

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA808

Project Name	RCIP4 - Regional Communications Infrastructure Program - APL 4 (P118213)
Region	AFRICA
Country	Africa
Sector(s)	Telecommunications (60%), Information technology (30%), Public administration- Information and communications (10%)
Lending Instrument	Adaptable Program Loan
Project ID	P118213
Borrower(s)	Union of Comoros, Cellule chargee du suivi des Reformes Economiques et Financieres (CREF)
Implementing Agency	Appui a la Bonne Gouvernance Economique (ABGE)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	05-Feb-2013
Date PID Approved/Disclosed	06-Feb-2013
Estimated Date of Appraisal Completion	08-Feb-2013
Estimated Date of Board Approval	16-Apr-2013
Decision	

I. Project Context

Country Context

The Union of Comoros was identified as a potential program beneficiary in the original program design that included all countries in E&SA and has expressed interest to be included in this fourth phase of the program. The Union of Comoros has stated its commitment to open access principles. Eligible countries are able to join the RCIP program based on their commitment to the program principles and/or readiness. The objectives of RCIP 4 are fully consistent with the previous phases including: RCIP 1 (Kenya, Burundi, and Madagascar), RCIP 2 (Rwanda), and RCIP 3 (Malawi, Mozambique, and Tanzania) which are currently being implemented.

The Union of Comoros is located in the Indian Ocean, near the Northern tip of Madagascar. It is an archipelago composed of three islands – Anjouan, Moheli and Grande Comore, where the capital Moroni is located. A fourth island is also part of the archipelago. The population of the Union (excluding Mayotte) was around 753,000 in 2011. As a small-island developing state, Comoros has a high incidence of poverty with an estimated GNI per capita of US\$750 in 2010. Due to the fact that much of the country consists of lava-encrusted rock formations and is not suited for large-scale agriculture, most of the population relies on subsistence farming and/or fishing. The country has undergone a number of political coups and, in more recent years, regular changes of government,

and may be considered as a post-conflict, fragile state. The country is heavily reliant on foreign aid and is qualified for debt relief under the World Bank – International Monetary Fund (IMF) Heavily Indebted Poor Countries Initiative (HIPC), having reached the HIPC completion point recently - in December 2012. The government has been introducing far-reaching institutional reforms that are designed to strengthen cohesion in budget management and economic policy making, and to promote the development of a business-friendly economic environment that would create jobs.. The government has acknowledged that ICTs will help reduce the impact of distance and remoteness that are experienced by island economies such as Comoros. In light of the government's initiatives, the IMF approved a three-year support program in 2009 under the Extended Credit Facility for Comoros to support its ongoing economic reform program aimed at stimulating sustainable growth and in order to reduce poverty and move the country more swiftly towards its Millennium Development Goals (MDGs). Telecommunications sector reform, including the privatization of Comores Telecom, has been identified as a priority ahead of achieving HIPC status, which was granted in December 2012.

The implementation of RCIP 4 would better integrate Comoros within the region, facilitating an increase in regional trade and better competitiveness internationally. Enhanced regional connectivity would also provide Comoros with diversity of access to onward international connectivity on submarine cables, improving reliability and redundancy. This would not only benefit Comoros, but also Mayotte, Madagascar and the wider region as well as the different participants of the regional infrastructure to which they would be connecting (in Africa and Europe). Increased regional traffic will enhance the viability of regional infrastructure and allow prices to drop. RCIP is designed to complement and benefit from other regional ICT activities that the World Bank Group is involved with, including the Eastern Africa Submarine System (EASSy), Africa Coast to Europe (ACE), Central African Backbone (CAB), and West Africa Regional Communications Infrastructure Program (WARCIP).

The implementation of RCIP 4 is also part of a broader program of reforms within Comoros. In the telecommunication sector, this includes following a roadmap of sector reform that encompasses the privatization of the incumbent operator, Comores Telecom, the licensing of a second operator and introduction of additional competition, and the strengthening of the regulator. In the broader economy, the reforms cover the adoption of market-based mechanisms and good governance.

Key Results:

Achievements under the project would be measured by indicators tracking changes in the volume of national and international traffic and in the number of subscriptions. The proposed outcome indicators are the same as those that were defined at program level, at the time of the RCIP program approval in 2007. In addition, it is useful to look at the range of beneficiaries to ensure that they cover residential as well as business and government users, and both men and women,

RCIP is focused on closing the terrestrial connectivity gap by linking the capitals and major cities in E&SA. To maximize flexibility and client responsiveness in this multi-country effort, RCIP has been designed as a customizable menu of options from which individual governments can choose from and adapt to their unique circumstances. The menu of activities is categorized under three overarching components: (a) enabling environment including monitoring and evaluation; (b) connectivity; and (c) e-Government applications (this latter is not included for Comoros).

The proposed RCIP 4 is the fourth phase of RCIP which was approved by the Board on March 29,

2007. RCIP 4 would include a country-level operation –RCIP Comoros.

The proposed RCIP Comoros IDA grant would be for US\$22 million over a period of five years, of which US\$21 million would come from the Regional IDA allocation (pending confirmation of the annual national IDA allocation for Comoros in the project approval year).

The main Project components, corresponding to a total investment cost estimated at US\$22 million (including contingencies) will consist of:

- Component 1 - Enabling Environment (US\$3.3 million). This component aims to promote further regional market integration, sector liberalization, and legal and regulatory reforms, and would include subcomponents focused on Technical Assistance (TA), capacity building, and training including the TA to assist the government with preparatory work for the proposed submarine cable FLY (Comoros – Mayotte – Madagascar), including environmental studies and, if required, feasibility studies and demand analysis;
- Component 2 – Connectivity (US\$17 million). This component would finance (i) membership in the FLY cable -- the link between Comoros and Mayotte -- under a PPP arrangement, which will ensure connectivity with LION-2; (ii) advance purchase of additional broadband capacity from EASSy and/or LION2 and its use to provide demand stimulation measures by providing affordable bandwidth to key users such as the university, schools, hospitals, etc.; and (iii) additional measures to stimulate demand including by promoting the creation of local ISPs and establishing a carrier-independent internet exchange point (IXP).
- Component 3 - Project Management (US\$1.5 million). This component would consist of support to finance project management costs including project coordination, procurement, financial management, monitoring & evaluation, communication, environmental and social safeguards, office equipment, incremental operating costs, and audits.

II. Sectoral and Institutional Context

The telecommunications sector in Comoros offers basic communications services (i.e. voice and ADSL Internet services) at prices that are not affordable for most Comorians and that are significantly higher than the world average. In line with global trends, the introduction of mobile telephony has helped to narrow the voice gap to some degree, as the number of mobile subscriptions per 100 inhabitants has grown at a Compound Annual Growth Rate (CAGR) of 73.6 per cent between 2005 and 2011 (from just 2.4 percent to 32.4 percent). However, this is still well below the average for Sub-Saharan African nations – 57.1 mobile subscriptions per 100 inhabitants in 2011 – which can be attributed in part to the lack of competition in the sector and results in high prices even for basic services. For example, the price of a basket of prepaid mobile services in 2010 was US \$24.25 a month, almost double that of the Sub-Saharan average of US\$14.98 a month.

Recognizing that robust competition drives down prices and encourages innovation, the government is renewing its efforts toward sector reform. The Government's previous plans consisted of privatizing the incumbent operator, Comoros Telecom, by the end of 2005 and awarding a second mobile license. The earlier plan to privatize Comoros Telecom was not pursued but is now the subject of a separate project being undertaken by IFC. A call for expressions of interest was issued in November 2012 and it is expected that the sale of a 51 per cent stake in Comoros Telecom to a strategic investor will be completed by November 2013.. The second operator failed to become operational, and the license was rescinded recently. Government has committed to re-launch bidding for a second operator six months after the completion of the privatization of Comoros Telecom, or in other words by June 2014.

Relationship to CAS

RCIP 4 is fully in line with the World Bank Partnering for Africa's Regional Integration: Progress Report on the Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS) dated March 21, 2011. The updated RIAS seeks to create economies of scale, facilitate intra-regional trade and exports, and connect landlocked countries to regional and global trade routes by reducing barriers to movement of goods and services between countries. It recognizes the key role ICTs can play in regional integration and increasing competitiveness of African economies. RCIP is featured as a flagship project in RIAS Progress Report, and RCIP 4 is included in the indicative lending program. The three countries concerned in the FLY cable – Comoros, Mayotte and Madagascar – are all francophone and there the potential for trade and regional integration is elevated. Historically there has been tension between Mayotte – once administered as part of the Comoros but now a French territory – and the rest of the Comoros. Better communications between the island neighbors may assist with better relations.

RCIP 4 is also fully in line with the new World Bank Africa Strategy Africa's Future and the World Bank's Support to It dated March 2011. By facilitating cheaper access to Internet and supporting the development of national and regional communications infrastructure, RCIP 4 would promote competitiveness and sustainable employment (Pillar 1: Competitiveness and Employment) and improve Government's efficiency and transparency through creating a critical building block for and implementing e-Government applications (Foundation: Governance and Public Sector Capacity). The project would also focus on partnerships by leveraging private sector investments.

RCIP 4 is also fully in line with strategic priorities at the country level. Specifically, the proposed project is consistent with the Comoros Government's Poverty Reduction and Growth Strategy Paper (PRGSP) 2005, which identifies ICT and telecommunications as a critical input to economic growth and increasingly for the well-being of the individual. The PRGSP states that the government will aim to increase international and in-country connectivity and provide affordable communications services to its people. The Interim Strategy Note 2010 acknowledges the emphasis that the PRGSP places on ICT as a cross-cutting input to development of the country.

III. Project Development Objectives

The development objectives of the proposed project are consistent with the PDO of the RCIP Program. The development objectives of the proposed RCIP 4 are to support the Recipient's efforts to: (i) lower prices for international capacity and extend the geographic reach of broadband networks (the connectivity development objective); and (ii) improve the Government's efficiency and transparency through e-Government applications (the transparency development objective).

IV. Project Description

Component Name

Component 1 - Enabling Environment

Component 2 – Connectivity

- Component 3 - Project Management

Contingency

V. Financing (*in USD Million*)

For Loans/Credits/Others	Amount
BORROWER/RECIPIENT	0.00
IDA Grant	22.00

VI. Implementation

The Unit for follow-up of Economic and Financial Reforms (CREF), within the Ministry of Finance, would be the responsible agency, or counterpart for the project. It would be supported by an implementing agency, for which an existing PIU for the ongoing Bank-financed ABGE (Appui à la Bonne Gouvernance Economique) project has been nominated. The implementation of RCIP-4 will be led by a steering committee (see below) chaired by the CREF. The CREF would also work closely with the regulatory agency, ANRTIC (Autorité Nationale de Regulation Des Technologies de l'Information et de la Communication) on certain regulatory issues as well as with the Ministry of Posts and Telecommunications, Promotion of New ICTs, and Transport and Tourism. The PIU will be responsible for project coordination and management, including procurement, financial management, M&E, communications, and environmental and social support.

A Submarine Cables Steering Committee has been set up on December 7, 2012, via a governmental decree, to serve as a steering committee for this project and for the implementation of the FLY investment in Comoros. This Steering Committee is chaired by CREF and includes representatives from Comores Telecom, the Ministry, and the Regulatory Agency, with the PIU (ABGE) providing secretariat services. A seat on the Committee is reserved for the future second operator.

VII. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60	x	

VIII. Contact point

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