Report Number : ICRR0021079

1. Project Data

Country
Comoros

Practice Area(Lead)
Macroeconomics, Trade and Investment

Programmatic DPL
Planned Operations: 2

Approved Operations: 2

Operation ID
P131688

Operation Name
KM - Economic Governance Reform Grant

L/C/TF Number(s)
IDA-H9370

Closing Date (Original)
30-Dec-2014

Total Financing (USD)
3,800,000.00

Bank Approval Date
29-Apr-2014

Closing Date (Actual)
30-Dec-2014

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	3,800,000.00	0.00
Revised Commitment	3,800,000.00	0.00
Actual	3,853,883.49	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID
P150924

Operation Name
KM Second Economic Governance Reform DPO (P150924)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-D0830,IDA-H9370	31-Dec-2016	3,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
02-Jun-2015	31-Dec-2016	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	3,000,000.00	0.00
Revised Commitment	2,997,297.61	0.00
Actual	3,091,824.32	0.00

2. Program Objectives and Policy Areas

a. Objectives

The Program Document (PD) for the first Development Policy Operation (DPO1) articulated the program objective as follows (p. iii): (i) improve economic management and transparency, and (ii) enhance competition and improve performance in key infrastructure sectors (information and communications technology (ICT) and electricity). The PD for DPO2 articulated objectives slightly differently, removing the reference to competition: "to strengthen economic management, promote transparency, and enhance performance in the electricity and ICT sectors." This assessment uses the latter definition and unpacks it into the following four sub-objectives:
Objective 1: Strengthen economic management;
Objective 2: Promote transparency;
Objective 3: Enhance performance in the electricity sector; and
Objective 4: Enhance performance in the ICT sector.

b. Pillars/Policy Areas

The Program supported policies under three pillars as follows (**bolded policies** were added to the program under DPO2):

Pillar I: Economic management

a. Treasury and cash management: This area covered operationalization of the new treasury arrangements that consolidated government accounting and treasury functions, identification of off-budget accounts, and agreement between the Ministry of Finance and the Central Bank on the functioning of a Treasury Single Account (TSA).

b. **Wage bill management (added under DPO2). This area covered integration of wages and biometric IDs in the computerized wage management system.**

c. Budget comprehensiveness: This area covered changes in budget presentation (envelopes per ministry, uniform budget and budget execution formats, and data on revenues, own and external) and consolidation of

the externally funded e investment into the budget,
d. Debt Management: This area covered inclusion of debt analysis in budget law and submission of bill to upgrade the debt management framework to international standards.
e. Statistical development (**moved from Pillar II**). This area covers the operationalization of the National Statistical Council, created to coordinate statistics production and transform the government's statistical directorate into an autonomous agency; adoption of 1993 System of National Accounts, **preparation of a five year action plan for the production of national accounts; and completion of data collection for updating the 2011-2013 accounts**.
Pillar II: Transparency in economic Management
a. Fight against corruption: This area covered publication of list of public officials who filed their required asset declaration, and **enactment** of law that strengthens the Anti-corruption Commission's powers to investigate corruption and extend its statute of limitation.
b. Management of fishery resource: This area covered a legal mandate to disclose fishing agreements and license information and include financial information and their earmarked use in the public budget
Pillar III: Competition and management in key infrastructure sectors
a. ICT sector: This area covered submission to the National Assembly of a bill setting out the framework for market liberalization of the ICT sector and launching of competitive bidding for a second full service ICT license.
b. Electricity sector: This area covered adoption of a recovery and development plan for the power utility.

c. Comments on Program Cost, Financing, and Dates

The DPOs were approved by the Board on April 29, 2014 (DPO1, with an IDA grant in the amount of US$3.8 million equivalent) and June 2, 2015 (DPO 2, with an IDA grant in the amount of US$3.0 million equivalent), The DPOs were declared effective on May 16, 2014 (DPO1) and June 16, 2015 (DPO2). They disbursed on May 29, 2014 (DPO1) and June 26, 2015 (DPO2); and closed, as scheduled, on December 30, 2014 (DPO1) and December 31, 2016 (DPO2).

3. Relevance of Objectives & Design

a. Relevance of Objectives

Objectives addressed well-identified development constraints. These included fragmentation of treasury and cash management, opaqueness of the budget, weaknesses in nearly all areas of debt management (in an environment of high risk of debt distress), weak anti-corruption institutions, poor management of Comoros's rich fisheries resources, inadequate statistics, low access to telecom services, and energy rationing. Objectives were aligned with two areas in the six pillars of Comoros's 2009 Poverty Reduction and Growth Strategy Paper, still in force at the time of program closure: i) institution building and a broader role for the private sector to strengthen key sectors; and ii) governance. Objectives were also aligned with the World Bank Group's 2014-17 Country Partnership (the latest available), which included public financial management, civil service reform, statistical capacity building, strengthened infrastructure, and increased employment and income from fisheries among its nine pillars. The limited ambitiousness of objectives, as reflected in the intended outcomes, was aligned with Comoros's capacity constraints.

Rating
High

b. Relevance of Design

Reforms could be expected to contribute to outcomes in most areas, although links to results were stronger in some than in others. For example, on ICT, a market liberalization framework and competitive bidding are standard actions to encourage investments by telecom operators. However, in some areas (e.g., anticorruption), results were subject to high risk or likely to depend materially on government capacity building that the program did not cover, although some support was provided by other IDA projects (e.g., an FY14 Governance and Anti-corruption Technical Assistance) and other external partners (notably the African Development Bank). In one area (budget comprehensiveness), the results chain was not meaningful, for the outcome (Section 4) were equivalent to the reform (Section 2). More fundamentally, neither the Program Documents nor the ICR articulates why the selected prior actions were more critical than others for achieving outcomes and objectives. For example, it is unclear that prior actions on debt management (reporting and legislation), while necessary, were the most critical or sufficient to achieve standard debt management objectives (sustainability and cost).

In 2013, before DPO1 was approved, Comoros had successfully concluded its 2009-13 Extended Credit Facility program with the International Monetary Fund (IMF). Nevertheless, the PD for DPO1 noted a deterioration of the external position in 2013 and the IMF (Article. IV Consultation, February 2015) noted that Comoros's macroeconomic framework in 2014 was marked by budget difficulties due to increased wages and in-budgeted expenditures and a high risk of debt distress (downgraded to moderate in 2015). These factors constrained investment and social spending. Monetary policy was effectively anchored by the peg of the Comorian Franc to the Euro. Growth remained constrained by Comoros's small size and geographic isolation, its internal fragmentation across its three islands, narrow resource base and small domestic market, and weak international connectivity.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Objective 1: Strengthen economic management.

Rationale
Expected results toward this objective covered coordination of treasury and cash management, stronger wage management, improved budget comprehensiveness, improved debt management, and a stronger statistical system. Results in these areas were measured in the ICR by seven targets . On **treasury and cash management**, consolidation of accounting and treasury functions (Section 2.b) helped achieve the target to integrate Union/Islands cash management plans into budget laws, albeit only in 2017, after the target date of 2016. Identification of off-budget accounts and a Finance Ministry/Central Bank agreement on a Treasury Single Account (TSA), helped to reduce the number of accounts outside the TSA from 64 in 2013 to zero in 2016, surpassing the target of 10. On **wage management**, achievement of the intended target (integration of the separate union and island civil service wage management systems into a consolidated and computerized system) improved upon the prior action of integrating the Union's civil service roster in the computerized wage management system by establishing a system that consolidates both the union and island civil service in one system, with 95 percent of civil servants paid through the automated payroll system. On **budget comprehensiveness**, the intended target (A Public budget that includes detailed information on investment and recurrent expenditures adopted) is equivalent to the reform actions. On **debt management**, inclusion of debt analyses in budget laws and a debt management framework reflecting international standards could achieve the outcome of improving "Transparency and accountability of debt management". The two targets in this area (production of annual debt reports and all new operations conducted in line with the law) were met. However, these do not measure transparency, accountability, or management. An alternative indicator, the Country Policy and Institutional Assessment's (CPIA's) increased rating on debt policy, increased from 2.5 in 2014 to 3.0 in 2015 and 2016, suggesting some improvement in debt management, although the ICR notes a number of shortfalls on reporting, dissemination, and management, including accumulation of arrears. On the **statistical system**, reform of statistics institutions and planning of national accounts and data collection contributed to the intended target to produce the 2013 accounts. The ICR reports that, in 2017, the government delivered national accounts through 2015 (and preliminary 2016 accounts), although these still had not been published (http://www.cref-comores.gouv.km/v1/index.php/publications-cref/statistiques) at the time the DPO closed. Later, as of April 2018, the 2017 accounts had been publicly disclosed.

In sum, most outcome targets were met, although one target was was equivalent to the reform action (budget comprehensiveness).

Rating
Substantial

Objective 2

Objective
Objective 2: Promote transparency.

Rationale

Expected results toward this objective covered anticorruption efforts and enhanced transparency in the management of fisheries resources. **Anticorruption efforts** did not succeed, due to the dissolution of the Anti-corruption Commission, leaving Comoros without a system to combat corruption. The number of cases brought to court, the only indicator/outcome target for anticorruption efforts, did not make any progress from the 2013 baseline (15) towards the 2016 target (20). Comoros's corruption perceptions index (Transparency International) declined from 28/100 in 2012 to 24/100 in 2016 and indicated a deterioration. On **fisheries management transparency**, the only target was "Access to information on revenue and its use regularly documented and disclosed (2016)." In this regard, the ICR reports that "the target of having the information available to the public through the Economic and Financial Reform Unit (French acronym CREF) website and updated it at least once a year" was met. However, as of April 2018, the website URL indicated in the ICR (http://www.cref- comores.org/pubs/Protocoles/) could be reached, a different URL (http://www.cref-comores.gouv.km/v1/index.php/publications-cref/accords-de-peche) reports information only through 2014, and the ICR reports that the government has not published the information in newspapers since December 2016. Accordingly, there was little progress towards the indicated target.

Rating

Modest

Objective 3

Objective

Objective 3: Enhance performance in the electricity sector.

Rationale

The only target related to this objective – improved performance of the electricity sector - was to increase bill collection rates from a 2013 baseline of 55 percent in 2013 to 65 percent in 2016. It was exceeded at 79 percent in 2016. The recovery and development plan for the electric utility set performance targets on management that may have contributed to this achievement. Again the partiality of outcome targets is noteworthy. While increased bill collection rates are important elements in strengthening sector performance, there are also many other factors that could have been taken into account, such as increasing reliable access and reduction in technical and commercial losses. The extent to which these areas were covered by other Bank operations or through support from other external partners could usefully have been outlined in the ICR.

Rating

Modest

Objective 4

Objective

Objective 4: Enhance performance in the ICT sector.

Rationale

The Performance was expected to be enhanced through increased competition in the ICT sector. The outcome targets were to have at least two telecom operators in the market, and a reduction in the monthly price of one gigabyte (GB) of mobile data from a baseline of US$24 equivalent to US$18 equivalent by 2016. Although the opening of the market to a private operator was "quite complicated and delayed" (ICR. p. x), the related target was achieved. A private operator (Telma Comores) was added in 2016, thereby introducing competition to the existing state-owned utility. The price reduction target was also met. The new operator charged a monthly price of US$12 equivalent, below the state-owned operator's US$12.55 equivalent. The liberalization framework and the competitive bidding for a second license contributed to the achievement of these targets. Access to telecom services also improved (e.g., internet subscribers increased from less than 1 percent in 2011 to 32 percent in 2017).

Rating

Substantial

5. Outcome

Objectives were well matched to country conditions, particularly to development constraints on public financial management, transparency, telecommunications, and power. Reforms had stronger links to objectives in some areas (e.g., treasury and wage management) than in others (e.g., budget comprehensiveness, anti-corruption, and the electricity sector). Achievement of objectives was strong in the ICT sector and in the areas of treasury, cash and wage management, and statistics, but weak on anticorruption, fisheries governance, and the electricity sector. Overall, the efficacy of two out of four objectives is rated modest.

a. Outcome Rating

Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

Political factors, external shocks, debt distress, and capacity risks may derail implementation of some reforms, though these risks vary across reform areas. Risks on telecom achievements are low, with a market liberalization framework and second private operator already in place. In other areas, risks are substantial or high. For example, the risk is high that no outcome will be achieved on anticorruption in the near to medium term, as the likelihood of effective actions related to this issue is low; and risks are substantial that remaining capacity constraints will impede further progress on debt management transparency.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

The program's strategic approach was sound in identifying objectives that addressed significant development constraints, but less so in articulating reforms and prior actions (see Section 3b above) with sufficient traction to achieve objectives (anti-corruption). The macroeconomic framework was adequate, albeit with risks of excessive expenditures and debt distress. Potential social and poverty reduction impacts were uncertain (on energy) or only distantly related to project reforms (cash management, fisheries). Potential environmental benefits (from fisheries reform) were also somewhat removed from the reforms supported. The program's focus on governance and economic management objectives was appropriate, given Comoros's policy and institutional gaps. Planned implementation and M&E arrangements were adequate, with the government's Economic and Financial Reform Unit (CREF), in charge of monitoring reforms, reporting progress and coordinating actions with all ministries and entities, including at the island level. Risks were well identified, and the overall risk to the operation was considered substantial. Specific risks stemmed from external shocks, expansionary expenditures and debt distress, and political barriers to reforms. Intended mitigation measures included selecting reforms endorsed by the Union and Island governments, reinforcing inter-island dialogue (e.g., on the TSA), highlighting beneficial effects of reforms (e.g., more reliable power supply; job creation by the private telecom sector), supporting adoption of a risk management strategy, and reinforcing capacity building through TA components of IDA investment projects. DPO documents suggest strong IDA processes and inputs prior to approval of both operations. Overall, Quality at Entry displayed moderate shortcomings and is rated moderately satisfactory.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

Project supervision was strong, as reflected in Bank documents during the period between DPO1 and DPO2. IDA conducted three supervision missions that assessed the status of the outcome indicators and the triggers for DPO2. The October 2014 ISR reflects good quality performance reporting, with detailed information on progress in the different areas. Additional IDA inputs included a 2016 debt management assessment and supervision missions on related IDA projects covering governance, telecoms and electricity. Supervision of DPO issues continued after approval of DPO2 as the Bank envisaged a follow on DPO program. The latter did not materialize as Comoros's macroeconomic framework weakened following the 2016 elections.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

8. Assessment of Borrower Performance

a. Government Performance
Government ownership of the reform program varied by areas. For example, prior efforts on public financial management suggest strong ownership in this area; however, a persistently weak judicial framework for prosecuting corruption suggests weak ownership. Expenditure growth led to a deterioration of fiscal performance over the 2014-16 period. This could have affected reform implementation in some areas (e.g., funding disclosure of fisheries information). Consultation on policies was stronger with partners than with potential beneficiaries. While program coordination arrangements were adequate, and achievement of triggers suggest overall implementation in most areas, capacity or political will faltered in some (particularly on anti-corruption). M&E arrangements did not work well with respect to reporting on reforms and outcomes (see Section 9b below), although the few changes from DPO1 to DPO2 suggest that monitoring of reform developments led to decisions (e.g., on wage bill management, national accounts, and anti-corruption). There is no indication that the government played a significant role in coordinating support from external partners. Overall, shortcomings are considered significant and performance is rated moderately unsatisfactory.

Government Performance Rating
Moderately Unsatisfactory

b. Implementing Agency Performance
The program was implemented by the Government as a whole, and there is hence no evaluation of implementing agency performance.

Implementing Agency Performance Rating
Not Rated

Overall Borrower Performance Rating
Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The DPO results framework called for monitoring reform actions or implementation (e.g., identification of off-budget accounts), some output indicators (e.g., national accounts, corruption cases prosecuted), and,

exceptionally, intermediate outcome indicators (e.g., energy bill collection rates). Accordingly, the data demands were modest and were to be addressed by the Economic and Financial Reform Unit (CREF). The CREF was also in charge of analyzing the reform data. Some indicators only partially reflected objectives. For example, bill collection rates are only one dimension of electricity sector performance, and debt reports are a poor indicator of debt management transparency or accountability. All indicators were measurable and with baselines where applicable.

b. M&E Implementation

The CREF received technical assistance from the Bank through a different project to strengthen its M&E capacity. Nevertheless, the ICR reports that the coverage and frequency or reporting was uneven, reflecting coordination constraints with the ministries and mostly with Island entities. Indicators were measured, including their baseline values. However, CREF did not provide updates on progress in the indicators with the expected frequency (ICR, p. 13). Most M&E data did not present difficult quality challenges, as they described reform actions or their implementation (e.g., number of corruption cases prosecuted). There is little to indicate that beneficiaries were involved in establishing targets or in their achievement. The Government is likely to continue monitoring most indicators in the DPOs' M&E system, as the reform areas remain relevant to the Comoros's development programs (e.g., on power sector recovery).

c. M&E Utilization

M&E partly contributed to redirect the Program towards stronger outputs on the TSA (where DPO2 added an indicator reflecting a stronger policy), and the Government is likely to use the relevant indicators to further pursue outputs in this area. Similarly, reforms to further improve the power utility's performance are likely to be informed by the path of bill collection rates, among other indicators of the company's performance.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

The ICR did not discuss environmental effects. On social effects, the ICR noted that reforms in the telecoms sector had already improved access to ICT services and to lowered communication costs which are of social benefit in the Comoros context given the important role that connections with family members and remittances from abroad play in the economic welfare of households. However, the ICR did not present any data on this topic.

b. Fiduciary Compliance

Financial DPO support was subject to the Bank’s standard negative list. The ICR did not discuss compliance.

c. Unintended impacts (Positive or Negative)

No unintended negative effects have been identified by the team or the Government.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Satisfactory	Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Unsatisfactory	Ownership of the program was variable. Pursuit of corruption was weak, reflecting low capacity and/or political will. The macroframework deteriorated. There were shortcomings in M&E implementation.
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICR presents important lessons on the positive role of technical assistance activities on DPO performance, the constraints placed by difficult relations between the central and island governments, and the additional Bank supervision that a low capacity context requires. IEG adds the following two lessons:

1. 1. In low capacity settings, objectives on economic management and governance are likely to materialize slowly. In such settings, programs in those areas need to be designed with longer term horizons, where initial outputs (e.g., gradual consolidation of government accounts) lead to longer term outcomes (e.g., efficiency gains in cash management) at the conclusion of the program.

2. The private sector can help overcome low capacity constraints. The award of a license to a private telecom operator in Comoros contributed significantly to expand access. The built in capacity of a private operator can help overcome Government limitations. The telecom reforms contrast with power sector reforms, where low operational and financial capacity makes progress more difficult and longer to achieve.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well written and concise. Its background section informs well on the country and macroeconomic context. It clearly indicates the changes in the results framework in DPO2, identifies relevant factors affecting implementation, assesses the risks that materialized and provides a detailed discussion of the program's achievements and shortfalls. The lessons section is well thought through. A discussion on the choice of outcome targets and indicators would have been useful, as would a fuller consideration of the welfare effects of improved telecommunications in a country like Comoros (an archipelago with an important diaspora).

a. Quality of ICR Rating
Substantial