



UNION OF THE COMOROS

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM AND REQUEST FOR EXTENSION; AND STAFF REPORT

February 2022

In the context of the Staff-Monitored Program (SMP), the following documents have been released and are included in this package:

- **A Press Release.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information, following discussions that ended on December 6, with the officials of the Union of the Comoros on economic developments and policies underpinning the First Review Under the Staff-Monitored Program and request for Extension. Based on information available at the time of these discussions, the staff report was completed on December 17, 2021.

The document listed below has been or will be separately released.

Letter of Intent sent to the IMF by the authorities of the Union of the Comoros*

*Also included in the Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Management Completes First Review of the Staff Monitored Program with the Union of the Comoros

FOR IMMEDIATE RELEASE

- IMF Management has approved the first review of Comoros' Staff-Monitored Program (SMP). The SMP supports the government's program of reforms. It also aims to help the authorities establish a track record of policy implementation to pave the way to a potential Extended Credit Facility (ECF) arrangement.
- Program implementation at end-September 2021 was satisfactory. In light of delays in preparations for several structural reforms that had been scheduled for completion at end-December 2021, however, these measures were rescheduled to February 2022.
- Comoros' economic conditions are slowly improving, with growth rising from around zero in 2020 to around 1.6 percent in 2021. A further increase in growth is expected for 2022.

Washington, DC – February 9, 2022: The Management of the International Monetary Fund (IMF) approved on December 21, 2021 the completion of the first review of Comoros' Staff Monitored program (SMP)¹.

Policies under the SMP, which was approved on July 21, 2021 aim to (i) contain and recover from the pandemic; and (ii) start implementing reforms to overcome fragility, boost inclusive growth, and limit risks.

To tackle economic fragility, the government's top priority is to raise fiscal revenue to support investment in human and physical capital and enhance debt sustainability. The authorities also aim to strengthen the quality of spending, public financial management, State-Owned Enterprises (SOE) oversight, and the financial sector.

To address institutional fragility, the authorities aim to enhance governance, including by strengthening public reporting on large public procurement projects with the inclusion of beneficial ownership information and creating an effective asset declaration framework for senior public officials.

The authorities made satisfactory progress on their reform program through end-September 2021. In particular, they succeeded in raising fiscal revenue and providing substantial cash transfers to the poor.

¹ An [SMP](#) is an informal agreement between country authorities and Fund staff to monitor the implementation of the authorities' economic program. SMPs do not entail financial assistance or endorsement by the IMF Executive Board.

Timely implementation of the outstanding reforms envisaged under the program will be important for improving economic conditions and establishing a track record towards a potential ECF arrangement.

The IMF supports the government's efforts through the provision of capacity development in coordination with international partners. It also supports the authorities' efforts to mobilize external concessional financing.

More information on ECF: [Extended Credit Facility](#)



UNION OF THE COMOROS

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM AND REQUEST FOR EXTENSION

EXECUTIVE SUMMARY

Background: Comoros is a small, fragile island state (population: 850,000) with persistently low and shock-prone growth and a high risk of external debt distress. Officially recorded COVID-related casualties have remained low (4,569 infections and 151 deaths so far). Growth projections remain at 1.6 percent in 2021 and 3.8 percent in 2022, supported in part by progress in vaccinations.

SMP objectives: A Staff Monitored Program (SMP) is in place for the period July 22- December 31, 2021, with test dates at end-September and end-December. The SMP aims to help the authorities establish a track record of policy implementation to pave the way to a potential ECF arrangement. Policies aim to (i) contain and recover from the pandemic; and (ii) start implementing reforms to overcome fragility, boost inclusive growth, and limit risks, drawing on the medium-term strategy laid out in the 2019 Article IV consultation. In particular:

- To tackle economic fragility, the government's top priority is to raise fiscal revenue to support investment in human and physical capital and enhance debt sustainability. The authorities also aim to enhance the quality of spending, improve public financial management, strengthen SOE oversight, and strengthen the financial sector to enable greater credit provision as well as limit fiscal risks. In time, the authorities will also seek to enhance resilience to natural disasters.
- To tackle institutional fragility, the authorities aim to strengthen governance and reduce vulnerability to corruption, including by enhancing public reporting on all large public procurement projects (with the inclusion of beneficial ownership information) and creating an effective asset declaration framework for senior public officials.

SMP review:

- Program implementation at end-September was satisfactory. The authorities met six out of seven quantitative targets and both structural benchmarks. While keeping the domestic primary deficit below initial projections and the unadjusted program ceiling,

due to unintended spending overruns they missed the ceiling after adjustment for higher-than-programmed revenue.

- Looking forward to end-December, based on recent developments and staff projections, the authorities are likely to meet most quantitative targets. This said, given the spending overruns in the third quarter, while the primary fiscal deficit at end-December is projected to remain below initial projections and the unadjusted ceiling, the authorities will need to make substantial efforts to keep the deficit below the ceiling after adjustment for higher-than-programmed revenue. On structural reform, delays in preparatory work pose difficulties for reaching three of the six structural benchmarks at end-December. An extension of the SMP is requested to March 15, 2022 as well as a rescheduling of the three structural benchmarks at risk to end-February 2022.

Staff views: SMP implementation at end-September was satisfactory. The substantial overperformance in revenue, half of which is assumed to carry over into future years, is particularly welcome. Looking forward, staff urges the authorities to try to meet all end-December quantitative targets, including by slowing non-priority spending to meet the adjusted ceiling for the fiscal balance given the limited fiscal space arising from high risks to debt sustainability. Staff supports the authorities' request to delay three structural benchmarks to end-February 2022 and extend the SMP to March 15, 2022, and urges the authorities to accelerate implementation of structural reforms to meet all outstanding benchmarks on time.

Approved By
**Vivek Arora (AFR) and
 Andrea Schaechter
 (SPR)**

Discussions took place remotely during December 2-6, 2021. The IMF team included Mr. H. Weisfeld (head), Mr. G. Srour, Ms. L. Drissi Bourhanbour, Mr. B. Kett (all AFR), Mr. I. Ahamada (economist in the Resident Representative Office), and Mr. D. Blache (MCM). Staff from FAD, LEG, and AFRITAC South participated in several meetings. The mission discussed with Minister of Finance Souef, Central Bank Governor Imani, Ministry of Finance Secretary General Houmadi, and other senior officials. Mr. N. Ouattara (AFR) assisted in the preparation of this report.

CONTENTS

| | |
|---|-----------|
| BACKGROUND | 5 |
| RECENT ECONOMIC DEVELOPMENTS | 5 |
| PROGRAM IMPLEMENTATION | 8 |
| A. Implementation of end-September targets | 8 |
| B. Progress toward end-December targets | 9 |
| OUTLOOK AND RISKS | 10 |
| POLICY AND PROGRAM DISCUSSIONS | 11 |
| A. Supporting the recovery and implementing fiscal structural reforms | 12 |
| B. Restructuring the postal bank and strengthening the financial sector | 14 |
| C. Strengthening governance and reducing vulnerability to corruption | 15 |
| D. Other issues | 15 |
| STAFF APPRAISAL | 16 |
| TABLES | |
| 1. Quantitative Targets for End-September 2021 (<i>in millions of Comorian francs, Cumulative since end previous year</i>) | 17 |
| 2. SMP Structural Benchmarks for End-September 2021 | 17 |
| 3. Indicative Targets for End-December 2021 and Projections for End-March and End-June 2022 (<i>in millions of Comorian francs, cumulative since end previous year, unless otherwise specified</i>) | 18 |
| 4. Proposed Structural Benchmarks for Future Reviews | 19 |
| 5. Selected Economic and Financial Indicators, 2018–26 | 21 |
| 6a. Consolidated Government Financial Operations, 2018–26 Based on Strengthened Policies | |

| | |
|---|----|
| under the SMP and Thereafter <i>(In Millions of Comorian Francs)</i> | 22 |
| 6b. Consolidated Government Financial Operations, 2018–26 <i>(in Percent of GDP)</i> | 23 |
| 7. Monetary Survey, 2018–26 <i>(In Millions of Comorians Francs, Unless Otherwise Indicated)</i> | 24 |
| 8a. Balance of Payments, 2018–2026 <i>(In Millions of Comorian Francs, Unless Otherwise Indicated)</i> | 25 |
| 8b. Balance of Payments, 2018–2026 <i>(In Percent of GDP, Unless Otherwise Indicated)</i> | 26 |

ANNEX

| | |
|---------------------------|----|
| I. Risk Assessment Matrix | 27 |
|---------------------------|----|

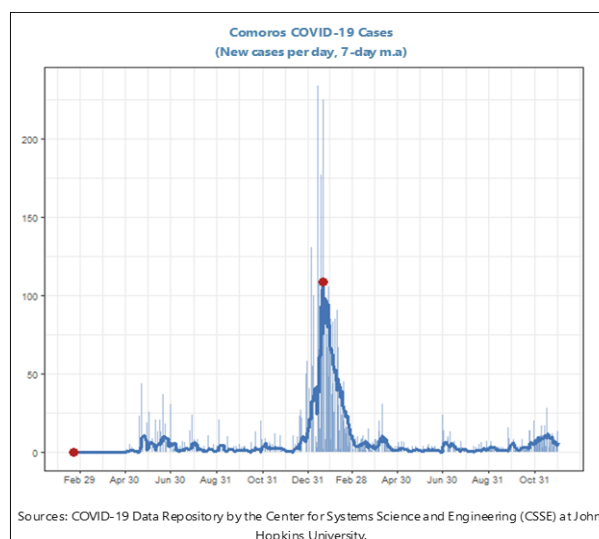
APPENDIX

| | |
|--|----|
| I. Letter of Intent | 28 |
| Attachment I. Memorandum of Economic and Financial Policies (MEFP) | 30 |
| Attachment II. Technical Memorandum of Understanding | 43 |

BACKGROUND

1. The COVID-19 pandemic has had a substantial adverse impact on Comoros, a fragile small country marked by limited growth. The number of recorded COVID-related infections and deaths has remained relatively low, but economic activity stagnated in 2020 and appears to have remained muted in 2021.

2. The authorities have embarked on an SMP to establish a track record of policy implementation that could pave the way to a potential ECF arrangement. Policies aim to (i) contain and recover from the pandemic and (ii) start implementing reforms to overcome fragility, boost inclusive growth, and limit risks, drawing on the medium-term strategy laid out in the 2019 Article IV consultation. The SMP covers the period July 22-December 31, 2021, with test dates at end-September and end-December.



3. Program ownership remains strong. The authorities, led by President Azali, are taking a strong interest in the SMP and a potential future financial arrangement.

RECENT ECONOMIC DEVELOPMENTS

4. With only few new COVID casualties in several months, the authorities have eased strict lockdown measures.

- Following a wave of infections in early 2021, the number of new infections has fallen dramatically. Total recorded infections stood at 4,569 and deaths at 151 by December 13, 2021. So far, the Omicron variant has not been found to be present in Comoros, but the authorities remain vigilant to related risks.
- At end-November, 29 percent of the population have been fully vaccinated, almost all with the Sinopharm vaccine thanks to donations from China and other partners.
- The stringent social distancing measures introduced early in the pandemic have eased, and airports and seaports are fully open. The authorities have largely phased out several policy measures to mitigate the impact of the earlier lockdown on the economy (discounts on import duties, subsidies for certain workers, renewals of commercial bank credits to hard-hit debtors), while substantially expanding the cash transfer program to the poor. The authorities have so far not taken social distancing measures in response to the emergence in numerous countries of the Omicron variant but are ready to adjust measures as needed.

5. Economic activity appears to have picked up somewhat after the first quarter of 2021, in line with expectations at the time of the SMP request.

- While there is a lack of high frequency indicators, anecdotal evidence suggests some pick-up in activity driven in part by the easing of lockdown measures and limited resumption of important social gatherings. In particular, visitor arrivals appear to have picked up somewhat.
- Inflation remains low but anecdotal evidence suggests that it has risen somewhat in recent months, driven in part by supply bottlenecks due to shipping disruptions. For example, there is anecdotal evidence of higher prices of imported construction materials.

6. The fiscal accounts exhibit higher than anticipated revenue and spending (text table below).

- **Revenue:** Tax revenue was KMF 34.6 billion at end-September (substantially above projections of KMF 27.3 billion). Non-tax revenue was also substantially above expectations, leading to overall fiscal revenue of KMF 42.5 billion (against projections of KMF 30.7 billion). The over-performance of tax revenue likely reflects in about equal shares temporary factors (tax payments delayed from 2020 due to temporary changes in tax filing deadlines) and more permanent factors (improvements in tax and customs administration). The overperformance was helped by the absence of any significant negative shocks in recent months.

| Comoros: Fiscal Performance at end-September and end-December 2021 | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2021 | 2021 | 2021 | 2021 | 2021 |
| | September | September | December | December | December |
| | SMP request | Outturn | Initial Budget | SMP request | projection |
| <i>(in KMF millions)</i> | | | | | |
| Revenues | 30,666 | 42,457 | 52,484 | 47,178 | 54,756 |
| Tax revenues | 27,252 | 34,669 | 44,867 | 41,926 | 44,872 |
| Nontax revenues | 3,414 | 7,788 | 7,618 | 5,252 | 9,884 |
| Domestic primary expenditures | 47,757 | 56,231 | 68,482 | 65,438 | 70,571 |
| Domestic Primary current expenditures | 41,512 | 45,908 | 53,640 | 57,111 | 58,248 |
| Domestically financed investment | 6,245 | 10,323 | 14,842 | 8,327 | 12,323 |
| Domestic Primary balance | -17,091 | -13,774 | -15,998 | -18,260 | -15,815 |
| <i>(In percent of GDP)</i> | | | | | |
| Revenues | 5.7 | 7.9 | 9.9 | 8.9 | 10.2 |
| Tax revenues | 5.1 | 6.5 | 8.5 | 7.9 | 8.4 |
| Nontax revenues | 0.6 | 1.5 | 1.4 | 1.0 | 1.9 |
| Domestic Primary expenditures | 8.9 | 10.5 | 13.0 | 12.4 | 13.2 |
| Primary current expenditures | 7.8 | 8.6 | 10.2 | 10.8 | 10.9 |
| Domestically financed investment | 1.2 | 1.9 | 2.8 | 1.6 | 2.3 |
| Domestic Primary balance | -3.2 | -2.6 | -3.0 | -3.5 | -3.0 |

Sources: Comorian authorities; and IMF staff estimates and projections.

- **Spending:** Domestic primary expenditure amounted to KMF 56.2 billion at end-September, substantially higher than programmed (as well as higher than planned in the initial 2021 budget). The spending overruns reflect (i) unexpected spending of KMF 2.6 billion on vaccinations, for which the authorities hope to be reimbursed from the WB's financing for vaccinations announced earlier in 2021; (ii) automatic spending out of parts of non-tax revenue

in combination with the fact that this revenue came in higher than expected; and
(iii) weaknesses in spending controls.¹

7. The central bank has exchanged for currencies the full SDR amount allocated to Comoros in the 2021 allocation (SDR 17.1 million). It has deposited the proceeds at the French Treasury together with its other reserve holdings, where they earn interest of 2.5 percent per year.

8. Gross international reserves projections for 2021 remain broadly unchanged as a stronger current account has been accompanied by lower-than-expected loan disbursements. Shipping disruptions amid the pandemic have led to lower import growth than projected while exports are recovering as expected. The latest data point to an increase in remittances with respect to 2020, while an increase in visits from the diaspora is fueling higher services exports. The real effective exchange rate has depreciated by 3.5 percent since end-September.

9. The risk of external debt distress is high. The debt sustainability analysis (DSA) accompanying the SMP request (Country Report 21/235) found that three out of four external debt burden indicators breached their respective thresholds under the associated macroeconomic assumptions, pushing the external debt distress risk from “moderate” to “high”. As explained in that DSA, a key driver of the increase debt burden indicators was the contracting in late 2020 of a loan equivalent to 4.5 percent of GDP on non-concessional terms (the loan will be used to build a hotel, part of efforts to strengthen tourism). The pandemic-related economic weakening and the costs of recapitalizing the ailing state-owned postal bank *Société Nationale des Postes et des Services Financiers* (SNPSF) have also contributed to the increase in the debt burden.

10. The financial sector suffered substantially in 2020. Newly available data indicate that banking sector capital adequacy, asset quality, and profitability deteriorated (text table). Average liquidity indicators improved, although they mask differences across banks. The central bank recently administered a survey on the impact of credit restructuring in the context of COVID but assesses the limited number of answers received from banks as lacking plausibility. Information on the evolution of FSIs in 2021 is therefore not yet available. The central bank intends to undertake new efforts to ascertain banking sector soundness.

Comoros: Financial Soundness Indicators for the Banking Sector, 2016–2020

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|-------|-------|-------|-------|
| Capital adequacy | | | | | |
| Regulatory Capital to Risk-Weighted Assets | 19.6 | 21.2 | 22.3 | 27.9 | 25.2 |
| Capital to Assets | | 11.4 | 12.5 | 13.6 | 10.9 |
| Asset quality | | | | | |
| Non-performing Loans to Total Gross Loans | 21.7 | 24.8 | 24.3 | 22.5 | 23.7 |
| Non-performing Loans Net of Provisions to Capital | 38.7 | 49.1 | 40.7 | 29.4 | 35.4 |
| Earning and profitability | | | | | |
| Return on Equity | 9.0 | -0.7 | -0.5 | -0.7 | -7.6 |
| Liquidity | | | | | |
| Liquid Assets to Short Term Liabilities | | 84.8 | 94.1 | 88.7 | 104.3 |
| Customer Deposits to Total (Non-interbank) Loans | | 122.7 | 132.3 | 134.6 | 154.7 |

Sources: Central Bank of Comoros and IMF staff estimates

¹ By law, part of the non-tax revenue generated through administrative fees *Redevances Administratives Uniques* is to be passed on to domestic bodies such as the Chamber of Commerce and international bodies such as COMESA.

PROGRAM IMPLEMENTATION

A. Implementation of end-September Targets

11. The authorities met six out of seven end-September quantitative targets (Table 1).

- **Target 1 was met:** Tax revenue of KMF 34.6 billion at end-September substantially exceeded the program floor (KMF 27.3 billion). The overperformance reflects both transitory and more permanent drivers, with likely about equal contributions.
- **Target 2 was missed:** While remaining below the unadjusted ceiling on the domestic primary fiscal deficit, the domestic primary budget deficit of KMF 13.8 billion exceeded the program target of KMF 5.3 billion after adjustment for higher-than-programmed overall (tax and non-tax) revenue (the adjuster is defined in the SMP Request TMU paragraph 18). The spending overruns that led to the target miss were unintentional, reflecting several factors (¶ 6).
- **Target 3 was met:** Net international reserves remained substantially above the floor, standing at KMF 131.4 billion at end-September (against a program floor of KMF 85.9 billion). This development reflects the fact that gross foreign reserves have remained at comfortable levels, supported by strong remittance flows.
- **Target 4 was met:** The authorities lowered net domestic arrears by KMF 2.1 billion against a target of no net accumulation of arrears.
- **Target 5 was met:** Cash transfers amounted to KMF 4.9 billion (above the floor of KMF 3 billion). The cash transfers benefit from WB financial support.
- **Target 6 was met:** The authorities report having avoided external arrears accumulation.
- **Target 7 was met:** The authorities report having avoided the contracting of non-concessional debt.

12. The authorities met both of the two end-September structural benchmarks (Table 2)

- **Benchmark 1 was met:** The authorities raised the number of active taxpayers at the large taxpayer office and the small taxpayer office by as much as required and sent the added taxpayers requests to file tax declarations.
- **Benchmark 2 was met:** The authorities have prepared terms of reference and issued a call for interest for the audit of domestic arrears.²

² While the terms of reference included in the call for interest did not specifically mention the inclusion of cross arrears with SOEs and arrears between SOEs referred to in the wording of the structural benchmark, staff assesses

B. Progress Toward End-December Targets

13. Based on developments thus far, staff projections, and policies underway, it is likely that the authorities will meet six out of seven end-December quantitative targets (Table 3). However, the target on the fiscal balance appears to be at substantial risk.

- **Target 1:** The likely overperformance on tax revenue and cash transfers at end-September suggest good prospects for meeting the related end-December targets. Staff projects tax revenue at KMF 44.9 billion (against a target of KMF 41.9 billion).
- **Target 2:** Given the spending overruns in the third quarter, while the authorities are on track to keep the primary domestic fiscal balance below its unadjusted ceiling, they are at risk of missing the proposed adjusted ceiling (as modulated by a proposed revised set of adjustors, see ¶ 19). The authorities intend to slow non-priority spending as needed for reaching the proposed target as well as strengthen spending controls (¶ 23).
- **Target 3:** By end-November, the level of net international reserves remains substantially above the program floor, and a shock so large that it would lead to the target being missed by end-December appears unlikely.
- **Target 4:** Given the net domestic arrears clearance seen through end-September, prospects for meeting the end-December target to avoid net domestic arrears accumulation appear favorable.
- **Target 5:** Given the overperformance on social cash transfers at end-September, the end-December target appears to be within reach.
- **Target 6:** Avoidance of external arrears at end-September suggests that the authorities are fully aware of the calendar of debt service payments due, thereby indicating favorable prospects for avoiding arrears at end-December as well. (By late October/early November, arrears had arisen to Exim Bank India (USD 0.2 million). While the authorities have been seeking to engage this creditor in discussions on the loan in question, they intend to clear these arrears before year-end.)³
- **Target 7:** The authorities have no reported plans for contracting non-concessional borrowing. Meanwhile, they are exploring options for concessional financing for the hospital project, working with the World Bank.

that the benchmark is met given that (i) these arrears can be subsumed under domestic arrears more broadly; and (ii) the authorities have in the meantime prepared more detailed terms of reference that explicitly specify the need to include cross arrears with SOEs and arrears between SOEs in the audit. These are the terms of reference that will be given to the shortlisted bidders, from whom the winning bidder will be selected.

³ The loan relates to the construction of a thermal power plant. The plant has not been built.

14. The authorities have already met one of the six end-December structural benchmarks and appear to be on track to meet two more, based on the state of preparations to date (Table 4). They request rescheduling of the remaining three benchmarks to end-February.

- **Benchmark 1:** The authorities appear to continue making good progress in raising the number of active taxpayers, building on the efforts through September.
- **Benchmark 2:** The authorities have adopted a roadmap for extending the coverage of the Treasury Single Account, with Fund technical assistance, thereby meeting the benchmark.
- **Benchmark 3:** Work on commissioning the audit of domestic arrears is delayed due to administrative slippages. The authorities have requested a rescheduling of the benchmark to end-February 2022.
- **Benchmark 4:** Preparatory work on restructuring postal bank SNPSF is delayed as well due to the complexity of the subject matter and organizational challenges. The authorities have requested a rescheduling of the benchmark to end-February 2022.
- **Benchmark 5:** Efforts to create a framework for reporting on public procurement are progressing as planned, and part of the required actions have been implemented already.
- **Benchmark 6:** Efforts to strengthen the anti-corruption law to create a framework for asset declarations by public officials and an effective anti-corruption entity are significantly behind schedule. A reason for the delay is the fact that key interlocutors have repeatedly failed to attend meetings with staff providing technical assistance for the measure. The authorities have now resolved these issues by designating an official in charge, allowing a LEG technical assistance mission to start. Another contributing factor appears to be the complexity of the subject matter, resulting in part from changes to the Constitution in 2018 and related changes in Comoros' institutions and their attributions. The authorities have requested a rescheduling of the benchmark to end-February 2022.

OUTLOOK AND RISKS

15. Growth projections remain broadly unchanged from the time of the SMP request, while inflation has been revised up somewhat:

- **Growth projections remain at 1.6 percent in 2021 and 3.8 percent in 2022, supported in part by progress in vaccinations.** Starting from a vaccination rate of 29 percent of the population at end-November 2021, the authorities hope to vaccinate most of the population by the end of 2022. For this, they are trying to procure vaccines that are suited for young people, with support from COVAX and UNICEF. The authorities see some vaccine hesitancy, which they hope to address in part by restricting access to public buildings for the unvaccinated and by requiring vaccinations for civil servants. In case of a new wave of infections, the authorities stand ready to tighten lockdown measures.

- **Inflation projections have been revised up in light of higher import prices but average annual inflation remains low**, reflecting both base effects and the peg to the euro.

16. Fiscal projections for December 2021 and future years incorporate the strong September outturn and anticipate that the additional revenue will be partly saved:

- Tax revenue projections were raised to 8.4 percent of GDP (from 7.9 percent of GDP) for 2021 and 8.5 percent of GDP in 2022, with further increases in future years in line with the authorities' key goal of raising tax revenue gradually.⁴ Non-tax revenue was revised up as well in light of experience, to a constant 1.5 percent of GDP per year (from 1 percent of GDP). Projections for donor support remain unchanged from the SMP request.
- Projections for domestic primary spending in 2021 and 2022 were revised up by somewhat less than revenue to balance the needs of providing fiscal support for the recovery with the need to enhance sustainability (see discussion in ¶ 19). As a result, projected domestic primary deficits in 2021 and 2022 are now 0.5 percent of GDP smaller than in the SMP request. Starting in 2023, projections allow full use of the higher revenue to smooth the consolidation effort envisaged in the SMP request. With a smaller fiscal deficit in 2022 and an unchanged deficit in 2023, the fiscal consolidation envisaged in 2023 is now less sharp. At an average 0.8 percent of GDP over the medium term (2022-26), unmet financing needs over are now somewhat smaller than envisaged at the time of the SMP request.

17. The current account balance has been revised up in 2021 and to a lesser extent over the medium term, primarily as a result of more robust remittance inflows. International reserves therefore remain higher over the projection period, dropping to a more robust 7.6 months of imports in 2026 (compared to 5.4 months before). The trade balance remains broadly in line with previous projections over the medium term.

18. Risks to the economic outlook and program implementation are substantial (Annex I, Risk Assessment Matrix). For example, a resurgence of the pandemic (e.g., due to the arrival of a new virus variant) could hinder the recovery; inter-island political tensions could disrupt economic activity and reforms; and Comoros' severe capacity constraints could undermine program implementation.

POLICY AND PROGRAM DISCUSSIONS

The SMP's policy goals and design as well as the authorities' commitments laid out in their September 2021 LoI remain broadly appropriate. Discussions focused on progress in implementing program

⁴ Tax revenue projections for 2022 were determined by adding 0.3 percent of GDP to the part of projected 2021 revenue that likely reflects permanent factors, in line with the authorities' goal of raising revenue by this amount every year starting in 2022. Analysis of revenue trends through September 2021 suggests that half of the projected revenue overperformance at end-2021 relative to program targets will likely reflect permanent factors, and the remainder transitory factors (notably delayed corporate income tax payments reflecting the authorities' decision in 2020 to delay tax filing requirements to the end of the year, a way of providing fiscal support to lessen the economic impact of the COVID pandemic).

conditionality and other reforms in the areas of (i) supporting the recovery and implementing fiscal structural reforms; (ii) restructuring the postal bank and strengthening the financial sector; and (iii) enhancing governance.

A. Supporting the Recovery and Implementing Fiscal Structural Reforms

Supporting the recovery

19. The fiscal policy stance envisaged at the time of the program request remains broadly appropriate as it allows adequate fiscal support for the recovery while contributing to debt sustainability. At the authorities' request, staff proposes to modify the adjuster in the program mechanics (TMU ¶ 18) to maintain a sufficiently supportive fiscal stance despite unexpected developments in both revenue (a large projected revenue overperformance) and spending (substantial unexpected spending, including on vaccinations from domestic resources).

- Given the large revenue overperformance projected for end-December, application of the existing fiscal balance adjuster would constrain the fiscal position to a much lower-than-envisaged and desirable deficit. (The adjuster requires saving all excess revenue.) To allow sufficient fiscal support for the recovery while contributing to debt sustainability, at the authorities' request staff proposes to scale back somewhat the adjuster for excess revenue. The proposed revised adjuster will enable the authorities to raise spending by half of excess revenue for the first 1 percent of GDP in excess revenue, and to raise spending by the full amount of any additional revenue. Under current revenue projections, the proposed adjuster will lower the program ceiling for the primary domestic fiscal deficit from 3.5 percent of GDP to 3.0 percent of GDP at end-December.
- Further, with a view to enabling progress in the fight against COVID, at the authorities' request staff proposes to introduce an adjuster for unexpected spending on vaccinations from domestic resources. This adjuster will raise the fiscal spending ceiling by the full amount of the unanticipated spending on vaccinations. As discussed above, the authorities report such spending of KMF 2.6 billion (0.5 percent of GDP).

20. Parliament recently adopted a revised budget for 2021 that allows higher domestically financed investment spending than the SMP. The authorities nevertheless intend to keep the fiscal deficit within program limits. They indicated that the discrepancy reflects the drafting of the law before the preparation of the Lol associated with the program request in September. They also assured staff that the budget law for 2022 will be consistent with projections under the program.

21. While the fiscal authorities have not yet used any of the 2021 SDR allocation so far, they still intend to use one third of the allocation in 2021 and preserve the rest as a fiscal buffer.⁵ These plans remain appropriate.

⁵ Under Comoros' institutional arrangements, use of the SDR allocation involves provision by the central bank of credit to the government in excess of existing limits that tie central bank credit to previous year's fiscal revenue.

Fiscal structural reforms

22. Given the delays incurred in preparing for the commissioning of the audit of domestic debt, staff proposes to reschedule the related benchmark to end-February 2022 at the authorities' request. The authorities have already prepared the terms of reference and established a shortlist of service providers. This should help reach the benchmark in line with procedures of the French Development Agency, which co-finances the audit and assists the authorities with the commissioning.

23. The authorities should continue their other efforts to improve public financial management in line with their Lol. Among other things, this will help lower the risk of further spending overruns. In line with recommendations of IMF technical assistance, the authorities should:

- **Strengthen spending controls.** The authorities intend to impose quarterly spending limits and remind all actors in the spending chain of the procedures to follow. Creating a Treasury Accounting Agency and implementing the SIMBA software will also help.
- **Adopt an action plan for extending the coverage of the Treasury Single Account** (structural benchmark), with support from ongoing IMF technical assistance.
- **Progress on strengthening fiscal accounting and reporting** by adopting the revised PFM Organic Law, Accounting and Fiscal Reporting Regulation, and budget and accounting manuals.
- **Strengthen SOE oversight, ensure SOE tax compliance, and align SOE wage compensation with the civil service.**

24. Similarly, the authorities should strengthen tax policy and administration along the lines of their Lol. In addition to implementing the end-December structural benchmark on further raising the number of active taxpayers at the large taxpayer unit and the medium and small taxpayer unit, the authorities should strive to ensure the following:

- **As concerns tax policies,** the authorities have not yet abolished the sales tax exemption for construction materials as intended. They now aim to do so in the first quarter of 2022. Further steps on tax policy reforms will be determined with the help of Fund technical assistance in early 2022.
- **Tax administration measures** should include: (i) strengthening the use of the SIGIT software; (ii) ensuring use of transparent procedures to identify and register taxpayers and stopping competing taxpayer registration by VIGOR by end-December (delayed from end-September); (iii) improving tax administration for large and medium taxpayers, including SOEs and those located outside the main island; and (iv) intensifying efforts to recover unpaid taxes.
- **Customs administration measures** should include: (i) completing the transfer of the management of fuel products taxes to customs; (ii) strengthening risk management; (iii) deploying an internal control system and developing a decision-making information system; and (iv) finalizing the draft framework instruction for customs procedures.

B. Restructuring the Postal Bank and Strengthening the Financial Sector

25. Given the delays incurred in the preparatory work for the restructuring of postal bank SNPSF, staff proposes to reschedule the related benchmark to end-February 2022, at the request of the authorities. As laid out above (¶ 14), preparatory work has encountered delays owing to coordination challenges and the complexity of the subject matter. The benchmark calls on the authorities to split SNPSF into postal and banking activities and apply for a banking license based on a viable business plan, among other things. To reach the revised deadline, the authorities have intensified efforts in recent weeks, including by creating a team that focuses exclusively on advancing this reform.

26. The authorities are making efforts to strengthen the financial sector, its supervision, and its infrastructure.

- **Efforts to monitor asset quality and provisioning at banks that extended loans to debtors hit by the pandemic:** The BCC will conduct targeted onsite inspections in financial institutions by the end of Q1 2022 to assess the impact on asset quality of the COVID pandemic and of the measures taken to extend the maturities of credit to hard-hit debtors. A commission on NPLs has issued recommendations on accelerating court proceedings.
- **Efforts to strengthen the financial sector safety net and infrastructure:** The BCC has continued work to strengthen risk-based supervision, operationalize the recently created bank resolution framework, lay the foundations for a government securities market and strengthen the BCC's liquidity management, and create an emergency liquidity assistance framework, all with technical assistance from MCM.

27. The authorities should make all efforts to minimize contingent fiscal liabilities from a recently nationalized commercial bank. In November 2020 the government took ownership of a commercial bank from a foreign majority owner who had failed to remedy breaches of all prudential ratios. The government is not planning to keep control of this bank and is actively seeking a purchaser. In the meantime, the government should strengthen the bank's management to avoid making losses. The bank holds more than KMF 9 billion in (mostly retail) deposits and represents a substantial contingent liability.

C. Strengthening Governance and Reducing Vulnerability to Corruption

28. Given that preparatory work for creating a framework for asset declarations has encountered delays, staff proposes to reschedule the related benchmark to end-February 2022 at the request of the authorities. As laid out above (¶ 14), delays reflect coordination challenges and the complexity of the subject matter. The authorities are strengthening internal coordination to take full advantage of Fund technical assistance on this reform.

29. Staff and the authorities agreed on the modalities of the audit of the spending of IMF emergency financing provided in 2020. The audit has been overdue for several months. Staff agrees with the authorities' intention to ask the Court of Auditors to perform the audit, given the authorities' recent request for Fund technical assistance for the audit. The authorities intend to commission the audit in December 2021, publish the full audit report within six weeks after audit completion, and publish semi-annual reports on any follow-up measures taken on the basis of the audit findings for as long as these measures continue.

D. Other Issues

30. The authorities are progressing in the implementation of the recommendations of the 2020 safeguards assessment. The assessment found that internal audit and financial reporting practices should be strengthened, including by adopting International Financial Reporting Standards (IFRS) and that amendments to the BCC's legal framework are needed to enhance its autonomy. In line with the recommendations, the BCC has prepared a plan for the strengthening of internal audit and appointed a vice-governor. The BCC has also indicated that they plan to adopt IFRS for the accounts of fiscal year 2021 and that efforts to amend the BCC statutes are underway.

31. Progress is needed on AML/CFT reforms to preserve correspondent banking relationships. A national risk assessment is being prepared and will be published in early 2022. Thereafter, the authorities will prepare an AML/CFT law in line with the international standards set up by the Financial Action Task Force and adopt it. In the meantime, the BCC is reaching out to commercial banks to raise awareness of AML/CFT requirements as well as enhancing risk based supervision including by conducting onsite inspections to assess compliance with existing AML/CFT regulations.

32. Staff will continue to support the authorities' reforms with an intensive capacity development program, including hands-on technical assistance across priority areas. Among other efforts, the Fund is placing a peripatetic expert on PFM issues in Comoros (shared with Madagascar).

33. Data shortcomings remain challenging both for assessing progress in the SMP and broader economic analysis. Delays in data provision are seen across key indicators, with particular concerns relating to fiscal data and national accounts. The raw data used for aggregate GDP and BoP statistics have significant limitations in accuracy, and expanded use of targeted surveys would be advantageous. The IMF is providing substantial capacity building efforts to advance data provision in a range of areas. To make best use of this help and lock capacity improvements, the

authorities may wish to strengthen the staffing and equipment of the national statistics institute, INSEED.

34. Successful SMP implementation could allow for the discussion of a potential ECF- arrangement in 2022 based on the authorities' needs. Staff has updated the quarterly projections for the period between the end of the SMP and the potential consideration of a financial arrangement to guide the authorities' policies and facilitate monitoring of policy implementation.

STAFF APPRAISAL

35. The authorities have protected lives and macroeconomic stability in challenging circumstances since the outbreak of the COVID pandemic. The number of recorded COVID- related infections and deaths remains low, likely thanks in part to strict lockdown measures adjusted in line with pandemic dynamics. While growth has been sluggish, it is expected to accelerate in 2022 due in part to progress in vaccinations. With 29 percent of the population fully vaccinated, Comoros ranks among the 10 sub-Saharan African countries with the highest vaccination rates.

36. Implementation of the SMP at end-September was satisfactory. The authorities met all but one quantitative targets and both structural benchmarks. In particular, they pushed tax revenue substantially above target, an achievement that augurs well for the future. Further, they made social transfers above target, providing welcome support to the poor and the economy more broadly. However, while the domestic primary fiscal balance remained below initial projections and the unadjusted ceiling, the ceiling after adjustment for excess revenue was missed, reflecting partly weaknesses in expenditure control that the authorities are addressing.

37. Preparations for several structural reforms that were to be completed by end-December have run into delays. Three out of six structural benchmarks at end-December are at risk. Consequently, at the authorities' request, staff proposes to reschedule these benchmarks to end-February 2022 and extend the SMP to March 15, 2022. Structural reforms have progressed slowly in areas not directly covered by the SMP. The authorities have not yet removed the sales tax exemption for construction materials, and taxpayers continue to be registered through two IT systems, which creates unnecessary complexity that can undermine revenue mobilization.

38. Staff welcomes the authorities' planned corrective actions, including a slowing of commitments for non-priority spending and a strengthening of spending controls. Looking beyond 2021, it will be important that the budget for 2022 be aligned with fiscal projections under the program.

39. Staff supports the authorities' request for extending the SMP to March 15 and rescheduling three structural benchmarks to end-February. At the same time, staff urges the authorities to accelerate the preparatory work for structural benchmarks and speed up implementation of structural reforms more broadly. Staff will continue to support the authorities in their efforts through very substantial technical assistance and capacity building efforts.

Table 1. Comoros: Quantitative Targets for End-September 2021¹
(in millions of Comorian francs, Cumulative since end previous year, unless otherwise specified)

| | 2021 | | | |
|---|---------------|----------|-----------|---------|
| | End-September | | | |
| | Target | Adjusted | Actual | Status |
| 1. Floor on tax revenues | 27,251.7 | 27,251.7 | 34,823.9 | Met |
| 2. Ceiling on the primary domestic fiscal deficit | -17,090.9 | -5,299.9 | -13,774.2 | Not Met |
| 3. Floor on net international reserves (million KMF) | 85,900.8 | 85,900.8 | 131,400.0 | Met |
| 4. Ceiling on the accumulation of new domestic payments arrears, net ² | 0.0 | 0.0 | -2,116.8 | Met |
| 5. Floor on social cash transfers | 3,000.0 | 3,000.0 | 4,900.0 | Met |
| 6. Ceiling on new external arrears ² | 0.0 | 0.0 | 0.0 | Met |
| 7. Ceiling on new nonconcessional external debt contracted or guaranteed by the government ^{2,3} | 0.0 | 0.0 | 0.0 | Met |

¹Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).
²For 2021 targets, the ceiling applies cumulatively from July 2021
³On a contracting basis in accordance with the IMF's debt limit policy: <https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021037.ashx>

Table 2. Comoros: SMP Structural Benchmarks for End-September 2021

| Measure | Purpose | Implementation Date | Status |
|--|---|---------------------|--------|
| 1. Raise the number of active taxpayers by 5 percent at both the large taxpayer office (from 258 in May) and the medium and small taxpayer office (from 300 in May) and sending all these taxpayers requests to file tax declarations. | Boost tax revenue to enable greater investment in human and physical capital and safeguard debt sustainability. | September 30, 2021 | Met |
| 2. Prepare terms of reference and launch a call for interest for an audit of domestic arrears including cross-arrears with SOEs. | Enhance PFM by strengthening budget execution and transparency; improve business climate. | September 30, 2021 | Met |

Table 3. Comoros: Indicative Targets for End-December 2021 and Projections for End-March and End-June 2022¹

(in millions of Comorian francs, cumulative since end previous year, unless otherwise specified)

| | 2021 | | | | 2022 | | | |
|---|---------------|--------------|--------------|-----------|-------------|--------------|-------------|--------------|
| | End-September | End-December | | Status | End-March | | End-June | |
| | Actual | Target | | | Proj. | | Proj. | |
| | | SMP Request | First Review | | SMP Request | First Review | SMP Request | First Review |
| 1. Floor on tax revenues | 34,823.9 | 41,925.8 | 41,925.8 | to assess | 9,160.5 | 9,551.3 | 20,611.0 | 21,490.5 |
| 2. Ceiling on the primary domestic fiscal deficit | -13,774.2 | -18,259.9 | -18,259.9 | to assess | -7,785.8 | -7,534.4 | -13,010.0 | -12,255.9 |
| 3. Floor on net international reserves (million KMF) | 131,400.0 | 86,278.3 | 86,278.3 | to assess | 86,278.3 | 86,278.3 | 86,655.7 | 86,655.7 |
| 4. Ceiling on the accumulation of new domestic payments arrears, net ² | -2,116.8 | 0.0 | 0.0 | to assess | 0.0 | 0.0 | 0.0 | 0.0 |
| 5. Floor on social cash transfers | 4,900.0 | 5,800.0 | 5,800.0 | to assess | 1,275.0 | 1,275.0 | 2,550.0 | 2,550.0 |
| 6. Ceiling on new external arrears ² | 0.0 | 0.0 | 0.0 | to assess | 0.0 | 0.0 | 0.0 | 0.0 |
| 7. Ceiling on new nonconcessional external debt contracted or guaranteed by the government ^{2,3} | 0.0 | 0.0 | 0.0 | to assess | 0.0 | 0.0 | 0.0 | 0.0 |

¹Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

²For 2021 targets, the ceiling applies cumulatively from July 2021

³On a contracting basis in accordance with the IMF's debt limit policy: <https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021037.ashx>

Table 4. Comoros: Proposed Structural Benchmarks for Future Reviews

| Measure | Purpose | SMP request timing | Revised timing | Comments |
|---|---|---------------------------|-----------------------|-----------------|
| 1. Raise the number of active taxpayers by 10 percent at both the large taxpayer office (from 258 in May) and the medium and small taxpayer office (from 300 in May) and send all these taxpayers requests to file tax declarations. | Boost tax revenue to enable greater investment in human and physical capital and safeguard debt sustainability. | December 31, 2021 | December 31, 2021 | |
| 2. Adopt a road map for extending the coverage of the Treasury Single Account (TSA) to all transactions relating extrabudgetary entities, public administrative bodies, and foreign-financed projects. | Enhance PFM by strengthening expenditure control and transparency. | December 31, 2021 | December 31, 2021 | Already met |
| 3. Commission an audit of domestic arrears including cross-arrears with SOEs as a step towards preparing a strategy for clearing them. | Enhance PFM by strengthening budget execution and transparency; improve business climate. | December 31, 2021 | February 28, 2022 | |
| 4. Adopt a law/decreree splitting SNPSF into postal and banking activities; and submit to the Central Bank of Comoros (BCC) an application for approval of the new Postal Bank that enshrines the following: (i) strong governance in line with applicable international standards and the requirements of the BCC as the bank's regulator and supervisor, (ii) a viable business plan adopted in consultation with IMF staff, and (iii) profiles of future managers that ensure adequate management expertise and experience in banking and credit risk management. | Enhance the management of SOEs and reduce unnecessary drains on the budget. | December 31, 2021 | February 28, 2022 | |

Table 4. Comoros: Proposed Structural Benchmarks for Future Reviews (concluded)

| | | | | |
|---|--|--------------------------|--------------------------|--|
| <p>5. Issue a circular/guidance regarding the submission to a nominated procurement agency of documentation on all large public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s); and prepare a plan that sets out the steps and timeline for the publication of this documentation along with the names and beneficial ownership information of the assigned companies on an easily accessible website.</p> | <p>Improve good governance and safeguard public resources.</p> | <p>December 31, 2021</p> | <p>December 31, 2021</p> | |
| <p>6. Adopt in the Council of Ministers amendments to the 2008 anti-corruption law (N° 08-013/ AU) that will: (i) enhance preventive measures including those related to conflicts of interest and the creation of an effective asset declaration system for senior public officials in line with international best practices aimed at the collection/verification of asset declarations, the imposition of sanctions for failure and false reporting, and the provision of access to the declarations, (ii) set out the legal framework for creating an operationally independent and autonomous public entity with powers to set up the country's anti-corruption policy priorities, manage an effective asset declarations system, maintain a public anti-corruption complaints platform; and ensuring investigative capacity and powers.</p> | <p>Operationalize asset declaration regime for senior officials to lower corruption risks.</p> | <p>December 31, 2021</p> | <p>February 28, 2022</p> | |

Table 5. Comoros: Selected Economic and Financial Indicators, 2018–26

| | 2018 | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|--|-------------------|-------------------|----------|--------------------|-------|-------|--------------------|-------|-------|
| | | Est. ¹ | Est. ¹ | SMP Req. | Proj. ¹ | | | Proj. ¹ | | |
| | (Annual percentage change, unless otherwise indicated) | | | | | | | | | |
| National income and prices | | | | | | | | | | |
| Real GDP | 3.6 | 1.8 | -0.5 | 1.6 | 1.6 | 3.8 | 3.7 | 3.9 | 4.3 | 4.4 |
| GDP deflator | 1.0 | 4.5 | 0.9 | -0.9 | 0.3 | 1.7 | 1.7 | 1.7 | 1.9 | 2.0 |
| Consumer price index (annual average) | 1.7 | 3.7 | 0.8 | -1.0 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 | 2.0 |
| Money and credit | | | | | | | | | | |
| Net foreign assets | 4.2 | 2.1 | 30.3 | 14.8 | 15.1 | 12.0 | -0.7 | 0.7 | 1.6 | 1.8 |
| Domestic credit | 4.9 | 10.6 | -8.7 | 16.3 | 13.7 | 2.3 | -0.3 | 0.1 | 2.5 | 4.2 |
| Credit to the private sector | 1.2 | 4.1 | -2.8 | 0.5 | 1.5 | 3.0 | 3.5 | 4.0 | 5.0 | 6.0 |
| Broad money | 8.5 | 5.9 | 11.5 | 14.8 | 18.0 | 5.0 | 6.5 | 5.7 | 6.3 | 6.5 |
| Velocity (GDP/end-year broad money) | 3.5 | 3.6 | 3.2 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| External sector | | | | | | | | | | |
| Exports, f.o.b. | 4.2 | -0.9 | -46.7 | 24.5 | 24.5 | 38.4 | 4.6 | 4.8 | 5.5 | 6.5 |
| Imports, f.o.b. | 12.3 | 2.6 | -2.8 | 10.8 | 5.4 | 19.8 | 4.9 | -0.7 | 7.5 | 7.3 |
| Export volume | 5.7 | 0.6 | -34.5 | 27.2 | 26.1 | 38.9 | 4.7 | 4.5 | 4.9 | 5.5 |
| Import volume | 12.2 | -4.3 | 6.9 | -7.7 | -6.4 | 22.9 | 9.8 | 1.9 | 9.9 | 7.8 |
| Terms of trade | -1.2 | -3.7 | -3.1 | -12.1 | -10.5 | 6.9 | 3.8 | 2.5 | 2.3 | 1.3 |
| | (In percent of GDP, unless otherwise indicated) | | | | | | | | | |
| Investment and savings | | | | | | | | | | |
| Gross fixed capital formation | 15.8 | 15.6 | 15.6 | 16.2 | 17.0 | 17.4 | 17.1 | 15.7 | 15.8 | 16.0 |
| Public | 5.5 | 6.3 | 5.5 | 6.0 | 6.8 | 7.1 | 6.6 | 5.2 | 5.2 | 5.3 |
| Private | 10.3 | 9.3 | 10.1 | 10.2 | 10.2 | 10.3 | 10.4 | 10.5 | 10.6 | 10.7 |
| Gross national savings | 13.0 | 12.3 | 13.9 | 12.1 | 15.4 | 13.6 | 11.6 | 11.5 | 10.7 | 10.1 |
| Public | 0.8 | -0.5 | 1.6 | -1.4 | -0.2 | -0.4 | 0.9 | 1.4 | 1.5 | 1.5 |
| Private | 12.2 | 12.9 | 12.3 | 13.4 | 15.5 | 14.0 | 10.7 | 10.1 | 9.2 | 8.5 |
| Total revenue and grants | | | | | | | | | | |
| Total revenue | 17.8 | 15.8 | 18.3 | 16.5 | 17.8 | 17.7 | 16.4 | 16.7 | 17.1 | 18.0 |
| Tax Revenue | 11.2 | 9.6 | 9.3 | 8.9 | 10.2 | 10.0 | 10.3 | 10.7 | 11.0 | 11.3 |
| Non-tax Revenue | 8.3 | 6.8 | 7.7 | 7.9 | 8.4 | 8.5 | 8.8 | 9.1 | 9.4 | 9.7 |
| Total grants | 2.9 | 2.8 | 1.6 | 1.0 | 1.9 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Total grants | 6.6 | 6.3 | 9.0 | 7.5 | 7.5 | 7.7 | 6.1 | 6.0 | 6.1 | 6.7 |
| Total expenditure and net lending | | | | | | | | | | |
| Total expenditure | 19.2 | 20.2 | 18.8 | 20.7 | 21.5 | 22.0 | 20.3 | 18.7 | 18.8 | 19.2 |
| Current expenditure | 11.8 | 11.3 | 10.7 | 12.4 | 12.5 | 12.6 | 11.4 | 11.2 | 11.4 | 11.6 |
| Capital expenditure | 7.4 | 8.4 | 7.8 | 8.3 | 9.0 | 9.3 | 8.9 | 7.4 | 7.4 | 7.6 |
| Domestic primary balance ² | -1.0 | -2.9 | -1.4 | -3.5 | -3.0 | -3.3 | -2.0 | -0.1 | -0.1 | -0.2 |
| Overall balance (cash basis) | -1.2 | -3.9 | -0.8 | -4.2 | -3.7 | -4.3 | -3.9 | -2.0 | -1.7 | -1.2 |
| Excluding grants | -7.8 | -10.2 | -9.8 | -11.8 | -11.2 | -12.0 | -9.9 | -8.0 | -7.9 | -7.9 |
| Net Financing | 1.5 | 4.0 | 1.1 | 4.2 | 3.7 | 3.7 | 3.2 | 0.8 | 1.0 | 0.5 |
| Foreign | 1.0 | 2.3 | 1.1 | 2.6 | 2.9 | 4.0 | 4.2 | 1.3 | 1.2 | 0.6 |
| Domestic | 0.5 | 1.6 | 0.0 | 1.7 | 0.9 | -0.3 | -1.0 | -0.5 | -0.2 | -0.1 |
| Of which : Net acquisition of assets | 0.0 | 0.0 | 0.0 | -0.7 | -0.7 | -0.5 | -0.5 | 0.0 | 0.0 | 0.0 |
| Financing gap/errors and omissions ³ (+ = underfinancing) | -0.3 | -0.1 | -0.3 | 0.0 | 0.0 | 0.6 | 0.7 | 1.2 | 0.8 | 0.7 |
| External sector | | | | | | | | | | |
| Exports of goods and services | 12.6 | 12.0 | 7.3 | 8.9 | 8.6 | 10.9 | 10.9 | 11.0 | 11.1 | 11.2 |
| Imports of goods and services | 30.2 | 29.6 | 28.4 | 30.4 | 30.2 | 33.6 | 33.4 | 31.2 | 31.4 | 31.6 |
| Current account balance | -2.9 | -3.3 | -1.7 | -4.1 | -1.7 | -3.8 | -5.5 | -4.2 | -5.1 | -6.0 |
| Excl. official and private transfers | -17.0 | -17.2 | -20.4 | -20.5 | -20.7 | -21.8 | -21.8 | -19.6 | -19.7 | -19.8 |
| Private remittances, net ⁴ | 12.6 | 12.1 | 15.3 | 13.2 | 15.9 | 14.8 | 14.1 | 13.4 | 12.6 | 11.9 |
| Official grants and loans | 7.8 | 8.6 | 10.3 | 10.7 | 10.6 | 12.4 | 10.8 | 8.6 | 8.6 | 8.6 |
| Gross international reserves (end of period) ⁵ | | | | | | | | | | |
| In millions of U.S. dollars | 198.4 | 200.2 | 292.2 | 350.2 | 352.8 | 393.7 | 388.5 | 387.0 | 392.1 | 398.9 |
| In months of imports of goods & services | 6.8 | 7.0 | 8.9 | 9.0 | 9.1 | 9.5 | 9.4 | 8.7 | 8.1 | 7.7 |
| Exchange rate CF/US\$ (period average) | 416.4 | 439.4 | 431.1 | | | | | | | |
| Memorandum items: | | | | | | | | | | |
| Public external debt (in Percent of GDP) ⁶ | 16.4 | 19.9 | 21.2 | 25.7 | 24.6 | 28.1 | 30.7 | 30.7 | 30.4 | 29.5 |
| GDP (nominal, in billions of CF) | 491.0 | 522.0 | 524.2 | 527.6 | 534.2 | 564.2 | 594.8 | 628.5 | 668.1 | 711.6 |
| GDP per capita (nominal, in US Dollars) | 1,386 | 1,360 | 1,355 | 1,390 | 1,408 | 1,450 | 1,495 | 1,542 | 1,596 | 1,651 |

Sources: Comorian authorities; and IMF staff estimates and projections.

¹ From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.² Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat the COVID epidemic and the cost of restructuring SNPSF.³ For 2022-23, includes unmet financing needs for restructuring SNPSF⁴ From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.⁵ From 2021, includes new SDR allocation of \$24 million.⁶ Coverage of debt: The central government, the central bank and government-guaranteed debt. Definition of external debt is Residency-based.

Table 6a. Comoros: Consolidated Government Financial Operations, 2018–26
Based on Strengthened Policies Under the SMP and Thereafter
(In Millions of Comorian Francs)

| | 2018 | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---------|------------------|------------------|----------|--------------------|---------|---------|--------------------|---------|---------|
| | | Est ¹ | Est ¹ | SMP Req. | Proj. ¹ | | | Proj. ¹ | | |
| Total revenue and grants | 87,492 | 82,714 | 95,753 | 86,856 | 94,903 | 99,660 | 97,788 | 104,827 | 114,215 | 128,013 |
| Revenues | 55,099 | 50,013 | 48,538 | 47,178 | 54,756 | 56,259 | 61,548 | 67,076 | 73,197 | 80,070 |
| Tax revenues | 40,617 | 35,563 | 40,411 | 41,926 | 44,872 | 47,757 | 52,584 | 57,497 | 63,068 | 69,304 |
| Nontax revenues ² | 14,482 | 14,449 | 8,127 | 5,252 | 9,884 | 8,502 | 8,964 | 9,579 | 10,130 | 10,766 |
| External grants | 32,393 | 32,701 | 47,215 | 39,678 | 40,148 | 43,401 | 36,239 | 37,751 | 41,018 | 47,943 |
| Budgetary assistance | 1,061 | 2,228 | 11,712 | 6,857 | 6,857 | 8,739 | 7,137 | 7,542 | 8,017 | 8,539 |
| Projects (incl. techn. assist.) | 31,332 | 30,473 | 35,503 | 32,821 | 33,291 | 34,663 | 29,102 | 30,209 | 33,001 | 39,404 |
| Total expenditure and net lending | 94,105 | 105,366 | 98,427 | 109,212 | 114,848 | 123,888 | 120,692 | 117,229 | 125,818 | 136,463 |
| Current expenditure | 58,177 | 58,931 | 56,213 | 65,540 | 66,730 | 71,316 | 67,969 | 70,421 | 76,109 | 82,730 |
| Primary current expenditures | 51,990 | 54,000 | 50,410 | 60,071 | 61,208 | 65,451 | 61,280 | 63,132 | 68,767 | 75,397 |
| Wages and salaries | 26,686 | 28,237 | 27,533 | 30,345 | 30,005 | 31,393 | 31,819 | 32,360 | 35,113 | 37,927 |
| Goods and services | 15,342 | 15,595 | 13,662 | 13,496 | 15,798 | 17,142 | 16,043 | 17,211 | 18,534 | 20,235 |
| Transfers and pensions ² | 9,962 | 10,168 | 9,216 | 16,230 | 15,404 | 16,915 | 13,419 | 13,561 | 15,119 | 17,235 |
| Interest payments | 468 | 1,085 | 1,280 | 1,249 | 1,249 | 1,674 | 2,271 | 2,621 | 2,380 | 2,234 |
| Foreign-financed project maintenance | 1,559 | 1,262 | 3,324 | 2,638 | 2,671 | 1,398 | 1,474 | 1,557 | 1,655 | 1,763 |
| Technical assistance | 4,160 | 2,584 | 1,198 | 1,583 | 1,603 | 2,793 | 2,944 | 3,111 | 3,307 | 3,336 |
| Capital expenditure | 36,559 | 43,891 | 40,741 | 43,672 | 48,118 | 52,572 | 52,723 | 46,808 | 49,708 | 53,732 |
| Domestically financed investment | 8,083 | 11,002 | 5,649 | 8,327 | 12,323 | 14,768 | 12,874 | 4,699 | 5,280 | 6,410 |
| Foreign-financed investment | 28,476 | 32,889 | 35,092 | 35,346 | 35,795 | 37,804 | 39,849 | 42,109 | 44,428 | 47,322 |
| Domestic primary balance ³ | -4,975 | -14,990 | -7,521 | -18,260 | -15,815 | -18,886 | -11,803 | -756 | -850 | -1,737 |
| Overall balance (commitment basis) | -6,613 | -22,652 | -2,674 | -22,357 | -19,945 | -24,228 | -22,905 | -12,403 | -11,602 | -8,449 |
| Change in net arrears | 749 | 2,343 | -1,279 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance (cash basis) | -5,864 | -20,309 | -3,953 | -22,357 | -19,945 | -24,228 | -22,905 | -12,403 | -11,602 | -8,449 |
| Financing | 7,562 | 20,697 | 5,611 | 22,357 | 19,945 | 20,769 | 18,942 | 5,082 | 6,494 | 3,259 |
| Foreign (net) | 4,905 | 12,194 | 5,863 | 13,607 | 15,376 | 22,483 | 24,914 | 8,103 | 7,873 | 3,948 |
| Drawings | 6,048 | 11,954 | 6,592 | 16,714 | 16,747 | 26,481 | 27,860 | 16,568 | 16,390 | 13,204 |
| Amortization | -511 | -488 | -1,237 | -3,107 | -1,371 | -3,998 | -2,946 | -8,465 | -8,516 | -9,256 |
| Change in net arrears (principal) | -632 | 727 | 507 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic (net) | 2,656 | 8,503 | -252 | 8,750 | 4,569 | -1,715 | -5,972 | -3,021 | -1,379 | -690 |
| Bank financing | 2,656 | 8,503 | -83 | 12,554 | 8,373 | 1,385 | -2,872 | -3,021 | -1,379 | -690 |
| Central bank | 3,288 | 5,960 | -1,023 | 13,691 | 12,756 | 1,943 | -2,872 | -3,021 | -1,379 | -690 |
| Of which: IMF (net) | 1,326 | 3,871 | 3,997 | 740 | -737 | -1,075 | -2,872 | -3,021 | -1,379 | -690 |
| Commercial banks | -631 | 2,544 | 940 | -1,137 | -4,383 | -558 | 0 | 0 | 0 | 0 |
| Net acquisition of assets | | 0.0 | -169 | -3,804 | -3,804 | -3,100 | -3,100 | 0 | 0 | 0 |
| of which recapitalization of SNPSF | | | | -3,100 | -3,100 | -3,100 | -3,100 | 0 | 0 | 0 |
| Errors and omissions/Financing gap ⁴ (+ = underfinancing) | -1,697 | -388 | -1,658 | 0 | 0 | 3,459 | 3,963 | 7,321 | 5,108 | 5,190 |
| <i>Memorandum items:</i> | | | | | | | | | | |
| GDP (nominal) | 490,958 | 522,045 | 524,176 | 527,551 | 534,250 | 564,241 | 594,763 | 628,488 | 668,091 | 711,610 |
| Wages in percentage of revenues | 48.4 | 56.5 | 56.7 | 64.3 | 54.8 | 55.8 | 51.7 | 48.2 | 48.0 | 47.4 |

Sources: Comoros Ministry of Finance; and IMF staff estimates.

¹ From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

² Including RAU ("Redevance Administrative Unique") from 2018.

³ Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat the COVID epidemic and the cost of restructuring SNPSF.

⁴ For 2022-23, includes unmet financing needs for restructuring SNPSF

Table 6b. Comoros: Consolidated Government Financial Operations, 2018–26
Based on Strengthened Policies Under the SMP and Thereafter
(in Percent of GDP)

| | 2018 | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---------|---------|------------------|----------|--------------------|---------|---------|--------------------|---------|---------|
| | | Prel. | Est ¹ | SMP Req. | Proj. ¹ | | | Proj. ¹ | | |
| Total revenue and grants | 17.8 | 15.8 | 18.3 | 16.5 | 17.8 | 17.7 | 16.4 | 16.7 | 17.1 | 18.0 |
| Revenues | 11.2 | 9.6 | 9.3 | 8.9 | 10.2 | 10.0 | 10.3 | 10.7 | 11.0 | 11.3 |
| Tax revenues | 8.3 | 6.8 | 7.7 | 7.9 | 8.4 | 8.5 | 8.8 | 9.1 | 9.4 | 9.7 |
| Nontax revenues ² | 2.9 | 2.8 | 1.6 | 1.0 | 1.9 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| External grants | 6.6 | 6.3 | 9.0 | 7.5 | 7.5 | 7.7 | 6.1 | 6.0 | 6.1 | 6.7 |
| Budgetary assistance | 0.2 | 0.4 | 2.2 | 1.3 | 1.3 | 1.5 | 1.2 | 1.2 | 1.2 | 1.2 |
| Projects (incl. techn. assist.) | 6.4 | 5.8 | 6.8 | 6.2 | 6.2 | 6.1 | 4.9 | 4.8 | 4.9 | 5.5 |
| Total expenditure and net lending | 19.2 | 20.2 | 18.8 | 20.7 | 21.5 | 22.0 | 20.3 | 18.7 | 18.8 | 19.2 |
| Current expenditure | 11.8 | 11.3 | 10.7 | 12.4 | 12.5 | 12.6 | 11.4 | 11.2 | 11.4 | 11.6 |
| Primary current expenditures | 10.6 | 10.3 | 9.6 | 11.4 | 11.5 | 11.6 | 10.3 | 10.0 | 10.3 | 10.6 |
| Wages and salaries | 5.4 | 5.4 | 5.3 | 5.8 | 5.6 | 5.6 | 5.3 | 5.1 | 5.3 | 5.3 |
| Goods and services | 3.1 | 3.0 | 2.6 | 2.6 | 3.0 | 3.0 | 2.7 | 2.7 | 2.8 | 2.8 |
| Transfers and pensions ² | 2.0 | 1.9 | 1.8 | 3.1 | 2.9 | 3.0 | 2.3 | 2.2 | 2.3 | 2.4 |
| Interest payments | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 |
| Foreign-financed project maintenance | 0.3 | 0.2 | 0.6 | 0.5 | 0.5 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Technical assistance | 0.8 | 0.5 | 0.2 | 0.3 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Capital expenditure | 7.4 | 8.4 | 7.8 | 8.3 | 9.0 | 9.3 | 8.9 | 7.4 | 7.4 | 7.6 |
| Domestically financed investment | 1.6 | 2.1 | 1.1 | 1.6 | 2.3 | 2.6 | 2.2 | 0.7 | 0.8 | 0.9 |
| Foreign-financed investment | 5.8 | 6.3 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 |
| Domestic primary balance ³ | -1.0 | -2.9 | -1.4 | -3.5 | -3.0 | -3.3 | -2.0 | -0.1 | -0.1 | -0.2 |
| Overall balance (commitment basis) | -1.3 | -4.3 | -0.5 | -4.2 | -3.7 | -4.3 | -3.9 | -2.0 | -1.7 | -1.2 |
| Change in net arrears | 0.2 | 0.4 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance (cash basis) | -1.2 | -3.9 | -0.8 | -4.2 | -3.7 | -4.3 | -3.9 | -2.0 | -1.7 | -1.2 |
| Financing | 1.5 | 4.0 | 1.1 | 4.2 | 3.7 | 3.7 | 3.2 | 0.8 | 1.0 | 0.5 |
| Foreign (net) | 1.0 | 2.3 | 1.1 | 2.6 | 2.9 | 4.0 | 4.2 | 1.3 | 1.2 | 0.6 |
| Drawings, | 1.2 | 2.3 | 1.3 | 3.2 | 3.1 | 4.7 | 4.7 | 2.6 | 2.5 | 1.9 |
| Amortization | -0.1 | -0.1 | -0.2 | -0.6 | -0.3 | -0.7 | -0.5 | -1.3 | -1.3 | -1.3 |
| Change in net arrears (principal) | -0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic (net) | 0.5 | 1.6 | 0.0 | 1.7 | 0.9 | -0.3 | -1.0 | -0.5 | -0.2 | -0.1 |
| Bank financing | 0.5 | 1.6 | 0.0 | 2.4 | 1.6 | 0.2 | -0.5 | -0.5 | -0.2 | -0.1 |
| Central bank | 0.7 | 1.1 | -0.2 | 2.6 | 2.4 | 0.3 | -0.5 | -0.5 | -0.2 | -0.1 |
| Of which: IMF (net) | 0.3 | 0.7 | 0.8 | 0.1 | -0.1 | -0.2 | -0.5 | -0.5 | -0.2 | -0.1 |
| Commercial banks | -0.1 | 0.5 | 0.2 | -0.2 | -0.8 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net acquisition of assets | 0.0 | 0.0 | 0.0 | -0.7 | -0.7 | -0.5 | -0.5 | 0.0 | 0.0 | 0.0 |
| of which recapitalization of SNPSF | | | | -0.6 | -0.6 | -0.5 | -0.5 | 0.0 | 0.0 | 0.0 |
| Errors and omissions/Financing gap ⁴ (+ = underfinancing) | -0.3 | -0.1 | -0.3 | 0.0 | 0.0 | 0.6 | 0.7 | 1.2 | 0.8 | 0.7 |
| <i>Memorandum items:</i> | | | | | | | | | | |
| GDP (nominal, in millions Comorian francs) | 490,958 | 522,045 | 524,176 | 527,551 | 534,250 | 564,241 | 594,763 | 628,488 | 668,091 | 711,610 |
| Wages in percentage of revenues | 48.4 | 56.5 | 56.7 | 64.3 | 54.8 | 55.8 | 51.7 | 48.2 | 48.0 | 47.4 |

Sources: Comoros Ministry of Finance; and IMF staff estimates.

¹ From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

² Including RAU ("Redevance Administrative Unique") from 2018.

³ Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat the COVID epidemic and the cost of restructuring SNPSF.

⁴ For 2022-23, includes unmet financing needs for restructuring SNPSF

Table 7. Comoros: Monetary Survey, 2018–26
Based on Strengthened Policies Under the SMP and Thereafter
(In Millions of Comorians Francs, Unless Otherwise Indicated)

| | 2018 | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---------|---------|----------|---------|---------|---------|---------|---------|---------|
| | | | | SMP Req. | Proj. | | | | | |
| Net foreign assets | 80,970 | 82,702 | 107,782 | 123,715 | 124,050 | 138,903 | 137,876 | 138,778 | 141,067 | 143,604 |
| Central bank assets ¹ | 85,756 | 88,614 | 118,106 | 144,651 | 145,742 | 159,270 | 155,118 | 152,718 | 153,300 | 154,785 |
| Central bank liabilities ¹ | -9,718 | -13,579 | -16,956 | -27,610 | -26,133 | -25,058 | -22,186 | -19,165 | -17,786 | -17,096 |
| Commercial banks assets | 8,234 | 10,835 | 10,156 | 10,221 | 8,947 | 9,449 | 9,960 | 10,525 | 11,188 | 11,917 |
| Commercial banks liabilities | -3,302 | -3,168 | -3,523 | -3,546 | -4,506 | -4,759 | -5,016 | -5,301 | -5,635 | -6,002 |
| Net domestic assets | 57,558 | 64,008 | 55,765 | 64,009 | 68,935 | 63,732 | 77,929 | 89,265 | 101,345 | 114,598 |
| Domestic credit | 89,600 | 99,087 | 90,450 | 105,195 | 102,820 | 105,233 | 104,945 | 105,004 | 107,672 | 112,147 |
| Net credit to government | 9,535 | 17,074 | 9,910 | 25,728 | 22,561 | 22,567 | 19,385 | 16,022 | 14,241 | 13,110 |
| Of which: Treasury | 15,297 | 21,781 | 20,346 | 33,583 | 27,982 | 28,292 | 25,420 | 22,399 | 21,020 | 20,330 |
| Bank financing | 9,535 | 17,074 | 9,910 | 25,728 | 22,561 | 22,567 | 19,385 | 16,022 | 14,241 | 13,110 |
| Claims on government | 16,626 | 25,665 | 29,284 | 34,648 | 29,925 | 28,292 | 25,420 | 22,399 | 21,020 | 20,330 |
| Deposits of government | -7,090 | -8,591 | -19,374 | -8,920 | -7,363 | -5,725 | -6,035 | -6,377 | -6,779 | -7,220 |
| Claims on public enterprises | 2,017 | 768 | 1,484 | 2,891 | 8,000 | 8,449 | 8,906 | 9,411 | 10,004 | 10,656 |
| Claims on other financial institutions | -108 | -136 | -59 | -101 | -101 | -101 | -101 | -101 | -101 | -101 |
| Claims on private sector | 78,123 | 81,336 | 79,072 | 79,468 | 80,259 | 82,666 | 85,560 | 88,982 | 93,431 | 99,037 |
| Other items net | -32,041 | -35,078 | -34,685 | -41,186 | -33,885 | -41,502 | -27,016 | -15,739 | -6,328 | 2,451 |
| Broad money | 138,528 | 146,711 | 163,547 | 187,727 | 192,985 | 202,634 | 215,805 | 228,043 | 242,412 | 258,203 |
| Money | 92,781 | 98,099 | 110,869 | 127,261 | 127,603 | 133,582 | 143,018 | 151,128 | 160,650 | 171,115 |
| Currency in circulation | 35,904 | 38,764 | 41,592 | 47,741 | 47,870 | 50,557 | 53,292 | 56,314 | 59,862 | 63,762 |
| Demand deposits | 56,877 | 59,335 | 69,277 | 79,519 | 79,733 | 83,025 | 89,726 | 94,814 | 100,788 | 107,353 |
| Quasi-money | 45,747 | 48,611 | 52,678 | 60,466 | 65,382 | 69,052 | 72,788 | 76,915 | 81,762 | 87,088 |
| | <i>(in percent of beginning period broad money)</i> | | | | | | | | | |
| Net foreign assets | 2.5 | 1.3 | 17.1 | 9.7 | 9.9 | 7.7 | -0.5 | 0.4 | 1.0 | 1.0 |
| Net domestic assets | 5.9 | 4.7 | -5.6 | 5.0 | 8.1 | -2.7 | 7.0 | 5.3 | 5.3 | 5.5 |
| Domestic credit | 3.3 | 6.8 | -5.9 | 9.0 | 7.6 | 1.3 | -0.1 | 0.0 | 1.2 | 1.8 |
| Net credit to government | 2.8 | 5.4 | -4.9 | 9.7 | 7.7 | 0.0 | -1.6 | -1.6 | -0.8 | -0.5 |
| Credit to public enterprises | -0.2 | -0.9 | 0.5 | 0.9 | 4.0 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| Credit to private sector | 0.7 | 2.3 | -1.5 | 0.2 | 0.7 | 1.2 | 1.4 | 1.6 | 2.0 | 2.3 |
| Other items (net) | 2.6 | -2.2 | 0.3 | -4.0 | 0.5 | -3.9 | 7.1 | 5.2 | 4.1 | 3.6 |
| Broad money | 8.5 | 5.9 | 11.5 | 14.8 | 18.0 | 5.0 | 6.5 | 5.7 | 6.3 | 6.5 |
| Money | 5.4 | 3.8 | 8.7 | 10.0 | 10.2 | 3.1 | 4.7 | 3.8 | 4.2 | 4.3 |
| Quasi-money | 3.1 | 2.1 | 2.8 | 4.8 | 7.8 | 1.9 | 1.8 | 1.9 | 2.1 | 2.2 |
| Velocity (GDP/end-year broad money) | 3.5 | 3.6 | 3.2 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Credit to private sector (percent change) | 1.2 | 4.1 | -2.8 | 0.5 | 1.5 | 3.0 | 3.5 | 4.0 | 5.0 | 6.0 |

Sources: Central Bank of Comoros; and IMF staff estimates and projections.

¹ From 2021, includes new SDR allocation of \$24 million.

Table 8a. Comoros: Balance of Payments, 2018–26
Based on Strengthened Policies Under the SMP and Thereafter
(In Millions of Comorian Francs, Unless Otherwise Indicated)

| | 2018 | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | | Est. | SMP Req. | Proj. | | | Proj. | | |
| Current account | -13,995 | -16,981 | -8,887 | -21,811 | -8,850 | -21,461 | -32,759 | -26,454 | -34,402 | -42,510 |
| Goods and services | -86,151 | -92,123 | -110,603 | -113,481 | -115,713 | -128,173 | -134,104 | -126,701 | -135,867 | -144,994 |
| Trade balance | -85,009 | -87,852 | -93,185 | -101,935 | -96,431 | -113,362 | -118,929 | -117,207 | -126,328 | -135,737 |
| Exports | 17,986 | 17,831 | 9,502 | 11,832 | 11,828 | 16,370 | 17,123 | 17,941 | 18,926 | 20,157 |
| Of which: Vanilla | 4,521 | 3,092 | 1,951 | 2,188 | 2,218 | 2,781 | 2,773 | 2,763 | 2,774 | 2,805 |
| Cloves | 7,962 | 6,256 | 3,868 | 4,933 | 4,933 | 6,994 | 7,390 | 7,817 | 8,319 | 8,937 |
| Ylang-ylang | 3,175 | 5,387 | 1,926 | 2,736 | 2,736 | 4,252 | 4,493 | 4,752 | 5,057 | 5,433 |
| Other | 2,328 | 3,096 | 1,757 | 1,975 | 1,941 | 2,342 | 2,466 | 2,608 | 2,776 | 2,982 |
| Imports (f.o.b.) | -102,995 | -105,683 | -102,688 | -113,768 | -108,259 | -129,732 | -136,051 | -135,148 | -145,254 | -155,894 |
| of which oil | -25,985 | -30,436 | -30,587 | -33,509 | -33,509 | -36,295 | -36,806 | -37,702 | -38,537 | -39,578 |
| Services (net) | -1,142 | -4,271 | -17,417 | -11,546 | -19,282 | -14,811 | -15,175 | -9,494 | -9,539 | -9,258 |
| Receipts | 44,069 | 44,672 | 28,869 | 33,857 | 33,857 | 45,147 | 47,689 | 51,168 | 55,199 | 59,745 |
| Payments | -45,212 | -48,943 | -46,287 | -46,822 | -53,140 | -59,957 | -62,864 | -60,662 | -64,738 | -69,002 |
| Income (net) | 2,874 | 2,262 | 3,732 | 5,254 | 5,300 | 5,217 | 4,327 | 3,808 | 4,024 | 4,185 |
| Of which: Interest on rescheduled obligations | -235 | -1,040 | -1,079 | -903 | -903 | -1,635 | -2,271 | -2,621 | -2,380 | -2,234 |
| Current transfers (net) | 69,282 | 72,881 | 97,983 | 86,416 | 101,563 | 101,494 | 97,018 | 96,439 | 97,441 | 98,299 |
| Government | 7,655 | 9,531 | 17,834 | 16,556 | 16,609 | 18,022 | 13,161 | 12,210 | 12,980 | 13,638 |
| Of which: HIPC and MDRI assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Private ¹ | 61,627 | 63,349 | 80,149 | 69,861 | 84,954 | 83,472 | 83,857 | 84,228 | 84,462 | 84,660 |
| Capital and financial account | 31,382 | 52,326 | 47,943 | 48,358 | 37,223 | 36,064 | 31,479 | 27,075 | 36,362 | 44,686 |
| Capital account | 25,613 | 26,627 | 29,381 | 23,122 | 23,538 | 25,379 | 23,078 | 25,541 | 28,038 | 34,118 |
| Capital transfers | 25,613 | 26,627 | 29,381 | 23,122 | 23,538 | 25,379 | 23,078 | 25,541 | 28,038 | 34,118 |
| Transfer of fixed assets | 25,613 | 26,627 | 29,381 | 23,122 | 23,538 | 25,379 | 23,078 | 25,541 | 28,038 | 34,118 |
| Financial account | 5,769 | 25,698 | 18,562 | 25,235 | 13,685 | 10,685 | 8,401 | 1,534 | 8,324 | 10,567 |
| Direct investment | 2,363 | 1,616 | 210 | 1,319 | 1,336 | 1,411 | 2,379 | 3,457 | 4,677 | 6,049 |
| Net portfolio and other investment | 3,406 | 24,082 | 18,353 | 23,917 | 12,349 | 9,275 | 6,022 | -1,922 | 3,647 | 4,519 |
| Public sector | 5,813 | 26,686 | 16,602 | 31,347 | 28,503 | 27,657 | 24,914 | 8,103 | 7,873 | 3,948 |
| Disbursement | 6,048 | 27,334 | 17,800 | 34,454 | 29,874 | 31,655 | 27,860 | 16,568 | 16,390 | 13,204 |
| Of which: Drawings (excl. IMF) | 6,048 | 27,334 | 17,800 | 24,540 | 19,960 | 31,655 | 27,860 | 16,568 | 16,390 | 13,204 |
| Of which: SDR allocations | | | | 9,914 | 9,914 | | | | | |
| Amortization | -314 | -647 | -1,198 | -3,107 | -1,371 | -3,998 | -2,946 | -8,465 | -8,516 | -9,256 |
| Private sector (net) | -2,408 | -2,604 | 1,751 | -7,430 | -16,154 | -18,383 | -18,892 | -10,025 | -4,226 | 571 |
| Banks, net | -3,414 | -2,735 | 1,035 | -43 | 2,191 | -249 | -254 | -280 | -329 | -362 |
| Other | 1,006 | 132 | 716 | -7,388 | -18,345 | -18,133 | -18,638 | -9,745 | -3,897 | 932 |
| Errors and omissions | -16,804 | -37,137 | -14,415 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | 583 | -1,792 | 24,641 | 26,545 | 28,373 | 14,603 | -1,280 | 621 | 1,960 | 2,175 |
| Financing | -583 | 1,792 | -24,641 | -26,547 | -28,373 | -14,603 | 1,280 | -621 | -1,960 | -2,175 |
| NFA of central bank (increase -) | -82 | 1,014 | -25,495 | -26,547 | -28,373 | -14,603 | 1,280 | -621 | -1,960 | -2,175 |
| Foreign assets | 1,244 | -2,858 | -29,492 | -26,547 | -27,636 | -13,528 | 4,152 | 2,400 | -581 | -1,486 |
| Foreign liabilities | -1,326 | 3,871 | 3,997 | 0 | -737 | -1,075 | -2,872 | -3,021 | -1,379 | -690 |
| Of which: Net IMF Credit | -1,326 | 3,871 | 3,997 | 740 | -737 | -1,075 | -2,872 | -3,021 | -1,379 | -690 |
| Net change in arrears | -501 | 778 | 854 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Error/Financing gap | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additional BoP financing needed to close fiscal gap | ... | ... | ... | 0 | 0 | 3,459 | 3,963 | 7,321 | 5,108 | 5,190 |
| <i>Memorandum items:</i> | | | | | | | | | | |
| Current account (percentage of GDP) | -2.9 | -3.3 | -1.7 | -4.1 | -1.7 | -3.8 | -5.5 | -4.2 | -5.1 | -6.0 |
| Excluding transfers | -17.0 | -17.2 | -20.4 | -20.5 | -20.7 | -21.8 | -21.8 | -19.6 | -19.7 | -19.8 |
| Exports of goods and services (percentage of GDP) | 12.6 | 12.0 | 7.3 | 8.9 | 8.6 | 10.9 | 10.9 | 11.0 | 11.1 | -11.2 |
| Imports of goods and services (percentage of GDP) | 30.2 | 29.6 | 28.4 | 30.4 | 30.2 | 33.6 | 33.4 | 31.2 | 31.4 | 31.6 |
| Gross international reserves (end of period) ² | | | | | | | | | | |
| In millions of U.S. dollars | 198.4 | 200.2 | 292.2 | 350.2 | 352.8 | 393.7 | 388.5 | 387.0 | 392.1 | 398.9 |
| In months of imports of goods & services | 6.8 | 7.0 | 8.9 | 9.0 | 9.1 | 9.5 | 9.4 | 8.7 | 8.1 | 7.7 |
| Nominal GDP (CF millions) | 490,958 | 522,045 | 524,176 | 527,551 | 534,250 | 564,241 | 594,763 | 628,488 | 668,091 | 711,610 |
| Nominal GDP (millions of U.S. dollars) | 1,179 | 1,188 | 1,216 | 1,281 | 1,297 | 1,385 | 1,481 | 1,584 | 1,702 | 1,828 |

Sources: Comorian authorities; and IMF staff estimates and projections.

¹ From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.

² From 2021, includes new SDR allocation of \$24 million.

Table 8b. Comoros: Balance of Payments, 2018–26
Based on Strengthened Policies Under the SMP and Thereafter
(In Percent of GDP, Unless Otherwise Indicated)

| | 2018 | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---------|---------|---------|----------|---------|---------|---------|---------|---------|---------|
| | Est. | Est. | Est. | SMP Req. | Proj. | | | Proj. | | |
| Current account | -2.9 | -3.3 | -1.7 | -4.1 | -1.7 | -3.8 | -5.5 | -4.2 | -5.1 | -6.0 |
| Goods and services | -17.5 | -17.6 | -21.1 | -21.5 | -21.7 | -22.7 | -22.5 | -20.2 | -20.3 | -20.4 |
| Trade balance | -17.3 | -16.8 | -17.8 | -19.3 | -18.0 | -20.1 | -20.0 | -18.6 | -18.9 | -19.1 |
| Exports | 3.7 | 3.4 | 1.8 | 2.2 | 2.2 | 2.9 | 2.9 | 2.9 | 2.8 | 2.8 |
| Of which: Vanilla | 0.9 | 0.6 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Cloves | 1.6 | 1.2 | 0.7 | 0.9 | 0.9 | 1.2 | 1.2 | 1.2 | 1.2 | 1.3 |
| Ylang-ylang | 0.6 | 1.0 | 0.4 | 0.5 | 0.5 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Other | 0.5 | 0.6 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Imports (f.o.b.) | -21.0 | -20.2 | -19.6 | -21.6 | -20.3 | -23.0 | -22.9 | -21.5 | -21.7 | -21.9 |
| of which oil | -5.3 | -5.8 | -5.8 | -6.4 | -6.3 | -6.4 | -6.2 | -6.0 | -5.8 | -5.6 |
| Services (net) | -0.2 | -0.8 | -3.3 | -2.2 | -3.6 | -2.6 | -2.6 | -1.5 | -1.4 | -1.3 |
| Receipts | 9.0 | 8.6 | 5.5 | 6.7 | 6.3 | 8.0 | 8.0 | 8.1 | 8.3 | 8.4 |
| Payments | -9.2 | -9.4 | -8.8 | -8.9 | -9.9 | -10.6 | -10.6 | -9.7 | -9.7 | -9.7 |
| Income (net) | 0.6 | 0.4 | 0.7 | 1.0 | 1.0 | 0.9 | 0.7 | 0.6 | 0.6 | 0.6 |
| Of which: Interest on rescheduled obligations | 0.0 | -0.2 | -0.2 | -0.2 | -0.2 | -0.3 | -0.4 | -0.4 | -0.4 | -0.3 |
| Current transfers (net) | 14.1 | 14.0 | 18.7 | 16.4 | 19.0 | 18.0 | 16.3 | 15.3 | 14.6 | 13.8 |
| Government | 1.6 | 1.8 | 3.4 | 3.1 | 3.1 | 3.2 | 2.2 | 1.9 | 1.9 | 1.9 |
| Of which: HIPC and MDRI assistance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 |
| Private ¹ | 12.6 | 12.1 | 15.3 | 13.2 | 15.9 | 14.8 | 14.1 | 13.4 | 12.6 | 11.9 |
| Capital and financial account | 6.4 | 10.0 | 9.1 | 9.2 | 7.0 | 6.4 | 5.3 | 4.3 | 5.4 | 6.3 |
| Capital account | 5.2 | 5.1 | 5.6 | 4.4 | 4.4 | 4.5 | 3.9 | 4.1 | 4.2 | 4.8 |
| Capital transfers | 5.2 | 5.1 | 5.6 | 4.4 | 4.4 | 4.5 | 3.9 | 4.1 | 4.2 | 4.8 |
| Transfer of fixed assets | 5.2 | 5.1 | 5.6 | 4.4 | 4.4 | 4.5 | 3.9 | 4.1 | 4.2 | 4.8 |
| Financial account | 1.2 | 4.9 | 3.5 | 4.8 | 2.6 | 1.9 | 1.4 | 0.2 | 1.2 | 1.5 |
| Direct investment | 0.5 | 0.3 | 0.0 | 0.3 | 0.2 | 0.3 | 0.4 | 0.5 | 0.7 | 0.9 |
| Net portfolio and other investment | 0.7 | 4.6 | 3.5 | 4.5 | 2.3 | 1.6 | 1.0 | -0.3 | 0.5 | 0.6 |
| Public Sector | 1.2 | 5.1 | 3.2 | 5.9 | 5.3 | 4.9 | 4.2 | 1.3 | 1.2 | 0.6 |
| Disbursements | 1.2 | 5.2 | 3.4 | 6.5 | 5.6 | 5.6 | 4.7 | 2.6 | 2.5 | 1.9 |
| Of which: Drawings (excl. IMF) | 1.2 | 5.2 | 3.4 | 4.7 | 3.7 | 5.6 | 4.7 | 2.6 | 2.5 | 1.9 |
| Of which: SDR allocations | | | | 1.9 | 1.9 | | | | | |
| Amortization | -0.1 | -0.1 | -0.2 | -0.6 | -0.3 | -0.7 | -0.5 | -1.3 | -1.3 | -1.3 |
| Private sector (net) | -0.5 | -0.5 | 0.3 | -1.4 | -3.0 | -3.3 | -3.2 | -1.6 | -0.6 | 0.1 |
| Banks, net | -0.7 | -0.5 | 0.2 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| Other | 0.2 | 0.0 | 0.1 | -1.4 | -3.4 | -3.2 | -3.1 | -1.6 | -0.6 | 0.1 |
| Errors and omissions | -3.4 | -7.1 | -2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance | 0.1 | -0.3 | 4.7 | 5.0 | 5.3 | 2.6 | -0.2 | 0.1 | 0.3 | 0.3 |
| Financing | -0.1 | 0.3 | -4.7 | -5.0 | -5.3 | -2.6 | 0.2 | -0.1 | -0.3 | -0.3 |
| NFA of central bank (increase -) | 0.0 | 0.2 | -4.9 | -5.0 | -5.3 | -2.6 | 0.2 | -0.1 | -0.3 | -0.3 |
| Foreign assets | 0.3 | -0.5 | -5.6 | -5.0 | -5.2 | -2.4 | 0.7 | 0.4 | -0.1 | -0.2 |
| Foreign liabilities | -0.3 | 0.7 | 0.8 | 0.0 | -0.1 | -0.2 | -0.5 | -0.5 | -0.2 | -0.1 |
| Of which: Net IMF Credit | -0.3 | 0.7 | 0.8 | 0.1 | -0.1 | -0.2 | -0.5 | -0.5 | -0.2 | -0.1 |
| Net change in arrears | -0.1 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Error/Financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Additional BoP financing needed to close fiscal gap | ... | ... | ... | 0.0 | 0.0 | 0.6 | 0.7 | 1.2 | 0.8 | 0.7 |
| <i>Memorandum items:</i> | | | | | | | | | | |
| Current account (percentage of GDP) | -2.9 | -3.3 | -1.7 | -4.1 | -1.7 | -3.8 | -5.5 | -4.2 | -5.1 | -6.0 |
| Excluding transfers | -17.0 | -17.2 | -20.4 | -20.5 | -20.7 | -21.8 | -21.8 | -19.6 | -19.7 | -19.8 |
| Exports of goods and services (percentage of GDP) | 12.6 | 12.0 | 7.3 | 8.9 | 8.6 | 10.9 | 10.9 | 11.0 | 11.1 | 11.2 |
| Imports of goods and services (percentage of GDP) | 30.2 | 29.6 | 28.4 | 30.4 | 30.2 | 33.6 | 33.4 | 31.2 | 31.4 | 31.6 |
| Gross international reserves (end of period) ² | | | | | | | | | | |
| In millions of U.S. dollars | 198.4 | 200.2 | 292.2 | 350.2 | 352.8 | 393.7 | 388.5 | 387.0 | 392.1 | 398.9 |
| In months of imports of goods & services | 6.8 | 7.0 | 8.9 | 9.0 | 9.1 | 9.5 | 9.4 | 8.7 | 8.1 | 7.7 |
| Nominal GDP (CF millions) | 490,958 | 522,045 | 524,176 | 527,551 | 534,250 | 564,241 | 594,763 | 628,488 | 668,091 | 711,610 |
| Nominal GDP (millions of U.S. dollars) | 1,179 | 1,188 | 1,216 | 1,281 | 1,297 | 1,385 | 1,481 | 1,584 | 1,702 | 1,828 |

Sources: Comorian authorities; and IMF staff estimates and projections.

¹ From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.

² From 2021, includes new SDR allocation of \$24 million.

Annex I. Risk Assessment Matrix

| Sources of Risk | Relative Likelihood | Time Horizon | Impact on Comoros | Policy Responses |
|---|---------------------|--------------|-------------------|---|
| Global Risks | | | | |
| Global resurgence of the Covid-19 pandemic , which requires costly containment efforts. | Medium | ST, MT | High | Speed up vaccination as much as possible given vaccine supply constraints , preferably with vaccines shown to be highly effective. Use of social distancing as needed. |
| Uncontrolled Covid-19 local outbreaks and subpar/volatile growth . Local outbreak forces new lockdowns, while policy response to cushion the economic impact is constrained. | High | ST, MT | High | Speed up vaccination as much as possible given vaccine supply constraints , preferably with vaccines shown to be highly effective. Use of social distancing as needed. |
| Sharp rise in global risk premia exposes financial and fiscal vulnerabilities , leading to higher debt service and refinancing difficulties. | Medium | ST | Low | Strengthen debt sustainability by raising fiscal revenue and adopting a suitable fiscal anchor. |
| Domestic Risks | | | | |
| Policy slippages . In particular, delayed structural reforms could undermine revenue mobilization, adding pressures on the public finances. The taking up of additional non-concessional debt could quickly undermine debt sustainability. | High | ST, MT | High | Implement macroeconomic policies and structural reforms as described in the SMP , particularly those related to raising fiscal revenue. |
| Widespread social discontent and political instability . Social and political tensions erupt as pandemic-related economic support is withdrawn and the opposition continues to reject the 2018 constitution. | High | ST, MT | High | Provide support to the most vulnerable, including those in the smaller islands, as described in the SMP. Enhance governance, transparency, and the rule of law. |
| Deterioration of SOEs' financial situation and ensuing migration of liabilities to the central government. | High | ST, MT | High | Improve supervision of SOEs as described in the SMP. |
| Natural disasters , for example eruption of the Karthala volcano, another hurricane, or drought. | Medium | ST, MT | High | Implement the adaptation strategy discussed in Country Report 20/198. |

Appendix I. Letter of Intent

Moroni, Union of Comoros
December 23, 2021

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Madame Managing Director,

The Government of the Union of Comoros is implementing a Staff-Monitored Program covering the period July 22 – December 31, 2021.

We have made progress in implementing the reforms described in our Letter of Intent of September 29, 2021. As a result, we have met most (six out of seven) of the quantitative targets as well as both structural targets at end-September. Further, we are confident that we will meet most (at least six out of seven) quantitative targets at end-December as well as half (three out of six) structural benchmarks at end-December.

With regard to the quantitative target at risk, on the ceiling on the domestic primary fiscal deficit, we are making concerted efforts to reach it by slowing non-priority spending as much as possible without creating unwarranted economic damage, unacceptable social hardship, or delays in the fight against COVID. In parallel, we are aiming to strengthen spending controls to lower the likelihood of future spending overruns.

With regard to the three structural benchmarks at risk, on the commissioning of the audit of domestic arrears, the restructuring of the postal bank and anti-corruption, preparatory work has run into delays. The delays reflect both the complexity of the required measures and, in the case of the work on anti-corruption, also initial difficulties in bringing together experts from parts of the government that are not used to working with the IMF (now resolved). Against this background, we hereby request an extension of the SMP to March 15, 2022 and a rescheduling of these three benchmarks to end-February. We remain committed to implementing these benchmarks and are making concerted efforts to accelerate the preparatory work and honor the requested revised deadline. For this, we will aim to improve coordination within the government.

We believe that the policies and measures presented in the attached supplementary Memorandum of Economic and Financial Policies (MEFP) are adequate steps towards our goals. We will consult with IMF staff prior to any revisions to these policies. Further, we will provide IMF staff with the information required to monitor policy implementation on a timely basis. We agree with the publication by the Fund of this letter, the attached MEFP, Technical Memorandum of Understanding, and the related staff report.

Sincerely yours,

/s/

Kamaldini Souef
Minister of Finance and Budget

/s/

Younoussa Imani
Governor, Central Bank of Comoros

Attachment I. Supplementary Memorandum of Economic and Financial Policies

December 2021

This supplementary Memorandum of Economic and Financial Policies (MEFP) updates the MEFP attached to the Request for the IMF Staff Monitored Program (SMP) of September 23, 2021. It reviews recent economic developments and performance under the SMP and presents the outlook and the government's objectives and economic policy plans over the coming years.

I. Recent Economic Developments And Outlook

1. **Our efforts to contain the pandemic have succeeded.** The cumulative number of the Coronavirus infections and deaths remains low, notwithstanding a recent increase. The vaccination program is ongoing, with 29 percent of the population now fully vaccinated, and on track to reach a third of the population by the end of this year. In view of this progress, we have eased the stringent social distancing measures introduced last year and phased out the temporary policy measures to support the economy during the crisis except for the cash transfer program to the poor which was substantially expanded.
2. **Nevertheless, prospects for 2021 and the coming years remain challenging.** The economy is projected to grow by only about 1½ percent in 2021 and 3½ - 4¼ percent per year over the medium term. The government intends to improve its policy implementation to enhance prospects as much as possible.

II. Program Implementation

3. **We have met most (six out of seven) of the quantitative targets (Table 1).** In particular, we have realized substantially higher-than-programmed tax revenue. We also kept the domestic primary fiscal deficit below the unadjusted program ceiling. However, we exceeded the ceiling after adjustment for higher revenue. The reason was higher-than-programmed spending due to (i) unexpected spending of KMF 2.6 billion on vaccinations, for which we hope to be reimbursed by the World Bank; (ii) automatic spending out of parts of non-tax revenue in combination with the fact that this revenue came in higher than expected; and (iii) weaknesses in spending controls.
4. **We have also met both end-September structural benchmarks (Table 2).** Specifically, we have (i) issued a call for interest for the audit of domestic arrears; and (ii) raised the number of active taxpayers at the large taxpayer office and at the medium and small taxpayer office by more than required, thus enlarging the tax base and hence the potential for increasing public revenue.
5. **We are confident that we will meet most (at least six out of seven) end-December quantitative targets (Table 3).** In particular, we expect to exceed the key target on tax revenue mobilization by a substantial margin. The target most at risk appears to be the one related to the domestic primary deficit. We are aiming to reduce spending in non-priority areas as much as possible without causing excessive economic harm, unacceptable social hardship, or delays in the

fight against COVID, and without putting at risk other program targets such as support for the poor. For discussion of measures to be taken to reach quantitative targets, see section III below.

6. Further, we are confident that we will meet three out of six end-December structural benchmarks (Table 4). We have adopted a roadmap for extending the coverage of the Treasury Single Account, and work is underway to raise the number of taxpayers further as well as create a framework for reporting on public procurement by end-December. However, while we have met the end-September benchmark concerning preparatory work for the audit of domestic arrears, delays have accumulated in recent weeks and the commissioning of the audit will now very likely be delayed to February. Further, efforts to restructure the postal bank and strengthen the anti-corruption law to create a framework for asset declarations by senior public officials are behind schedule. The delays reflect both the complexity of the required measures and, in the case of the work on anti-corruption, initial difficulties in bringing together experts from parts of the government that are not used to working with the IMF. We have resolved the difficulties in the meantime. For discussion of measures to be taken to achieve structural benchmarks, see section III below.

7. We have requested a rescheduling of the three structural benchmarks at risk to end-February to provide sufficient time to meet them.

III. Government Objectives and Policies

A. Containing and Recovering from the Pandemic

8. To save lives and recover from the pandemic as quickly as possible, we will continue to set social distancing rules as needed and to vaccinate the population as quickly as possible.

We are coordinating with our development partners, particularly the WB, to fully benefit from their financial support for vaccinations, while using our resources as needed to acquire vaccines in a timely manner. As of end-October we financed such purchases to the amount of about KMG 2.6 billion from domestic resources.

9. To further support the recovery, we will provide economic policy support in 2021 and 2022. In particular, we envisage raising the overall fiscal deficit towards 3¾-4¼ percent of GDP in 2021 and 2022, slightly smaller than envisaged previously as we have decided to save some of the revenue overperformance to strengthen debt sustainability and reduce financing needs. As risks recede in line with progress in vaccinations, we will consider scaling back this support.

B. Laying the Ground for Higher, More Inclusive, and More Robust Growth

10. The government continues work to prepare the ground for higher, more inclusive, and more robust growth by strengthening human and physical capital and promoting good governance. We have begun determined efforts to address our key challenges. These comprise economic challenges (notably tight constraints on fiscal resources and elevated vulnerability to shocks) and underlying institutional weaknesses (a limited implementation capacity of the civil

service, a weak judicial system, and governance challenges). Comoros is also highly vulnerable to shocks, including notably to climate change and related natural disasters.

C. Strengthening Fiscal Policy

Raising fiscal revenue

11. Tax revenue in Comoros is the lowest among small island states world-wide.

The government remains committed to raising tax revenue over the coming years to enable higher public investment in human and physical capital while preserving debt sustainability.

12. Work is ongoing, and further efforts are planned, to strengthen tax and customs administration and policies. Our priorities include the following:

- In tax administration (i) strengthening the use of the SIGIT software; (ii) ensuring use of transparent procedures to identify and register taxpayers and stopping competing taxpayer registration by VIGOR by end-December 2021; (iii) improving tax administration for large and medium taxpayers, including SOEs and those located outside the main island; and (iv) intensifying efforts to recover unpaid taxes.
- In customs administration: (i) completing the transfer of the management of fuel products taxes to customs; (ii) strengthening risk management; (iii) deploying an internal control system and developing a decision-making information system; and (iv) finalizing the draft framework instruction for customs procedures.
- Strengthening tax and customs policies: We intend to remove the sales tax exoneration for construction materials in the first quarter of 2022 (action delayed from the fourth quarter of 2021). Further, we will assess options for strengthening the tax system with help from our partners. For this, we have provided part of the detailed data requested by IMF experts on revenue mobilization and are working on providing the remainder in the near future.

13. These efforts have already borne some fruit. Concretely, we are on track to raise revenue by more than 1 percent of GDP in 2021. Some of this improvement reflects one-off factors (delayed tax payments from 2020). The remainder likely reflects improvements in tax and customs administration. Looking forward, after accounting for transitory revenue in 2021, we will aim to raise tax revenue by another 0.3 percent of GDP in 2022 and every year thereafter.

14. The authorities agree to maintain related conditionality under the SMP:

- *Raising the number of active taxpayers by 10 percent at both the large taxpayer office (from 258 in May) and the medium taxpayer office (from 300 in May) and sending all these taxpayers requests to file tax declarations (structural benchmark, Table 4).*
- *Raising fiscal revenue on a quarterly basis in line with the annual objective (quantitative targets, Table 3).*

Adopting a prudent fiscal policy stance

15. The government remains committed to implementing a prudent fiscal policy that limits the risk of debt distress, aiming to bring all debt burden indicators below their high-risk thresholds before the end of the 2020s.

- The government recommits to limiting the uptake of new debt to levels consistent with this goal. We are aware that under prudent growth projections, this demands several years of fiscal consolidation from 2023 on.
- We acknowledge that the taking up of new non-concessional debt would quickly undermine debt sustainability. We therefore continue to commit to *avoid taking up any non-concessional borrowing during the duration of the SMP (quantitative target, Table 3)*.
- We continue to intend to use about one third of the recent SDR allocation for fiscal spending in 2021, and to preserve the rest as a buffer that we can draw on in case of temporary liquidity shortfalls or larger shocks. Having this buffer lessens the need to build cash deposits for the time being.

16. In 2021, we will direct fiscal policy toward supporting the recovery from the pandemic.

With revenue and grants projected at 17.8 percent of GDP, we intend to spend (at most) 21.5 percent of GDP, *of which at least 1.1 percent of GDP for cash transfers to the poor (quantitative targets, Table 3)*. This should translate to an overall cash deficit of 3.7 percent of GDP and (under current assumptions for donor support) a domestic primary fiscal deficit of 3 percent of GDP, below the *ceiling for the domestic primary fiscal deficit of 3.5 percent of GDP (quantitative targets, Table 3)*.

Strengthening the quality of spending

17. We recognize that there is room for strengthening the quality of spending. We intend to limit unproductive spending where possible, including by strengthening oversight of state-owned enterprises (see below).

Strengthening public financial management and oversight of state-owned enterprises

18. The government remains committed to strengthening public financial management (PFM) to enhance spending efficiency and transparency. Key measures include

- Adopting a supplementary budget for 2021 given that revenue and spending appears likely to deviate significantly from projections in the initial budget.
- *Adopting a road map for extending the coverage of the Treasury Single Account (TSA) to all transactions relating to extrabudgetary entities, public administrative bodies, and foreign-financed projects (structural benchmark, Table 4)*.

- Laying the basis for better fiscal reporting by revising the budget framework law of 2012, adopting the Accounting and Fiscal Reporting Regulation and budget and accounting manuals; creating a Treasury Accounting Agency; and fully implementing the SIMBA software.

19. Further, the authorities intend to enhance spending controls to lower the likelihood of repeating the spending overruns seen so far in 2021. We will limit the use of exceptional payment procedures by strengthening commitment controls and cash management. We will also adopt quarterly spending limits.

20. Further, the authorities aim to clear domestic arrears and avoid accumulating external arrears.

- The government will *commission an audit of domestic arrears including cross-arrears with SOEs as a step towards preparing a strategy for clearing them (structural benchmark, Table 4)*. The government also recommits to *zero net accumulation of new domestic arrears (quantitative target, Table 3)*. This target is operationalized as ensuring that the net accumulation of arrears in 2021 is no higher than the net accumulation of arrears in the first half of 2021 (KMF 625 million).
- The government also renews its commitments to *avoiding accumulating external arrears (quantitative target, Table 3)*.

21. We will strengthen oversight of SOEs. We intend to take the following initial steps: We will conclude performance contracts with major SOEs to ensure improved service provision quantity and quality, as well as define financial targets. Further, we intend to require SOEs to prepare certified annual balance sheets and profit and loss statements. We will seek adjustments in SOEs' staffing levels and compensation packages where needed to align them with compensation in the civil service. Additionally, we will end cross-arrears settlement between the State and the SOEs to enable greater transparency, starting with the state-owned oil company SCH.

D. Continuing Prudent Monetary Policies and Efforts to Strengthen the Financial Sector

22. The BCC will continue to implement prudent monetary policy. Monetary policy remains well-anchored by the cooperation agreement with France and the peg of the Comorian Franc to the Euro.

23. Our banking system is facing substantial challenges:

- **Weaknesses in the banking system and its environment continue to hinder the provision of credit to the economy and undermine asset quality.** Banks suffer from weak underwriting and risk management processes, often significant credit risk concentration, recurring government arrears, and shortcomings in the judicial system that inhibit attaching collateral. Non-performing loans (NPL) were already at a high level before the Covid-19 shock (around 25 percent of gross credits), and NPLs have grown further since then. Further, in the wake of the pandemic, liquidity strains had appeared in some banks.

- **The financial safety net is not yet fully developed, which has limited the government's choices in dealing with problem banks.** For example, an emergency central bank liquidity assistance facility remains to be created.
- **Further, a lack of financial infrastructure inhibits interbank lending.** Banks cannot borrow from, or lend to, other banks and the BCC as there is no organized market, no lending instrument, and no collateral (the government does not yet issue any bills or bonds).
- **Separately, the planned restructuring of Postal Bank SNPSF will result in large fiscal costs over 2021-23.** An external audit has estimated the recapitalization and restructuring needs at US\$ 26.9 million (2.1 percent of GDP).

24. The government intends to do the following:

- **Improve the operating environment for banks,** including by lowering the frequency of government arrears to suppliers and further strengthening the judicial system to ensure that banks can realize pledged collateral. In this context, a commission on NPLs, gathering the ministry of Finance, the ministry of Justice and the BCC, has recently issued recommendations on accelerating the drafting of court decisions.
- **Understand better the drivers and the incidence of NPLs.** The BCC will implement targeted onsite inspections in financial institutions by the end of Q1 2022 to assess the impact of Covid-19 measures on NPLs. A survey that was conducted in recent months on this has failed.
- **Strengthen the financial sector safety net,** including by creating a bank recovery and resolution framework (a law establishing such a framework was adopted in December 2020) and operationalizing the BCC's emergency liquidity assistance function.
- **Strengthen financial infrastructure** by establishing a government securities market.
- **Proceed with the restructuring of SNPSF.** As stated previously, we will adopt a restructuring strategy that minimizes fiscal risks. Concretely, we will *adopt a law/decree splitting SNPSF into postal and banking activities; and submit to the Central Bank of Comoros (BCC) an application for approval of the new Postal Bank that enshrines the following: (i) strong governance in line with applicable international standards and the requirements of the BCC as the bank's regulator and supervisor, (ii) a viable business plan adopted in consultation with IMF staff, and (iii) profiles of future managers that ensure adequate management expertise and experience in banking and credit risk management (structural benchmark, Table 4).*

E. Preserving External Stability

25. **The government is committed to preserving external stability.** Reserves coverage of imports, presently at a comfortable level (gross reserves of 9 months of imports), is expected to reach a peak in 2022 thanks to strong remittances inflows and then decline gradually. Recognizing

the importance of preserving reserves at a level that can effectively cushion shocks, we continue to agree to establish a *floor on net international reserves coverage at a level considered adequate (floor on net international reserves corresponding to gross reserves of 6.8 months of imports, quantitative target, Table 3)*. We will also continue the dialogue with the IMF on any balance-of-payments difficulties and will avoid measures or policies that would compound such difficulties. In this spirit, we will not impose new or intensify existing restrictions on the making of payments and transfers for international transactions, trade restrictions for balance-of-payments purposes, or multiple currency practices, or enter into bilateral payments agreements that are inconsistent with Article VIII of the IMF's Articles of Agreement.

F. Strengthening Resilience to Natural Disasters

26. We aim to enhance resilience to natural disasters and climate change more broadly.

In line with IMF staff recommendations, the government hopes to (i) strengthen efforts to enhance structural resilience through infrastructure and other investments; (ii) build financial resilience by creating fiscal buffers; and (iii) boost post-disaster (including social) resilience by contingency planning and investments to allow an effective disaster response. Implementation of pillar (i) will become increasingly possible as we succeed in our efforts to raise domestic revenue. However, Comoros will also need support from the international community to finance investment needed to adapt to climate change.

G. Strengthening Governance and Reducing the Vulnerability to Corruption

27. The government will continue to take measures to enhance governance and lower the vulnerability to corruption:

- **Rule of law:** Our judicial system struggles to ensure property rights and enforce contracts, which undermines private sector development. We have undertaken steps to strengthen the judicial system, including by enhancing its equipment. These efforts have resulted in an acceleration of court cases. We will try to strengthen the system further.
- **Fiscal transparency.** Measures discussed above on strengthening public financial management and enhancing oversight of SOEs will make an important contribution to strengthening governance, as will our efforts to enhance fiscal accounting and reporting. To strengthen fiscal transparency further, we intend to do the following:
 - Regularly publish comprehensive information on all large public procurement projects. We renew our commitment to laying the basis for such publications by *issuing a circular/guidance regarding the submission to a nominated procurement agency of documentation on all large public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s); and preparing a plan that sets out the steps and timeline for the publication of this documentation along with the names and beneficial ownership information of the awarded companies on an easily accessible website*

(structural benchmark, Table 4). Work on this reform has progressed well and we expect to meet the benchmark ahead if time.

- By end-December, commission and ensure the preparation of an independent and robust third-party audit of the spending of IMF emergency financing provided under the RCF/RFI of April 2020 and publish its results, following up on our earlier commitment to commission such an audit within about a year's time from April 2020. Concretely, we will ask the Court of Auditors to prepare this audit with technical assistance from the IMF, which we have already requested. We commit to commission the audit in December 2021, publish the full audit report within six weeks after audit completion, and publish semi-annual reports on any follow-up measures taken on the basis of the audit findings for as long as follow-up measures continue.
- Anti-corruption: We remain committed to strengthening the asset declaration regime for high-level officials by adopting in the Council of Ministers amendments to the 2008 anti-corruption law (N° 08-013/ AU) that will: (i) enhance preventive measures including those related to conflicts of interest and the creation of an effective asset declaration system for senior public officials in line with international best practices aimed at the collection/verification of asset declarations, the imposition of sanctions for failure and false reporting, and the provision of access to the declarations, (ii) set out the legal framework for creating an operationally independent and autonomous public entity with powers to set up the country's anti-corruption policy priorities, manage an effective asset declarations system, maintain a public anti-corruption complaints platform; and ensuring investigative capacity and powers (structural benchmark, Table 4). This work has seen some delays, including due to the complexity of the subject matter. We will do our best to meet the benchmark by end-February at the latest. For this, we will pull in experts from the Ministry of Justice and the Court of Auditors.
- Management of the civil service: Our civil service is facing capacity constraints, and we intend to take steps to strengthen it. We will continue our efforts to address absenteeism and recover wages that were paid to "ghost workers". We are also exploring the option of strengthening hiring through the use of a competition/entrance exam in all parts of the civil service, as is already the case at the central bank; strengthening the training of civil servants by creating a school of national administration; and introducing performance management. We will avoid election-related hiring.

H. Other Issues

28. The Central Bank intends to implement key recommendations of the latest IMF safeguards assessment. The assessment found that internal audit and financial reporting practices should be strengthened, including by adopting International Financial Reporting Standards (IFRS), and that amendments to the BCC's legal framework are needed to enhance its autonomy. In line with the recommendations, the BCC has prepared a plan for the strengthening of internal audit and

appointed a vice-governor. The BCC also intends to adopt IFRS for the accounts of fiscal year 2021 and is undertaking efforts to amend the BCC statutes.

29. The government will strengthen effectiveness of the AML/CFT framework. A national risk assessment is being prepared and will be published in early 2022. Thereafter, we will prepare an AML/CFT law in line with the international standards set-up by the Financial Action Task Force and adopt it. In the meantime, the BCC is reaching out to commercial banks to raise awareness of AML/CFT requirements, as well as enhancing risk-based supervision including by conducting onsite inspections to assess compliance with existing AML/CFT regulations.

30. The government recognizes that Comoros' economic data have serious shortcomings in almost all sectors that hamper economic analysis and policy formulation and implementation. The government is committed to ensuring that INSEED will have sufficient human and capital resources to collect timely price data and to continue its updating of the national accounts. We have not yet made progress in this direction since the start of the SMP but hope to do so in early 2022.

IV. Program Monitoring

31. IMF staff will monitor the SMP using quantitative indicators (Table 3) and structural benchmarks (Table 4). The second review will assess performance under (i) end-December 2021 quantitative indicators, and (ii) end-December 2021 and end-February 2022 structural benchmarks. Seen that the authorities are able to provide the fiscal data for end-December 2021 by end-February 2022, the review mission could start in March 2022 at the earliest.

Table 1. Comoros: Quantitative Targets for End-September¹

(In millions of Comorian francs, cumulative since end of previous year, unless otherwise specified)

| | 2021 | | | |
|---|---------------|----------|-----------|---------|
| | End-September | | | Status |
| | Target | Adjusted | Actual | |
| 1. Floor on tax revenues | 27,251.7 | 27,251.7 | 34,823.9 | Met |
| 2. Ceiling on the primary domestic fiscal deficit | -17,090.9 | -5,299.9 | -13,774.2 | Not Met |
| 3. Floor on net international reserves (million KMF) | 85,900.8 | 85,900.8 | 131,400.0 | Met |
| 4. Ceiling on the accumulation of new domestic payments arrears, net ² | 0.0 | 0.0 | -2,116.8 | Met |
| 5. Floor on social cash transfers | 3,000.0 | 3,000.0 | 4,900.0 | Met |
| 6. Ceiling on new external arrears ² | 0.0 | 0.0 | 0.0 | Met |
| 7. Ceiling on new nonconcessional external debt contracted or guaranteed by the government ^{2,3} | 0.0 | 0.0 | 0.0 | Met |

¹Definitions of targets and adjusters are provided in the Technical Memorandum of Understanding (TMU).

²For 2021 targets, the ceiling applies cumulatively from July 2021

³On a contracting basis in accordance with the IMF's debt limit policy: <https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021037.ashx>

Table 2. Comoros: SMP Structural Benchmarks for End-September 2021

| Measure | Purpose | Implementation Date | Status |
|---|---|---------------------|--------|
| Raise the number of active taxpayers by 5 percent at both the large taxpayer office (from 258 in May) and the medium and small taxpayer office (from 300 in May) and sending all these taxpayers requests to file tax declarations. | Boost tax revenue to enable greater investment in human and physical capital and safeguard debt sustainability. | September 30, 2021 | Met |
| Prepare terms of reference and launch a call for interest for an audit of domestic arrears including cross-arrears with SOEs. | Enhance PFM by strengthening budget execution and transparency; improve business climate. | September 30, 2021 | Met |

Table 3. Comoros: Quantitative Targets for End-December 2021 and Projections for End-March and End-June 2022¹

(In millions of Comorian francs, cumulative since end of previous year unless otherwise specified)

| | 2021 | | | | 2022 | | | |
|---|---------------|--------------|--------------|-----------|-------------|--------------|-------------|--------------|
| | End-September | End-December | | Status | End-March | | End-June | |
| | Actual | Target | | | Proj. | | Proj. | |
| | | SMP Request | First Review | | SMP Request | First Review | SMP Request | First Review |
| 1. Floor on tax revenues | 34,823.9 | 41,925.8 | 41,925.8 | to assess | 9,160.5 | 9,551.3 | 20,611.0 | 21,490.5 |
| 2. Ceiling on the primary domestic fiscal deficit | -13,774.2 | -18,259.9 | -18,259.9 | to assess | -7,785.8 | -7,534.4 | -13,010.0 | -12,255.9 |
| 3. Floor on net international reserves (million KMF) | 131,400.0 | 86,278.3 | 86,278.3 | to assess | 86,278.3 | 86,278.3 | 86,655.7 | 86,655.7 |
| 4. Ceiling on the accumulation of new domestic payments arrears, net ² | -2,116.8 | 0.0 | 0.0 | to assess | 0.0 | 0.0 | 0.0 | 0.0 |
| 5. Floor on social cash transfers | 4,900.0 | 5,800.0 | 5,800.0 | to assess | 1,275.0 | 1,275.0 | 2,550.0 | 2,550.0 |
| 6. Ceiling on new external arrears ² | 0.0 | 0.0 | 0.0 | to assess | 0.0 | 0.0 | 0.0 | 0.0 |
| 7. Ceiling on new nonconcessional external debt contracted or guaranteed by the government ^{2,3} | 0.0 | 0.0 | 0.0 | to assess | 0.0 | 0.0 | 0.0 | 0.0 |

¹ Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

² For 2021 targets, the ceiling applies cumulatively from July 2021

³ On a contracting basis in accordance with the IMF's debt limit policy: <https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021037.aspx>

Table 4. Comoros: Proposed Structural Benchmarks for Future Reviews

| Measure | Purpose | SMP request timing | Revised timing | Comments |
|--|---|---------------------------|-----------------------|-----------------|
| 1. Raise the number of active taxpayers by 10 percent at both the large taxpayer office (from 258 in May) and the medium and small taxpayer office (from 300 in May) and send all these taxpayers requests to file tax declarations. | Boost tax revenue to enable greater investment in human and physical capital and safeguard debt sustainability. | December 31, 2021 | December 31, 2021 | |
| 2. Adopt a road map for extending the coverage of the Treasury Single Account (TSA) to all transactions relating extrabudgetary entities, public administrative bodies, and foreign-financed projects. | Enhance PFM by strengthening expenditure control and transparency. | December 31, 2021 | December 31, 2021 | Already met |
| 3. Commission an audit of domestic arrears including cross-arrears with SOEs as a step towards preparing a strategy for clearing them. | Enhance PFM by strengthening budget execution and transparency; improve business climate. | December 31, 2021 | February 28, 2022 | |
| 4. Adopt a law/decreree splitting SNPSF into postal and banking activities; and submit to the Central Bank of Comoros (BCC) an application for approval of the new Postal Bank that enshrines the following: (i) strong governance in line with applicable international standards and the requirements of the BCC as the bank's regulator and supervisor, (ii) a viable business plan adopted in consultation with IMF staff, and (iii) profiles of future managers that ensure adequate management expertise and experience in banking and credit risk management. | Enhance the management of SOEs and reduce unnecessary drains on the budget. | December 31, 2021 | February 28, 2022 | |

| | | | | |
|---|--|--------------------------|--------------------------|--|
| <p>5. Issue a circular/guidance regarding the submission to a nominated procurement agency of documentation on all large public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s); and prepare a plan that sets out the steps and timeline for the publication of this documentation along with the names and beneficial ownership information of the assigned companies on an easily accessible website.</p> | <p>Improve good governance and safeguard public resources.</p> | <p>December 31, 2021</p> | <p>December 31, 2021</p> | |
| <p>6. Adopt in the Council of Ministers amendments to the 2008 anti-corruption law (N° 08-013/ AU) that will: (i) enhance preventive measures including those related to conflicts of interest and the creation of an effective asset declaration system for senior public officials in line with international best practices aimed at the collection/verification of asset declarations, the imposition of sanctions for failure and false reporting, and the provision of access to the declarations, (ii) set out the legal framework for creating an operationally independent and autonomous public entity with powers to set up the country's anti-corruption policy priorities, manage an effective asset declarations system, maintain a public anti-corruption complaints platform; and ensuring investigative capacity and powers.</p> | <p>Operationalize asset declaration regime for senior officials to lower corruption risks.</p> | <p>December 31, 2021</p> | <p>February 28, 2022</p> | |

Attachment II. Technical Memorandum of Understanding

December 2021

This updated Technical Memorandum of Understanding (TMU) defines the concepts, adjustment mechanisms, and data reporting requirements relating to the structural and quantitative targets referred to in Tables 1-4 of the Memorandum on Economic and Financial Policies (MEFP).

A. Structural Benchmarks

1. The benchmark on raising the number of actively managed taxpayers and sending them requests to file tax declarations will be considered met under the following conditions:

- The number of active taxpayers managed at the *Direction des Grandes Entreprises* reaches 284 and these taxpayers have been sent requests to file tax declarations, both at end-December; and
- The number of active taxpayers managed at the *Direction des Moyennes et Petites Entreprises* reaches 330 and these taxpayers have been sent requests to file tax declarations, both at end-December.

Active taxpayers are defined as taxpayers that exhibit economic activity.

2. The benchmark on improving the functioning of the Treasury Single Account (TSA) will be considered met if, by end-December 2021, the authorities have shared with staff a plan setting out the difficulties of extending the coverage of the TSA to all transactions relating to extrabudgetary entities, public administrative bodies, and foreign-financed projects.

3. The structural benchmark on the audit of domestic debt will be considered met if, by end-February 2022, the authorities have commissioned from a well-established reputable firm an audit of domestic arrears including cross-arrears with SOEs. The audit will in particular need to validate outstanding invoices and establish the stock of outstanding arrears, including government arrears to SOEs, SOE arrears to the government, and arrears between SOEs.

4. The benchmark regarding the restructuring of SNPSF will be considered met if, by end-February 2022, the authorities have

- Adopted a law or issued a decree splitting SNPSF into postal and banking activities, e.g., by setting forth the articles of association of the new Postal Bank; and
- Submitted to the Central Bank of Comoros (BCC) an application for approval of the new Postal Bank that enshrines the following for the new Postal Bank: (i) strong governance in line with applicable international standards and the requirements of the BCC as the bank's regulator and supervisor, (ii) a viable business plan adopted in consultation with IMF staff,

and (iii) profiles of future managers that ensure adequate management expertise and experience in banking and credit risk management.

- Governance will be considered strong and in accordance with applicable international standards if it meets the Basel Committee on Banking Supervision's Guidelines on Corporate Governance Principles for Banks of July 2015.
- Managers will be considered experienced in banking and credit risk management if they meet the conditions imposed by the BCC on bank managers.

5. The benchmark relating to preparatory steps on reporting on public procurement will be considered met if, by end-December 2021, the authorities have:

- Issued a circular/guidance regarding the submission to a nominated procurement agency of documentation on all large public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s); and
- Shared with staff a plan that sets out the steps and timeline for the publication of this documentation along with the names and beneficial ownership information of awarded companies on an easily accessible website.

The required documentation will include signed public procurement contracts, identification of the mode of tender and selection criteria. Large public procurement projects are projects amounting to KMF 10 million or more.

B. Definitions and Computation Methods

6. For the purposes of this TMU, **external** and **domestic** are defined on a residency basis, and **the program exchange rate** is the average rate projected in 2021 as of end August, specifically 411.91 KMF per U.S. dollar, 491.97 KMF per euro, 591.38 KMF per SDR, and 549.22 KMF per AfDB Accounting Unit.

7. Unless indicated otherwise, the term **government** refers to the government of the Union of the Comoros. Local governments, the Central Bank of Comoros (BCC), and any public entity with independent legal status, including state-owned enterprises, are excluded from the definition of government.

8. Government **domestic revenue** comprises all tax and non-tax revenue of the government as reported in the Table of Government Financial Operations (TOFE) prepared by the Treasury in the Ministry of Finance, Budget and the Banking Sector. Revenue is assessed on a cash basis but includes imputed tax revenue on the salaries of civil servants and administrative housing as well as imputed tax revenue equivalent to the amounts withheld by SCH to provide fuel for the government's consumption and to recover the subsidy on the supply of fuel for SONELEC. To avoid measurement difficulties, total imputed tax revenue in 2021 is fixed at KMF 4,985 billion at

end- December, equal to the realizations in 2020. Revenue includes recovered tax arrears but excludes outstanding tax arrears. Proceeds from grants, loans, and asset sales do not count as revenue.

9. Government **domestically financed expenditure** comprises all government spending including spending financed by grants, budget support loans, non-concessional loans, and World Bank financing for strengthening the social safety net, but excludes expenditure financed by all other project-specific external grants or concessional loans (such as technical assistance, capital maintenance, vaccines, fund transfers or investments in fixed assets). Recapitalization and restructuring costs of state-owned enterprises, such as the SNPSF, are also excluded from expenditure and in the case of recapitalization costs are instead recorded as acquisition of assets under financing (“below the line”). Spending is assessed on a payment-order basis but includes also spending executed before payment authorization and not yet regularized.

10. The **domestic primary fiscal balance** is defined as domestic revenue less domestically financed expenditure, defined above, excluding interest payments.

11. **Net international reserves (NIR) of the BCC** is defined for program-monitoring purposes as short-term (i.e., original maturities of one year or less), tradable foreign assets of the BCC minus short-term external liabilities, and liabilities to the IMF. Foreign assets that are pledged or otherwise encumbered external assets, including assets used as collateral or guarantees for third-party liabilities, or not fully convertible, are excluded from the definition of NIR. Securities whose market value on the last day of the year differs by over 20 percent from their original nominal issue price will be assessed at their market value as reported by the BCC. Banks’ deposits related to capital or licensing requirements, and banks’ reserves denominated in foreign currency are excluded from the program definition of NIR. When calculating NIR, all values are to be converted to the actual mid- point market exchange rates prevailing at the test date.

12. **Debt** is defined as in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 15688 of the Executive Board (Dec. 5, 2014). “Debt will be understood to mean a current, i.e., not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract.”

13. A debt is considered **concessional** if it includes a grant element of at least 35 percent, and non-concessional otherwise. The grant element is the difference between the nominal value of the debt and its net present value, expressed as a percentage of the nominal value. The net present value of the debt at the date on which it is contracted is calculated by discounting the future stream of debt service payments due using a 5 percent discount rate.

14. **Domestic (external) payment arrears** of the government are defined as any of the following: (i) invoices that a spending ministry has received from a resident (non-resident) supplier

of goods and services and for which payment has not been made within 90 days from the date the payment order (*ordonnancement*) was cleared, unless it can be ascertained that the goods and services in question were not delivered; (ii) in the case of specific contracts between resident (non- resident) parties and the government, any obligations (including debt service) that have not been paid at the time stipulated in the contracts; (iii) tax credits confirmed by the proper authorities after review, and not paid within 90 days from the date when the payment order was issued; or (iv) wages and salaries and any payments to a government employee that were due to be paid in a given month but remained unpaid on the 30th day of the following month. Arrears exclude debt service that the creditor has forgiven or rescheduled to a later date.

15. Social cash transfers refers to cash transfers supporting vulnerable households that have a direct effect on reducing poverty, including those financed by international development partners.

C. Quantitative Targets and Adjusters

16. Unless stated otherwise, all quantitative targets (MEFP Tables 1 and 3) will be assessed cumulatively from the beginning of the calendar year. In some cases, **adjusters** will account for unexpected developments in budget grants and loans (table below) and WB support for the project on strengthening the social safety net.

| Projected budget support grants and loans at end-December 2021* (in millions of KMF) | |
|--|-------|
| Budget support grants | |
| World Bank | 0 |
| AfDB** | 2,389 |
| France | 1,968 |
| Saudi Arabia | 2,500 |
| Budget support loans | |
| AfDB** | 1,730 |
| *Cumulative from the beginning of the calendar year. | |
| **Full amount of the financial support has already been disbursed. | |

17. The **floor on tax revenue** is the tax portion of government revenue described in paragraph 9, with the provision that imputed revenue in 2021 will be assumed to equal KMF 4,985 million through end-December, equal to the outturn in 2020. Thus, the sought-after increase in revenue in 2021 (0.2 percent of GDP relative to 2020 outturns) will have to be realized entirely in the cash portion of revenue.

18. The **ceiling on the domestic primary fiscal deficit** (as defined in paragraph 11) will be adjusted as follows:

- The ceiling on the domestic primary fiscal deficit will be fully adjusted downward (i.e., more negative) for unexpected spending on vaccinations that is not financed by support for vaccinations from development partners such as the World Bank.
- The ceiling on the domestic primary fiscal deficit will be adjusted upward (i.e., less negative) by one half of the amount by which domestic revenue exceeds expectations, and this adjustment will be capped at 0.5 percent of GDP. As a result, the authorities will be able to spend half of any excess revenue for the first 1 percent of revenue, and all of any additional revenue. For reference, domestic revenue is projected to reach KMF 47,175 million in December 2021.

19. The floor on net international reserves of the BCC (as defined in paragraph 12) will not be adjusted for unexpected changes in budget grants and loans either. As a result, the authorities would not need to add to reserves any excess in budget grants and loans, which is appropriate given that international reserves at the BCC comfortably exceed adequate levels and further reserves accumulation is not required. In case of a shortfall in budget grants or loans, the authorities would still be able to meet the unadjusted target unless there is a simultaneous shock that results in large reserve outflows, which would call for some policy adjustment.

20. The ceilings on domestic (external) arrears apply to the net accumulation of domestic (external) arrears in the second half of 2021. This accumulation will be assessed by subtracting clearance of arrears (incurred in 2021 or earlier) from gross accumulation of arrears, both in the second half of 2021.

- Domestic arrears accumulated in 2021 through end-June are estimated at KMF 1,779.3. (For reference, the clearance of domestic arrears outstanding prior to 2021 is estimated at KMF 1,154.6 million as of end-June 2021.)
- External arrears at end-June 2021 stood at USD 6 million.

21. The floors on social cash transfers (as defined in paragraph 15) will not be adjusted for unexpected changes in the WB grants for this project or budget support grants and loans. As a result, the authorities would not need to raise these transfers in case external support exceed expectations, which is appropriate given the looming fiscal financing needs starting in 2022. Further, the authorities would not be able to reduce these transfers in case external support falls short, which is appropriate given their key role in aiding the poor and supporting the recovery.

22. The ceiling on the contracting or guaranteeing of new non-concessional debt by the government or the BCC will be assessed continuously and excludes IMF credit. Normal short-term import and supplier credits (e.g., revolving credit lines) are also excluded, these being self-liquidating operations because the sales of imports are used to repay the debt. Debt being rescheduled or restructured is excluded from this ceiling to the extent that such non-concessional debt is used for debt management operations that improve the overall public debt profile. A debt is considered contracted on the signature date of the contract.

D. Reporting Requirements and Additional Information

23. The authorities will report to staff the information and data in the form mutually agreed with the reporting agency and the frequency described in the table below. The authorities will transmit promptly to staff any data revisions. The authorities undertake to consult staff regarding any and all information or data not specifically addressed in this TMU but necessary for monitoring the program.

| Periodic Data Required for the SMP | | | |
|------------------------------------|---|-----------|----------|
| Real Sector | | | |
| Agency | Data | Frequency | Deadline |
| INSEED | Consumer Price Index. | Monthly | 1 month |
| INSEED | National accounts, including GDP deflator (historical data and projections). | Annually | 9 months |
| INSEED/BCC | Economic bulletin / note, including data in Excel file. | Quarterly | 3 months |
| SONELEC/INSEED/BCC | Electricity production and consumption. | Quarterly | 1 mois |
| Monetary Sector | | | |
| Agency | Data | Frequency | Deadline |
| BCC | Monetary statistics, government net position, BCC accounts and consolidated accounts of other depository corporations, and reserve position. | Monthly | 45 days |
| Fiscal Sector | | | |
| Agency | Data | Frequency | Deadline |
| CREF | Tofe (including a file detailing social spending: education, health, support for the most vulnerable) | Quarterly | 2 months |
| Tresor | Treasury cash flows | Monthly | 2 weeks |
| Debt Service | Monitoring of public debt (contracted debt, disbursed debt, interest payments, principal repayment) by external creditor and by domestic financial institution. | Quarterly | 1 month |
| Debt Service | External debt arrears | Monthly | 1 month |

| Debt Service | Debt arrears with domestic financial institutions. | Monthly | 1 month |
|--|---|-----------|----------|
| Debt Service | Debt bulletin | Quarterly | 3 months |
| Customs | Imports in detail (volume, value and corresponding revenue for each tax and duty) | Monthly | 1 month |
| Customs | Exports in detail (volume, value and corresponding revenue for each tax and duty) | Monthly | 1 month |
| General Planning Commission (CGP)/CREF | Monitoring of projects by donor, specifying the terms of project financing (loans or grants) and their nature (investment or current expenditure) | Quarterly | 45 days |
| External Sector | | | |
| Agency | Data | Frequency | Deadline |
| BCC | Imports including all petroleum products (volume, value) | Quarterly | 2 months |
| BCC | Exports (volume, value) | Quarterly | 2 months |
| BCC | Formal remittances | Quarterly | 1 month |
| BCC | Informal remittances | Annually | 4 months |
| BCC/ National Tourist Office | Number of visitors | Annually | 3 months |
| BCC | Balance of payments | Annually | 4 months |
| Financial Sector | | | |
| Agency | Data | Frequency | Deadline |
| BCC/Banking supervision | Financial soundness indicators of the banking system | Quarterly | 1 month |
| BCC/ Banking supervision | Monitoring reports of SNPSF, BDC and BFC | Quarterly | 1 month |