DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
RCIP4 - REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAM - APL 4 (RI)
APPROVED ON SEPTEMBER 10, 2013
TO
UNION OF THE COMOROS

DIGITAL DEVELOPMENT
AFRICA

Regional Vice President: Hafez M. H. Ghanem
Country Director: Mark R. Lundell
Regional Director: Boutheina Guermazi
Practice Manager/Manager: Michel Rogy
Task Team Leader(s): Timothy John Charles Kelly, Isabella Maria Linnea Hayward
I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>P118213</td>
<td>Investment Project Financing</td>
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<table>
<thead>
<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<tbody>
<tr>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tbody>
<tr>
<td>10-Sep-2013</td>
<td>30-Jun-2021</td>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
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<tr>
<td>Union of the Comoros</td>
<td>Cellule de réformes économiques et financières (CREF) - Ministère des Finances et du Budget,Bureau RCIP-4 (4th Phase of the Regional Communications Infrastructure Program)</td>
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</table>

Project Development Objective (PDO)

Original PDO

The development objectives of this project, in line with the overall RCIP program, are to support the Recipient’s efforts to lower prices for international capacity and extend the geographic reach of broadband networks.

Summary Status of Financing

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Net Commitment</th>
<th>Disbursed</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

PROJECT STATUS
The project is currently rated ‘Satisfactory’, and on track to reach the PDO.

Original project: The original program (with a total funding envelope of US$22m) has now been fully disbursed - with all original objectives achieved.

Component 1: Enabling environment ($3.3m USD)
This original financing envelope has been instrumental in supporting the progressive liberalization of the telecoms sector in Comoros. Technical assistance (TA), including policy, legal and regulatory support, and training (provided under Component 1 of the project) has facilitated the progressive liberalization and development of the telecoms sector, by supporting the following key milestone: (i) the passage of the 2014 Communications Act in 2014, which created a legal platform for introducing competition in the sector; (ii) licensing of a second mobile operator, facilitating the market entry of new operator, Telma, in 2016; and (iii) the launch of a new authorization regime for internet service providers (ISPs) in 2018, with 5 ISPs authorized so far. The market entry of Telma has helped increase investment in national infrastructure, expanding network coverage. Moreover, the introduction of effective competition (which lies at the heart of the project) has also helped bring down prices for ICT services, as well as facilitated the introduction of new services, such as mobile money. These developments have directly contributed to the main project development objective (PDO), which aims to decrease the price of connectivity and expand access/coverage. However, the poor management of the state-owned incumbent Comoros Telecom (CT) has remained a lingering concern that thwarts development of the telecoms market, which the Government (until recently) was reluctant to address. CT has been slow to adjust to competition, and the Government has long resisted planned privatization – a premise on which the initial project design was based. Moreover, until recently, some key milestones for supporting effective competition, envisioned by the project, were still pending – notably, achieving full interconnection among operators.

Component 2: Connectivity ($17m USD)
Sub-component 2.1.: FLY-LION 3 (supply-side stimulation). Original financing has also been instrumental in boosting the supply of international capacity to the island nation. The project has financed the Government’s share in a new regional under-sea cable (FLY-LION 3), which has helped leverage private sector financing to support the extension of the international cables in the region. The FLY-LION 3 landed in Moroni in February 2019 and has now been fully deployed and operationalized. This marks another major milestone supported by the project. Moreover, the project has successfully supported the construction of a new landing station in Moroni, and introduction of a Special Purpose Vehicle (SPV) to manage the FLY-LION 3 cable. Nevertheless, said SPV remains under full state-ownership, while it should include private sector partners and the poor management of this state-owed enterprise (SOE) remains a cross-cutting issue that adversely impacts the performance of the telecoms sector.
Sub-components 2.2 and 2.3: Demand-stimulation. Finally, in FY17/18, the project successfully rolled-out an initial phase of demand-stimulation program to boost local uptake of ICT tools and services. ICT equipment, computers, as well as connectivity was successfully supplied to schools, university campuses, local government offices (mairies) and
community associations, based on an indefeasible right of use (IRU) arrangement, to create a sustainable and growing customer base.

Supporting these achievements used up the full original financing envelop, which had also been adversely affected by exchange rate losses.

Additional Financing: Additional financing (US$10m) was therefore approved in November 2018.

Most of this financing ($8.5m) was geared toward Component 2 activities associated with scaling up demand-side interventions (under Sub-components 2.2 and 2.3) to build on the success of the initial phase undertaken, but also to leverage the increasing bandwidth associated with the arrival of the new FLY-LION 3 cable. These activities have focused on boosting demand for connectivity by financing foundational activities that help Comoros build nascent e-government and digital entrepreneurship capabilities. So far, this $8.5m has helped finance technical assistance pertaining to strategic, legal and institutional aspects of e-government and cybersecurity. A new co-working space was also launched in August 2019, leveraging new financing, aimed at supporting tech-based start-ups and training.

CHANGES PROPOSED & RATIONALE
However, only a modest $0.7m of the Additional Financing (AF) was allocated to Component 1 to support continued TA and capacity building on issues pertaining purely to telecom market development. However, since the additional financing became effective, several developments have contributed to the need for additional resources under this component:

a) Government leadership requested just-in-time TA to evaluate options for restructuring the incumbent – Comoros Telecom (CT). Dwindling profits and changes in top-level management of CT contributed to this ask, which helped expose the true extent of the structural challenges faced by the operator within government. CT has continued to lose market-share yet chosen to operate with unsustainable levels of staff (now approx. 2500), while taking on substantial new financial commitments that it has failed to adequately manage. While supporting a full restructuring of CT is well beyond the capacity of the project, the operator’s poor performance has had an adverse impact on the development of the telecom market and prompted behavior that thwarts full and effective market competition (e.g. urging government to fix price floors, resisting interconnection etc.). Providing timely and appropriate TA to kick-start CT restructuring therefore directly supports the PDO, as it contributes to maintaining progress toward key project outcomes, particularly when it comes to increasing uptake of ICT services. It is also in line with the original scope of Component 1, which supports movement to a competitive market

b) While full interconnection between Telma and CT has now been achieved (under Component 1), facilitating this important achievement has required the provision of additional TA to the telecoms regulator, in light of CT’s earlier reluctance to fully support the process. This has used up part of the modest new AF allocation.

c) Meanwhile, key project beneficiaries (including the telecom regulator and the ministry of ICT), recognizing the benefits of receiving TA on key policy, governance and regulatory issues under Component 1 until now, have requested further TA on issues pertinent to telecom market development (e.g. price regulation), which are viewed as highly relevant to the PDO and original scope of Component 1.

Consequently, a re-balancing of the allocation of resources between components, to the benefit of Component 1, is considered necessary to maintain progress towards achievement of the PDO. Finally, as activities under Component 1
fall under a different disbursement category than those under Components 2 and 3, a reallocation between categories is also necessary. While this will reduce the overall financing envelop for Component 2, it will not negatively affect the scope of this component nor the achievement of its associated intermediary indicators at this stage. In addition to work noted above, aimed at creating an enabling environment for e-government, the AF has already been leveraged to finance the following:

- The project has met the target associated with the intermediate indicator pertaining to usage of the co-working space (Number of female beneficiaries of the co-working space); and
- The project should still be on track to meet its target associated with the e-government intermediate indicator (Number of E-Systems connected to an interoperable Government-administered digital platform). A cloud-based central government portal and a series of government websites that will offer information-as-a-service are currently being commissioned; a cloud-based government email, a productivity suite and communications services for an initial pool of approximately 1,300 civil servants will also be procured shortly; the introduction of Cyber Security Incident Response Teams (CIRT) is currently being supported; Additional e-services are likely to be financed, such as e-visa for example. Several feasibility studies that support process reengineering of key services have also been launched, though the project is unlikely to support the full implementation of all these E-Systems.

At this stage, no extension of the closing date has been deemed necessary. However, the ongoing COVID-19 pandemic has prompted some procurement delays and restricts the access of external firms. Based on how the situation evolves, a future request for a short extension of the project closing date may be needed.

II. DETAILED CHANGES

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

<table>
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<tr>
<th>Ln/Cr/TF</th>
<th>Current Expenditure Category</th>
<th>Current Allocation</th>
<th>Actuals + Committed</th>
<th>Proposed Allocation</th>
<th>Disbursement % (Type Total)</th>
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<td><strong>Total</strong></td>
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<td><strong>7,200,000.00</strong></td>
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