is aligned with the recently finalized Comoros CPF (FY20-24) that focuses on building resilience, strengthening human capital and fostering**



**inclusive growth, whilst addressing exogenous shocks of COVID-19 and Cyclone Kenneth.** The CPF incorporates an important COVID-19 response, by reallocating and reorienting the existing portfolio and planned pipeline. The CPF focuses on two pillars: (i) crisis response and building resilience, which includes investing in human capital, disaster recovery and disaster risk management, and (ii) economic recovery and inclusive growth, which includes improving governance and business environment, fostering private sector growth and improving connectivity. The overall World Bank social protection and health crisis response is aligned with Pillar 1 and the structural reforms proposed in the DPO under preparation (including measures on debt transparency, financial sector development and stability, and on improving efficiency in customs administration) are aligned with the objectives of Pillar 2.

**28. The proposed AF2 would ensure continuity of program implementation and administration, logistics, regular monitoring and evaluation.** Technical support would also include supervision and implementation support, financial management, procurement and safeguard compliance monitoring, project coordination meetings. In addition, it would ensure continuity of communication on the objectives of programs, the targeting process, the exit strategy, the grievance mechanism, the citizen engagement, etc.

- (a) Targeting process: Beneficiaries will be identified through a combination of geographic targeting, auto-inscription, PMT application and community validation.
- (b) Exit strategy: Beneficiaries of the three programs under the SSNP exit in various ways and time frames. Socio-economic recovery grant beneficiaries (Subcomponent 1.2) will exit after completion of the full support which includes the three instalments, accompanying measures and technical training; Cash for work beneficiaries under Subcomponent 1.2 are entitled to participate to public work after which they will automatically exit but can still participate to the accompanying measures organized in their villages to continue working on their human development; Beneficiaries of COVID-19's response under subcomponent 1.3 will leave the program after receiving accompanying measures and their three instalments of social assistance.

**29. The proposed AF2 would ensure continuity of technical and institutional capacity building of the GoC to initiate a transition to a more sustainable and development-oriented approach to social protection in Comoros.** Until implementation of the SSNP, the delivery of non-contributory social protection services in Comoros has largely been done through short-term humanitarian and emergency assistance. As such, the potential impact on the structural causes of poverty is limited. The proposed AF would ensure continuity of support to the GoC to set up systems and strengthen its capacity to coordinate the sector as well as to adopt a longer-term vision of intervention including building resilience of poor people, promoting human development and reducing poverty. Capacity building would include, but not be limited to, transfer of capacity and knowledge, establishment of social registry, modernizing delivery systems for registration and payment, and impact evaluation.

**30. In line with the World Bank Group COVID-19 Crisis Response Approach Paper from June 2020, the proposed AF2 directly supports priority actions under strategic Pillar 2 to protect the poor and vulnerable.** Urgent action is needed to help the GoC protect poor and vulnerable households from the economic and social consequences of the COVID-19 crisis, while restoring human capital and promoting equity and inclusion. Within this context, the proposed AF2 aligns with the primary interventions identified in the Approach Paper including: (a) Targeted income for vulnerable households; (b) Behavior



change and social care services; (c) Support employment and productivity for vulnerable households to build back better.

## II. DESCRIPTION OF ADDITIONAL FINANCING

### A. Summary of change

**31.** This AF2 in the amount of US\$6.0 million for the Social Safety Net Project is to fill the financing gap created by the restructuring and reallocation of resources to the COVID-19 response, as detailed above. The Table 1 outlines the changes in financing across components due to reallocation of financial resources to the COVID-19 response as outlined in the third restructuring of the operation.

**32.** **The proposed AF2 would involve: (a) allocation of costs to subcomponent 1.2; (b) extension of the Project's closing date by six months (to June 2023) and (c) revision of the Results Framework to ensure full alignment of activities to monitored results.**

**33.** Explanation of proposed revisions are as follows:

- (a) **Allocation of cost to Subcomponent 1.2.** The proposed changes in project allocation by components are summarized in Table 1. This AF will cover the SSNP financing gap related to COVID-19 support, by allocating US\$6.0 million to Subcomponent 1.2. This funding will fill the financing gap after using SSNP as the main resource to finance the unconditional cash transfer for COVID-19 response. In addition, Subcomponent 1.2 includes a provision for the rehabilitation, reconstruction, and construction of community-based infrastructure which would include water tanks and schools, both of which are critical to post-COVID-19 recovery. The rehabilitation of water tanks will allow the GoC to continue to target long-term priorities including those related to health and sanitation, particularly among the extreme poor. The rehabilitation and construction of schools will help limit further disruptions in education caused by COVID-19- and ensure that students have the ability to adhere to social distancing practices upon their return to school. In addition, the inclusion of proper sanitation facilities in schools has been noted to play a significant role in the attendance and retention of girls. In addition, by rehabilitating infrastructures, the subcomponent 1.2 will enhance the capacity of households and communities to cope with disaster risk and adapt to climate change.<sup>5</sup>

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<sup>5</sup> Please see Paragraph (41) for description of climate change adaptation measures undertaken in the AF2 and proposed Climate Change Co-Benefits assigned.



**Table 1: Project Allocation by Component (US\$ million)**

| Component   | Project cost before restructuring to COVID-19 response | Revised Cost After Restructuring to COVID-19 response | AF2  | Revised Cost |
|---|--|---|------|--------------|
| <b>Component 1: Establishing a Productive and Disaster Responsive Safety Net</b>                  | 18.93  | 18.93   | 0    | 24.93        |
| <i>Subcomponent 1.1: Establishing a Productive Safety Net</i>                                     | 3.43   | 3.43  | 0    | 3.43         |
| <i>Subcomponent 1.2: Ensuring an Early Recovery Response to Natural Disasters</i>                 | 15.00  | 9.00  | 6.00 | 15.00        |
| <i>Subcomponent 1.3: COVID-19 Response</i>  | 0  | 6.5   | 0    | 6.5          |
| <b>Component 2: Improving the Nutrition of Young Children and Mothers from Poor Communities</b>   | 1.17   | 1.17  | 0    | 1.17         |
| <b>Component 3: Strengthening Safety Net Management, Coordination, Monitoring and Evaluation.</b> | 4.40   | 3.90  | 0    | 3.90         |
| <b>Total Project Cost</b>   | 24.00  | 24.00   | 6.00 | 30.00        |

- (b) **Revision of the Results Framework of the project.** The Results framework will be adjusted to ensure alignment of all project activities with results monitored by introducing new intermediate indicators in order to reflect effort in rehabilitation/reconstruction of schools and in supporting women’s empowerment as well as efforts in developing a grievance mechanism. These adjustments pertain to intermediate indicators described below. No changes in PDO-level indicators is requested.

The following revisions to the intermediate indicators proposed:

- i. Intermediate indicator “Number of rehabilitated, reconstructed and constructed infrastructures sub-projects” has been split into two indicators and the term “functional” will be added:
    - The first of the revised intermediate indicators will read: “Number of rehabilitated classrooms (Number)”
    - The second of the revised indicators will read: “Number of rehabilitated, reconstructed and constructed and functional infrastructure sub-projects (except schools, classrooms) (Number)”.
    - Baseline and target will be updated accordingly.
  - ii. New indicators to reflect the contributions of the project activities related to women’s empowerment.
    - The first intermediate indicator will read: “Number of elected and trained mother leader (Number)”
    - The second intermediate indicator will read: “Percentage of female main recipient social safety net program (Percentage)”
  - iii. New indicator to monitor the efficiency of the grievance mechanism, will read “Percentage of grievances received and resolved within 45 days (Percentage)”.
  - iv. Additional details of the changes described in (i), (ii) and (iii) are presented in Section VIII.
- (c) **Extension of closing date by six months.** The proposed AF2 seeks to extend the closing date by six months to June 30, 2023, in order to complete all activities, disrupted by the urgent



response to disease outbreaks, particularly the rehabilitation/reconstruction of small-community based infrastructures.

**34. Components that remain unchanged include:**

- (a) Under Component 1 “Establishing a Productive and Disaster Responsive Safety Net”, the project will continue to support the delivery of the social safety net programs including the socio-economic recovery grant. These programs will continue to be reinforced by accompanying measures and technical training which will focus on, among other, (i) human capital; (ii) women empowerment; and (iii) economic inclusion, in order to promote resilience and longer-term sustainability of results. However, elements will be incorporated across the programs and accompanying measure delivery to reflect the ongoing COVID-19 crisis. These include but are not limited to introducing health and sanitation as themes for the accompanying measures and utilizing mobile money when feasible.
  
- (b) Under Component 3 “Strengthening Safety Net Management, Coordination, and Monitoring and Evaluation”, the project will continue to support the delivery of the social safety net programs under the Component 1 as well as to build the institutional capacity of for coordination, monitoring and evaluation of social protection system in Comoros. This institutional capacity includes among other the development of social registry and the revision of operational manual to include COVID-19 consideration. For targeting process, citizen engagement and public work the processes will be revised to include health and sanitation measures and minimizing of human contact. These measures include among others limitation of community gatherings and replacement of village community assemblies by meetings at the neighborhood-level, limitation to 50 workers maximum, distance of one meter, wearing of a mask required, hand washing, division of labor, set up a person responsible for monitoring the barriers measures, etc. This component will continue to support also the development of communication strategy to beneficiaries, communities and all stakeholders. The communication strategy will include information on the programs, targeting methodology as well as the exit program.

**35. Institutional arrangements remain unchanged.** For the proposed AF2, the PIU will continue to implement the project under the guidance, coordination, and supervision of the MoHSSP. The PIU is in charge of monitoring the implementation and day-to-day management of the social safety net activities as well as the COVID-19 response.

**36. Social and environmental safeguards, rated as Category B, remain unchanged.** There are no potential large-scale, significant, and/or irreversible environmental and social impacts expected to arise from this project or its AF2. The environmental and social safeguard policies triggered by this operation are the same as those under the Parent Project: Operational Policy/Bank Procedure (OP/BP) 4.01 (Environmental Assessment) and OP/BP 4.12 (Involuntary Resettlement) but the safeguard instruments were updated and redisclosed.



## B. Objectives to which the Project will continue to contribute

**37. The project will continue to adopt a gender-sensitive approach:** and will contribute to narrow gender gaps related to economic opportunities and social inclusion of women beneficiaries. In addition, by promoting early child development and accompanying measures focusing on human capital development interventions to increase access to health and nutrition services, the project will contribute to breaking the intergenerational cycle of poverty and to close gender gaps and address inequality. The project will narrow the gender gap in the following ways.

- (a) **Enhance women’s capacity and participation in decision.** The traditional system tends to exclude women from decision - making processes. The project will provide trainings and accompanying measures to strengthen women’s leadership and self-affirmation, to enable them to adopt a longer-term perspective, to reinforce their identity and their participation in economic and non-economic activities as well as in decision process. This participation is strengthened by engaging women as mother leaders. The latter are elected and received special training to be the link between the community and the program by keeping beneficiaries informed about the program’s rules, responsibilities, procedures including payment schedules, complaint mechanisms and by delivering accompanying measures through regular meeting. The design and model of mother leaders are built on international experience of women empowerment with safety nets and accompanying measures<sup>6</sup>. The project will use an intermediate results indicator to monitor the number of elected and trained mother leader.
- (b) **Enhance women’s income generating opportunities.** There are gender differences in labor market participation rates, the nature of employment, as well as in education in the UoC, that the project will aim to reduce throughout implementation. There are relatively large disparities between men and women in education, with 47 percent of women in the uneducated labor force compared to only 36 percent of men.<sup>7</sup> Women also seem to be over-represented compared to men in self-employment and informal trade activities, while the latter seem to have better access to wage employment. The project will promote women’s participation in recovery grant and cash for work activities through gender sensitization of targeting. The project will use an intermediate indicator to monitor the number of female recipient of cash transfer and recovery grant. To ensure that interventions under the new additional financing are reflective of greater participation of women in productive livelihood activities, the PIU will be monitoring closely the gender disaggregation of beneficiaries receiving the socio-economic recovery grant. The goal will be to ensure a representation of women headed households amongst beneficiaries. In addition, an intermediate indicator related to percentage of female beneficiaries who have successfully launched income generating activities has also been added.

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<sup>6</sup> The design and model of mother leaders are built on international experience with safety nets and accompanying measures. Madagascar SSN programs show that the mother leader model enhances women’s empowerment and decision-making responsibilities in the household, particularly related to investments in human capital of children (school attendance, healthcare, purchase of nutritious foods). Gender-based violence is also lower in households whose members include mother leaders elected by their communities. Conditional Cash Transfer programs in Latin America have been particularly successful when they have involved mothers intensively in their activities and have built the capacity of “lead mothers.”

<sup>7</sup> Comoros Household Budget Survey, 2013





**38. The Project will continue to contribute to the jobs agenda** by (i) increasing the access of the poor population living in the poorest communities to economic activities that promote resilience and medium-term productive asset building; (ii) improving job quality through technical training provided to household beneficiaries of SSN programs; (iii) providing short-term employment opportunities to the poorest citizens to reconstruct their lives while rehabilitating infrastructure affected by disaster.

**39. Citizen Engagement and consultations.** The Project has a strong system for citizen engagement and grievance redress mechanism (GRM), implemented during the first phase of the project and this will continue for AF2. The system supports a variety of social accountability mechanisms throughout the programs cycle such as a community score card (*Suivi-évaluation Communautaire et Audience Publique* or SECAP), as well as a grievance system to respond to beneficiaries' complaints and to ensure a high level of social accountability. The system ensures particularly community participation in the selection of beneficiaries; a grievance redress mechanism for safety net programs to respond to citizens' complaints and community monitoring of service provision.

**40. Private sector.** The Parent Project, as well as the AF1, has collaboration with service providers and banking services (payment agencies) and this will continue for AF2.

**41. Climate Change Co-Benefits (CCB).** The proposed additional financing contributes directly to supporting households to adapt to the effects of climate change mainly through recovery (indirectly from increased incidence of cyclones and subtropical storms affecting the islands) and impact of flooding on livelihood. AF2 climate change adaptation co-benefits will materialize through: (a) Recovery grant to help beneficiaries cope with impacts of climate change (climate-smart agriculture practices, livelihood diversification) and diversification of livelihoods to reduce dependence on climate related opportunities (50 percent of total grants); and (b) Community infrastructure (such as schools with climate-resilient design measures) will include adaption measures to better resist extreme weather as well as being able to serve as protective structures during extreme weather.

### III. KEY RISKS

**42. The overall risk for the proposed AF2 is rated as Moderate, as with the parent project.** The AF2 downgrades the risk ratings of the Parent Project for political and governance, sector strategy, technical design of Project, institutional capacity for implementation and sustainability given their moderate risks to the achievement of the PDO. Political and Governance risks will not directly affect the implementation of the project. Project PIU key staff is operational with relevant operational capacities and evaluated to be efficient and responsive to operational requirements.

**43. Macroeconomic risk is maintained as Substantial.** There are four main sources of macroeconomic risk facing GoC: (a) its dependency on external financing, both public and private; (b) possible impact of other bilateral and multilateral partners and financial institutions on debt sustainability (for example, through either non-concessional credit or erratic grant funding leading to unrealistic expectations); (c) a business environment unfavorable to the development of the private sector, depriving



the state of tax revenues for public services; (d) the quasi-bankrupt state of the energy utility (MA-MWE and EDA ), which is unable to provide regular power supply, affecting economic activity nationwide; and (e) its dependence on imports, with an export/import ratio under eight percent. The World Bank Group is mitigating these risks by working closely with the Government as well as other Development Partners to maximize efficiency, strengthen the regulatory environment required for private investment in sectors such as telecom, improve the commercial and financial performance of the state electricity utility, and help promote export sectors such as fisheries, as well as inform the Government and Development Partners on debt sustainability.

**44. The fiduciary risk remains Substantial.** The risk rating is Substantial due mainly to the risk related to the funds flow given the decentralization and the nature of activities to be financed, as well as to the requirements of the Procurement Regulations for IPF Borrowers which applies for the AF2 when the Parent Project was under the Procurement Guidelines; the risk is exacerbated by the emergency context. The risk will be mitigated through regular reporting on the progress and implementation of fiduciary activities by the PIU, World Bank supervision, hands-on support when required, and further capacity building. The World Bank will supervise the fiduciary aspects of the project intensively including through audits and technical assistance. Continued attention to building fiduciary capacity in implementation units will also help address this risk.

## IV. APPRAISAL SUMMARY

### A. Economic Analysis

**45. The Economic and Financial Analysis for this AF2 follows the proposed analysis of the AF1 given that the activities are expected to reach the same number of intended beneficiaries.** Specifically, the project is expected to affect livelihood of impacted beneficiaries through (a) asset (grant) transfers for income-generating activities and consumption smoothing; (b) strengthening their resilience to future shocks through transfer of productive assets; (c) building beneficiaries human capital and productive skills and promoting their empowerment through training, coaching, and mentoring; and (d) enhancing their access to basic social services through the rehabilitation of selected community-based infrastructure.

**46. For purpose of the analysis, the focus will be on the defined benefits reaching households. To that end, benefits are defined as the average increase in the annual earnings because of the recovery grant, and only expected increases in earnings will be included explicitly in the cost-benefit analysis presented below.**<sup>8</sup> Although these activities could reasonably be expected to generate other monetary benefits in the longer term (accumulation of assets and shift from casual wage labor to self-employment), human capital benefits, and socioeconomic benefits (such as women’s empowerment), a detailed economic and financial analysis was not carried out for the Parent Project to base additional analysis on for AF2 activities.

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<sup>8</sup> Models for these calculations were prepared and presented by Aissata Coulibaly, and Margaux Vinez, Social Protection and Poverty Global Practices, World Bank Group.



**47. Role of cash transfer in consumption smoothing has been solidified in the literature over the past 30 years. In particular, cash transfers are seen as the most effective household level interventions to address acute food insecurity (Bastagali et al. 2016 and Beegle et al. 2018, Mansur et al).** In addition to short run welfare gains, post-disaster social assistance can also have a strong impact on long-term growth through nutritional and productivity pathways (Dercon 2004<sup>9</sup> and Hill et al. 2019<sup>10</sup>). However, cash is only one of the constraints that households living in extreme poverty face and that limits their ability to generate income and to cope with shocks such as droughts, climatic shocks, or conflicts. Approaches have therefore been developed and tested to address those constraints more comprehensively to include a cash plus package of training and business support.

**48. International evidence suggests that integrated packages of livelihood interventions, in combination with standard cash transfer programs, can promote income-generating activities, and have a range of productive and sustainable impacts (Bandiera et al. 2017<sup>11</sup> and Banerjee et al. 2016).<sup>12</sup>** In addition, they can potentially contribute to building resilience (Macours et al. 2012).<sup>13</sup> Similar results are also found from a pool of countries (Bangladesh, Ethiopia, Ghana, India, and Pakistan) where the combination of increased assets and labor translated into 42 percent more revenue from livestock after two years and 33 percent after three years relative to the comparison group. In addition, households also invest in livestock business and land acquisition. The same facts have also been observed in Madagascar with the South social safety net program (named Fiavota), which provided cash and training to beneficiaries (Rakotomanana et al. 2019).<sup>14</sup> *Fiavota's* impact evaluation showed that the proportion of households starting family production units is 12 percent higher in the treatment group (leading to an increase in income more important by 11 percentage points) compared to the control group, only after one year of implementation. Evidence also shows that such programs are generally cost effective (with benefit/cost ratios ranging from 133 percent in Ghana to 410 percent in India), (for example, Banerjee et al. 2015).<sup>15</sup>

**49. AF2 sustains the same mode of intervention for community rehabilitation programs envisioned following hurricane Kenneth.** The project design follows international practices for productive inclusion or graduation projects found in the literature delivering to both (a) short-term consumption smoothing, and (b) building productive assets and livelihoods in communities (Burkina Faso, Chad, Mali, Mauritania, Niger, and Senegal). Using the additional financing, households will receive grants in three installments

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<sup>9</sup> Dercon, S., 2004. Growth and shocks: evidence from rural Ethiopia. *Journal of Development Economics* 74, 309–329. <https://doi.org/10.1016/j.jdeveco.2004.01.001>

<sup>10</sup> Hill, R., Skoufias, E., Maher, B., 2019. The Chronology of a Disaster: A review and Assessment of the Value of Acting Early on Household Welfare. The World Bank Group, Washington, D. C.

<sup>11</sup> Oriana Bandiera, Robin Burgess, Narayan Das, Selim Gulesci, Imran Rasul and Munshi Sulaiman, 2017. "Labor Markets and Poverty in Village Economies," *The Quarterly Journal of Economics*, Oxford University Press, vol. 132(2), pages 811-870. <https://doi.org/10.1093/qje/qjx003>

<sup>12</sup> Banerjee, Abhijit, Esther Duflo, Raghavendra Chattopadhyay and Jeremy Shapiro. 2016. "The Long-term Impacts of a "Graduation" Program: Evidence from West Bengal". MIT Cambridge USA. <https://economics.mit.edu/files/16588>.

<sup>13</sup> Macours, Karen, Patrick Premand, and Renos Vakis. 2012. *Transfers, Diversification and Household Risk Strategies: Experimental Evidence with Lessons for Climate Change Adaptation*. Policy Research Working Papers 6053. The World Bank. <https://doi.org/10.1596/1813-9450-6053>.

<sup>14</sup> Rakotomanana Faly, Zo Tahiana Randrianatoandro, Julia Rachel Ravelosoa. 2019. Results of Fiavota Program's Mid-Term Evaluation. (*Résultats de l'Évaluation À Mi-Parcours du Programme Fiavota*). World Bank

<sup>15</sup> Banerjee, Abhijit, Esther Duflo, Raghavendra Chattopadhyay and Jeremy Shapiro. 2016. "The Long-term Impacts of a "Graduation" Program: Evidence from West Bengal". MIT Cambridge USA. <https://economics.mit.edu/files/16588>



which will be complemented by a comprehensive package of training, coaching, and mentoring. The first disbursement of KMF 32,500 (US\$73.69) will be delivered to households after registration in the program and is larger than the monthly poverty line of KMF 25,431 (US\$57.66) per capita (World Bank 2019).<sup>16</sup> It will enable beneficiary households to cover their short-term consumption needs.<sup>17</sup> The amount of the grant (US\$700 to US\$750), corresponds to around 63 percent of average annual per capita consumption. These grants will remain slightly below other Government-led programs in the Sahel region where transfers represented around 70 percent of average annual per capita consumption.

**50. Across countries, the impact on earnings of productive grants in other countries is not constant over time and ranged from 12 percent before two years to eight percent after two years (Banerjee et al. 2015, Bandiera et al. 2017, and Rakotomanana et al. 2019).** Given data limitations, simple assumptions on the evolution of actual household earnings have been made. Data on average household income are drawn from the survey of employment, the informal sector, and household consumption in Comoros in 2014 (EESIC 2014).<sup>18</sup> The baseline considered is the average income in the informal sector given the high level of informality and unemployment in Comoros. As the latest available data on actual earnings is for 2014, beneficiary income has been projected until 2019 by using national GDP per capita growth rate (earnings and growth are in real term) between 2015 and 2019. This projection assumes that the real income of beneficiaries grew at a similar rate as the country’s GDP per capita.

**51. A sensitivity analysis is conducted using a discount rate of 15 percent and for income gains of five percent, ten percent, and 15 percent, or 12 percent per year during the first two years. An eight percent per year discount rate is supposed following the first two years.** This remains in line with the assumed discount rate when this component was envisioned and with common rates used for economic analysis of World Bank projects, a discount rate of six percent is used. The inflation rate is assumed to be two percent based on the country’s last macroeconomic outlook. The analysis led to the results presented in Table 2.<sup>19</sup>

**Table 2. Summary of Projected Costs and Benefits for a Discount Rate of 6 percent**

|  | Scenario I                                  | Scenario II | Scenario II | Scenario IV |
|--|---|-------------|-------------|-------------|
| <i>Incremental income gains from participation</i> | 12% per year ≤2 years; 8% per year >2 years | 5%          | 10%         | 15%         |
| Baseline earnings in US\$ (2019)                   | 1,055                                       | 1,055       | 1,055       | 1,055       |
| <i>Net present value (NPV) (US\$)</i>              | 105,037                                     | (4,922,604) | 2,154,792   | 9,232,188   |

<sup>16</sup> World Bank, 2019. Comoros - Towards a More United and Prosperous Union of Comoros: Systematic Country Diagnostic (No. 137110). The World Bank.

<sup>17</sup> Behavioral research suggests that poor people make suboptimal economic decisions unless their immediate consumption needs are met, see *Scarcity*: Sendhil Mullainathan et al. 2013 “Why Having Too Little Means So Much”.

<sup>18</sup> *Enquête sur l’Emploi, le Secteur Informel et la Consommation aux Comores*/Employment, Informal sector and household consumption survey in Comoros - 2014 (EESIC).

<sup>19</sup> Adapted by Moubarak, Amr. Based on Aissata Coulibaly, and Margaux Vinez, analysis conducted for the first additional financing (AF1). A summary of projected costs and benefits were developed for six percent discount rate and 15 percent at a baseline earnings of US\$ 1,055 equivalent (in 2019). Given that the same household survey is used for this economic analysis, the assumed baseline earnings remained unchanged. Results presented for selected DR of six percent.



| Discount rate (%)                 | 6    | 6    | 6    | 6    |
|-----------------------------------|------|------|------|------|
| Benefit-to-cost ratio             | 0.31 | 0.18 | 0.37 | 0.55 |
| Internal rate of return (IRR) (%) | 8.2  | 2.1  | 10.1 | 16.4 |

52. A sensitivity analysis was conducted to test various scenarios, for different discount rates and incremental income gains from the project. With a discount rate of six percent, the NPV is negative (negative US\$4,922) if earnings increase by five percent only, and the IRR is 2.1 percent. For all scenarios where earnings increase by more than five percent, the NPV is positive and the IRR ranges from ten percent to 16.4 percent. With a discount rate of 15 percent, the NPV is always negative and the IRR ranges from 2.1 percent if earnings increase by five percent to 16.4 percent if earnings increase by 15 percent. The results from the impact evaluation of the *Fiavota* project in Madagascar provide reassurance that such a project can increase income by around ten percent.

53. The project is also expected to generate longer-term benefits in terms of human development

**outcomes** such as changes in stunting and wasting, physical health, mental health, or women’s empowerment. In terms of human capital, Bandiera et al (forthcoming)<sup>20</sup> study the intergenerational impact of the graduation approach based on a long term follow up of treated and controlled households 11 years after treatment. They found that among children aged zero to five years at the start of the program, prevalence of stunting, wasting and underweight fell by six percentage points. A similar effect was observed only for wasting among children aged six to eleven years. Likewise, overall primary and

**Box 1. Evidence of Cash Transfer Plus Impact on Reducing Gender-Based Violence (GBV)**

**Cash transfers with accompanying measures have the potential to reduce GBV, even when GBV prevention is not explicitly addressed.** In a randomized control trial of a cash-plus program in Bangladesh, sustained reductions in IPV were achieved only when transfers were combined with complementary nutrition training sessions. The sessions designed to improve nutrition outcomes strengthened women’s social capital, leading to a reduction in IPV. It seems that there are a number of positive impacts associated with simply participating in group activities that contribute to the reduction of IPV: group activities can strengthen women’s support networks, increase their social status as ‘knowledge and skills bearers’ and in so doing, increase the social sanction or ‘cost’ of violence to men thus serving as a deterrent to IPV.

secondary school completion rates increased by seven percentage points and five percentage points respectively. Likewise, Bedoya et al (2019)<sup>21</sup> also find that graduation leads to six percentage point increase in school enrollment and five percentage point decrease in absenteeism in Afghanistan. In terms of political involvement and women’s empowerment, Banerjee et al. 2016 paper shows that graduation can have a positive effect on greater interactions with community leaders, improved attendance in community meetings and membership in political parties. For instance, one year after the program ended, 55 percent of treatment group households reported voting in the last election and 49 percent reported voicing concerns with their village leaders in the past year, compared respectively to 48 percent and 44

<sup>20</sup> These findings are based on discussions with the authors, the paper is not yet available online.

<sup>21</sup> Bedoya, Guadalupe, Aidan Coville, Johannes Haushofer, Mohammad Isaqzadeh, and Jeremy Shapiro. 2019. “No Household Left Behind: Afghanistan Targeting the Ultra Poor Impact Evaluation”. World Bank Policy Research Working Paper 8877.



percent in the comparison group. A meta-analysis by Bastagli et al. (2016)<sup>22</sup> also provides evidence of improvement in women's decision making power and lower physical and non-physical abuse by male partner with cash transfers. Nevertheless, there is a potential risk of increase of intimate/gender-based violence but in general these behaviors tend to decrease with cash transfers programs (Buller et al. 2018).<sup>23</sup> See Box 1.

**54. Rationale for emergency productive grant post-COVID-19.** As of January 27, 2021, Comoros has been spared of significant direct impact of the COVID-19 with 2,260 cases and 70 lives lost since the beginning of the pandemic. The recovery grant and livelihood services are expected to play a role in supporting the effects of the economic shutdown due to COVID-19 health and social distancing measures. To that end, the rationale for replenishment of investment aims to respond to the economic shock facing households with aim of protecting human capital and developing community assets.

**55. Rationale for public financing.** Activities proposed under AF2 are typically not provided by the private sector and thus justify the provision of these services by public financing. Safety net services are meant to provide the poorest population with some income support to stabilize their living conditions, which is especially important in a post-disaster context. This is expected to help them gradually become productive members of the society as they are able to accumulate assets which they can then use over time to improve their incomes. The World Bank is supporting similar programs worldwide and is thus able to provide a value added to the implementation of safety net and nutrition services based on international experience and global knowledge.

## B. Financial Management

**56. The Financial Management (FM) arrangement will be similar to those of the Parent Project and AF1, as applied by the project implementing agency, PIU within the Ministry of Health, Solidarity, Social Protection and Gender Promotion (MoHSSP).** An FM assessment was conducted to evaluate whether the PIU continues to meet the World Bank's minimum FM requirements in October 2020 and whether additional arrangements are required due to activities to be funded by the AF2. Based on the assessment, the overall financial management (FM) was assessed to be adequate for the implementation of AF2. The Parent Project is broadly in compliance with FM reporting requirements since its effectiveness and the FM performance is satisfactory. The overall risk rating is Substantial due mainly to the risk related to the funds flow given the decentralization and the nature of activities to be financed; the risk is exacerbated by the emergency context.

**57.** To mitigate these risks and further improve FM arrangements, the following mitigation measures will be implemented no later than three months after the additional financing agreement signature (see details in the annex 3): (i) updating of the Project Implementation Manual to consider the change implied

<sup>22</sup> Bastagli, F., J. Hagen-Zanker, L. Harman, V. Barca, G. Sturge, and T. Schmidt. 2016. Cash transfers: What does the evidence say? A rigorous review of programme impact and the role of design and implementation features. London: Overseas Development Institute. Additional resources on CCT Impact on GBV: Roy S, Hidrobo M, Hoddinott J, Koch B, Ahmed A. 2019. Can Transfers and Behavior Change Communication Reduce Intimate Partner Violence Four Years Post-program? Experimental Evidence from Bangladesh. IFPRI Discussion Paper 01869.

<sup>23</sup> Ana Maria Buller, Amber Peterman, Meghna Ranganathan, Alexandra Bleile, Melissa Hidrobo and Lori Heise . 2018 "A Mixed-Method Review of Cash Transfers and Intimate Partner Violence in Low- and Middle-Income Countries" World Bank Research Observer 2018 33:2, 218-258



by the additional activities relating to unconditional cash transfers (subcomponent 1.3); (ii) finalizing the recruitment of an internal auditor; and (iii) payment process will be strengthened by contracting qualified payment agencies with robust reporting arrangements to support cash transfers activities and increasing supervision mission by the Project over cash transfers activities.

58 These mitigation measures will strengthen the internal control environment and maintain the continuous timely and reliability of information produced by the PIU and adequate segregation of duties. Once implemented, the mitigation measures shall bring the **residual risk to Moderate**.

### C. Procurement

**59. The proposed AF would be supported by the same dedicated PIU, established within the MoHSSP.** The PIU is staffed with qualified experts and working with the Parent Project. A procurement assessment was undertaken on the MoHSSP and in conclusion, the risk is rated as Substantial, mainly due to the requirements of the Procurement Regulations for IPF Borrowers which applies for the AF2 when the Parent Project was under the Procurement Guidelines. The risk will be mitigated through regular reporting on the progress and implementation of fiduciary activities by the PIU, World Bank supervision and hands-on support when required, and further capacity building. Procurement under the proposed operation will be guided by the following documents: (a) the 'World Bank Procurement Regulations for IPF Borrowers' dated July 1, 2016, revised in November 2017 and August 2018 (Procurement Regulations) and (b) the World Bank's Anticorruption Guidelines 'Guidelines on Preventing and Combatting Fraud and Corruption', revised July 1, 2016. The administrative, financial, and procurement management manual have been drafted in accordance with these documents and detailed procedures for administration and handling of procurement-related complaints. As required by the procurement regulations, the Project Procurement Strategy for Development (PPSD) has been developed by the Borrower for Parent Project with a Procurement Plan covering the first 18 months of its implementation and have been finalized before negotiations, this PPSD was updated on December 23, 2020 to cover the COVID-19 response major procurement and new activities identified for the Parent Project.

**60. The project will continue to use the World Bank's online procurement planning and tracking tools to carry out all procurement transactions.** The Systematic Tracking of Exchanges in Procurement will be used for submission, clearance, and update of the Procurement Plan.

- (a) All goods and non-consulting services will be procured in accordance with the requirements set forth or referred to in Section VI of the Procurement Regulations.
- (b) Approved selection methods. Consulting services will be procured in accordance with the requirements set forth or referred to in Section VII of the Procurement Regulations.

**61. GoC has a procurement regulatory framework, but the national procurement procedures are not widely used for most of the ministries and the client has proposed the use of the World Bank's procedures and documents for this project.** The proposed project has no complex procurement that will challenge the borrower capacity. Procurement activities will be closely followed up by the World Bank team and dedicated consultants.



## D. Social (including Safeguards)

**62. Social assessment and project category.** The activities financed under the AF2 (Component 1. Establishing a Productive and Disaster Responsive Safety Net and Subcomponent 1.3: COVID-19 response) are expected to have limited social impacts as they consist of unconditional cash transfers designed to increase poor communities' access to safety net, nutrition, and community services. The proposed AF2 remains Category B, same as the Parent Project. The same two safeguard policies of the Parent Project are maintained triggered for the AF: OP 4.01 (Environmental Assessment) and OP 4.12 (Involuntary Resettlement).

**63. Working conditions, community worker mobilization and safety.** The project has experience in ensuring community worker safety mainly when implementing labor-intensive public works. The project is continuing efforts to ensure the security of workers. However, the project should continue to reinforce sensitization regarding the importance of work safety and the implementation of safeguard measures during the implementation of the project. Even if no case has been registered to date, the Project will also make sure to avoid child labor, and to pay attention to GBV. The rehabilitation of infrastructure or civil works related to Component 1 could be subject to the mobilization of external contractors, however based on the relatively small scale of the planned interventions, it is not expected that a large mobilization of workers will be necessary. Nevertheless, the ESMF of the project was developed to cover worker mobilization issues and health security and safety measures for workers.

**64. Sexual Exploitation and Abuse /Sexual Harassment (SEA/SH) risk mitigation.** The GBV risk for the project is assessed as moderate. Main SEA/SH risk factors induced by project activities are related to the mobilization of short-term workers close to local communities mainly during infrastructure rehabilitation and possible power imbalanced along cash transfer process (targeting beneficiaries, payment process...). The project has drafted a SEA/SH prevention and response action plan and started its implementation by (i) elaborating Codes Of Conduct and (ii) integrating GBV aspects in Environmental and Social (E&S) clauses for procurement process. Under AF2, the project will strengthen the implementation of this action plan.

**65. Citizen engagement.** The project will continue its support to citizen engagement and ensure that related mechanisms including: (a) two citizen engagement indicators, one related to GRM performance and one related to beneficiaries satisfaction; The first, as indicated will measure timely response to grievances filed. It will read, "Percentage of grievances received and resolved within 45 days". The second indicator will read, "Beneficiaries' feedback related to the project." The indicator will measure beneficiary satisfaction through surveys as well as participatory monitoring (SECAP). Baseline will be developed for both measures; (b) a third-party monitoring will be continued in combination with beneficiary feedback consultations, which will be conducted periodically to inform activities; and (c) the current AF2 will reinforce and implement the GRM data collection and citizen engagement approaches to strengthen project governance.

**66. Public consultation and information disclosure.** The AF2 will implement a communication strategy to share information related to the project by informing the public about the project's objectives, activities, expected impacts, and results. The strategy and tools will be tailored according to the targeted audiences (project beneficiaries, civil society organizations, private sector, academia, parliament, and





Government institutions involved in the social issues). The affected people and communities and other relevant stakeholders were consulted during the update of the safeguards document (ESMF/ Environmental and Social Management Plan [ESMP] and RPF/Resettlement Action Plan). The feedback from the consultations were incorporated into the project design and the final draft of these documents. Likewise, during AF2 implementation, the implementing agency is expected to consult project-affected groups, local governmental organizations, and NGOs on all environmental and social aspects of the project and take their views into account accordingly. Public consultations will be carried out as early as possible and all the relevant materials in the form and language(s) needed to be understandable and accessible to the groups being consulted will be provided on time before the consultation. The updated ESMF and RPF were received by the World Bank in October 2020 and the final versions of these documents were disclosed in-country on December 24, 2020 and on the World Bank's external web site on January 9, 2021.

**67. COVID-19 Specific Risk.** The project has been screened against COVID-19 specific risk considerations. Implementation of identified mitigation measures are recommended.

**68. All safeguard policies.** A satisfactory timetable, sufficient budget, and clear institutional responsibilities have been secured for the implementation of measures related to safeguard policies. Costs related to safeguard policy measures are included in the project cost.

#### E. Environment (including Safeguards)

**69. Environmental assessment and project category.** Most of activities financed under the AF2 (Component 1. Establishing a Productive and Disaster Responsive Safety Net and Subcomponent 1.2: Early Recovery Response to Natural Disasters) are expected to have limited or no environmental impacts. There could be negative environmental impacts arising from rehabilitation/reconstruction of small infrastructure financed under the AF2, however these are expected to be limited in scope and impact as they will focus on damaged small infrastructure in affected communities as a response to Cyclone Kenneth. The site-specific nature of the works will be manageable with good practices and the risk rating of the AF2 is consistent with the Parent Project. There are no potential large-scale, significant, and/or irreversible impacts associated with the original project or with the activities proposed for the AF2. The proposed AF2 remains Category B, the same as the Parent Project. According to the screening process outlined in the ESMF, an ESMP will be developed for site-specific works.

**70.** The capacity to implement safeguards policies has been strengthened during the implementation of the Parent Project, an environmental and social specialist has been hired at the national level as well as support staff on each island, and safeguards implementation has been consistently rated Satisfactory. The World Bank will continue to provide training and capacity building, especially to new staff, on environmental and social policies and implementation. Additionally, the GoC has issued guidance on COVID-19 response including for sector response, this is based on guidance from World Health Organization (WHO) and has guided the response of the PIU for this project. The project has developed an Emergency Response Manual, including measures to prevent and limit the spread of COVID-19 which generally adequate for the types of activities of the project, and consistent with the recommendations identified in "The World Bank Group [WBG] Response to COVID-19: Health and safety issues."

#### F. Other Safeguards Policies (if applicable)



71. No additional safeguards policies are triggered for this project.

**V. WORLD BANK GRIEVANCE REDRESS**

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

**VI. SUMMARY TABLE OF CHANGES**

|  | Changed | Not Changed |
|--|---------|-------------|
| Results Framework                            | ✓       |             |
| Components and Cost                          | ✓       |             |
| Loan Closing Date(s)                         | ✓       |             |
| Implementing Agency                          |         | ✓           |
| Project's Development Objectives             |         | ✓           |
| Cancellations Proposed                       |         | ✓           |
| Reallocation between Disbursement Categories |         | ✓           |
| Disbursements Arrangements                   |         | ✓           |
| Safeguard Policies Triggered                 |         | ✓           |
| EA category                                  |         | ✓           |
| Legal Covenants                              |         | ✓           |



|                            |  |   |
|----------------------------|--|---|
| Institutional Arrangements |  | ✓ |
| Financial Management       |  | ✓ |
| Procurement                |  | ✓ |
| Implementation Schedule    |  | ✓ |
| Other Change(s)            |  | ✓ |

**VII. DETAILED CHANGE(S)**

**COMPONENTS**

| Current Component Name  | Current Cost (US\$, millions) | Action    | Proposed Component Name   | Proposed Cost (US\$, millions) |
|---|-------------------------------|-----------|---|--------------------------------|
| Component 1: Establishing a Productive and Disaster Responsive Safety Net                     | 18.93                         | Revised   | Component 1: Establishing a Productive and Disaster Responsive Safety Net                 | 24.93                          |
| Component 2: Improving the Nutrition of Young Children and Mothers from Poor Communities      | 1.17                          | No Change | Component 2: Improving the Nutrition of Young Children and Mothers from Poor Communities  | 1.17                           |
| Component 3: Strengthening Safety Net Management, Coordination, and Monitoring and Evaluation | 3.90                          | Revised   | Component 3: Strengthening Safety Net Management, Coordination, Monitoring and Evaluation | 3.90                           |
| <b>TOTAL</b>  | <b>24.00</b>                  |           |   | <b>30.00</b>                   |

**LOAN CLOSING DATE(S)**

| Ln/Cr/Tf  | Status    | Original Closing | Current Closing(s) | Proposed Closing | Proposed Deadline for Withdrawal Applications |
|-----------|-----------|------------------|--------------------|------------------|---|
| IDA-D0320 | Effective | 30-Jun-2019      | 31-Dec-2022        | 30-Jun-2023      | 30-Oct-2023                                   |
| IDA-D5520 | Effective | 31-Dec-2022      | 31-Dec-2022        | 30-Jun-2023      | 30-Oct-2023                                   |



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

| Fiscal Year | Annual       | Cumulative   |
|-------------|--------------|--------------|
| 2015        | 7,050.00     | 7,050.00     |
| 2016        | 192,828.00   | 199,878.00   |
| 2017        | 276,558.00   | 476,436.00   |
| 2018        | 333,498.00   | 809,934.00   |
| 2019        | 484,956.00   | 1,294,890.00 |
| 2020        | 710,418.00   | 2,005,308.00 |
| 2021        | 999,558.00   | 3,004,866.00 |
| 2022        | 1,233,432.00 | 4,238,298.00 |
| 2023        | 1,386,270.00 | 5,624,568.00 |
| 2024        | 375,432.00   | 6,000,000.00 |

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

| Risk Category  | Latest ISR Rating | Current Rating |
|--|-------------------|----------------|
| Political and Governance                                     | ● Moderate        | ● Moderate     |
| Macroeconomic  | ● Moderate        | ● Substantial  |
| Sector Strategies and Policies                               | ● Moderate        | ● Moderate     |
| Technical Design of Project or Program                       | ● Moderate        | ● Moderate     |
| Institutional Capacity for Implementation and Sustainability | ● Moderate        | ● Moderate     |
| Fiduciary  | ● Substantial     | ● Substantial  |
| Environment and Social                                       | ● Moderate        | ● Moderate     |
| Stakeholders   | ● Moderate        | ● Moderate     |
| Other  | ● Moderate        | ● Moderate     |
| Overall  | ● Moderate        | ● Moderate     |



**LEGAL COVENANTS – Second Additional Financing for Social Safety Nets in Comoros (P174866)**

**Sections and Description**

The Recipient shall take all action required on its behalf to establish, not later than six (6) months after the Effective Date, and thereafter maintain and operate, a functional grievance redress mechanism for the Project, with adequate staffing and processes for registering grievances and acceptable to the Association, thereby ensuring the ongoing improvement on service delivery under the Project

**Conditions**



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Comoros

Second Additional Financing for Social Safety Nets in Comoros

Project Development Objective(s)

Increase poor communities' access to safety net, nutrition, and community services.

Project Development Objective Indicators by Objectives/ Outcomes

| Indicator Name  | PBC | Baseline | Intermediate Targets |           |           |           |           |            |            | End Target |
|---|-----|----------|----------------------|-----------|-----------|-----------|-----------|------------|------------|------------|
|   |     |          | 1                    | 2         | 3         | 4         | 5         | 6          | 7          |            |
| <b>Beneficiaries of Safety nets Programs</b>  |     |          |                      |           |           |           |           |            |            |            |
| Beneficiaries of Safety Nets programs (number) (CRI, Number)                          |     | 0.00     | 10,000.00            | 22,500.00 | 25,000.00 | 20,000.00 | 90,000.00 | 100,000.00 | 100,000.00 | 100,000.00 |
| Beneficiaries of Safety Nets programs - Female (number) (Number)                      |     | 0.00     | 1,000.00             | 2,250.00  | 2,500.00  | 2,000.00  |           |            |            | 2,000.00   |
| Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works |     | 0.00     | 2,000.00             | 4,500.00  | 5,000.00  | 4,000.00  |           |            |            | 4,000.00   |



| Indicator Name  | PBC | Baseline | Intermediate Targets |          |          |          |           |       |        | End Target |
|---|-----|----------|----------------------|----------|----------|----------|-----------|-------|--------|------------|
|   |     |          | 1                    | 2        | 3        | 4        | 5         | 6     | 7      |            |
| (number) (Number)   |     |          |                      |          |          |          |           |       |        |            |
| Number of poor communities that have access to safety net and nutrition services. (Number)                                      |     | 0.00     | 20.00                | 60.00    | 60.00    | 60.00    | 80.00     | 90.00 | 100.00 | 100.00     |
| Pregnant/lactating women, adolescent girls and/or children under age five-reached by basic nutrition services (number) (Number) |     | 0.00     | 2,000.00             | 9,600.00 | 9,600.00 | 9,600.00 |           |       |        | 9,600.00   |
| Children under the age of 24 months benefiting from improved infant and young child feeding (IYCF) practices (number) (Number)  |     | 0.00     | 560.00               | 2,800.00 | 2,800.00 | 2,800.00 |           |       |        | 2,800.00   |
| Beneficiary households receiving recovery grants (Number) (Number)  |     | 0.00     | 0.00                 | 0.00     | 0.00     | 8,000.00 | 10,000.00 |       |        | 10,000.00  |
| Beneficiaries Households receiving unconditional cash transfer (Number)   |     | 0.00     |                      |          |          |          |           |       |        | 10,000.00  |



**Intermediate Results Indicators by Components**

| Indicator Name  | PBC | Baseline | Intermediate Targets |            |            |            |          |          |       | End Target |
|---|-----|----------|----------------------|------------|------------|------------|----------|----------|-------|------------|
|   |     |          | 1                    | 2          | 3          | 4          | 5        | 6        | 7     |            |
| <b>Establishing a Productive and Disaster Responsive Safety Net</b>   |     |          |                      |            |            |            |          |          |       |            |
| Number of rehabilitated, reconstructed and constructed and functional infrastructure sub-projects (except schools, classrooms) (Number) |     | 0.00     | 0.00                 | 0.00       | 0.00       | 5.00       | 5.00     | 15.00    | 20.00 | 20.00      |
| <i>Action: This indicator has been Revised</i>  |     |          |                      |            |            |            |          |          |       |            |
| Number of person/days of employment created (Number)  |     | 0.00     | 90,000.00            | 330,000.00 | 570,000.00 | 600,000.00 |          |          |       | 600,000.00 |
| Number of households benefiting from post-disaster activities (Number)  |     | 0.00     | 0.00                 | 500.00     | 1,000.00   | 1,000.00   |          |          |       | 0.00       |
| Beneficiaries with recovery plan for their recovery grant for income-generating activities (Number)                                     |     | 0.00     | 0.00                 | 0.00       | 0.00       | 0.00       | 5,000.00 | 7,500.00 |       | 8,000.00   |
| Beneficiaries having launched income-generating activities with their recovery grant (Number)   |     | 0.00     | 0.00                 | 0.00       | 0.00       | 0.00       | 3,000.00 | 6,000.00 |       | 8,000.00   |





| Indicator Name   | PBC | Baseline | Intermediate Targets |          |          |          |       |        |        | End Target |
|--|-----|----------|----------------------|----------|----------|----------|-------|--------|--------|------------|
|  |     |          | 1                    | 2        | 3        | 4        | 5     | 6      | 7      |            |
| Share of Female beneficiaries having launched income-generating activities with their recovery grant (Percentage) (Percentage) |     | 0.00     | 0.00                 | 0.00     | 0.00     | 0.00     | 50.00 | 55.00  |        | 60.00      |
| <b>Action: This indicator has been Revised</b>   |     |          |                      |          |          |          |       |        |        |            |
| Number of rehabilitated classrooms (Number) (Number)   |     | 0.00     | 0.00                 | 0.00     | 0.00     | 0.00     | 0.00  | 30.00  | 60.00  | 80.00      |
| <b>Action: This indicator is New</b>   |     |          |                      |          |          |          |       |        |        |            |
| Number of elected and trained mother leader (Number)   |     | 0.00     | 0.00                 | 0.00     | 0.00     | 0.00     | 0.00  | 100.00 | 150.00 | 150.00     |
| <b>Action: This indicator is New</b>   |     |          |                      |          |          |          |       |        |        |            |
| Percentage of female main recipient social safety net program (Percentage)   |     | 0.00     | 0.00                 | 0.00     | 0.00     | 0.00     | 50.00 | 55.00  | 60.00  | 60.00      |
| <b>Action: This indicator is New</b>   |     |          |                      |          |          |          |       |        |        |            |
| <b>Improving the Nutrition of Young Children and Mothers from Poor</b>   |     |          |                      |          |          |          |       |        |        |            |
| Number of children under five years enrolled in the growth monitoring program (Number)   |     | 0.00     | 2,000.00             | 9,200.00 | 9,200.00 | 9,200.00 |       |        |        | 9,200.00   |



| Indicator Name  | PBC  | Baseline | Intermediate Targets |        |        |        |      |      |   | End Target |
|---|--|----------|----------------------|--------|--------|--------|------|------|---|------------|
|   |  |          | 1                    | 2      | 3      | 4      | 5    | 6    | 7 |            |
| Number of Community Health Workers trained to provide IYCF services (Number)  |  | 0.00     | 50.00                | 100.00 | 100.00 | 100.00 |      |      |   | 105.00     |
| <b>Strengthening Safety Net Management, Coordination, and Monitoring and</b>  |  |          |                      |        |        |        |      |      |   |            |
| Operational costs of the project (Percentage)   |  | 20.00    | 20.00                | 20.00  | 20.00  | 20.00  |      |      |   | 18.00      |
| Number of Operational Audits implemented (Number)   |  | 0.00     | 1.00                 |        | 1.00   | 1.00   | 2.00 |      |   | 3.00       |
| Percentage of beneficiary households of the Productive Safety Net activities registered in the PIU's MIS (Percentage) |  | 0.00     | 50.00                | 70.00  | 80.00  | 90.00  |      |      |   | 90.00      |
| Beneficiaries' feedback related to the project (Citizen engagement Indicator) (Number)                                |  | 0.00     | 0.00                 | 0.00   | 0.00   | 0.00   | 1.00 | 2.00 |   | 3.00       |
| Periodic report on the Grievance Redress Mechanism (Citizen Engagement Indicator) (Number)                            |  | 0.00     | 0.00                 | 0.00   | 0.00   | 0.00   | 2.00 | 2.00 |   | 4.00       |
| Percentage of grievances received and resolved within 45 days (Percentage)  |  | 0.00     | 50.00                | 75.00  | 90.00  |        |      |      |   | 90.00      |
| <b>Action: This indicator is</b>  | <b>Rationale:</b>  |          |                      |        |        |        |      |      |   |            |
| <b>New</b>  | <i>This citizens engagement indicator reflects the responsiveness of the project to any complaints on the safety net programs.</i> |          |                      |        |        |        |      |      |   |            |



| Indicator Name | PBC | Baseline | Intermediate Targets |   |   |   |   |   |   | End Target |
|----------------|-----|----------|----------------------|---|---|---|---|---|---|------------|
|                |     |          | 1                    | 2 | 3 | 4 | 5 | 6 | 7 |            |
|                |     |          |                      |   |   |   |   |   |   |            |

**Monitoring & Evaluation Plan: PDO Indicators**

| Indicator Name  | Definition/Description   | Frequency  | Datasource | Methodology for Data Collection | Responsibility for Data Collection |
|---|--|--|------------|---------------------------------|------------------------------------|
| Beneficiaries of Safety Nets programs (number)          | This indicator measures the number of individual beneficiaries covered by safety nets programs supported by the Bank. Safety nets programs intend to provide social assistance (kind or cash) to poor and vulnerable individuals or families, including those to help cope with consequences of economic or other shock. | Semesterly<br>. The estimated average household size of poor households in Comoros is 7. | PIU MIS    | Data Collection                 | PIU                                |
| Beneficiaries of Safety Nets programs - Female (number) | This indicator measures female participation in SSN programs. It has the same definition as the "Beneficiaries of Safety Nets programs" but applies only to female. This indicator will yield a  | Semesterly   | PIU        | Data collection                 | PIU                                |



|  |   |              |         |                 |         |
|--|---|--------------|---------|-----------------|---------|
|  | measure of coverage of SSN projects disaggregated by gender (in absolute numbers) |              |         |                 |         |
| Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number)                         |   | Semesterly   | PIU     | Data collection | PIU     |
| Number of poor communities that have access to safety net and nutrition services.                                      |   | Semesterly   | PIU MIS | Data collection | PIU     |
| Pregnant/lactating women, adolescent girls and/or children under age five-reached by basic nutrition services (number) |   | Bi-annually  | UNICEF  | Data collection | UNICEF  |
| Children under the age of 24 months benefiting from improved infant and young child feeding (IYCF) practices (number)  |   | Bi-annually  | UNICEF  | Data collection | UNICEF  |
| Beneficiary households receiving recovery grants (Number)  |   | Semestrially | MIS PIU | Data collection | PIU RSE |
| Beneficiaries Households receiving unconditional cash transfer   | Number of household beneficiaries of unconditional cash transfer                  | Semester     | MIS     | MIS             | PIU     |

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

| Indicator Name   | Definition/Description | Frequency  | Datasource                                       | Methodology for Data Collection | Responsibility for Data Collection |
|--|------------------------|------------|--|---------------------------------|------------------------------------|
| Number of rehabilitated, reconstructed and constructed and functional infrastructure sub-projects (except schools, classrooms) |                        | SEMESTERLY | Information Management System and project report | Data collection                 | PIU                                |



|   |  |             |  |                          |     |
|---|--|-------------|--|--------------------------|-----|
| Number of person/days of employment created   |  | Bi-annually | Information Management System and project report | Data collection          | PIU |
| Number of households benefiting from post-disaster activities   | Fortunately, Comoros has not faced any disasters in recent years, so the indicator remains at 0. this also influences the number of hours worked (see indicator above) which now captures the regular safety net beneficiaries, not the disaster response beneficiaries. | Bi-annually | Information Management System and project report | Data collection          | PIU |
| Beneficiaries with recovery plan for their recovery grant for income-generating activities                        |  | Semesterly  | PIU MIS  | Data collection          | PIU |
| Beneficiaries having launched income-generating activities with their recovery grant                              |  | SEMESTERLY  | PIU MIS  | Data collection          | PIU |
| Share of Female beneficiaries having launched income-generating activities with their recovery grant (Percentage) | Share of females beneficiaries - having launched income-generating activities with their recovery grant  | ANNUALY     | PIU MIS  | Data collection          | PIU |
| Number of rehabilitated classrooms (Number)   | Number of classrooms rehabilitated as per building standards that incorporate climate-resilient measures, e.g. cyclone-resilient design  | Semestrialy | MIS PIU  | Data collection - Report | PIU |



|   |  |             |                                       |                     |        |
|---|--|-------------|---------------------------------------|---------------------|--------|
|   | standards etc.   |             |                                       |                     |        |
| Number of elected and trained mother leader                                   | Number of elected mother-leaders, responsible for the delivery of accompanying measures, trained by the project on the different topics of accompanying measures including technical training to build resilience and adaptive capacities, certified by attestation. | Semestrial  | MIS -PIU                              | MIS data collection | PIU    |
| Percentage of female main recipient social safety net program                 | Percentage of female beneficiaries main recipient social safety net  |             |                                       |                     |        |
| Number of children under five years enrolled in the growth monitoring program | The actual numbers of this indicator are expected to float as the growth monitoring is not mandatory.  | Bi-annually | Component reports UNICEF              | Data collection     | UNICEF |
| Number of Community Health Workers trained to provide IYCF services           |  | Bi-annually | Component reports UNICEF              | Data collection     | UNICEF |
| Operational costs of the project  |  | SEMESTERLY  | PIU MIS                               | Progress report     | PIU    |
| Number of Operational Audits implemented                                      |  | Annually    | Operational Audit report (cumulative) | Audit               | PIU    |



|  |   |             |                      |   |                         |
|--|---|-------------|----------------------|---|-------------------------|
| Percentage of beneficiary households of the Productive Safety Net activities registered in the PIU's MIS |   | Bi-annually | PIU MIS              | Registration of beneficiaries                   | PIU                     |
| Beneficiaries' feedback related to the project (Citizen engagement Indicator)                            | This indicator measure the satisfaction of beneficiaries related to project activities and involmnet. Information could be captured by survey as well as participatory monitoring (SECAP). This is a Citizen Engagement Indicator | Bi-annual   | NGO report - PIU M&E | Survey - Participatory monitoring tools (SECAP) | NGO - PIU               |
| Periodic report on the Grievance Redress Mechanism (Citizen Engagement Indicator)                        | This indicator measure the ability of the project to manage and treat grievance related to the project. This is a Citizen Engagement Indicator  | Bi-annual   | PIU M&E              | Consolidated Report                             | PIU (M&E and Safeguard) |
| Percentage of grievances received and resolved within 45 days  | Percentage of Registered complaints that have been addressed by PIU within 45-days  | Semestrial  | MIS PIU              | Data collection - report                        | PIU                     |



## ANNEX 1: Country Program Adjustments to COVID-19<sup>24</sup>

**1. This annex summarizes adjustments made to the World Bank Group (WBG) country program in Comoros to mitigate economic and social impacts from the COVID-19 pandemic.** The WBG's response is in support of the Government's Contingency Plan to COVID-19 and request for support and applies the WBG COVID-19 crisis response framework.

### **A - Impact of the COVID-19 pandemic on the Country and Government response**

#### *Impact of the COVID-19 pandemic*

**2. Trajectory of COVID-19 in Comoros.** The COVID-19 pandemic was confirmed to have reached Comoros on April 30, 2020, and by May 4, 2020 the first death was announced. The first COVID-19 wave in Comoros was contained, with only seven deaths reported by the authorities at end-2020. Since January, the number of COVID-19 infections and deaths has risen sharply, likely due to the arrival of the virus strain first seen in South Africa. As of February 1, 2021, the number of active cases reached 879 (717 in Grande Comores, 153 in Anjouan and nine in Mohéli) and the authorities have reported 98 deaths. The total number of cases since the beginning of the pandemic to February 1, 2021 reached 2811, with 1834 people healed.

**3. Transmission channels to the economy.** The earlier expectation of a positive impact on economic activity from the reconstruction efforts after Cyclone Kenneth (April 2019) was offset by the COVID-19 crisis. Pre-COVID-19 growth forecast for 2020 was 4.4 percent, but instead the economy shrunk to an estimated of -0.5 percent. The pandemic is hurting Comoros' economic growth via two main channels. First, through the direct impact of the outbreak as it decreases temporarily labor supply and weakens economic activity due to social distancing. Second, through demand and supply effects related to external trade and the disruption of international travel. Contrary to what it was previously expected, remittances from the diaspora have proven to be resilient despite the slowdown of economic growth in Europe (France in particular).

**4. Impact on poverty and potential deepening of fragility.** Job destruction and decline in labor earnings are affecting those working in trade, tourism and transport, in a context characterized by already high levels of unemployment (especially among the youth) and informality. Further disruptions of service delivery could have adverse effects on health and education, particularly on the poor who already have limited access to basic services such as water, sanitation, and electricity. A large reduction in household incomes could increase the possibility of social unrest. This could play out in different ways across the islands, given the heavy reliance of communities in Grande Comores on remittances, and of communities in Anjouan and Mohéli on trade, particularly between the islands. Comoros has been exposed to risks stemming from the tense relations between the Union Government and the islands Governments. Even though these tensions have since gone down, especially after the 2019 elections (that gave President Azali a clear five-year term in office) the socioeconomic impacts and hardships of the health and economic crisis could feed into frustration, undermine an already fragile social cohesion, and fuel unrest. In light of the

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<sup>24</sup> February 4, 2021





spatial inequalities between the islands, a delayed or uneven response by the government, or particularly pronounced effects of the crisis on one island, could also increase the risk of frustrations tipping over into a renewed cycle of political instability and anger toward the central state.

**5. Short-term growth prospects.** In 2021, economic recovery is expected to be delayed to at least the second part of the year due to the tightening social distancing measures, following the new and stronger COVID-19 wave and the significant challenges to vaccine acquisition and distribution. In addition, the decision of the French government to close its borders prevents the Comorian diaspora from France to visit the country, which would decrease tourism receipts. Expansive fiscal policy and resilient remittances inflows would support growth (estimated at 0 percent for 2021).

**6. Financing Needs.** In 2020, most of the fiscal financing needs (resulting from increased public sector's expenditures to respond to the crisis and reduced revenues) was covered by official donors. Donors disbursements included the World Bank Comoros Emergency Development Policy Operations (DPO) (P174260) of US\$10.0 million, the US\$12.2 million under the International Monetary Fund (IMF) Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI), the African Development Bank (AfDB) emergency budget support of US\$10.3 million, and the budget support of US\$5.0 million from Saudi Arabia. For 2021, the authorities are expected to boost spending by 2.2 percent of GDP to contain the pandemic and its economic impact. This would be financed in part by the budget support received in late 2020 from most of the aforementioned official donors. Additional budget support may be needed if the sanitary situation continues to deteriorate. The fiscal deficit is expected at three percent of GDP for 2021.

**7.** Beyond financial assistance, the authorities have reaffirmed their interest in having the World Bank, IMF and other donors supporting their reform agenda, which includes the resumption of discussions on an IMF's Staff Monitored Program scheduled in February 2021 (discussions started in December 2019 but were interrupted due to the current uncertainties and practical challenges for engaging with the authorities).

**8. Debt sustainability.** The World Bank and IMF Debt Sustainability Analysis (DSA) update (April 2020), finds that Comoros' risk of external debt distress remains Moderate, with limited fiscal space to absorb shocks. As in the previous DSA (December 2019 Article IV), all debt and debt service indicators remain below their respective thresholds but exhibit an upward trend over the long run. Also, buffers to high-risk territory are now forecast to erode quicker compared to the pre-COVID-19 DSA because of weaker export growth, lower GDP growth and additional take-up of debt in the near term. However, because most of the crisis-related additional expenditure is expected to be financed by grants and concessional loans, the risk of debt distress remains unchanged.

**9. Debt Service Suspension Initiative (DSSI) and Sustainable Development Finance Policy (SDFP).** Comoros' participation in the DSSI helped to contain debt increases and avoid further external debt arrears build-up. The agreements with official creditors and IMF resulted in savings of about US\$2.0 million in 2020. The DSSI was extended to June 2021 with estimated savings for Comoros to reach US\$2.1 million. As an IDA country currently in moderate risk of debt distress, Comoros is subject to the SDFP, which foresees several Policy and Performance Actions (PPAs) that contribute to addressing critical debt vulnerabilities. The PPAs under the SDFP for this fiscal year (FY21) focus on debt sustainability by avoiding the increase of non-concessional debt, while improving the efficiency of public investments, and



strengthening debt transparency. The two PPAs are: PPA 1 contract no new non-concessional debt in FY2021; and PPA 2: publication of a semi-annual statistical bulletin on public and publicly guaranteed debt on the Central Bank of the Comoros (*Banque Centrale des Comores* – BCC) website. For PPA1, two statistical bulletins have been already published (in July and September 2020) and the next one is expected in February 2021. For PPA2, no new non-concessional loans have been signed in FY21.

### **Government response**

**10. The Government of Comoros has acted swiftly in response to the COVID-19 crisis to mitigate its economic and social impact. Box 1 provides the Government's response to support household and firms.** Most of the health and additional social expenditures were financed with donor's support. Custom measures have so far focused on simplifying custom clearance processes for medical and food products coming from international donors, and on decreasing costs for the trade of basic food and medical supplies. The Government is also providing financial support to cover staff salaries for State-owned Enterprises (SOE) that have been strongly impacted by the global health crisis (e.g. the SOE managing the airports). Micro, Small, and Medium Enterprises (MSME) were also given the possibility to benefit from tax deferrals. In addition, the BCC has adopted measures to address financial sector vulnerabilities accentuated by the pandemic. The BCC has already lowered the obligatory reserve requirements and has agreed with banks to extend loan maturities to borrowers in hard-hit sectors (suspending the possible increase in NPLs). The loan "grace period" will be granted exclusively to households and companies directly affected by the COVID-19 pandemic on a case-by-case basis, according to the eligibility criteria defined by the BCC and the Professional Association of Banks and Financial Institutions.

**11. The Government has established a National Coordination Committee to respond to COVID-19 to monitor the impact of the health crisis to and adjust policy response if necessary.** The Committee is supported by an economic sub-committee that counts with the participation of the BCC, the INSEED and the Ministry of Foreign Affairs. The Union of Chambers of Commerce (*Union des Chambres de Commerce des Comores* UCCIA), an independent association representing the private sector, has also created a committee to identify the difficulties encountered by private actors in the face of the pandemic and is producing briefing notes to the Government on the development of the economic situation. World Health Organization (WHO) is also member and supporter of the Committee in the scientific and management, communication and logistic sub-committees.

**12. In response to the rapid increase of new COVID-19 cases since the beginning of this year, the Government announced new measures to contain the second wave of the pandemic.** Measures include a curfew from 8pm to 5am, the closure of mosques, the prohibition of religious and cultural gatherings or festivities and the suspension of regular court hearings. Schools and universities have also closed until further notice and domestic commercial flights are limited to one flight per day from Grande Comores and three per week from Anjouan. All passages are required to hold a negative Polymerase Chain Reaction. Marine travel with Mayotte has also been suspended.

**13. The Government has also announced on January 13, 2021 a New Management and Coordination Framework to deal with this second and stronger COVID-19 wave.** The new organization is composed by two national bodies - the high Inter-ministerial Council and the Coordination Committee



– and Islands Units. The high Inter-ministerial Council, composed by the President of Comoros, Ministries, and other government representatives, is meeting once a week and is in charge of defining policy and mobilizing resources during the pandemic. The Coordination Committee, composed by The Ministry of Health and health sector specialists, will be charged of operationalize COVID-19 measures, strategic interventions, planification of the vaccination strategy, among others.

**Box A-1: Measures to support households and firms during the COVID-19 Crisis**

Central Bank’s measures:

- ✓ In coordination with the banking sector, the BCC advised banks to reschedule debt obligations and freeze banking fees for loans of companies and households impacted by the crisis (until end of August), decided on a case-by-case basis and without having impact in the Nonperforming Loans (NPL);
- ✓ Reserve rate for banks reduced from 15% to 10%.

Government’s measures:

- ✓ Gratuity of COVID-19 testing and associated medical treatment.
- ✓ Customs duties and taxes reduced (30% to 10%) for food products, essential medicines as well as hygiene products and materials that are not already subject to a preferential or reduced tax (until end of December);
- ✓ Simplified procedures to allow fast clearing for the import of food and health products;
- ✓ A tax deferral of three (3) months ending September 30, 2020 for large firms and 9 months ending December 31, 2020 for MSME.
- ✓ Envelope of CF100 million per month to public companies in the aviation sector (Com’Air Assistance, Anacm and ADC) to support the payment of salaries whose activity has been interrupted by the closure of the airports;
- ✓ Bonus for public workers working in the health sector and in other COVID-19 response activities;
- ✓ Establishment of a system of price controls for necessities supervised by the Ministry of the Economy to monitor price increases and prevent unjustified inflation;
- ✓ Prohibition on the National Company of Exploitation and Distribution of Water (SONEDE) and the National Company of Electricity of Comoros (SONELEC) to cut water and electricity to households.

**B - WBG support for responding to the crisis**

14. World Bank Group Country Program’s health response to COVID-19 is as follows:

- a) Contingent Emergency Response Component (CERC) of the Comprehensive Approach to Health System Strengthening (COMPASS) Project (US\$30M, P166013), expected to be activated end-July, to be replenished by AF of US\$5.0 million, as requested by Government.
- b) Restructuring of the E-government sub-component of Regional Communications Infrastructure Program to ensure basic government functioning through increased virtual connections.

15. In addition to supporting the health response, World Bank Group country program has been adjusted to focus on:

- (i) protecting the poor and vulnerable:

16. **Existing Social Safety Net Project** – the scope of the existing Additional Financing (US\$18.0



million, P171633), geared to bring economic recovery and resilience to the poorest families who were hit by the Cyclone Kenneth, will be widened to include the urban poorest households hit by COVID-19 economic impact or by quarantine/lockdown measures as requested by the Government. Unconditional cash transfers related to COVID-19 under this social safety net project are planned at US\$6.5 million. Restructuring of the project was carried out in June 2020 and the replenishment is scheduled for this FY21.

(ii) accelerating recovery and strengthening economic resilience:

17. **Emergency DPO of US\$10.0 million (P174260).** The World Bank-financed Emergency DPO contributed to support the Government’s immediate relief response to the social and economic impacts of the COVID-19 crisis, whilst increasing future resilience by supporting longer term structural measures. The program is organized around three pillars. The first pillar (“Protecting the Poor and Vulnerable”) aims to facilitate cross-border trade and reduce the price of medical supplies and essential food products and to enhance the coordination of safety net programs and rapid implementation of future interventions. The second pillar (“Ensuring Sustainable Business Growth and Job Creation”) seeks to support the economic recovery by granting tax deferrals to MSMEs and self-employed (e.g., lawyers, notaries and doctors) and facilitate mobile banking and mobile payments to incentivize financial development and inclusion. The third pillar (“Strengthening Policies, Institutions and Investments for Rebuilding Better”) includes measures to improve debt transparency and a first step in the restructuring process of a systemic bank.

18. In summary, this would imply additional financing of a total of US\$20 million, being US\$5.0 million for COVID Health Emergency; US\$10.0 million for Emergency DPO; US\$6.5 million as social safety net to poor households. In FY22 and FY23, the CPF will focus on the delivery of infrastructure; nutrition and women empowerment programs that will support the recovery efforts from COVID-19 and lay the foundation for Comoros to get back on its growth trajectory with the aim of building better a more resilient and inclusive economy.

**Table A-1. World Bank’s response to COVID-19**

| Themes                         | Phase: I Relief  | Amount      | Delivery   |
|--------------------------------|--|-------------|------------|
| <b>Portfolio Adjustment</b>    |  |             |            |
| Themes                         | Project name   | Amount      | Board date |
| <b>Program to be delivered</b> |  |             |            |
| 1. Health response             | Activation of the CERC/AF to COMPASS                               | 5.0         | Aug-20     |
| 2. Social response             | Restructuring and Reallocation of the AF Social Protection Project | 6.5         | June-20    |
| 3. Strengthening policies      | Emergency DPO  | 10.0        | Dec-20     |
|                                | <b>Total</b>   | <b>21.5</b> |            |

**C - Selectivity, complementarity, partnerships**

19. **Consultations and collaboration with the development partners (DPs) has been effective since the outbreak of the COVID-19 pandemic.** Through the Development Partners Forum (FPAD), the World Bank participate actively in the formulation of a coordinated response to COVID-19 among DPs. On the



budget support emergency measures, the proposed DPO operation has been coordinated with budget support programs from other DPs and consultations have been undertaken with the private sector for the identification of policy reforms. The World Bank had continuous discussions with the IMF Comoros country team and contributed to the preparation of the IMF 's emergency support (RCF/RFI US\$12.2 million, equivalent to 50 percent of quota). The AfDB approved budget support operation in November 2020. The policy recommendations underpinning the DPO operation's prior actions were discussed with key DPs, some policy reforms were also identified following several meetings with the private sector. A coordination effort was also initiated by the World Bank regarding the technical preparation of the unconditional cash transfer response to COVID-19. Finally, following the strong spread of the virus since the beginning of the year, the World Bank is coordinating with the IMF and other donors to provide additional budget support.



## ANNEX 2: Project allocation by component

(US\$ million)

| Component   | Initial Cost | Revised Cost After First Restructuring | Additional Financing #1 | Revised Cost | Revised Cost After Third Restructuring | Additional Financing #2 | Revised Cost |
|---|--------------|--|-------------------------|--------------|--|-------------------------|--------------|
| <b>Component 1:<br/>Establishing a Productive and Disaster Responsive Safety Net</b>                  | 4.00         | 3.43                                   | 15.00                   | 18.43        | 18.93                                  | 0.00                    | 24.93        |
| <i>Subcomponent 1.1:<br/>Establishing a Productive Safety Net</i>                                     | 3.20         | 3.43                                   | 0.00                    | 3.43         | 3.43                                   | 0.00                    | 3.43         |
| <i>Subcomponent 1.2:<br/>Ensuring an Early Recovery Response to Natural Disasters</i>                 | 0.80         | 0.00                                   | 15.00                   | 15.00        | 9.00                                   | 6.00                    | 15.00        |
| <i>Subcomponent 1.3:<br/>COVID-19 Response</i>  |              |  |                         |              | 6.5                                    | 0.00                    | 6.5          |
| <b>Component 2:<br/>Improving the Nutrition of Young Children and Mothers from Poor Communities</b>   | 1.00         | 1.17                                   | 0.00                    | 1.17         | 1.17                                   | 0.00                    | 1.17         |
| <b>Component 3:<br/>Strengthening Safety Net Management, Coordination, Monitoring and Evaluation.</b> | 1.00         | 1.40                                   | 3.00                    | 4.40         | 3.90                                   | 0.00                    | 3.90         |
| <b>Total Project Cost</b>   | 6.00         | 6.00                                   | 18.00                   | 24.00        | 24.00                                  | 6.00                    | 30.00        |



### ANNEX 3: Financial Management Arrangements

- 1. The Financial Management (FM) assessment of the PIU within MoHSSP was carried out in October 2020** in accordance with Bank Directive and Policy for IPFs issued on September 30, 2018, and the World Bank Guidance on FM in World Bank IPF Operations issued on February 10, 2017. The assessment objective was to confirm whether the FM arrangements in place are acceptable. The assessment considered the degree to which: (a) reasonable records are maintained and financial reports produced and disseminated for decision-making, management and reporting; (b) funds are available to finance the Project; (c) there are reasonable controls over Project funds; and (d) adequate audit arrangements are in place.
- 2. The FM arrangements already in place are compliant with the FM Manual for the World Bank-financed Investment Operations dated February 10, 2017 and are deemed adequate for the implementation of this AF2.** The Parent Project is broadly in compliance with FM reporting requirements since its effectiveness and the FM performance is satisfactory. The overall risk rating is Substantial due mainly to the risk related to the funds flow given the decentralization and the nature of activities to be financed; the risk is exacerbated by the emergency context. The proposed mitigating measures shall bring the risk level to Moderate.
- 3. The ongoing budgeting and accounting as well as the Project Implementation Manual (PIM) of the Parent Project will apply to the AF2.** However, additional arrangements will be put in place. Specifically, the PIM will be revised to include comprehensive guidance on use of funds under the component 1.3 COVID-19's response, mainly the unconditional cash transfer. The procedures will consider the reinforcement over the payment process, from the selection of the payment agency, the validation of the beneficiaries list, to the supervision by the Project over the payments and the reporting from payment agencies. The project will use the existing accounting software to record the AF2 transactions.
- 4. Internal audit.** The current internal control is broadly adequate and effective under the AF1. Given the growing social benefits activities particularly and the risk related to the emergency context, the Internal auditor (IA) will continuously ensure the effectiveness and efficiency of the governance, risk management and control over the project's activities.
5. The position of Internal Audit is vacant since 2019 and the Project faced challenges in filling this position due to limited capacity in the country. The World Bank recommended to recruit an international firm to conduct internal audit of several projects in the country portfolio, including the SSN project. The recruitment of the IA is ongoing at the time of this assessment and should be finalized no later than three months after the AF2 effectiveness. The processing has been slow but was resolved by the negotiations. A risk-based audit program will be developed. During the project implementation, the Internal Auditor will undertake at least one review per semester. The IA will prepare after each audit a report for the coordination and will share with the World Bank.
- 6. Financial reporting.** Under the Parent Project and the AF1, the PIU provides timely and acceptable reporting. Considering the AF2, the PIU will prepare consolidated quarterly un-audited interim financial report (IFRs) for the whole project. The IFR format used for the Parent Project will apply. These IFRs will



be submitted to the World Bank within 45 days after the end of the quarter to which they relate. The annual financial statements will be prepared using international accounting standards. At the end of each fiscal year, the project will prepare annual financial statements which will be subject to an external audit.

**7. Staffing.** The PIU will be temporarily assisted by the already recruited external consultants during the implementation of the Subcomponent 1.3. No additional permanent staff will be required for the AF2 implementation.

**8. Flow of Funds and disbursement arrangements.** The existing Designated Account (DA) opened at the Central Bank of Comoros and used for the AF1 will receive proceeds of the AF2. The PIU will continue to use report-based disbursements.

**9. External Audit.** The audit opinion related to the Parent Project is unqualified for the FY18 and the report related to FY19 is expected by December 2020 (the report was received on December 31, 2020). The external auditor raised internal control issues for which the PIU implemented timely and appropriate corrective actions. The consolidated financial statements of the whole project will be audited annually. The audit report will be submitted to the World Bank no later than six months after the end of each financial year. The Project will comply with the World Bank disclosure policy on audit reports.

**10. Fraud and corruption.** The PIM that will apply to the AF2, has been developed considering the Bank directives and guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016).

**11. Supervision plan:** Based on the current overall FM risk, the project will be supervised twice a year. In addition to field visits, supervision will include routine desk-based reviews and FM regular meeting, to ensure that Project’s FM arrangements operate as intended and that funds are used efficiently for the intended purposes.

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

| Risk  | Risk Rating | Risk Mitigating Measures Incorporated into Project Design  | Conditions for Effectiveness (Y/N) | Residual Risk |
|---|-------------|--|------------------------------------|---------------|
| <b>Inherent risk</b>  | H           |  |                                    | S             |
| <b>Country level:</b><br>The MoHSSP system mirrors the Central level PFM system and its weaknesses resulting in the risk of lack of transparency and accountability in the use of public funds. | H           | Comoros PFM systems remain weak. The Government of Comoros is committed to implement further reforms of the country’s PFMs (with support from the development partners). | N                                  | H             |
| <b>Entity level:</b> Financial  | S           | The PIU will maintain the  | N                                  | S             |





| Risk  | Risk Rating | Risk Mitigating Measures Incorporated into Project Design  | Conditions for Effectiveness (Y/N) | Residual Risk |
|---|-------------|--|------------------------------------|---------------|
| management requirements not met, weak financial management capacity   |             | <p>qualified staff recruited at the central and regional levels for the implementation of this project.</p> <p>The PIU has recruited temporary consultants to support the implementation of the Subcomponent 1.3.</p>  |                                    |               |
| <b>Project level:</b> The resources of the project may have distracted due to weak control environment                      | S           | <p>The PIU will comply with the internal control processes as set out in the PIM. The PIM will be updated to consider reinforcement of control over the payment process relating to the Subcomponent 1.3.</p> <p>The internal audit unit will also continuously review the adequacy of internal controls and make improvement recommendations.</p> | N                                  | S             |
| <b>Control Risk</b>   |             |  |                                    |               |
| <b>Budgeting:</b> Weak budgetary execution and control leading to budgetary overruns or inappropriate use of project funds. | S           | <p>The PIM spells out the budgeting and budgetary control arrangements to ensure appropriate budgetary oversight.</p> <p>The budget follow-up will be documented in the quarterly IFR.</p>   | N                                  | M             |
| <b>Accounting:</b> Reliable and accurate information not provided to inform management decision                             | S           | <p>The PIU will maintain qualified FM staff to ensure appropriate performance of the accounting and financial management functions.</p> <p>The AF activities will be recorded with the existing accounting software.</p>   | N                                  | M             |



| Risk   | Risk Rating | Risk Mitigating Measures Incorporated into Project Design  | Conditions for Effectiveness (Y/N) | Residual Risk |
|--|-------------|--|------------------------------------|---------------|
|  |             | The financial reporting processes will be facilitated by the use of accounting software.   |                                    |               |
| <p><b>Internal Control:</b> Business process, role and responsibilities within the project is not clear leaving to ineffective of control.</p> <p>Loss of assets due to low control over regions</p>   | S           | <p>The PIM develops all the key internal control processes pertaining to the various project activities.</p> <p>The PIM will be updated to consider reinforcement of control over the payment process relating to the Subcomponent 1.3.</p> <p>The PIM clarifies assets safeguard measures and inventory process.</p> <p>Internal control risks at regional level will be mitigated as part of the internal audit engagements.</p> | N                                  | M             |
| <p><b>Funds Flow:</b> Risk of misuse and inefficient use of funds; Inappropriate Funds arrangements may lead to non-financing of the project activities.</p> <p>Errors or frauds in cash transfers</p> <p>Delay in the financial reporting by the payment agency accruing undocumented debtors balances.</p> | S           | <p>The process leading to payment is well described in the PIM and monitored to mitigate the risk of the use of funds for unintended purposes.</p> <p>The PIU is recruiting qualified payment agencies as per TOR agreed with the Bank to perform the unconditional cash transfer as COVID-19 response. The PIU will reinforce control over such transfers through robust reporting arrangements with the payment agencies.</p>    | N                                  | M             |



| Risk  | Risk Rating | Risk Mitigating Measures Incorporated into Project Design  | Conditions for Effectiveness (Y/N) | Residual Risk |
|---|-------------|--|------------------------------------|---------------|
|   |             | <p>The PIU team will reinforce payment process related to unconditional cash transfers (Subcomponent 1.3) and increase supervision.</p> <p>Internal control risks at regional level will be covered in the internal audit plan.</p>  |                                    |               |
| <p><b>Financial Reporting:</b> The project may not be able to produce the financial reports required in a timely manner as required for project monitoring and management</p> | S           | <p>The PIU will maintain qualified FM staff at national and regional levels.</p> <p>The PIU will timely record the project transactions including the AF2, using the existing accounting software.</p> <p>The accounting software will enable the efficient and timely generation of financial information.</p>  | N                                  | M             |
| <p><b>Auditing:</b><br/>Delays in submission of audit reports.<br/>Poor quality of audit report</p>   | S           | <p>The auditor will be recruited early.</p> <p>The computerized accounting software will lead to timely generation of IFRs and financial statements.</p> <p>The GoC does not have a professional accountancy body recognized by IFAC<sup>25</sup>. Hence, the external auditor recruitment will be opened at international level and only qualified external auditors will be short-listed</p> | N                                  | M             |
| <p><b>Governance and Accountability:</b> Possibility of corrupt practices including</p>   | S           | <p>Robust FM arrangements, Bank FM and procurement are considered for the implementation of this</p>   | N                                  | S             |

<sup>25</sup> IFAC – International Federation of Accountants



| Risk   | Risk Rating | Risk Mitigating Measures Incorporated into Project Design | Conditions for Effectiveness (Y/N) | Residual Risk |
|--|-------------|---|------------------------------------|---------------|
| bribes, abuse of administrative & political positions, mis-procurement and misuse of funds etc., are a critical issue. |             | project. Effective internal control arrangements.         |                                    |               |
| <b>Overall FM risk</b>   | S           |   |                                    | M             |

**Financial Management Action Plan**

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

| Remedial action recommended  | Responsible Entity | Completion date  | Effectiveness Conditions |
|--|--------------------|--|--------------------------|
| Update the PIM to consider reinforced control over the payment process relating to the Component 1.3 – Unconditional cash transfer COVID-19 (selection of beneficiaries, flow of funds, controls). | PIU                | Before the AF2 negotiations (approved on January 28, 2021)                     | No                       |
| Finalize the recruitment of a qualified internal auditor   | PIU                | No later than 3 months after the effectiveness (Completed on January 19, 2021) | No                       |
| Recruit qualified payment agencies for cash transfers activities and set out robust reporting arrangements   | PIU                | No later than 3 months after the effectiveness                                 | No                       |
| Increase supervision mission particularly regarding the unconditional cash transfers under the subcomponent 1.3  | PIU                | From the first disbursement  | No                       |