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THE UNION OF THE COMOROS

December 2024

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE UNION OF THE COMOROS

In the context of the 2024 Third Review under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 13, 2024, following discussions that ended on October 25, 2024, with the officials of the Union of the Comoros on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 26, 2024.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Union of the Comoros.

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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PRESS RELEASE

PR24/471

IMF Executive Board Completes the Third Review Under the Extended Credit Facility Arrangement with the Union of the Comoros

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed today the third review under the Extended Credit Facility Arrangement with the Union of the Comoros. Approval of the third review enables an immediate disbursement of SDR 3.56 million (about US$ 4.7 million).
- Program performance remains broadly on track albeit uneven, amid a political transition and a more challenging external financing environment. The authorities have reaffirmed their commitment to the reform agenda under the ECF-supported program.
- Economic conditions have remained stable despite inflationary pressures and signs of softening economic activity, and adherence to the ECF-supported program will safeguard macroeconomic stability and advance needed structural reforms while catalyzing additional financial support for the country's large financing needs.

Washington, DC – **December 13, 2024:** The Executive Board of the International Monetary Fund (IMF) completed today the third review under the Union of the Comoros' Extended Credit Facility (ECF) arrangement. The Executive Board's decision allows for an immediate disbursement of SDR 3.56 million (about US$ 4.7 million) bringing the total disbursements so far under the arrangement to about $18.8 million. The 4-year ECF arrangement was approved on June 1, 2023, with an access of SDR 32.04 million (about US$43 million).

In completing the review, the Executive Board also approved the authorities' requests for the (i) modification of the end-December quantitative performance criterion (QPC) on tax revenue to account for the weaker-than-expected economic activity this year; (ii) modification of the June 2025 QPC on the primary domestic balance, to account for the amended budget perimeter in line with good public financial management (PFM) practice, and corresponding modification of the Technical Memorandum of Understanding (TMU); and (iii) waivers of nonobservance of the QPC on tax revenue and the continuous QPC on the non-accumulation of external arrears, based on corrective actions taken by the authorities.

While there is considerable progress towards the achievement of program objectives, significant and continued effort is required to maintain the reform momentum. The authorities have reiterated their commitment to the ECF-supported program, despite the recent slow-down in reform momentum and the backdrop of economic and institutional fragilities. Three of five quantitative performance criteria (QPCs) were met as of end-June 2024 and six of the nine structural benchmarks (SBs) expected between June and October were met. Two SBs have been reformulated and four have had their dates reset.

Comoros's economic reform program, supported by the ECF arrangement, seeks to reduce fragility and increase economic resilience by building fiscal buffers, reducing debt vulnerabilities, and strengthening the financial sector and governance. Key policy priorities for the program remain unchanged and include: (i) mobilizing domestic revenue through reforms to strengthen tax and customs administration and streamline tax exemptions; (ii) stabilizing the financial sector, including through the completion of the restructuring of the state-owned postal bank SNPSF and enhancing the Central Bank's banking supervision and resolution capacities; and (iii) strengthening governance through PFM and anti-corruption reforms.

Economic conditions have remained stable, albeit marked by considerable downside risks. Real GDP growth is expected to be slightly lower than previously forecast for 2024 and 2025 due to severe climate change-induced weather events and the cholera epidemic earlier this year, amid emerging signs of softening activity. Inflationary pressures are expected to ease and inflation should decline from 2025, following its persistence this year. The pace of fiscal consolidation in 2024 has been stronger than expected, mainly due to under-execution of investment spending. Fiscal consolidation is expected to continue in 2025. The external sector remains stable, and gross international reserves are projected to remain above 7 months of import cover over the program period.

Following the Executive Board's discussion, Mr. Nigel Clarke, Deputy Managing Director, and Acting Chair, issued the following statement:

"The authorities' efforts under the Extended Credit Facility arrangement demonstrate a continued commitment to economic stabilization and reform, despite challenges and a transition to a new administration. While the external position remains stable, with continued accumulation of foreign reserves, economic performance has softened amid inflationary pressures driven by food prices. This adds to medium-term risks for Comoros as a fragile and small developing state, exposed to global economic uncertainties, climate shocks, and institutional capacity limitations.

"Fiscal policy remains focused on medium-term consolidation, needed to preserve debt sustainability and gradually reduce the risk of debt distress, while adapting to near-term challenges. Structural reforms to modernize revenue administration, enhance budgetary practices, and strengthen cash and debt management continue. Improvements in the oversight of state-owned enterprises and external and domestic arrears clearance are also advancing, with further efforts being critical.

"The monetary policy framework rightly continues to be aimed at preserving the stability of the euro peg as a nominal anchor, while the Central Bank's readiness to apply appropriate liquidity absorption and other operations in the case of heightened inflationary pressures is welcome. Progress in restructuring the postal bank, operationalizing the banking resolution law, and improving the Central Bank's supervision capacity will enhance financial sector resilience.

"Institutional and governance improvements remain critical as a foundation for economic activity and to enhance policy credibility for domestic and external stakeholders. Reforms such as the operationalization of the Anti-Corruption Chamber have advanced, with additional support required for capacity development and to boost public sector transparency. Strengthened public financial management and measures to better align with international standards will bolster Comoros' engagement with development partners and investors.

"Effective program implementation remains vital for achieving macroeconomic stability and development goals. Continued engagement with the IMF—through the ECF, technical assistance, and surveillance of economic conditions—and support from the donor community are essential. This will contribute to enhancing access to resources and addressing capacity and financing constraints to meet Comorians’ needs, while ensuring progress in macroeconomic reforms.

Comoros Selected Economic Indicators (2023-27)

Population (2018, thousands): 856
Main products and exports: Cloves, ylang-ylang, vanilla
Key export markets: Asia, European Union

	2023	2024	2025	2026	2027
	est.	proj.	proj.	proj.	proj.
Output					
Real GDP growth (%)	3.0	3.3	3.8	4.3	4.5
Employment					
Unemployment (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Prices					
Inflation, period average (%)	8.5	5.0	1.8	1.9	1.9
Central government finances					
Revenue and grants (% GDP)	16.5	16.4	19.2	15.9	16.7
Expenditure (% GDP)	17.8	19.9	21.6	18.8	18.6
Fiscal balance (% GDP)	-1.2	-3.5	-2.4	-2.8	-1.9
Public debt (% GDP)	27.9	29.9	31.8	34.6	35.5
Money and Credit					
Broad Money (% change)	8.7	7.0	6.0	5.5	7.0
Credit to private sector (% change)	12.8	4.5	5.5	6.3	6.5
3-month Treasury bill interest rate (or similar) (%)	1.2	1.2	2.2	3.2	4.2
Balance of Payments					
Current account (% GDP)	-2.0	-3.5	-4.1	-4.2	-4.3
FDI (% GDP)	0.4	0.5	0.6	0.6	0.6
Reserves (months imports)	7.8	8.7	7.7	11.2	7.8
External debt (% GDP)	27.9	29.9	31.8	34.6	35.5
Exchange rate					
KMF/US$ (period average)	452.0	…	…	…	…

Sources: country authorities; and IMF staff's estimates

INTERNATIONAL MONETARY FUND

UNION OF THE COMOROS

November 26, 2024

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. Following the January 14 presidential election, President Azali announced a new cabinet in July, introducing several new and youthful faces into the political scene. Amid this political transition, Comoros' economy is showing signs of softening coupled with inflationary pressures driven by accelerating food prices. Credit to the private sector has slowed throughout this year as importers deleveraged following the significant ramp-up in borrowing over the last two years to meet high import prices. Import volumes—notably food products—have declined during 2024H1 while exports and public investment have both been lower than expected. Tax revenue administration efforts were hampered by post-elections unrest, the cholera epidemic, and severe weather events during the first half of 2024. Nonetheless, the external sector remains stable with adequate reserve cover above 7 months of imports.

Program performance. The authorities met three of the five end-June quantitative performance criteria (QPCs). All indicative targets (ITs) were met. Corrective actions were taken for the missed QPCs—floor on tax revenue and ceiling on the accumulation of new external arrears. The authorities are expected to reduce the tax revenue shortfalls and have cleared all outstanding external arrears by year-end. They remain committed to staying current on external loan repayments. Six of the nine structural benchmarks (SBs), expected between June and October were met. The onsite inspections of banks are being completed with a slight delay due to staffing constraints at the Supervision Department of the Central Bank of Comoros (BCC). The authorities have requested reformulations of two SBs: (i) the BCC's issuance of the banking license for the postal bank BPC and (ii) the provision of daily statements of government accounts held at the BCC. They also proposed resetting the dates for four SBs: (i) the promulgation of the amended statutes of the BCC, from September 2024 to April 2025; (ii) the approval by the BCC of timebound recapitalization plans for deposit-taking institutions in breach of capital adequacy requirements, from December 2024 to March 2025; (iii) the provision of monthly external debt reports compiled by the debt management software CSDRMS, from the end of each month to the 15th day of the following month; and (iv) the completion of onsite bank inspections to assess the quality of credit portfolios. Prior actions for the 3rd ECF review include (i) the submission to Parliament of the 2025

budget proposal that is consistent with program parameters and establishes key mandatory priority expenditures (wages, social contributions, debt repayment) and (ii) the appointment of the Director General of the General Directorate of Public Accounting and the Treasury (DGCPT).

Policy discussions. Discussions focused on (i) the 2025 budget which targets a domestic primary deficit of 0.9 percent of GDP, balancing continued fiscal consolidation with continued execution of delayed investment spending and spending increases on pension and one-off parliamentary election costs; (ii) sustaining medium-term fiscal consolidation through reforms to strengthen revenue administration and to further broaden the tax base; (iii) deepening PFM reforms to address recurrent liquidity and cash management challenges; (iv) finalizing the restructuring of the postal bank SNPSF and strengthening the financial sector; and (v) advancing governance reforms to reduce corruption vulnerabilities. Proposed new SBs aim to extend all these areas of reforms.

Staff views. Staff supports the authorities' requests for the: (i) completion of the 3rd review under the ECF-supported program, (ii) waivers for the non-observance of two QPCs, and (iii) modification of the end-December QPC on tax revenue to account for the weaker-than-expected economic activity this year, of the June 2025 QPC on the primary domestic balance as per the amended budget perimeter in line with best practice, and of the TMU to reflect this change starting in 2025. Staff also supports the reformulations of two SBs and the modifications of the dates of four SBs.

Approved By
Costas Christou (AFR) and S. Jay Peiris (SPR)

Discussions were held during October 2–15, 2024, in Moroni and during October 21– 25, 2024, in Washington, D.C. The staff team comprised Suchanan Tambunlertchai (head), Mehdi El-Herradi, Barima Kwame Gyesaw, and Tewodaj Mogues (all AFR), Anthony Ramarozatovo (FAD), Ibrahim Ahamada and Al-Mouksit Akim (local economists), and Rima Turk (Resident Representative). Mr. Matungulu (OEDAF) also participated in the meetings. The mission met with Minister of Finance Abdourazak, Central Bank Governor Imani, Secretary General of the Government Nour Azali, other senior officials, development partners, and representatives of the private sector. Mason Stabile, Sukham Lertprasert, and Ignacio Gutiérrez (all AFR) assisted in the preparation of this report.

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CONTEXT

1. **A post-election cabinet reshuffle in July has introduced new and young faces to the political scene.** Following his inauguration in May 2024, President Azali named a cabinet with all, but one, new members, including two women. Unrest that erupted after the January 14 presidential elections has abated and calm has been maintained. While no significant change is expected in the overall trajectory of economic policies following this political transition, the government continues to face several near-term challenges, including sustaining gains from the implementation of ECF-supported reforms, containing the ongoing cholera epidemic, and addressing the intermittent shortages in food imports, electricity, and water supply. Other longstanding structural issues include insufficient economic diversification, lack of inclusive growth, and climate-related vulnerabilities.

2. **Program performance thus far has been mixed with greater effort needed to maintain the reform momentum.** The authorities met three of the five end-June quantitative performance criteria (QPCs). The two missed QPCs—tax revenue (missed by a small margin) and external arrears accumulation—highlight the continued economic and institutional fragilities as well as technical gaps in the authorities' public financial management (PFM) set-up. All three end-June ITs were met. The long post-election transition resulted in delays in decision-making, which partly contributed to the slow take-off of PFM-related reforms. Six of the nine structural benchmarks (SBs) expected between June and October were met. Delays in other SBs were due to resource and technical constraints (see discussion under Program Performance).

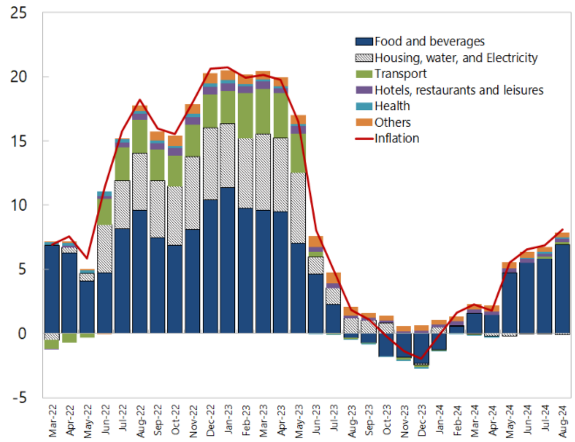
RECENT ECONOMIC DEVELOPMENTS

3. **Economic activity is showing signs of softening amid continuing inflationary pressures (Text Figure 1).** Estimated growth for 2023 remains at 3 percent. Stabilizing global commodity prices and Euro Area disinflation have not passed through to Comoros, where headline inflation reached 8.1 percent (y/y) in August, as rising food prices reflect the supply shocks from heavy rains and floods during April and May, shipping disruptions due to the cholera epidemic, and shortages of rice and other key products during the *Grands Mariages* season. Domestic credit growth has continued to soften, falling from 10.5 percent (y/y) in July 2023 to 2.4 percent in July 2024, driven by the continued decline in credit to public enterprises as they regained access to external short-term trade credit that had previously been suspended due to arrears. Private sector credit growth also slowed, from an average of 12 percent (y/y) in 2023H2 to an average of 3.6 percent in 2024H1. This decline reflects lower demand for credit, as importers deleveraged following significant post-pandemic borrowing to cover high import prices, and as key exporters experienced reduced sales. Looking ahead, private sector credit growth is expected to normalize, aligning with its long-term trend.

Text Figure 1. Inflation and Domestic Credit

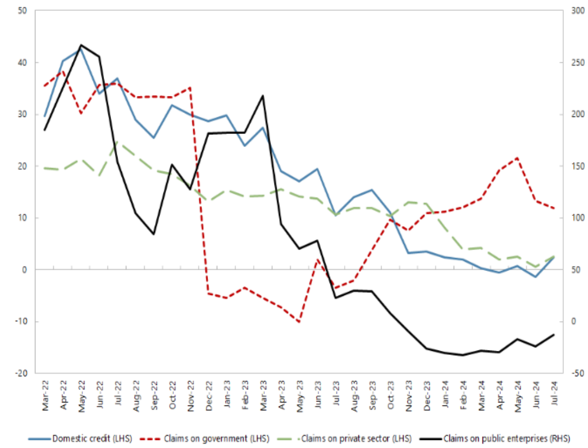
Inflation

(Percent YOY)



Domestic Credit

(Percent YOY)



Sources: INSEED, Central Bank of Comoros, IMF staff calculations.

4. Fiscal performance through end-June 2024 shows some weakness in revenue. Tax revenue in 2024H1 fell by 0.3 percent of GDP y/y (Text Table 1)—a slight underperformance relative to staff's expectation at the 2nd ECF review—mainly driven by a drop in personal and corporate income taxes and excise duties. The decline reflects in part a base effect as one-off factors, such as the strong post-COVID-19 import demand, had boosted tax revenue in 2023H1. The shortfall also reflected disruptions from the post-elections unrest, the health and weather shocks during the first half of 2024, and the contraction in imports (¶6). A slow execution of domestic investment helped contain the domestic primary deficit well below expectations at KMF 4.3 billion. The authorities cleared a substantial amount (KMF 2.2 billion) of net domestic arrears during the first half of the year. A revised budget reflected the authorities' significantly more conservative assumptions on domestic investment while other line items were broadly unchanged (¶13).

Text Table 1. Union of the Comoros: Fiscal Developments
(January-June)

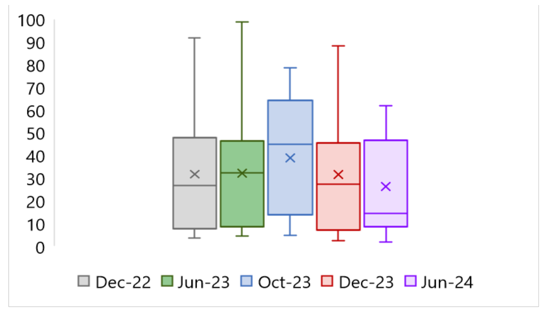
	Million KMF		% y/y	% of GDP	
	2023H1	2024H1	change	2023H1	2024H1
Total revenue and grants	34,355	43,879	27.7	5.7	6.7
Revenues	29,581	30,210	2.1	4.9	4.6
Tax revenues	25,053	24,968	-0.3	4.1	3.8
Nontax revenues	4,528	5,243	15.8	0.7	0.8
External grants	4,774	13,668	186.3	0.8	2.1
Total expenditure	42,119	53,529	27.1	7.0	8.1
Current expenditure	32,709	38,554	17.9	5.4	5.9
Primary current expenditures	29,944	30,165	0.7	4.9	4.6
Wages and salaries	15,466	15,589	0.8	2.6	2.4
Goods and services	7,910	8,694	9.9	1.3	1.3
Transfers	6,568	5,883	-10.4	1.1	0.9
Interest payments	495	1,102	122.8	0.1	0.2
Capital expenditure	9,410	14,975	59.1	1.6	2.3
Domestically financed	4,173	4,302	3.1	0.7	0.7
Foreign-financed	4,870	10,673	119.2	0.8	1.6
Domestic Primary balance	-4,536	-4,257	6.2	-0.7	-0.6
Overall balance	-7,764	-9,650	-24.3	-1.3	-1.5
Change in net arrears	1,858	-2,090	-212.5	0.3	-0.3
External	997	87	-91.3	0.2	0.0
Domestic	861	-2,177	-352.9	0.1	-0.3

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

5. **The external position through 2024H1 remained stable as higher non-traditional exports and remittance flows offset weak vanilla and cloves exports.** Goods imports contracted by 14.1 percent compared to the same period in 2023, driven by slowing activity in the construction sector, including delays in completing the El Maarouf hospital. Conversely, the substantial contractions in vanilla and clove exports (-69.6 and -19.8 percent y/y, respectively) were mitigated by a surge in non-traditional exports, particularly scrap materials, resulting in an overall growth in goods exports of 10.1 percent (y/y) during 2024H1. The contraction in key exports is expected to be temporary. Likely in response to the cholera epidemic and severe weather events earlier in the year, remittance flows were robust, growing by 13.6 percent y/y (vs. -8.2 percent during the same period in 2023). At the end of September, gross international reserves (GIR) stood at $326.3 million, covering 7.2 months of goods and services imports. Comoros joined the WTO on August 21 as its 165th member, after 17 years of negotiations. It becomes the 10th least-developed country (LDC) to accede to the WTO.

6. The financial system remains vulnerable with low financial inclusion. Shallow markets, limited resource mobilization, and insufficient financial education constrain lending activity. Financial system assets accounted for about 35 percent of GDP at end-2023, with three out of nine deposit-taking institutions (four commercial banks, four decentralized financial institutions, or microfinances, and the state-owned postal bank SNPSF) holding about 65 percent of the system's assets and deposits. Weak underwriting, risk management, and judicial enforcement contribute to poor asset quality. The non-performing loans (NPL) ratio remained at 14 percent at end-June 2024, while the provision rate declined from 63 to 60 percent during this period, still respecting the regulatory level set by the Central Bank of Comoros (BCC). The restructuring of the SNPSF is advancing slowly (see ¶25). Of the remaining eight institutions, six made losses while four were undercapitalized as of June 2024 (36 and 14 percent of system's assets, respectively).

Text Figure 2. Non-performing Loan Ratio Distribution
(Percent)



Note: The boxes show the lower quartile (25 percentile), upper quartiles (75 percentile), vertical line splitting the box is the median, crosses indicate the mean; the top and bottom lines (or whiskers) are the minimum and maximum NPL ratios.
Sources: BCC and IMF staff calculations.

Text Table 2. Union of the Comoros: Financial Soundness Indicators of the Financial Sector, 2016–2023
(Percent)

	2016	2017	2018	2019	2020	2021(1)	2022(1)	2023(1,2)
Capital adequacy								
Regulatory Capital to Risk-Weighted Assets	20	21	22	28	25	8	11	11
Asset quality								
Non-performing Loans to Total Gross Loans	22	25	24	23	24	17	14	14
Non-performing Loans Net of Provisions to Capital	39	49	41	29	35	23	30	43
Earning and profitability								
Return on Equity	9	-1	0	-1	-8	-1	9	-1
Liquidity								
Liquid Assets to Short Term Liabilities		85	94	89	104	N.A.	N.A.	N.A.
Customer Deposits to Total (Non-interbank) Loans		123	132	135	155	163	136	137

Sources: Central Bank of Comoros (BCC), and IMF staff calcluations.

(1) IMF staff estimates and calculations based on Central Bank of Comoros' data. Due to understaffing of the Supervision Department, BCC has not reported FSIs since end-June 2021.

(2) End-December 2023. Non-audited data.

7. Comoros' external and overall debt are sustainable but remain at high risk of debt distress. One of the four external debt burden indicators—the external debt service-to-exports ratio—breaches the threshold while the debt service-to-revenue ratio is at the threshold, both in 2026. While the breach is one-off and marginal, the recurrence of external arrears which breach the QPC under the ECF program and the low revenue base, among others, pose key risks to debt sustainability. However, key mitigating factors include the consistently strong remittances which support external sustainability (see the Debt Sustainability Analysis (DSA)).

8. **Liquidity management challenges resulted in the accumulation of new external arrears.** At the 2nd ECF review, the authorities had cleared new external arrears accumulated during 2024. Despite greater vigilance and improved discipline in debt repayment, new arrears have since accumulated: $0.41 million to the official creditor Bpifrance Assurance Export (due in June but expected to be paid in November) and $1.41 million to the commercial creditor TDB (due in September but paid in October). The authorities are advancing discussions with BADEA (multilateral) and Exim India (official) to resolve outstanding arrears.[1]

OUTLOOK AND RISKS

9. **Revised macroeconomic projections reflect recent economic developments and policies.** Real GDP growth has been revised down to 3.3 percent in 2024 (vs. 3.5 percent at the 2nd review), reflecting the deceleration in the growth of credit, imports, and key exports, as well as delays in public investment projects, including the El Maarouf Hospital and the Galawa Hotel. Average inflation for 2024 was revised up to 5.0 percent (vs. 3.3 percent at the 2nd review), reflecting recent price developments. The medium-term growth projection of around 4½ percent remains contingent on the continued implementation of sound macroeconomic policies and structural reforms. The current account deficit (CAD) is currently projected at 3.5 percent of GDP in 2024 (vs. 3.3 percent at the 2nd review) driven mainly by lower current transfers as budgetary aid is projected to decline this year. Over the medium term, the CAD is forecast to average about 4 percent of GDP (vs. 4½ percent at the 2nd review). GIR is expected to exceed 8 months of imports. The external sector forecast reflects the impact of Comoros' WTO membership, which is assessed to be limited, as Comoros already had access to large markets through preferential treatment due to its least developed country status, and because export diversification and scaling up will take time.[2]

10. **There are key downside risks to the near-term outlook (Annex 1).** The upward trend in food inflation, shortages of rice and other key food products, recurring power cuts, and intensified water shortages could exacerbate social tensions and undermine macroeconomic stability. Climate-related shocks are an ever-present threat to growth and public finances. External risks arise from continued geopolitical conflicts, both within and outside the continent, that could negatively impact trade, particularly oil and food imports. Additionally, a prolonged contraction of key exports could put pressure on the balance of payments. Upside risks include larger- or faster-than-expected trade and investment benefits from the WTO membership and a stronger-than-expected boost to growth from both private and public investment projects, albeit the latter would be mitigated by delays in project execution.

[1] BADEA has requested that its loan to Comoros be transferred to a new creditor as the institution has become focused on serving non-shareholder countries. As of November 2024, the Comorian authorities have reported good progress towards a resolution with a credible plan that ensures debt sustainability. The authorities have obtained an agreement in principle with Exim India, to waive penalties and restructure the arrears to be paid over a period of 5 years.

[2] Selected Issues Paper (SIP) prepared as part of the 2023 Article IV consultations (https://www.imf.org/en/Publications/CR/Issues/2024/01/08/Union-of-the-Comoros-Selected-Issues-543402).

PROGRAM PERFORMANCE

11. Performance on quantitative targets has been mixed (Text Table 3).

- The end-June quantitative performance criterion (QPC) on tax revenues was missed by a small margin (2 percent less than programmed), driven primarily by lower-than-expected PIT, CIT, and excise duties. The QPC on the domestic primary balance (DPB) was met on account of under-execution of domestically financed investment.

- The authorities met both the end-June QPC and end-September IT on net international reserves (NIR).

- While the continuous QPC on zero non-concessional external debt was met, the authorities missed the non-accumulation of new external arrears QPC due to missed payments to Bpifrance Assurance and TDB.

- The end-June ITs on the non-accumulation of net domestic arrears was met. Both the end-June and end-September ITs on social transfers were also met.

Text Table 3. Union of the Comoros: Quantitative Performance Criteria and Indicative Targets, March 2024 – September 2024

(Millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2024											
	End-March				End-June				End-September			
	Indicative targets				Performance Criteria				Indicative targets			
	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status
Quantitative Performance Criteria[1]												
1. Floor on Tax Revenues	11,347.6		11,155.2	Unmet	25,532.1		24,967.5	Unmet	42,553.4			
2. Floor on the Primary Domestic Fiscal Balance	-5,354.8		-4,452.3	Met	-8,210.7	-8,158.6	-4,256.7	Met	-8,657.0			
3. Floor on the Level of Net International Reserves	108,570.9		113,214.9	Met	109,639.4		113,943.5	Met	111,776.6		125,789.5	Met
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[2]	0.0		0.0	Met	0.0		0.0	Met	0.0		0.0	Met
5. Ceiling on Accumulation of New External Arrears (millions USD)[2]	0.0		1.9	Unmet	0.0		0.3	Unmet	0.0		3.4	Unmet
Indicative Targets[1]												
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0		-1,288.2	Met	0.0		-2,176.7	Met	0.0			
7. Floor on Social Cash Transfers	264.7	245.0	245.0	Met	264.7	271.7	271.7	Met	264.7	457.6	457.6	Met
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	632.0	313.2	313.2	Met	3,210.7	510.5	510.5	Met	3,919.9	2,385.5	2,385.5	Met
Memorandum Items												
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[3]	14				14				27			

Sources: IMF Staff.

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

[2]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[3]Cumulative since the start of the program.

12. Progress on the structural reform agenda has been uneven.

- The end-June SB to issue ministerial decrees for the implementation of the customs code was met.

- The authorities met the end-June SB for the Ministry of Finance to request the BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's Treasury Payer General, and the IMF.

- However, the SB on the daily reporting of the above data starting on July 1 is considered unmet as reporting began on July 17 and the format of the data does not meet the SB requirements. The authorities have requested a reformulation of this SB.

- The end-June SB for the BCC to complete onsite inspections to assess the quality of credit portfolios was not met, due in part to understaffing at the BCC's Supervision Department (DSB). With most inspections having been completed in June, and the remaining ones completed as of October, the DSB expects to conclude the final reports by end-2024 and has requested resetting the SB to this date.

- The banking license for the new postal bank BPC according to the business plan developed under the Staff-Monitored Program (SMP) (end-December 2023 SB) has not been issued. A BCC Board meeting in October has set conditions for the license issuance, and it is proposed that this SB be reformulated to align with the BCC Board's decision (¶25).

- The appointment of the Director General of the General Directorate of Public Accounting and the Treasury (DGCPT) (end-March 2024 SB) is a prior action (PA) for this review.

- The authorities met the following end-September SBs:

    - Completion of the arrears report by the General Directorate of Customs, identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024, and specifying the due dates on those customs duties;

    - Development of the medium-term strategy to clear domestic arrears;

    - Report on the external debt situation compiled using the debt management software CSDRMS; and

    - Establishment of the Tax Policy Unit that reports to the Minister of Finance, with assistance from the Fiscal Affairs Department (FAD).

- The end-September SB on the promulgation of the amended BCC statutes was missed (see ¶29). The authorities have requested resetting this SB to the next Parliamentary session in April 2025.

POLICY DISCUSSIONS

A. Fiscal Policy

13. Given the less buoyant economic activity than previously expected, it is proposed that the end-2024 tax revenue target be revised downward slightly. Although the August revised budget kept tax revenue assumptions unchanged (Text Table 4), staff assessed that the under-performance in tax revenue in 2024H1 (data on which became available late-September), would warrant a downward adjustment of the end-December QPC on tax revenues by 0.2 pp of GDP. But even with this downward adjustment in the revenue target, the fiscal stance in 2024 is projected to be tighter than envisaged at the 2nd review due to the under-execution of domestic investment arising from delays in the construction of the El Maarouf hospital. As such, the end-December QPC on the DPB (a consolidation of at least a 0.7 pp of GDP) remains appropriate. Budgetary grants in 2024 have been revised downward, consistent with the stronger fiscal adjustment and lower financing needs.

Text Table 4. Union of the Comoros: 2024 Budget
(billions KMF)

	Budget	Revised	Projection
Tax revenues	56.8	56.8	56.1
Taxes on income, profits, and capital gains	9.5	9.5	7.3
General sales, turnover, or value-added taxes	13.6	13.6	16.6
Excises	21.8	21.8	21.0
Taxes on international trade and transactions	11.8	11.8	10.3
Nontax revenues	10.0	10.0	10.0
External grants	43.7	45.2	41.6
Wages and salaries	32.7	32.9	32.9
Goods and services	15.1	15.9	16.7
Transfers	13.3	13.4	18.4
Domestically financed investment	14.6	11.8	12.0
Foreign-financed projects	66.1	67.5	44.0

Source: Ministry of Finance; staff calculations

14. The pace of fiscal consolidation in 2025 is less stringent vis-à-vis that envisaged at the 2nd review to account for delayed investments and current spending adjustments. The previously envisaged DPB of -0.5 percent of GDP, a tightening of 0.9 pp of GDP, is no longer attainable, given the continuation of large public investment projects previously assumed to be completed in 2024 (primarily the El Maarouf hospital). Furthermore, current expenditure pressures have emerged. These include an increase in pension contributions to ensure sustainability of the pension fund, preparation for the parliamentary elections in early 2025, and increased operating costs of the main university as well as embassies abroad. Consistent with these developments and the larger-than-anticipated fiscal adjustment in 2024, the pace of consolidation in 2025 is now programmed at 0.3 pp of GDP. This slower fiscal consolidation also implies a tighter, and more even, adjustment path in the following years, such that the overall adjustment under the program would be preserved. Despite the slower consolidation, however, robust domestic revenue mobilization efforts would continue, with the end-2025 tax revenue (QPC) programmed to grow by 11.5 percent y/y. The 2025 projections reflect an increase in project grants for foreign-financed investments, primarily the expansion of the port of Mohéli and a vaccination campaign funded by GAVI. The authorities are finalizing the 2025 budget that is aligned with program parameters for submission to

Parliament (PA). The medium-term fiscal path assumes a steady increase in tax revenue of 0.4 to 0.5 percentage points of GDP per year, supported by structural reforms in revenue administration and tax policy; normalizing public investment; and a roughly stable wage-to-GDP ratio (average of 5.2 percent).

15. The WB-funded project (Projet de Filets Sociaux de Sécurité Résilient et Réactif aux Chocs, PFSS-RRC) continues to be the only targeted social spending program in the country. The program supports cash transfers to the most vulnerable households as well as cash compensation to supplement productive work. The cash transfer component, started in July 2023, has benefited over 40,000 households, including 4,327 that received one-time transfers following the severe flooding of April-May 2024. The productive work component, launched in April 2024, aims to incentivize work among households, with an effective coverage of 19,340 households. The project, initially funded through 2027, is now expected to close by December 2026 due to the accelerated pace of disbursements. The authorities hope to eventually implement their own social protection initiatives through the PFSS-RRC network. Meanwhile the consistent budget allocations for health and education ensure a level of social spending for the broader population[3].

Fiscal Structural Reform

16. Ongoing efforts to broaden the tax base and modernize the tax payment system must be accelerated. The use of data from the SIGIT-SYDONIA interconnection has enabled the General Directorate of Taxes (DGI) to identify new taxpayers and several potential fraud cases. An audit report showing these tax adjustments will be produced by end-June 2025 (SB). Within this framework and through new data sources (electricity and water suppliers, targeted census, etc.), the DGI intends to increase the number of large and medium-sized taxpayers by 20 percent over the course of 2025 (proposed SB). Combating the use of fraudulent tax identification numbers (TINs), in collaboration with the General Directorate of Customs (DGD), will also help the DGI limit tax evasion and facilitate recovery of tax arrears, which have been growing steadily over the years. This recovery of tax arrears is already being stepped up to help make up for the missed tax revenue target in June and contribute to achieving the end-year target. The authorities highlighted other ongoing efforts to broaden the tax base, such as the DGI's establishment of eight new tax offices across the country. Staff advised that these efforts be complemented by the deployment of SIGIT across all islands and ensuring its effective use by all tax offices, a prerequisite for the introduction of remote tax filing and payment, scheduled for 2026, and electronic invoicing. Dialogue with the private sector should be stepped up with the aim to promote invoicing rules and modernize core tax procedures.

17. Customs administration reforms can unlock substantial revenue potential. Weekly meetings on customs operations across the three Islands, improved monitoring of the application of tariff specification codes (CST) on key revenue-generating imports, strengthened risk management and audit selection, and ongoing training of customs officers have helped maintain customs revenue

[3] The 2024 Selected Issues Paper (SIP) on the cost to achieve a good performance in selected SDGs provides further insights on spending needs in health and education.

despite the drop in import volumes. With support from FAD, the DGD has completed the arrears report identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024 (end-September 2024 SB). At least 50 percent of these arrears, assessed at KMF 3.4 billion, are expected to be recovered by end-December 2024 (SB), which the authorities expect will be instrumental in achieving the end-2024 tax revenue target. To consolidate gains in revenue mobilization and trade facilitation, the DGD should continue to strengthen core customs procedures, including, inter alia, deactivating in SYDONIA all TINs not recognized by the DGI to support the latter's efforts to secure the use of TINs, increasing the number of imported products subject to CTS, improving the computation accuracy of the domestic taxes on petroleum (TIPP), and strengthening processes for monitoring exemptions and suspensive regimes in SYDONIA. Staff also advised the DGD to begin implementing its medium-term strategic reform plan, which includes measures drawn from the WTO post-accession action plan.

18. The newly created Tax Policy Unit (TPU) will be responsible for spearheading tax policy reforms over the medium term. With the first members of the TPU already appointed, implementation of the unit's action plan, drafted with IMF support, has already begun. A protocol is being developed for the TPU to receive access to tax data from the DGI, DGD, and other sources. Such work will prepare the TPU to undertake impact studies such as the tax expenditure analysis planned for end-October 2025 (SB), which the authorities hope to carry out with FAD support. The results of this analysis will be used to identify opportunities for gradually reducing tax exemptions and incentives starting in 2026. In the context of the WTO accession, the TPU will also be responsible for developing a plan to ensure against tax revenue losses that may arise as certain taxes are no longer collected by customs and, in the medium term, for initiating the reforms needed to modernize the Comorian tax system.

19. With the anticipated appointment of the Director General of the DGCPT (PA), the authorities are turning their attention to liquidity management and Treasury Single Account (TSA) reforms. The authorities plan to establish the Treasury Committee, placed under the authority of the Minister of Finance, and chaired by the Director General of the DGCPT, charged with formulating and implementing the government's cash flow plan according to a 2009 presidential decree, including compulsory spending such as salaries, pension contributions, and debt service (proposed end-December 2024 SB). A functioning Treasury Committee would ensure visibility over available resources and upcoming financing needs, allowing liquidity management that prioritizes compulsory spending, avoids arrears, and minimizes the resort to expensive bank loans to bridge liquidity needs. In the absence of a TSA, fragmented government continued to hinder efficient cash management. To get around this, the BCC has begun providing daily information of balances in government accounts to the Union's General Treasury Paymaster (TPGU), with aggregated information shared with Fund staff. As the latter does not allow for monitoring of program conditionality, the authorities are proposing a reformulation of the SB to enable the sharing of information on all government accounts, except those earmarked for projects financed by international partners and those for national security and the presidency. The authorities also noted that they have begun closing certain sub-accounts of the TSA, as a first step in the TSA reform.

20. As the authorities continue to strengthen the budgetary process, the budget perimeter is being amended to reflect best practice in public financial management (PFM). The change would impact the treatment of two administrative fees in the budget framework—the RAU and the CCIA.[4] Both fees are nontax revenues while their use is considered extrabudgetary spending and therefore not captured in budget execution. As the CCIA is collected on behalf of the Chamber of Commerce and does not constitute government revenue, staff recommended that it be excluded from the government's budget framework going forward. The RAU, on the other hand, is distributed to government entities and should thus be accounted for within the budget framework as spending under "transfers." These changes will have an impact on the definition of the DPB under the program. The Technical Memorandum of Understanding (TMU) has been amended to reflect the new definition, which will apply starting with the March 2025 IT and June 2025 QPC, and for the remainder of the program. The changes, however, do not influence program objectives—the overall fiscal adjustment under the new definition is unchanged compared to the old definition, and consistent with ensuring that Comoros returns to moderate risk of debt distress by 2028. The application of the presidential decree on the Budgetary and Accounting Management Regulations (RGBCP), adopted in May 2024, will ensure continued improvements in the budget process. Staff encouraged the authorities to begin drafting a first batch of application texts, noting the Fund's readiness to provide technical assistance.

21. Governance and oversight of public companies will be strengthened, based on the new law on State-Owned Enterprises (SOEs) promulgated in September 2024. In implementing the new law, the authorities will: (i) appoint the Director of the Directorate of State Holdings Management and Public Enterprise Financial Performance Monitoring; (ii) recruit and train the staff of this department; (iii) adopt the main implementing texts of the new law; and (iv) appoint members of the Board of Directors of the main SOEs. The authorities noted that the financial audit of the main SOEs by the Finance Inspectorate will continue. The results of these audits will be used to draw up restructuring plans, with the support of technical and financial partners, conclude performance contracts with the main SOEs to guarantee improvements in the services provided, and define financial targets for the SOEs.

Debt Issues

22. The authorities have finalized the medium-term strategy to clear domestic arrears accumulated during 2009-20 (end-September SB). The strategy aims to clear the government's domestic payments arrears amounting to KMF 27.1 billion (4.1 percent of 2024 GDP) over a 14-year period, averaging around 0.2 percent of GDP per year. The authorities will prioritize pension and wage arrears, with payments for the former having already started. Given tight liquidity constraints, clearance of the largest arrears—those to SOEs—will begin only in 2027 and is expected to take 10 years (see Memorandum of Economic and Financial Policies, MEFP, ¶9).

[4] The RAU is an administrative fee for customs clearance services and the CCIA is levied for the maintenance of warehouses for imports and collected on behalf of the Chamber of Commerce. Both fees are collected by the DGD.

23. The authorities undertook corrective actions for the nonobservance of the QPC on the accumulation of new external arrears. They have (i) committed to make full repayments of all newly accumulated external arrears and have remained current on all debt service through end-November; and (ii) committed to formally request from creditors, and communicate to the IMF, an updated medium-term debt service schedule (2025-2027) for all disbursed debt as of end-2024 (proposed SB) to ensure that the debt database is fully updated. In addition, the African Development Bank (AfDB)-supported debt management project, which will upgrade the debt management software and build capacity at the Debt Directorate, is advancing. A firm has been selected to commence a diagnostic assessment of the current debt management software and make recommendations towards its upgrade or replacement. Meanwhile, the authorities are continuing to use the existing software, CSDRMS, to produce monthly debt service reports and submit these to Fund staff (continuous SB). The authorities are requesting that the due dates for the monthly reports be slightly amended from the end of each month to the 15th of the following month to allow time to process month-end information.

Text Table 5. Union of the Comoros: Summary Table of Projected External Borrowing Plan
(US$ Million)

PPG external debt	2024		2025		2026		2027	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**90.6**	**100.0**	**67.8**	**100.0**	**102.6**	**100**	**81.5**	**100**
Concessional debt, of which	**38.0**	**42.0**	**36.3**	**53.5**	**93.1**	**90.7**	**76.7**	**94.1**
Multilateral debt	32.0	35.3	29.1	42.9	34.8	33.9	20.1	24.7
Bilateral debt	6.0	6.6	7.1	10.5	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.1	0.1	58.4	56.9	56.6	69.4
Non-concessional debt, of which	**52.6**	**58.0**	**31.5**	**46.5**	**9.5**	**9.3**	**4.8**	**5.9**
Semi-concessional[1]	9.5	10.5	9.5	14.0	9.5	9.3	4.8	5.9
Commercial terms	43.1	47.6	22.0	32.5	0.0	0.0	0.0	0.0
By Creditor Type	**90.6**	**100.0**	**67.8**	**100.0**	**102.6**	**100.0**	**81.5**	**100.0**
Multilateral debt	41.5	45.8	38.6	56.9	44.3	43.1	24.9	30.6
Bilateral debt	6.0	6.6	7.1	10.5	0.0	0.0	0.0	0.0
Commercial terms	43.1	47.6	22.0	32.5	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.1	0.1	58.4	56.9	56.6	69.4
		0.0		0.0		0.0		0.0
Uses of debt financing	**90.6**	**100.0**	**67.8**	**100.0**	**102.6**	**100.0**	**81.5**	**100.0**
Infrastructure	38.0	41.9	36.2	53.4	57.9	56.4	32.1	39.4
Budget Financing	9.5	10.5	9.5	14.0	9.5	9.3	4.8	5.9
Other	43.1	47.6	22.1	32.6	35.3	34.4	44.6	54.7

1/ Projected ECF disbursements

Table 1. Union of the Comoros: Decomposition of Public Debt[1]

(US$ Million)

	2021	2022	2023	2021	2022	2023
		Million USD			% GDP	
Total	390.0	417.3	466.3	28.3	34.1	34.8
External	323.7	335.1	374.2	25.4	27.4	27.9
Multilateral creditors[2]	123.0	131.4	175.0	9.7	10.7	13.1
IMF	27.6	23.4	26.4	2.2	1.9	2.0
World Bank	28.4	39.2	59.0	2.2	3.2	4.4
ADB/AfDB/IADB	7.1	8.2	23.2	0.6	0.7	1.7
Other Multilaterals	60.0	60.5	66.3	4.7	4.9	4.9
o/w: BADEA	28.0	28.0	28.0	2.2	2.3	2.1
o/w: TDB	18.3	16.7	17.9	1.4	1.4	1.3
o/w: IsDB	7.5	6.9	9.5	0.6	0.6	0.7
Bilateral Creditors	200.7	203.7	197.8	15.8	16.6	14.8
Paris Club	2.1	2.5	1.8	0.2	0.2	0.1
o/w: France	2.1	2.5	1.8	0.2	0.2	0.1
Non-Paris Club	198.6	201.2	196.0	15.6	16.4	14.6
o/w: China	112.1	110.8	106.7	8.8	9.0	8.0
o/w: Saudi Arabia	33.7	38.0	38.0	2.6	3.1	2.8
o/w: India	27.6	27.6	27.6	2.2	2.3	2.1
o/w: Kuwait	25.1	24.8	23.8	2.0	2.0	1.8
Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	66.3	82.2	92.1	2.9	6.7	6.9
Held by residents, total[3]	66.3	82.2	92.1	5.2	6.7	6.9
SOEs debt[4]	23.0	23.0	23.0	N.A	1.9	1.7
Memo items:						
Collateralized debt[5]	N.A.	N.A.	N.A.	0.0	0.0	0.0
o/w: Related	N.A.	N.A.	N.A.	0.0	0.0	0.0
o/w: Unrelated	N.A.	N.A.	N.A.	0.0	0.0	0.0
Contingent liabilities[6]	159.1	153.1	167.6	12.5	12.5	12.5
o/w: Public guarantees	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Other explicit contingent liabilities[7]	159.1	153.1	167.6	12.5	12.5	12.5
Domestic arrears	N.A.	N.A.	60.1	0.0	0.0	4.5
External arrears	6.0	7.2	7.2	N.A	0.6	0.5
Nominal GDP	1273	1225	1340			

Source: Country authorities and staff estimates and projections

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/ Inludes central bank on lending related to the SDR allocation.

4/ SOEs debt in Comoros is guarantee debt.

5/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

6/ As defined in the customized contingent liabilities stress test of the last three published DSAs.

7/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

B. Monetary and Financial Sector Policies

24. Monetary policy should focus on preserving the stability of the euro peg. The reserve requirement ratio, the BCC's primary policy instrument, has remained at 12.5 percent since October 2023. The BCC has maintained the minimum bid rate for reverse auctions at 3 percent since July 2023, but increased the liquidity absorption ceiling from KMF 10 billion to KMF 15 billion in October. Together, these tools have enabled the BCC to manage liquidity surpluses at larger banks and fine-tune overall system liquidity. The BCC is closely monitoring reserves, liquidity conditions, inflation, and credit growth. Staff recommended that the BCC stand ready to implement more robust liquidity absorption operations and consider raising the reserve requirement ratio if recent price upticks from supply shocks lead to second-round inflationary pressures or in the event of significant reserve outflows. Staff also confirmed no changes to the exchange system covered by Article VIII of the IMF's Articles of Agreement.

25. The restructuring of the postal bank SNPSF is progressing slowly, with the latest due diligence revealing a significantly lower capital gap than previously estimated. At the October BCC Board meeting, the Comorian and French Board members agreed on the final elements needed to approve the banking license for the new postal bank BPC. These include, among others, details of the entity to handle non-performing assets left over from the SNPSF restructuring ("SNPSF-Liquidation"); validated financial statements for the three new entities (BPC, SNPSF-Liquidation, and the Post Office); and an agreement that the BPC would begin its operation with a credit cap of KMF 5 million (about $11,000) per customer until the BCC Board's review of this cap, which is expected after the full operationalization of the core bank IT system sometime in 2025. Over the last few months, additional work by external consultants to validate the opening balance sheet of the BPC also revealed (i) dormant deposit accounts amounting to KMF 2.9 billion that could be removed; and (ii) performing loans not previously accounted for amounting to KMF 1.2 billion which could be added. This exercise, along with the government's payment of the BPC capitalization bond during 2024, reduced the capital gap of the BPC from the previously estimated KMF 9.6 billion to around KMF 3.4 billion ($7.4 million). The authorities will cancel previously issued capitalization bonds and issue a new bond to reflect the latest capital gap. The BCC Board plans to hold an extraordinary session in January 2025 to discuss the approval of the BPC license. In view of the BCC Board outcome, it is proposed that the missed SB on the granting of the BPC banking license in accordance with the business plan developed under the Staff Monitored Program (SMP) be reformulated to reflect the BCC Board's decision and reset for end-March 2025. The SB to monitor the operationalization of the BPC according to the SMP business plan, which is no longer pertinent, will be cancelled.

26. Upgrading supervisory and regulatory capacities, including an increase in staffing, remains critical. The delay in completing the on-site inspections of all financial institutions was mainly due to resource constraints, particularly as DSB staff have had to continue working towards the BPC license. The remaining inspections and reports are expected to be finalized by end-December (reprogrammed SB). The NPL Commission is focusing on the biggest NPL portfolios, although asset recovery continues to be hindered by judicial weaknesses and ongoing distress in the vanilla export sector. MCM continues to provide support to the BCC to reinforce Comoros' prudential regulations in line with Basel II and III, as well as to implement risk-based supervision.

27. Following the promulgation of the amended resolution law (LRIF) in June, the BCC's Resolution and Regulation department (DRRB) is implementing the amended framework. The new law provides for statutory depositor preference and gives the BCC the power to liquidate an entity in default. An MCM TA mission in August/September supported the DRRB in the potential setups for the resolution funding mechanism. Given tight financing constraints on the government, the authorities are considering the pros and cons of an ex-post versus an ex-ante funding regime as well as the possibility of mobilizing donors' support for the resolution fund. An ex-ante resolution fund would require a slight revision of the law adopted in June 2024. The DRRB has received the initial recapitalization plans from institutions in breach of capital adequacy requirements and has been iterating with these institutions on the content and quality of the plans. As such, the authorities are requesting that the SB to approve these timebound recapitalization plans be reset from end-December 2024 to end-March 2025. The authorities remain committed to beginning the resolution process for institutions unable to regain viability within the ECF program timeframe.

C. Structural Reforms to Strengthen Institutions and Reduce Fragility

28. The 2023 anti-corruption law and the appointment of the anti-corruption chamber (ACC) in May 2024 aim to address corruption vulnerabilities. In the 2023 corruption perceptions index by Transparency International, Comoros received a low score of 20 out of 100, showing high perception of corruption among experts and business executives. Since its appointment, the ACC has been conducting active information campaigns about its mission to fight corruption. Members of the ACC participated in a seminar on building fiscal institutions to address corruption organized by AFRITAC South in July. They have also requested technical support from the IMF to start implementing the anti-corruption law, including drafting regulations and implementing asset declarations by high-ranking officials. They also expressed their need for capacity development, equipment and materials, and public outreach. Fund staff is discussing next steps and coordinating support for the ACC's reform agenda with other development partners, including the USAID, the European Union, and the AfDB.

29. Work on the BCC Statutes is substantially completed. Given the time required to finalize the statutes among the IMF safeguards team (comprising the Legal and Finance Departments), the Comorian BCC Board members, and the French BCC Board members, and the timing of the change in the French government in early September, the submission of the statutes, which required sign-offs from the Comorian and French Finance Ministers, for presidential promulgation by end-September was not possible. The authorities have requested that the SB be reset to end-April 2025 to account for the timing of the next Parliamentary session. Implementation of other 2023 safeguards recommendations is ongoing. These include strengthening oversight and internal audit functions and establishing a repayment plan for the long-term loan extended to the government in connection with the 2021 IMF SDR allocation.

30. The authorities are advancing various other reforms to improve governance, combat money laundering, and increase transparency. They are publishing online information on public procurement contracts including information on the beneficial owners of companies awarded contracts (continuous SB since May 2024).[5] The recently published Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) Mutual Evaluation Report reveals some progress in improving Comoros' AML/CFT framework as well as serious remaining deficiencies.[6] Severely limited financial resources and staffing at the Financial Intelligence Service (SRF) constrain the volume of cases it can investigate or tasks it can undertake. The SRF is currently working on an AML/CFT law with assistance from the World Bank. The authorities' efforts to enhance transparency also include publication of national statistics on open platforms supported by the AfDB and the UN.[7]

PROGRAM ISSUES

31. The program is fully financed with firm commitments over the next 12 months and good prospects for the remaining period. Disbursement for the third review will be used for budget support. In addition to the ECF, financing for the next twelve months is being provided through budget support from development partners and multilateral institutions, including France, the WB, and the AfDB. Contingency measures for any shortfall in budgetary grants include delaying domestically financed public investment projects and exploration of additional tax and expenditure policies to support revenue and consolidation efforts. Such a scenario, however, entails risks to program implementation, particularly the non-accumulation of domestic and external arrears, or excessive fiscal contraction that could affect social peace.

32. The ECF remains broadly on track. The authorities met three of five QPCs as of end-June 2024 (Text Table 3). They are requesting (a) waivers for the missed QPCs on (i) tax revenue and (ii) non-accumulation of new external arrears; (b) modifications to (i) the end-December 2024 tax revenue target to account for the weaker-than-expected economic activity this year and (ii) the June 2025 QPC on the domestic primary balance to be in line with the amended budget perimeter to follow best PFM practice (¶20) and the TMU definition of the domestically financed expenditure to reflect this change. The request for a waiver for the missed QPC on external arrears is supported by corrective measures to clear all newly accumulated external arrears (except to BADEA which remains under discussion and Exim India which has agreed in principle to restructure its arrears) and to formally request from creditors, and communicate to the IMF, an updated medium-term debt service schedule (2025-2027) for all disbursed debt as of end-2024 (proposed SB). All ITs were met. Six of nine SBs between June 2023 and end-October 2024 were met. Of the three missed SBs, the authorities are requesting that two (onsite inspections of financial institutions and promulgation of the BCC statutes) be reset to slightly later dates, and one (the daily reporting of government

[5] https://banque-comores.km/page/show/marches-publics

[6] https://www.fatf-gafi.org/en/publications/Mutualevaluations/comoros-measures-to-combat-money-laundering-terrorist-financing.html

[7] https://comoros.opendataforafrica.org/ and https://opendata-comores.org/

account balances) be reformulated (Table 3). It is also proposed that the SB on the BPC banking license be reformulated and reset, and the SB on monitoring of the BPC operationalization under the old business plan be canceled. The authorities are also requesting that the end-December 2024 SB on the BCC's approval of timebound recapitalization plans by financial institutions in breach of capital adequacy requirement be reset to end-March 2025, and that the date for submitting monthly external debt reports produced by the CSDRMS software be reset from the end of each month to the 15th of the following month.

33. Conditionality for the next 12 months remains guided by the program's objectives and implementation capacity in a fragile context. PAs for the 3rd review, which staff considers critical for program success, include (i) the submission to Parliament of the 2025 budget in line with program parameters and (ii) the appointment of the Director General of the DGCPT. The proposed QPCs and ITs (Text Table 7) aim to maintain macroeconomic stability and secure fiscal and debt sustainability. The proposed new SBs (Table 2) are aimed at extending progress in domestic revenue mobilization, fiscal transparency and PFM reforms, and the stabilization of the financial sector.

34. Comoros' capacity to repay the Fund remains adequate, but subject to significant risks. Fund credit outstanding is projected to peak in 2027 at SDR 34.7 million, equivalent to 2.7 percent of GDP. Debt service to the IMF would peak in 2024 at 5.3 percent of revenue and 4.6 percent of exports of goods and services. Risks are exacerbated by Comoros' high risk of debt distress, external arrears, and slow implementation track record. Policy reforms under the program and the authorities' consistent track record of servicing obligations to the Fund are key risk-mitigating factors.

Text Table 7. Union of the Comoros: Quantitative Performance Criteria and Indicative Targets, December 2024 – December 2025

(Millions of Comorian Francs, Cumulative Since End of Previous Year Unless Otherwise Specified)

	2024		2025				
	End-December		End-March	End-June		End-September	End-December
	Performance Criteria		Indicative target	Performance Criteria		Indicative target	Performance Criteria
	Proj.	Modified	Proj.	Proj.	Modified	Proj.	Proj.
Quantitative Performance Criteria[1]							
1. Floor on Tax Revenues	56,737.9	56,085.4	12,497.0	28,118.3		46,912.0	62,549.3
2. Floor on the Primary Domestic Fiscal Balance [2]	-8,924.7		-6,292.8	-3,442.2	-8,390.3	-9,439.1	-10,487.9
3. Floor on the Level of Net International Reserves	112,204.0		112,130.3	112,007.4		112,030.4	112,250.0
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0		0.0	0.0		0.0	0.0
5. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0		0.0	0.0		0.0	0.0
Indicative Targets[1]							
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0		0.0	0.0		0.0	0.0
7. Floor on Social Cash Transfers	457.6		...	...		...	...
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	2,833.0		353.1	882.8		1,224.2	1,765.6
Memorandum Items							
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	78		14	14		27	78

Sources: IMF Staff.

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

[2]Starting in 2025, this target accounts for the new definition of the primary domestic fiscal balance as per the TMU.

[3]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

35. Program risks relate mainly to weak institutional capacity and program ownership. Changes in key counterparts have partly contributed to the dampening of the reform momentum while program implementation continues to be hampered by weak capacity. However, the new Secretary General of the Government reiterated the government's commitment to the ECF program, while a close dialogue with the authorities and international partners and the tailored conditionality help mitigate risks. CD support will continue to be a vital part of the program engagement.

Table 2. Union of the Comoros: Proposed Prior Actions and New Structural Benchmarks, 2024–25

Proposed Measures	Proposed Timing
A. Prior Actions	
Submit to Parliament a draft 2025 Budget Law that is consistent with program parameters and establishes key mandatory priority expenditures (wages, social contributions, debt repayment), in consultation with the IMF team	
Appoint the Director General of the General Directorate of Public Accounting and the Treasury (DGCPT)	
B. Fiscal Structural Reforms	
The Ministry of Finance to publish the Government Financial Operations Tables (TOFE) for the four quarters of 2024	August 30, 2025
Attach to the 2025 Budget Law the detailed cash flow plans specifying the exact payment dates for mandatory expenditures (including salaries and debt service) and the due dates for major taxes and duties (TIPP, TC, IS, ITS) (see example in the TMU)	December 31, 2024
In accordance with certain provisions of Decree No. 009-081/PR of July 20, 2009 which establishes a Government Cash Flow Plan, adopt a ministerial decree to (i) define the nature and classification of mandatory expenditures, and (ii) create a Treasury Committee responsible for the development and monitoring of the Government Cash Flow Plan, defining its composition and setting out its missions and operating procedures	December 31, 2024
The Ministry of Finance to formally request from its creditors, and communicate to the IMF, an updated schedule of medium-term debt service (2025-2027) for all disbursed debt as of the end of 2024	December 31, 2024
The BCC to provide the DGCPT and the Union's General Treasury Paymaster (TPGU), with a copy to the IMF, the daily balance of each government account held at the BCC, except for accounts related to projects funded by international partners, and those for national security and the presidency	Every workday starting from January 1, 2025
Raise the number of active taxpayers by 20 percent at the Large and Medium Taxpayer Office (DGME) (from 676 as of September 30, 2024, to at least 811 by the end of 2025) and send all these taxpayers requests to file tax declarations	December 31, 2025
The DGI to produce an audit report showing tax adjustments in the second half of 2024, resulting from the identification and taxation of new taxpayers based on data exchanges with customs through the SIGIT-SYDONIA interconnection	June 30, 2025
C. Financial Sector Structural Reform	
The BCC to issue a banking license for the BPC, with a credit ceiling of KMF 5 million which will only be in place during the establishment of the information system and until the BCC board can review the relevance of this "specific modality" of the banking license when the DSB has validated the operationalization and reliability of this information system	March 31, 2025

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24		
	Date	**Status**
A. Fiscal Structural Reforms		
Measures to Boost Tax Revenue		
Establish the Large and Medium Taxpayer Office (Direction des Grandes et Moyennes Entreprises)	July 31, 2023	Met
Raise the number of active taxpayers by 10 percent at the Large and Medium Taxpayer office (from 543 at the large taxpayer office and the medium and small taxpayer office, as of March 31, 2023) and send all these taxpayers requests to file tax declarations	December 31, 2023	Met
Remove the fee for getting a NIF (Numero d'Identification Fiscale) and the requirement to renew it every 3 years and ensure that all taxpayers have a NIF adapted to the SIGIT platform	September 30, 2023	Met
Interconnect the SIGIT and SYDONIA platforms to enable automated exchange of data between DGI and customs	December 31, 2023	Met
Customs Reforms		
Complete the *de jure transfer* of the management of fuel products taxes to the customs administration after already having completed the transfer *de facto*	June 30, 2024	Met
Issue ministerial decrees to implement the customs code	June 30, 2024	Met
General Directorate of Customs to complete an arrears report, identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024, and specifying the due dates on those customs duties	September 30, 2024	Met
General Directorate of Customs to recover at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024	December 31, 2024	
Tax Policy Measures		
Establish a Tax Policy Unit that reports to the Minister of Finance, with TA from FAD	September 30, 2024	Met
Ministry of Finance to conduct tax expenditure analysis starting with customs duties and indirect taxes	October 31, 2025	
PFM Measures		
Complete the audit of domestic arrears, including cross-arrears between SOEs and the government	December 31, 2023	Met
Develop a medium-term action plan to clear domestic arrears	September 30, 2024	Met
Appoint Director of the General Directorate of Public Accounting and the Treasury	March 31, 2024	Not met, proposed as a Prior Action for 3rd ECF Review

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (continued)		
	Date	**Status**
Finalize and promulgate the presidential decree on the Budgetary and Accounting Management Regulations	April 30, 2024	Not met, completed in May 2024
Publish the annual 2024 budget approved by Parliament	April 30, 2024	Met
Ministry of Finance to request BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	June 30, 2024	Met
The BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	Every workday starting from July 1, 2024	Modification proposed in Table 2
The Debt Directorate at the Ministry of Finance to provide the IMF and the BCC with the external debt situation compiled by the debt management software CSDRMS	At the end of every month starting from September 30, 2024	Proposed to modify due date of the monthly report to the 15th of the following month, starting from January 15, 2025
B. Financial Sector Reforms		
SNPSF Restructuring		
Appoint managing director at BPC with management expertise and experience in banking and credit risk management to operationalize the BPC according to the business plan developed under the SMP	August 31, 2023	Met
Submit to BCC an application for a banking license for the Banque Postale des Comores, which would specify a business plan, a management team, and a capital injection plan that are in line with MEFP ¶15 of the ECF Request	August 31, 2023	Met
BCC to issue a banking license which complies with the conditions set out in SMP MEFP ¶15 of the ECF Request	December 31, 2023	Not Met, modification proposed in Table 2
BCC to provide supervisory reports on the compliance of BPC with the phase 1 of the business plan (limit lending operations to existing customers with individual limits of KMF 5 million for the first two years of operation), including quantitative information on the number of new customers and maximum lending per customer, in line with ¶15 of the MEFP of the ECF Request	Every July and January, starting on July 31, 2024, to January 31, 2026	Cancelled, as no longer pertinent given modification of associated SB on the BPC's banking license
Measures to Enhance BCC's Supervision and Resolution Capacity		
BCC to set up a resolution unit which is structurally separated from the Supervision Department, and reports separately to the BCC Board	June 30, 2023	Met
Submit to Parliament the statutory resolution framework that includes the three points recommended in the MCM TA report, "Operationalization of the Bank Resolution Act of September 2022," to align with international standards	May 31, 2024	Met

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (concluded)		
	Date	**Status**
BCC to complete onsite inspections to assess the quality of credit portfolios	June 30, 2024	Not Met, proposed to reset to December 31, 2024
Approval by the BCC of a formal timebound recapitalization plan to be adopted by each Comorian deposit-taking institution in breach of capital adequacy requirements	December 31, 2024	Proposed to reset to March 31, 2025
NPL Commission to submit a report to the President on NPL developments and work of the Commission to resolve NPLs during 2024	May 31, 2025	
C. Institutional, Governance and Anti-Corruption Reform		
Adopt into law the draft anti-corruption law that was aligned with the SMP objectives to enhance preventive measures against corruption, strengthen the rules related to conflicts of interest, and improve the asset declaration system for senior public officials, while providing for the creation of an operationally independent and autonomous Anti- Corruption Chamber with the mandate to set up and coordinate implementation of the country's anti-corruption policy priorities	June 30, 2023	Met
Operationalize an independent and autonomous anti-corruption agency in line with the draft anti-corruption law	December 31, 2023	Not Met, completed in May 2024
Publish the full audit report of spending financed by the IMF emergency support in 2020	June 30, 2023	Met
Publish online information on public procurement contracts, including beneficial ownership information, in line with the roadmap published in 2021	Continuous, starting on May 1, 2024	Met
Promulgation by the President of the Union of Comoros of the amended statutes of the BCC in line with IMF staff advice	September 30, 2024	Not Met, proposed to reset to April 2025

STAFF APPRAISAL

36. Comoros' economic outlook remains stable albeit marked by considerable risks. For 2024, growth is expected at 3.3 percent, with slower-than-anticipated activity, while recent food price developments will increase projected inflation to 5 percent. Although a recovery in household consumption and continuing tourism activity are expected to support a modest rebound in economic activity in 2025, the trends are fragile given external uncertainties and Comoros' dependence on imports, remittances, and foreign aid. Intensifying external conflicts could disrupt trade and reduce financing flows, weakening domestic demand. Meanwhile, recent changes in leadership and the upcoming 2025 legislative elections pose risks to policy continuity and reform momentum. Climate-related risks, particularly devastating storms, compound Comoros' economic fragility. The medium-term growth forecast of around 4½ percent hinges critically on the sustained implementation of sound macroeconomic policies and structural reforms, which are essential for mobilizing budgetary financing and attracting private investment.

37. Program implementation is on track, and the authorities are encouraged to demonstrate continued program ownership. Despite the appointment of several new heads to key ministries, including the finance minister, key technical counterparts have remained in place, facilitating continuity in program discussions. However, the lengthy transition between the January elections and the appointment of a new cabinet in July slowed the reform momentum, and progress on structural reforms in recent months has required closer-than-usual support from staff and CD experts.

38. Staff welcomes the ongoing revenue mobilization efforts, which constitute a main pillar of the program, and the authorities' commitment to fiscal consolidation. Despite multiple domestic shocks and weakening economic activity, revenue performance in 2024 was only slightly weaker than expected, reflecting robust efforts in domestic revenue mobilization by both the DGI and DGD. CD engagement has been effective, with the authorities taking significant steps to modernize tax and customs administration, emphasizing tax base broadening. However, gaps remain, particularly in implementing core customs procedures and developing a strategic reform plan aligned with WTO standards. Staff welcomes the creation of the Tax Policy Unit (TPU) and its short-term focus on tax expenditure analysis to optimize revenue collection. Following the larger-than-programmed fiscal consolidation this year, the 2025 draft budget re-affirms the authorities' commitment to fiscal consolidation. Comoros' external and overall debt are assessed to be sustainable but at high risk of debt distress, primarily due to the low export and tax revenue bases. Continued fiscal consolidation will reduce debt vulnerabilities while creating greater fiscal space for priority spending.

39. Deepening PFM reforms will improve budget credibility and help address liquidity and cash management challenges and recurrent arrears. Ongoing improvements in the budget process, including the publication of the 2024 budget, the planned publication of the 2024 budget execution (proposed SB), and the alignment of the 2025 budget framework with PFM best practice, are welcome. The forthcoming appointment of the Director General of the DGCPT and implementation of the State's cash flow plan and the creation of a Treasury Committee would catalyze reforms in liquidity management and the TSA. Greater visibility over the government's liquidity position would enable more efficient utilization of resources, reduce untargeted borrowing, and eliminate recurrent arrears. These reforms would have positive spillovers to debt management and cash flow forecasting capacities, both of which are prerequisites for the launch of a government securities market over the medium term.

40. The euro peg remains an appropriate monetary anchor while the BCC continues to enhance its monetary toolkit. The peg to the euro continues to help maintain external stability. Amid recent supply-driven price increases and falling credit growth, the BCC needs to carefully monitor inflation expectations and liquidity conditions, albeit navigating with the limited tools of liquidity absorption operations and the reserve requirement ratio. Efforts to strengthen the BCC's monetary policy toolkit—including developing the collateral framework, interbank market, marginal lending facility, and emergency liquidity assistance framework, with support from MCM—are valuable steps toward enhanced monetary policy toolkit. Faster progress in the government's debt and cash management reforms (¶40) will ensure a debt securities market that can support the operationalization of the collateral framework and the interbank market.

41. Progress in restructuring the SNPSF, operationalizing the banking resolution law, and improved supervision capacity will enhance financial sector resilience. Delays in winding down the SNPSF and launching the BPC reflect the complexity of the reform, which involves multiple stakeholders, and the authorities' limited technical capacity and experience in bank restructurings. The forthcoming approval of the BPC license reflects the authorities' strong and continuous efforts to see through this reform despite numerous challenges. The lower estimated capital gap for the BPC is a welcome development. The launch of the BPC with an initial credit cap of KMF 5 million per customer until the core bank operating system is fully in place will help ensure a gradual ramp-up of risk-taking activities while providing an incentive to accelerate the installation of the new banking and risk management system. It will be important for the BCC to carefully monitor the implementation of banks' recapitalization plans once these have been approved, e.g., as part of the regular inspection cycle of the DSB. The new banking resolution law is an important step towards addressing problem banks in the system. Financing the resolution fund will be an important hurdle in operationalizing the law, and the authorities should begin considering the pros and cons of various options. Meanwhile, continued efforts to strengthen the BCC's supervision capacity will be key to improving financial sector stability.

42. Governance and anti-corruption and anti-money laundering reforms remain essential to addressing structural institutional weaknesses. The establishment of the ACC, ongoing AML/CFT reforms, as well as other recent actions, such as the publication of the 2024 budget and procurement contracts, signal the authorities' commitment to enhance governance and transparency. In addition to limited capacity, inadequate funding poses a significant constraint in ramping up these efforts. The authorities are encouraged to actively engage with international partners to mobilize both financial and capacity development support for this area of reforms.

43. In view of the broadly satisfactory program performance and renewed commitments going forward, staff supports the completion of the third review under the ECF. Staff also supports (i) the request for waivers for the non-observance of the QPC on tax revenue and continuous QPC on the non-accumulation of external arrears based on the corrective actions taken by the authorities, and (ii) the request for modifications of the end-2024 tax revenue target and the 2025 targets on the primary domestic balance, along with the TMU to reflect this change. Staff also supports the reformulations of two SBs and the modifications of the dates of three SBs.

Table 4. Union of the Comoros: Selected Economic and Financial Indicators, 2023–29

	2023	2024		2025		2026		2027	2028	2029
	Est.[1]	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)									
National Income and Prices										
Real GDP	3.0	3.3	3.5	3.8	4.0	4.3	4.3	4.5	4.3	3.8
GDP Deflator	2.9	4.9	3.3	1.7	1.6	1.9	2.1	2.0	1.9	2.0
Consumer Price Index (annual average)	8.5	5.0	3.3	1.8	1.7	1.9	2.1	1.9	1.9	1.9
Consumer Price Index (end period)	-2.0	4.0	3.5	3.5	2.5	1.9	1.9	1.9	1.9	1.9
Money and Credit										
Net Foreign Assets	9.0	27.5	37.8	36.4	16.4	19.4	15.3	12.2	6.5	8.9
Domestic Credit	3.5	-7.0	-7.8	2.7	3.3	5.2	4.7	5.4	4.4	3.6
Credit to the Private Sector	12.8	4.5	8.3	5.5	5.7	6.3	6.5	6.5	6.3	5.9
Government	6.2	-0.3	-15.1	-4.8	-4.5	1.8	-2.3	1.6	-2.0	-4.5
Broad Money	8.7	7.0	7.0	6.0	6.0	5.5	5.5	7.0	5.0	7.0
Velocity (GDP/end-year broad money)	2.6	2.7	2.6	2.7	2.6	2.7	2.6	2.7	2.7	2.7
External Sector										
Exports, f.o.b.	-43.0	17.3	36.6	-0.2	7.5	19.9	8.6	7.3	8.5	15.2
Imports, f.o.b.	7.0	-4.5	1.3	15.6	5.5	1.5	4.3	5.1	7.0	7.0
Export volume	-10.1	-10.2	4.6	1.9	4.9	14.0	5.5	4.9	5.4	13.6
Import volume	8.2	-4.3	-4.3	3.5	3.7	1.5	1.5	2.6	2.6	3.5
Terms of trade	3.5	8.4	12.3	11.9	6.0	2.4	4.2	2.6	4.0	1.6
	(In percent of GDP, unless otherwise indicated)									
Investment and Savings										
Gross Fixed Capital Formation	17.7	17.9	17.7	18.2	17.8	18.3	18.0	18.4	18.5	19.1
Public	4.1	6.3	6.7	7.1	5.7	5.6	5.5	5.6	5.8	5.9
Private	13.6	11.6	10.9	11.1	12.2	12.8	12.6	12.8	12.7	13.2
Gross National Savings	15.7	14.4	14.4	14.0	13.9	14.1	14.0	14.2	14.6	15.4
Public	0.7	0.3	2.0	1.6	2.0	0.6	1.3	1.5	1.8	2.5
Private	15.0	14.1	12.4	12.5	11.9	13.5	12.7	12.7	12.8	12.9
External Savings	2.0	3.5	3.3	4.1	3.9	4.2	4.0	4.3	3.9	3.6
Total Revenue and Grants	16.5	16.4	17.6	19.2	15.8	15.9	15.9	16.7	16.7	17.7
Total Revenue	10.2	10.1	10.3	10.5	10.7	11.0	11.0	11.2	11.5	11.8
Tax Revenue	8.2	8.5	8.7	9.0	9.1	9.5	9.4	9.7	10.0	10.3
Non-tax Revenue[2]	2.0	1.5	1.5	1.5	1.6	1.5	1.6	1.5	1.50	1.50
Total Grants	6.3	6.3	7.4	8.7	5.1	5.0	4.9	5.4	5.1	5.9
Total Expenditure and Net Lending	17.8	19.9	20.4	21.6	18.3	18.8	18.4	18.6	18.7	19.0
Current Expenditure[3]	12.7	11.4	11.5	12.0	10.8	11.3	11.0	11.0	11.0	11.2
Capital Expenditure	5.1	8.5	9.0	9.6	7.6	7.5	7.4	7.5	7.7	7.8
Domestic Primary Balance[4]	-2.0	-1.2	-1.4	-0.9	-0.5	-0.3	-0.4	-0.1	0.1	0.0
Domestic Primary Balance (adjusted)[5]	-2.7	-1.8		-1.5		-0.9		-0.6	-0.5	-0.5
Overall Balance (cash basis)	-1.2	-3.5	-2.8	-2.4	-2.6	-2.8	-2.4	-1.9	-2.0	-1.3
Excluding Grants	-7.5	-9.8	-10.2	-11.1	-7.6	-7.8	-7.3	-7.3	-7.2	-7.2
Net Financing	2.2	2.8	2.1	1.8	1.5	0.4	-0.2	-0.3	0.2	-0.5
Foreign	2.0	3.1	3.5	2.4	2.3	0.7	0.6	0.0	0.3	0.3
Domestic	0.3	-0.3	-1.4	-0.6	-0.8	-0.2	-0.8	-0.2	-0.1	-0.8
Of which : Net acquisition of assets	-0.1	-0.2	-0.5	-0.3	-0.6	-0.3	-0.7	-0.3	0.0	0.0
Financing Gap/Errors and Omissions[6]	-1.0	0.7	0.7	0.6	1.1	2.4	2.6	2.1	1.8	1.7
External Sector										
Exports of Goods and Services	11.1	11.5	12.0	11.8	12.5	12.8	12.9	12.6	12.7	13.2
Imports of Goods and Services	37.9	33.6	35.5	35.1	34.6	33.5	33.6	32.7	31.7	31.8
Current Account Balance	-2.0	-3.5	-3.3	-4.1	-3.9	-4.2	-4.0	-4.3	-3.9	-3.6
Excl. Official and Private Transfers	-26.3	-22.0	-23.5	-23.2	-22.1	-20.5	-20.5	-19.8	-18.7	-18.4
Private Remittances, Net[7]	19.5	16.9	17.0	16.1	16.1	15.0	15.2	14.3	13.6	12.9
External Debt	27.8	29.9	34.3	31.8	35.2	34.6	35.5	35.5	37.3	37.8
External Public and Publicly Guaranteed Debt	27.7	29.7	34.3	31.8	35.2	34.6	35.5	35.5	37.3	37.8
External Debt, in Percent of Exports of Goods and Services	128.5	143.8	188.2	153.4	181.4	151.6	175.8	156.5	151.7	144.6
External Debt Service[8]	3.6	4.5	4.9	3.5	5.5	5.3	5.4	6.1	5.9	5.8
Overall Balance of Payments (in millions of U.S.$)	27.0	61.5	84.4	112.0	40.7	44.5	21.6	28.6	4.6	21.1
Official Grants and Loans	8.7	10.3	11.7	11.8	8.8	7.2	7.1	7.2	7.1	7.6
Gross International Reserves[9]										
In Millions of U.S. Dollars	321.0	392.9	415.8	516.0	474.4	604.3	537.7	667.4	702.9	757.5
In Months of Imports of Goods & Services	7.8	8.7	9.4	11.2	10.4	12.7	11.3	13.6	13.6	14.0
Gross International Reserves, Including Fiscal Gap										
In Millions of U.S. Dollars	321.0	392.9	415.8	516.0	474.4	599.4	537.7	662.8	698.7	754.0
In Months of Imports of Goods & Services	7.8	8.7	9.4	11.2	10.4	12.6	11.3	13.5	13.5	13.9
Exchange Rate CF/US$ (period average)	452.0									
Memorandum Items:										
Public External Debt (in Percent of GDP)[10]	27.8	29.9	34.3	31.8	35.2	34.6	35.5	35.5	37.3	37.8
Public Debt (in Percent of GDP)	34.7	35.8	38.8	36.8	38.6	38.8	40.0	39.1	40.5	40.7
GDP (nominal, in billions of CF)	605.9	657.1	648.1	693.3	684.8	736.9	729.5	785.0	834.6	883.5
GDP per capita (nominal, in US Dollars)	1,541	1,642	1,402	1,700	1,432	1,771	1,472	1,840	1,907	1,977

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] Starting in 2025, nontax revenues no longer include an administrative fee collected by the customs agency on behalf of the Chamber of Commerce, Industry and Agriculture (CCIA).

[3] Starting in 2025, transfers (part of current expenditure) include expenditures using revenues from the single administrative fee (Redevance Administrative Unique, RAU).

[4] 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. This balance reflects the definition of domestic primary balance as per the TMU of the ECF Request, 1st ECF Review, and 2nd ECF Review.

[5] This reflects the definition of domestic primary balance as per the TMU of the 3rd ECF Review.

[6] For 2022-23, includes unmet financing needs for restructuring SNPSF. Historical figures reflect errors and omissions; projections reflect financing gap to be filled under the program.

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

[8] In percent of government revenue.

[9] End of period. From 2021, includes new SDR allocation of $24 million.

[10] Coverage of debt: central government, central bank, and government-guaranteed debt. Definition of external debt is residency-based.

Table 5a. Union of the Comoros: Consolidated Government Financial Operations, 2023–29

(In Millions of Comorian Francs)

	2023	2024		2025		2026		2027	2028	2029
	Est.[1]	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.	Proj.
Total Revenue and Grants	99,785	107,677	114,259	133,151	108,060	117,364	116,328	130,947	139,185	156,569
Revenues	61,717	66,087	66,455	72,911	73,396	80,737	80,383	88,296	96,305	104,577
Tax Revenues	49,631	56,085	56,471	62,549	62,522	69,697	68,772	76,531	83,787	91,319
Nontax Revenues [2]	12,085	10,002	9,984	10,361	10,874	11,040	11,611	11,765	12,518	13,258
External Grants	38,069	41,590	47,803	60,240	34,663	36,627	35,945	42,650	42,880	51,992
Budgetary Assistance	15,191	5,571	15,899	11,668	8,938	4,741	4,483	4,475	4,475	10,602
Projects (incl. techn. assist.)	22,878	36,019	31,904	48,572	25,725	31,886	31,462	38,175	38,405	41,390
Total Expenditure and Net Lending	107,877	130,619	132,357	149,769	125,525	138,358	133,930	145,690	156,017	167,792
Current Expenditure	77,254	74,601	74,274	83,091	73,731	82,927	80,169	86,632	91,755	99,322
Primary Current Expenditures	70,500	67,925	66,904	71,852	66,112	76,824	73,296	79,658	84,308	91,097
Wages and Salaries	31,500	32,861	32,853	36,472	35,131	38,932	37,964	41,497	44,461	47,077
Goods and Services	18,450	16,669	15,827	15,446	14,826	16,756	18,246	17,503	19,542	21,859
Transfers and Pensions [3]	20,550	18,395	18,224	19,934	16,155	21,136	17,086	20,657	20,305	22,161
Interest Payments	2,253	1,795	2,556	1,928	2,533	1,662	1,730	1,542	1,650	2,091
Foreign-Financed Project Maintenance	1,501	1,628	1,606	5,879	1,697	1,105	1,808	1,923	2,068	2,189
Technical Assistance	3,000	3,253	3,208	3,432	3,390	3,336	3,336	3,508	3,729	3,945
Capital Expenditure	30,623	56,018	58,083	66,678	51,794	55,431	53,761	59,058	64,262	68,470
Domestically Financed Investment	13,244	11,990	14,663	13,321	12,763	12,325	12,180	13,529	16,271	18,112
Foreign-Financed Investment	17,379	44,028	43,420	53,358	39,031	43,106	41,582	45,529	47,990	50,357
Domestic Primary Balance [4]	-12,332	-7,972	-9,255	-6,516	-3,704	-2,069	-2,970	-394	507	429
Domestic Primary Balance (adjusted) [5]	-16,192	-11,798		-10,488		-6,290		-4,891	-4,274	-4,632
Overall Balance (commitment basis)	-8,091	-22,943	-18,098	-16,618	-17,466	-20,994	-17,602	-14,744	-16,832	-11,223
Change in Net Arrears	584	0	0	0	0	0	0	0	0	0
Overall Balance (cash basis)	-7,508	-22,943	-18,098	-16,618	-17,466	-20,994	-17,602	-14,744	-16,832	-11,223
Financing	13,494	18,651	13,806	12,317	10,072	3,164	-1,410	-1,991	1,502	-4,207
Foreign (net)	11,900	20,315	22,630	16,427	15,806	4,828	4,320	-266	2,232	2,431
Drawings	14,485	25,942	28,257	21,717	25,341	16,089	15,538	13,595	15,965	15,529
Amortization	-2,898	-5,627	-5,627	-5,290	-9,535	-11,260	-11,218	-13,861	-13,734	-13,098
Change in Net Arrears (principal)	313	0	0	0	0	0	0	0	0	0
Domestic (net) [6]	1,595	-1,665	-8,825	-4,110	-5,734	-1,664	-5,730	-1,724	-729	-6,639
Bank Financing	2,075	-106	-5,733	-1,811	-1,434	634	-720	574	-729	-6,639
Central Bank	2,075	-981	-3,127	-1,434	-1,434	-720	-720	-724	-729	-6,639
Of which: IMF (net)	1,337	-981	-3,127	-1,434	-1,434	-720	-720	-724	-729	-1,639
Commercial Banks	0	875	-2,606	-377	0	1,354	0	1,298	0	0
Net Acquisition of Assets	-480	-1,559	-3,092	-2,298	-4,300	-2,298	-5,010	-2,298	0	0
of which recapitalization of SNPSF	0	-1,067	-2,600	-898	-2,600	-898	-3,310	0	2	3
Errors and Omissions/Financing Gap (+ = underfinancing)	-5,986	4,292	4,292	4,301	7,394	17,830	19,012	16,734	15,329	15,430
Memorandum Items:										
GDP (nominal)	605,942	657,139	648,060	693,302	684,757	736,862	729,504	784,985	834,616	883,462
Wages in Percentage of Revenues	51.0	49.7	49.4	50.0	47.9	48.2	47.2	47.0	46.2	45.0

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] Starting in 2025, nontax revenues no longer include an administrative fee collected by the customs agency on behalf of the Chamber of Commerce, Industry and Agriculture (CCIA).

[3] Includes World Bank cash transfers spending to households. Starting in 2025, transfers include expenditures using revenues from the single administrative fee (Redevance Administrative Unique, RAU).

[4] Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat COVID and the cost of restructuring SNPSF. This balance reflects the definition of domestic primary balance as per the TMU of the ECF Request, 1st ECF Review, and 2nd ECF Review.

[5] This reflects the definition of domestic primary balance as per the TMU of the 3rd ECF Review.

[6] The difference between the fiscal and the monetary tables is due to the item Net Acquisition of Assets in the fiscal table.

Table 5b. Union of the Comoros: Consolidated Government Financial Operations, 2023–29

(In percent of GDP)

	2023	2024		2025		2026		2027	2028	2029
	Est.[1]	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.	Proj.
Total Revenue and Grants	16.5	16.4	17.6	19.2	15.8	15.9	15.9	16.7	16.7	17.7
Revenues	10.2	10.1	10.3	10.5	10.7	11.0	11.0	11.2	11.5	11.8
Tax Revenues	8.2	8.5	8.7	9.0	9.1	9.5	9.4	9.7	10.0	10.3
Nontax Revenues [2]	2.0	1.5	1.5	1.5	1.6	1.5	1.6	1.5	1.5	1.5
External Grants	6.3	6.3	7.4	8.7	5.1	5.0	4.9	5.4	5.1	5.9
Budgetary Assistance	2.5	0.8	2.5	1.7	1.3	0.6	0.6	0.6	0.5	1.2
Projects (incl. techn. assist.)	3.8	5.5	4.9	7.0	3.8	4.3	4.3	4.9	4.6	4.7
Total Expenditure and Net Lending	17.8	19.9	20.4	21.6	18.3	18.8	18.4	18.6	18.7	19.0
Current Expenditure	12.7	11.4	11.5	12.0	10.8	11.3	11.0	11.0	11.0	11.2
Primary Current Expenditures	11.6	10.3	10.3	10.4	9.7	10.4	10.0	10.1	10.1	10.3
Wages and Salaries	5.2	5.0	5.1	5.3	5.1	5.3	5.2	5.3	5.3	5.3
Goods and Services	3.0	2.5	2.4	2.2	2.2	2.3	2.5	2.2	2.3	2.5
Transfers and Pensions [3]	3.4	2.8	2.8	2.9	2.4	2.9	2.3	2.6	2.4	2.5
Interest Payments	0.4	0.3	0.4	0.3	0.4	0.2	0.2	0.2	0.2	0.2
Foreign-Financed Project Maintenance	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.2	0.2
Technical Assistance	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4
Capital Expenditure	5.1	8.5	9.0	9.6	7.6	7.5	7.4	7.5	7.7	7.8
Domestically Financed Investment	2.2	1.8	2.3	1.9	1.9	1.7	1.7	1.7	1.9	2.1
Foreign-Financed Investment	2.9	6.7	6.7	7.7	5.7	5.9	5.7	5.8	5.8	5.7
Domestic Primary Balance [4]	-2.0	-1.2	-1.4	-0.9	-0.5	-0.3	-0.4	-0.1	0.1	0.0
Domestic Primary Balance (adjusted) [5]	-2.7	-1.8		-1.5		-0.9		-0.6	-0.5	-0.5
Overall Balance (commitment basis)	-1.3	-3.5	-2.8	-2.4	-2.6	-2.8	-2.4	-1.9	-2.0	-1.3
Change in Net Arrears	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External Arrears	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Arrears	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (cash basis)	-1.2	-3.5	-2.8	-2.4	-2.6	-2.8	-2.4	-1.9	-2.0	-1.3
Financing	2.2	2.8	2.1	1.8	1.5	0.4	-0.2	-0.3	0.2	-0.5
Foreign (net)	2.0	3.1	3.5	2.4	2.3	0.7	0.6	0.0	0.3	0.3
Drawings	2.4	3.9	4.4	3.1	3.7	2.2	2.1	1.7	1.9	1.8
Amortization	-0.5	-0.9	-0.9	-0.8	-1.4	-1.5	-1.5	-1.8	-1.6	-1.5
Change in Net Arrears (principal)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net) [6]	0.3	-0.3	-1.4	-0.6	-0.8	-0.2	-0.8	-0.2	-0.1	-0.8
Bank Financing	0.3	0.0	-0.9	-0.3	-0.2	0.1	-0.1	0.1	-0.1	-0.8
Central Bank	0.3	-0.1	-0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.8
Of which: IMF (net)	0.2	-0.1	-0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2
Commercial Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Acquisition of Assets	-0.1	-0.2	-0.5	-0.3	-0.6	-0.3	-0.7	-0.3	0.0	0.0
of which recapitalization of SNPSF	0.0	-0.2	-0.4	-0.1	-0.4	-0.1	-0.5	0.0	0.0	0.0
Errors and Omissions/Financing Gap (+ = underfinancing)	-1.0	0.7	0.7	0.6	1.1	2.4	2.6	2.1	1.8	1.7
Memorandum Items:										
GDP (nominal)	605,942	657,139	648,060	693,302	684,757	736,862	729,504	784,985	834,616	883,462
Wages in Percentage of Revenues	51.0	49.7	49.4	50.0	47.9	48.2	47.2	47.0	46.2	45.0

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] Starting in 2025, nontax revenues no longer include an administrative fee collected by the customs agency on behalf of the Chamber of Commerce, Industry and Agriculture (CCIA).

[3] Includes World Bank cash transfers spending to households. Starting in 2025, transfers include expenditures using revenues from the single administrative fee (Redevance Administrative Unique, RAU).

[4] Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat COVID and the cost of restructuring SNPSF. This balance reflects the definition of domestic primary balance as per the TMU of the ECF Request, 1st ECF Review, and 2nd ECF Review.

[5] This reflects the definition of domestic primary balance as per the TMU of the 3rd ECF Review.

[6] The difference between the fiscal and the monetary tables is due to the item Net Acquisition of Assets in the fiscal table.

Table 6. Union of the Comoros: Monetary Survey, 2023–29

(In Millions of Comorians Francs, unless otherwise indicated)

	2023	2024		2025		2026		2027	2028	2029
	Est.[1]	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.	Proj.
Net Foreign Assets	120,897	154,172	166,539	210,345	193,828	251,235	223,516	281,780	299,993	326,615
Central Bank Assets [1]	144,471	176,439	186,718	230,948	212,339	270,840	241,022	300,354	317,521	342,193
Central Bank Liabilities [2]	-27,438	-26,458	-24,312	-25,024	-22,878	-24,304	-22,158	-23,580	-22,850	-21,212
Commercial Banks Assets	7,878	8,544	8,426	9,014	8,903	9,580	9,484	10,206	10,851	11,486
Commercial Banks Liabilities	-4,014	-4,353	-4,293	-4,593	-4,536	-4,881	-4,832	-5,200	-5,529	-5,852
Net Domestic Assets	109,661	92,525	80,158	51,153	67,670	24,646	52,365	13,412	9,959	5,034
Domestic Credit	147,163	136,848	135,615	140,597	140,144	147,931	146,716	155,913	162,831	168,733
Net Credit to Government	22,315	21,177	15,696	18,560	13,435	18,227	11,727	17,739	15,920	13,224
Of which: Treasury	37,948	37,843	32,216	36,031	30,782	36,665	30,062	37,239	36,510	34,871
Bank Financing	22,315	21,177	15,696	18,560	13,435	18,227	11,727	17,739	15,920	13,224
Claims on Government	43,807	43,701	38,074	41,890	36,640	42,524	35,920	43,098	42,369	40,730
Deposits of Government	-21,492	-22,524	-22,378	-23,330	-23,205	-24,297	-24,193	-25,359	-26,449	-27,506
Claims on Public Enterprises	13,877	13,143	16,381	13,866	16,382	14,737	16,383	15,700	16,692	17,669
Claims on Other Financial Institutions	-40	-40	-40	-40	-40	-40	-40	-40	-40	-40
Claims on Private Sector	110,686	115,671	119,918	122,036	126,709	129,704	134,989	138,175	146,911	155,509
Other Items Net	-37,502	-44,323	-55,457	-89,443	-72,474	-123,285	-94,351	-142,501	-152,871	-163,699
Broad Money	230,558	246,697	246,697	261,498	261,498	275,881	275,881	295,192	309,952	331,649
Money	158,272	171,159	171,159	190,699	190,699	200,343	200,343	216,255	235,967	252,711
Currency in Circulation	58,425	66,604	66,604	75,929	75,929	86,559	86,559	98,677	112,492	128,241
Demand Deposits	99,847	104,554	104,554	114,770	114,770	113,784	113,784	117,578	123,474	124,470
Quasi-Money	72,285	75,538	75,538	70,799	70,799	75,538	75,538	78,937	73,985	78,937
(in percent of beginning period broad money)										
Net Foreign Assets	4.7	14.4	19.8	22.8	11.1	15.6	11.4	11.1	6.2	8.6
Net Domestic Assets	4.0	-7.4	-12.8	-16.8	-5.1	-10.1	-5.9	-4.1	-1.2	-1.6
Domestic Credit	2.3	-4.5	-5.0	1.5	1.8	2.8	2.5	2.9	2.3	1.9
Net Credit to Government	-1.3	-0.5	-2.9	-1.1	-0.9	-0.1	-0.7	-0.2	-0.6	-0.9
Credit to Public Enterprises	-2.3	-0.3	1.1	0.3	0.0	0.3	0.0	0.3	0.3	0.3
Credit to Private Sector	5.9	2.2	4.0	2.6	2.8	2.9	3.2	3.1	3.0	2.8
Other Items (net)	1.6	-3.0	-7.8	-18.3	-6.9	-12.9	-8.4	-7.0	-3.5	-3.5
Broad Money	8.7	7.0	7.0	6.0	6.0	5.5	5.5	7.0	5.0	7.0
Money	6.6	5.6	5.6	7.9	7.9	3.7	3.7	5.8	6.7	5.4
Quasi-Money	2.1	1.4	1.4	-1.9	-1.9	1.8	1.8	1.2	-1.7	1.6
Velocity (GDP/end-year broad money)	2.6	2.7	2.6	2.7	2.6	2.7	2.6	2.7	2.7	2.7
Credit to private sector (percent change)	12.8	4.5	8.3	5.5	5.7	6.3	6.5	6.5	6.3	5.9

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

[1] Includes net credit to government entities other than public treasury.

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

Table 7a. Union of the Comoros: Balance of Payments, 2023–29

(In Millions of Comorian Francs, unless otherwise indicated)

	2023	2024		2025		2026		2027	2028	2029
	Est.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.	Proj.
Current Account	-11,961	-23,199	-21,254	-28,480	-26,776	-30,998	-29,254	-33,379	-32,877	-31,999
Goods and Services	-162,545	-145,338	-152,207	-162,106	-151,936	-153,137	-151,105	-158,131	-158,596	-164,293
Trade Balance	-120,879	-112,170	-117,213	-132,411	-123,249	-131,105	-127,664	-137,316	-146,554	-154,776
Exports	15,015	17,614	20,515	17,586	22,049	21,091	23,935	22,629	24,556	28,284
Of which: Vanilla	892	275	952	290	1,006	366	1,066	389	415	475
Cloves	11,086	11,044	12,894	11,890	13,652	13,464	14,488	14,389	15,370	17,999
Ylang-ylang	1,007	1,064	1,065	1,123	1,128	1,192	1,197	1,274	1,361	1,524
Other	1,260	5,232	5,604	4,284	6,264	6,068	7,184	6,577	7,410	8,285
Imports (f.o.b.)	-135,894	-129,784	-137,728	-149,997	-145,298	-152,196	-151,599	-159,944	-171,110	-183,061
of which oil	-50,042	-49,686	-49,697	-48,855	-48,984	-48,709	-48,838	-49,107	-49,630	-51,522
Services (net)	-41,666	-33,168	-34,994	-29,695	-28,687	-22,032	-23,441	-20,815	-12,042	-9,517
Receipts	52,230	58,149	57,345	63,988	63,215	72,977	70,079	76,086	81,647	88,115
Payments	-93,896	-91,316	-92,339	-93,683	-91,902	-95,010	-93,520	-96,902	-93,689	-97,631
Income (net)	3,359	844	69	1,251	889	2,428	1,632	2,593	2,357	1,414
Current Transfers (net)	147,225	121,295	130,883	132,376	124,270	119,711	120,219	122,159	123,362	130,879
Government	28,975	10,452	20,713	20,979	14,025	9,182	9,626	9,907	10,272	16,736
Private [1]	118,249	110,843	110,170	111,397	110,246	110,529	110,593	112,253	113,090	114,143
Capital and Financial Account	26,671	50,875	59,209	78,687	45,004	50,907	38,924	46,230	34,939	41,527
Capital Account	18,270	25,732	21,684	39,261	20,639	27,465	26,043	32,383	32,205	34,828
Capital Transfers	18,270	25,732	21,684	39,261	20,639	27,465	26,043	32,383	32,205	34,828
Transfer of Fixed Assets	18,270	25,732	21,684	39,261	20,639	27,465	26,043	32,383	32,205	34,828
Financial Account	8,401	25,143	37,525	39,426	24,366	23,442	12,881	13,846	2,733	6,699
Direct Investment	2,435	3,286	3,240	4,160	4,109	4,421	4,377	4,710	5,008	5,301
Net Portfolio and Other Investment	12,687	21,857	32,995	34,766	19,757	18,521	8,004	8,637	-2,775	1,398
Public sector	13,194	22,939	33,383	33,335	19,759	19,335	8,281	8,797	-2,884	1,374
Disbursement	28,411	28,565	39,010	38,626	29,294	30,595	19,499	22,658	10,850	14,472
Of which: Drawings (excl. IMF)	28,411	28,565	39,010	38,626	29,294	30,595	19,499	22,658	10,850	14,472
Of which: SDR allocations										
Amortization	-3,079	-5,627	-5,627	-5,290	-9,535	-11,260	-11,218	-13,861	-13,734	-13,098
Private Sector (net)	-507	-1,082	-388	1,431	-1	-814	-277	-160	109	24
Banks, Net	2,814	-666	-548	-470	-477	-566	-582	-626	-645	-635
Other	-3,321	-416	160	1,901	476	-248	305	466	754	659
Currency and Deposit	-6,722									
Errors and Omissions	-2,526	0	0	0	0	0	0	0	0	0
Overall Balance ("+" indicates a surplus)	12,185	27,676	37,954	50,207	18,228	19,909	9,670	12,851	2,061	9,528
Financing	-12,185	-25,530	-37,954	-50,207	-18,228	-19,909	-9,670	-12,851	-2,061	-9,528
NFA of Central Bank (increase -)	-21,389	-35,393	-58,146	-66,177	-34,560	-42,480	-33,165	-34,060	-2,061	-9,528
Foreign Assets	-13,521	-24,549	-34,828	-48,773	-16,794	-19,189	-8,950	-12,127	-1,332	-7,889
Foreign Liabilities	1,337	-981	-3,127	-1,434	-1,434	-720	-720	-724	-729	-1,493
Of which: Net IMF Credit (excl. 2023 ECF)	1,337	-3,233	-3,233	-1,516	-1,516	-780	-780	-805	-837	-837
Program Financing	9,204	9,863	20,192	15,969	16,332	22,571	23,495	21,209	0	0
2023 ECF	4,311	4,292	4,292	4,301	4,301	4,311	4,311	2,168	0	0
Official Budget Support	15,191	5,571	15,899	11,668	8,938	4,741	4,483	4,475	0	0
Concessional Borrowings from Other Donors	-10,298	0	0	0	3,093	13,519	14,701	14,567	0	0
Memorandum Items:										
Current Account (percentage of GDP)	-2.0	-3.5	-3.3	-4.1	-3.9	-4.2	-4.0	-4.3	-3.9	-3.6
Excluding Transfers	-26.3	-22.0	-23.5	-23.2	-22.1	-20.5	-20.5	-19.8	-18.7	-18.4
Exports of Goods and Services (percentage of GDP)	11.1	11.5	12.0	11.8	12.5	12.8	12.9	12.6	12.7	-13.2
Imports of Goods and Services (percentage of GDP)	37.9	33.6	35.5	35.1	34.6	33.5	33.6	32.7	31.7	31.8
Gross International Reserves (end of period) [2]										
In Millions of U.S. dollars	321.0	392.9	415.8	516.0	474.4	604.3	537.7	667.4	702.9	757.5
In Months of Imports of Goods & Services	7.8	8.7	9.4	11.2	10.4	12.7	11.3	13.6	13.6	14.0
Gross international reserves (end of period), including fiscal financing gap										
In millions of U.S. dollars	321.0	392.9	415.8	516.0	474.4	599.4	537.7	662.8	698.7	754.0
In months of imports of goods & services	7.8	8.7	9.4	11.2	10.4	12.6	11.3	13.5	13.5	13.9
Nominal GDP (CF millions)	605,942	657,139	648,060	693,302	684,757	736,862	729,504	784,985	834,616	883,462.4
Nominal GDP (millions of U.S. dollars)	1,340	1,461	1,441	1,547	1,528	1,647	1,630	1,748	1,851	1,959.1

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 7b. Union of the Comoros: Balance of Payments, 2023–29

(In Millions of USD, unless otherwise indicated)

	2023	2024		2025		2026		2027	2028	2029
	Est.[1]	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.	Proj.
Current Account	-26.5	-51.6	-47.3	-63.5	-59.7	-69.3	-65.4	-74.3	-72.9	-71.0
Goods and Services	-359.6	-323.2	-338.4	-361.6	-338.9	-342.2	-337.7	-352.0	-351.7	-364.3
Trade Balance	-267.4	-249.4	-260.6	-295.4	-274.9	-293.0	-285.3	-305.7	-325.0	-343.2
Exports	33.2	39.2	45.6	39.2	49.2	47.1	53.5	50.4	54.5	62.7
Of which: Vanilla	2.0	0.6	2.1	0.6	2.2	0.8	2.4	0.9	0.9	1.1
Cloves	24.5	24.6	28.7	26.5	30.5	30.1	32.4	32.0	34.1	39.9
Ylang-ylang	2.2	2.4	2.4	2.5	2.5	2.7	2.7	2.8	3.0	3.4
Other	2.8	11.6	12.5	9.6	14.0	13.6	16.1	14.6	16.4	18.4
Imports (f.o.b.)	-300.6	-288.6	-306.2	-334.6	-324.1	-340.1	-338.8	-356.1	-379.4	-405.9
Services (net)	-92.2	-73.7	-77.8	-66.2	-64.0	-49.2	-52.4	-46.3	-26.7	-21.1
Receipts	115.5	129.3	127.5	142.7	141.0	163.1	156.6	169.4	181.0	195.4
Payments	-207.7	-203.0	-205.3	-209.0	-205.0	-212.3	-209.0	-215.7	-207.8	-216.5
Income (net)	7.4	1.9	0.2	2.8	2.0	5.4	3.6	5.8	5.2	3.1
Current Transfers (net)	325.7	269.7	291.0	295.3	277.2	267.5	268.6	272.0	273.6	290.2
Government	64.1	23.2	46.1	46.8	31.3	20.5	21.5	22.1	22.8	37.1
Private [1]	261.6	246.5	245.0	248.5	245.9	247.0	247.1	249.9	250.8	253.1
Capital and Financial Account	59.0	113.1	131.6	175.5	100.4	113.8	87.0	102.9	77.5	92.1
Capital Account	40.4	57.2	48.2	87.6	46.0	61.4	58.2	72.1	71.4	77.2
Capital Transfers	40.4	57.2	48.2	87.6	46.0	61.4	58.2	72.1	71.4	77.2
Transfer of Fixed Assets	40.4	57.2	48.2	87.6	46.0	61.4	58.2	72.1	71.4	77.2
Financial Account	18.6	55.9	83.4	87.9	54.4	52.4	28.8	30.8	6.1	14.9
Direct Investment	5.4	7.3	7.2	9.3	9.2	9.9	9.8	10.5	11.1	11.8
Net Portfolio and Other Investment	28.1	48.6	73.4	77.6	44.1	41.4	17.9	19.2	-6.2	3.1
Public Sector	29.2	51.0	74.2	74.4	44.1	43.2	18.5	19.6	-6.4	3.0
Disbursement	62.8	63.5	86.7	86.2	65.3	68.4	43.6	50.4	24.1	32.1
Of which: Drawings (excl. IMF)	62.8	63.5	86.7	86.2	65.3	68.4	43.6	50.4	24.1	32.1
Of which: SDR Allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-6.8	-12.5	-12.5	-11.8	-21.3	-25.2	-25.1	-30.9	-30.5	-29.0
Private Sector (net)	-1.1	-2.4	-0.9	3.2	0.0	-1.8	-0.6	-0.4	0.2	0.1
Banks, Net	6.2	-1.5	-1.2	-1.0	-1.1	-1.3	-1.3	-1.4	-1.4	-1.4
Other	-7.3	-0.9	0.4	4.2	1.1	-0.6	0.7	1.0	1.7	1.5
Currency and Deposit	-14.9									
Errors and Omissions	-5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance ("+" indicates a surplus)	27.0	61.5	84.4	112.0	40.7	44.5	21.6	28.6	4.6	21.1
Financing	-27.0	-56.8	-84.4	-112.0	-40.7	-44.5	-21.6	-28.6	-4.6	-21.1
NFA of Central Bank (increase -)	-47.3	-78.7	-129.3	-147.6	-77.1	-94.9	-74.1	-75.8	-4.6	-21.1
Foreign Assets	-29.9	-54.6	-77.4	-108.8	-37.5	-42.9	-20.0	-27.0	-3.0	-17.5
Foreign Liabilities	3.0	-2.2	-7.0	-3.2	-3.2	-1.6	-1.6	-1.6	-1.6	-3.3
Of which: Net IMF Credit (excl. 2023 ECF)	3.0	-7.2	-7.2	-3.4	-3.4	-1.7	-1.7	-1.8	-1.9	-1.9
Program Financing	20.4	21.9	44.9	35.6	36.4	50.4	52.5	47.2	0.0	0.0
2023 ECF	9.5	9.5	9.5	9.6	9.6	9.6	9.6	4.8	0.0	0.0
Official Budget Support	33.6	12.4	35.4	26.0	19.9	10.6	10.0	10.0	0.0	0.0
Concessional Borrowings from Other Donors	-22.8	0.0	0.0	0.0	6.9	30.2	32.9	32.4	0.0	0.0
Memorandum Items:										
Current Account (percentage of GDP)	-2.0	-3.5	-3.3	-4.1	-3.9	-4.2	-4.0	-4.3	-3.9	-3.6
Excluding Transfers	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Exports of Goods and Services (percentage of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Imports of Goods and Services (percentage of GDP)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gross International Reserves (end of period) [2]		71.9	94.8							
In Millions of U.S. Dollars	321.0	392.9	415.8	516.0	474.4	604.3	537.7	667.4	702.9	757.5
In Months of Imports of Goods & Services	7.8	8.7	9.4	11.2	10.4	12.7	11.3	13.6	13.6	14.0
Nominal GDP (CF millions)	605,942	657,139	648,060	693,302	684,757	736,862	729,504	784,985	834,616	883,462
Nominal GDP (millions of U.S. dollars)	1,340	1,461	1,441	1,547	1,528	1,647	1,630	1,748	1,851	1,959

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 7c. Union of the Comoros: Balance of Payments, 2023–29

(In percent of GDP, unless otherwise indicated)

	2023	2024		2025		2026		2027	2028	2029
	Est.[1]	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.	Proj.
Current Account	-2.0	-3.5	-3.3	-4.1	-3.9	-4.2	-4.0	-4.3	-3.9	-3.6
Goods and Services	-26.8	-22.1	-23.5	-23.4	-22.2	-20.8	-20.7	-20.1	-19.0	-18.6
Trade Balance	-19.9	-17.1	-18.1	-19.1	-18.0	-17.8	-17.5	-17.5	-17.6	-17.5
Exports	2.5	2.7	3.2	2.5	3.2	2.9	3.3	2.9	2.9	3.2
Of which: Vanilla	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.1
Cloves	1.8	1.7	2.0	1.7	2.0	1.8	2.0	1.8	1.8	2.0
Ylang-ylang	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.2	0.8	0.9	0.6	0.9	0.8	1.0	0.8	0.9	0.9
Imports (f.o.b.)	-22.4	-19.7	-21.3	-21.6	-21.2	-20.7	-20.8	-20.4	-20.5	-20.7
of which oil	-8.3	-7.6	-7.7	-7.0	-7.2	-6.6	-6.7	-6.3	-5.9	-5.8
Services (net)	-6.9	-5.0	-5.4	-4.3	-4.2	-3.0	-3.2	-2.7	-1.4	-1.1
Receipts	8.6	8.8	8.8	9.2	9.2	9.9	9.6	9.7	9.8	10.0
Payments	-15.5	-13.9	-14.2	-13.5	-13.4	-12.9	-12.8	-12.3	-11.2	-11.1
Income (net)	0.6	0.1	0.0	0.2	0.1	0.3	0.2	0.3	0.3	0.2
Current Transfers (net)	24.3	18.5	20.2	19.1	18.1	16.2	16.5	15.6	14.8	14.8
Government	4.8	1.6	3.2	3.0	2.0	1.2	1.3	1.3	1.2	1.9
Private [1]	19.5	16.9	17.0	16.1	16.1	15.0	15.2	14.3	13.6	12.9
Capital and Financial Account	4.4	7.7	9.1	11.3	6.6	6.9	5.3	5.9	4.2	4.7
Capital Account	3.0	3.9	3.3	5.7	3.0	3.7	3.6	4.1	3.9	3.9
Capital Transfers	3.0	3.9	3.3	5.7	3.0	3.7	3.6	4.1	3.9	3.9
Transfer of Fixed Assets	3.0	3.9	3.3	5.7	3.0	3.7	3.6	4.1	3.9	3.9
Financial Account	1.4	3.8	5.8	5.7	3.6	3.2	1.8	1.8	0.3	0.8
Direct Investment	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Net Portfolio and Other Investment	2.1	3.3	5.1	5.0	2.9	2.5	1.1	1.1	-0.3	0.2
Public Sector	2.2	3.5	5.2	4.8	2.9	2.6	1.1	1.1	-0.3	0.2
Disbursements	4.7	4.3	6.0	5.6	4.3	4.2	2.7	2.9	1.3	1.6
Of which: Drawings (excl. IMF)	4.7	4.3	6.0	5.6	4.3	4.2	2.7	2.9	1.3	1.6
Of which: SDR allocations										
Amortization	-0.5	-0.9	-0.9	-0.8	-1.4	-1.5	-1.5	-1.8	-1.6	-1.5
Private Sector (net)	-0.1	-0.2	-0.1	0.2	0.0	-0.1	0.0	0.0	0.0	0.0
Banks, net	0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other	-0.5	-0.1	0.0	0.3	0.1	0.0	0.0	0.1	0.1	0.1
Currency and Deposit	-1.1									
Errors and Omissions	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	2.0	4.2	5.9	7.2	2.7	2.7	1.3	1.6	0.2	1.1
Financing	-2.0	-3.9	-5.9	-7.2	-2.7	-2.7	-1.3	-1.6	-0.2	-1.1
NFA of Central Bank (increase -)	-3.5	-5.4	-9.0	-9.5	-5.0	-5.8	-4.5	-4.3	-0.2	-1.1
Of which: Net IMF Credit (excl. 2023 ECF)	0.2	-0.5	-0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Program Financing	1.5	1.5	3.1	2.3	2.4	3.1	3.2	2.7	0.0	0.0
2023 ECF	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.3	0.0	0.0
Official Budget Support	2.5	0.8	2.5	1.7	1.3	0.6	0.6	0.6	0.0	0.0
Concessional Borrowings from Other Donors	-1.7	0.0	0.0	0.0	0.5	1.8	2.0	1.9	0.0	0.0
Memorandum Items:										
Current Account (percentage of GDP)	-2.0	-3.5	-3.3	-4.1	-3.9	-4.2	-4.0	-4.3	-3.9	-3.2
Excluding Transfers	-26.3	-22.0	-23.5	-23.2	-22.1	-20.5	-20.5	-19.8	-18.7	-18.4
Exports of Goods and Services (percentage of GDP)	11.1	11.5	12.0	11.8	12.5	12.8	12.9	12.6	12.7	13.2
Imports of Goods and Services (percentage of GDP)	37.9	33.6	35.5	35.1	34.6	33.5	33.6	32.7	31.7	31.8
Gross International Reserves[2]										
In Millions of U.S. dollars	321.0	392.9	415.8	516.0	474.4	604.3	537.7	667.4	702.9	757.5
In Months of Imports of Goods & Services	7.8	8.7	9.4	11.2	10.4	12.7	11.3	13.6	13.6	14.0
Nominal GDP (CF millions)	605,942	657,139	648,060	693,302	684,757	736,862	729,504	784,985	834,616	883,462
Nominal GDP (millions of U.S. dollars)	1,340	1,461	1,441	1,547	1,528	1,647	1,630	1,748	1,851	1,959.1

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] End of period. From 2021, includes new SDR allocation of $24 million.

Table 8. Union of the Comoros: Indicators of Capacity to Repay the Fund, 2023–38

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Fund Obligations Based on Existing Credit																
(SDR millions)																
Principal	4.9	5.2	2.4	1.2	1.2	1.5	3.0	2.4	2.1	2.1	1.8	0.4	0.0	0.0	0.0	0.0
Charges and Interest	1.0	0.6	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fund Obligations Based on Existing and Prospective Credit																
Principal	4.9	5.2	2.4	1.2	1.2	1.5	3.0	3.5	4.6	6.1	6.1	4.6	3.2	1.8	0.4	0.0
Charges and Interest	1.0	0.6	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Obligations Based on Existing and Prospective Credit																
SDR millions	5.9	5.8	2.6	1.4	1.4	1.8	3.2	3.7	4.9	6.3	6.3	4.9	3.4	2.0	0.6	0.2
In millions of CF	3,567.5	3,491.2	1,594.2	867.7	872.5	1,097.4	1,970.9	2,297.2	2,988.5	3,862.0	3,862.0	2,988.5	2,115.0	1,241.5	368.0	149.7
In Percent of Government Revenue	5.8	5.3	2.2	1.1	1.0	1.1	1.9	2.0	2.4	2.9	2.6	1.9	1.2	0.7	0.2	0.1
In Percent of Exports of Goods and Services	5.3	4.6	2.0	0.9	0.9	1.0	1.7	1.9	2.2	2.7	2.5	1.8	1.1	0.6	0.2	0.1
In Percent of Debt Service	46.4	33.5	19.1	6.5	5.5	7.0	12.0	20.5	35.4	37.6	30.8	20.8	14.3	8.2	2.4	0.9
In Percent of GDP	0.6	0.5	0.2	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.3	0.3	0.2	0.1	0.0	0.0
In Percent of Gross International Reserves	2.5	2.0	0.7	0.3	0.3	0.3	0.6	0.6	0.8	0.9	0.9	0.6	0.4	0.2	0.1	0.0
In Percent of Quota	33.1	32.5	14.8	8.1	8.1	10.1	18.1	21.0	27.4	35.4	35.4	27.4	19.4	11.4	3.4	1.4
Outstanding Fund Credit and Prospective Credit																
In Millions of SDRs	19.7	21.7	26.4	32.3	34.7	33.2	30.2	26.7	22.1	16.0	10.0	5.3	2.1	0.4	0.0	0.0
In Millions of CF	11,877.9	13,072.2	15,969.9	19,627.1	21,211.6	20,411.3	18,584.3	16,430.0	13,582.1	9,858.0	6,133.9	3,286.0	1,314.4	219.1	0.0	0.0
In Percent of Government Revenue	19.2	19.8	21.9	24.3	24.0	21.2	17.8	14.4	11.0	7.3	4.2	2.1	0.8	0.1	0.0	0.0
In Percent of Exports of Goods and Services	17.7	17.3	19.6	20.9	21.5	19.2	16.0	13.2	10.1	6.8	3.9	2.0	0.7	0.1	0.0	0.0
In Percent of Debt Service	154.6	125.5	191.2	147.6	134.2	129.8	113.5	146.4	161.1	96.1	49.0	22.8	8.9	1.4	0.0	0.0
In Percent of GDP	2.0	2.0	2.3	2.7	2.7	2.4	2.1	1.8	1.4	0.9	0.6	0.3	0.1	0.0	0.0	0.0
In Percent of Gross International Reserves	8.2	7.4	6.9	7.3	7.1	6.5	5.5	4.5	3.5	2.4	1.4	0.7	0.3	0.0	0.0	0.0
In Percent of Quota	110.8	121.7	148.4	181.7	195.0	186.3	169.7	150.0	124.0	90.0	56.0	30.0	12.0	2.0	0.0	0.0
Memorandum Items																
Nominal GDP (millions of CF)	605,942.3	657,138.6	693,301.6	736,861.8	784,985.5	834,616.2	883,462.4	937,951.7	992,887.4	1,050,753.2	1,112,011.9	1,176,863.7	1,245,520.3	1,318,206.4	1,395,159.8	1,476,632.2
Exports of Goods and Services (millions of CF)	67,245.6	75,762.2	81,574.2	94,068.0	98,715.0	106,202.6	116,399.1	124,110.7	134,085.4	144,688.3	155,997.5	168,058.0	188,100.4	201,256.3	215,224.9	230,055.1
Government Revenue (millions of CF)	61,716.6	66,086.9	72,910.7	80,737.3	88,296.3	96,305.0	104,577.2	113,922.7	123,945.2	134,510.7	145,868.8	157,819.9	170,927.1	185,123.5	199,103.6	214,163.7
Debt Service (millions of CF) [1]	7,685.0	10,415.2	8,353.5	13,300.3	15,803.9	15,722.3	16,372.0	11,220.4	8,430.5	10,260.2	12,524.4	14,395.6	14,756.5	15,214.4	15,297.5	15,857.2
CF/SDR (period average)	605.5	602.9	604.1	605.5	608.9	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4
CF/SDR (end period)	602.0	603.3	604.6	606.8	611.0	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4

Sources: IMF staff estimates and projections.

[1] Total external debt service includes IMF repurchases and repayments

Table 9. Union of the Comoros: External Financing Needs and Sources, 2024–28

(In Millions USD)

	2024	2025	2026	2027	2028
Financing Needs	**71.3**	**78.7**	**96.2**	**107.0**	**105.2**
Current Account Deficit	51.6	63.5	69.3	74.3	72.9
Public Debt Amortization	19.7	15.2	26.9	32.7	32.3
Financing Sources	**76.1**	**78.7**	**96.2**	**107.0**	**105.2**
Capital Account	57.2	87.6	61.4	72.1	71.4
Financial Account (excl. amortization)	68.4	99.8	77.5	61.7	36.5
Of which: Public Debt (excl. amortization)	63.5	86.2	68.4	50.4	24.1
Change in reserves (+ = decrease)	-49.6	-108.6	-42.7	-26.8	-2.7
Fiscal financing gap/Financing Sources	**21.9**	**35.6**	**50.4**	**47.2**	**43.9**
Budget support from partners (e.g., WB, AfDB, AFD, China, Saudi Arabia)	12.4	26.0	10.6	10.0	9.9
IMF Financing[1]	9.5	9.6	9.6	4.8	
in percent of BoP/fiscal gap	43.5	26.9	19.1	10.2	
Concessional borrowings from other donors[2]	0.0	0.0	30.2	32.4	34.0
Remaining Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Sources: Comorian authorities, and IMF staff projections.

[1] Proposed ECF access of 180 percent of quota over 4 years.

[2] This line reflects potential concessional borrowings; additional budget support would reduce needed borrowings.

Table 10. Union of the Comoros: Schedule of Disbursements, 2023-27

Availability Date[1]	Disbursement Conditions	SDR Amount	Percent of Quota
05/31/23	Board approval of arrangement.	3,560,000	20.00
09/30/23	Observance of the continuous and end-June 2023 PCs and completion of the first review.	3,560,000	20.00
03/30/24	Observance of the continuous and end-December 2023 PCs and completion of the second review.	3,560,000	20.00
09/30/24	Observance of the continuous and end-June 2024 PCs and completion of the third review.	3,560,000	20.00
03/30/25	Observance of the continuous and end-December 2024 PCs and completion of the fourth review.	3,560,000	20.00
09/30/25	Observance of the continuous and end-June 2025 PCs and completion of the fifth review.	3,560,000	20.00
03/30/26	Observance of the continuous and end-December 2025 PCs and completion of the sixth review.	3,560,000	20.00
09/30/26	Observance of the continuous and end-June 2026 PCs and completion of the seventh review.	3,560,000	20.00
03/30/27	Observance of the continuous and end-December 2026 PCs and completion of the eigth review.	3,560,000	20.00
	Total	32,040,000	180.0

Source: International Monetary Fund.

[1] Based on Board approval upon completion of each review.

Annex I. Risk Assessment Matrix[1]

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
Global Risks				
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High	ST, MT	High	**Improve domestic production and prepare contingency plans,** including targeted support to protect the most vulnerable in case of renewed commodity price increases or shortages. Intensify structural reforms to enhance Comoros' private-led agricultural production.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, and OPEC+ decisions) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	High	ST, MT	High	**Improve domestic production, re-prioritize spending to address food insecurity; and prepare contingency plans,** including seeking concessional financing and additional budget support to sustain priority spending and critical imports. Intensify structural reforms to enhance Comoros' private-led agricultural production.
Abrupt global slowdown or recession. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	Medium	ST, MT	Medium	**Maintain prudent macroeconomic policies.** Implement reforms to create fiscal space by enhancing revenue mobilization and re-prioritizing spending. Diversify supply routes and provide relief to vulnerable people.

[1] Based on the July 26, 2024, G-RAM. The Matrix shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	High	ST, MT	Low	**Diversify supply routes and prepare contingency plans,** including measures to protect the most vulnerable in case of renewed supply disruptions. Conduct structural reforms to improve. competitiveness and promote Comoros as a destination for investment.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	Medium	MT	High	**Implement climate adaptation strategies** including through investment in climate resilient infrastructure, with assistance from international partners.
Domestic Risks				
Policy slippages. Delays in the completion of structural reforms and other program objectives erodes confidence in the economy	Medium	ST, MT	High	**Implement macroeconomic policies and structural reforms as described in the ECF program**, especially those related to sound public financial management and financial stability.
Social discontent, and political instability. Rising inflation and food shortages could disrupt economic activity and undermine social cohesion	Medium	ST, MT	Medium	**Provide support to the most vulnerable and enhance good governance, transparency, inclusivity, and the rule of law.**
Intensifying power outages. Poor electricity infrastructure cannot support strong and sustained growth	Medium	ST	Medium	**Implement reforms that promote private sector partnerships in the energy sector**
Intensification of the cholera outbreak. A public health crisis disrupts economic activity and adds pressure to public spending	Low	ST	Low	**Re-prioritize spending to support hospitals, isolation centers, and sanitation services**, protecting the most vulnerable population.

Appendix I. Letter of Intent

Moroni, Union of the Comoros
November 23, 2024

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

Dear Ms. Georgieva,

1. **The Government of the Union of the Comoros** requests that the IMF Executive Board completes the third review under the extended credit facility arrangement and approve: modification of the end-December quantitative performance criterion (QPC) on tax revenue to account for the weaker-than-expected economic activity this year; modification of the 2025 QPCs on the primary domestic balance, to account for the amended budget perimeter in line with good practice in PFM, and corresponding modification of the Technical Memorandum of Understanding (TMU); and waivers of nonobservance of the QPC on tax revenue and the continuous QPC on the non-accumulation of external arrears; to enable the disbursement of the fourth tranche of the ECF arrangement based on the satisfactory implementation of performance criteria, and a broadly satisfactory implementation of key structural reforms.

2. **Compared to 2023, recent economic developments suggest a slowdown in economic activity with declining imports and credit to the private sector.** To this effect, we have revised down slightly our growth projections for 2024 and 2025 from 3.5 and 4 percent to 3.3 and 3.8 percent, respectively. Similarly, the persistence of food inflation has warranted an upward revision to average inflation from 3.3 percent to 5 percent in 2024 and 1.7 to 1.8 percent in 2025. While tax revenue has been lower than anticipated because of the weaker-than-expected economic activity this year, the pace of fiscal consolidation has been stronger than expected, mainly due to under-execution of investment spending (particularly for the El-Maarouf Hospital). The external position, however, remains stable, with continued reserves accumulation. While financial sector vulnerabilities persist, the level of NPLs has stabilized and the Central Bank (BCC) is continuing to strengthen the supervision and regulatory frameworks. The restructuring of the postal bank SNPSF is in its final stages.

3. **Despite some delays in certain reforms, the Government remains committed to implementing all reforms under the ECF-supported economic program.** We met three of the five end-June QPCs, including on the domestic primary balance, non-concessional external debt, and net international reserves. Despite the post-election transition, we have sought to ensure continuity in program engagement. We were successful with the completion of six of the nine structural benchmarks (SBs) expected between June and October, ensuring that we now have a

medium-term strategy to clear domestic arrears audited between 2009-20, improved vigilance with debt service to minimize external arrears, and improved tax policy potential with the establishment of the Tax Policy Unit that reports to the Minister of Finance, with assistance from the Fiscal Affairs Department (FAD) of the IMF. Although our financial sector still faces vulnerabilities, we remain committed to advancing efforts to strengthen the supervision, regulatory, and resolution frameworks. While onsite inspections of banks to assess the quality of credit portfolios were completed later than expected due to resource constraints, this exercise has now been completed and the reports expected to be finalized by end-December.

4. As emphasized in the attached MEFP, we have taken corrective actions for the missed QPCs and are working to ensure progress on the missed SBs. All external arrears have now been repaid, except those to BADEA and Exim India which remain under discussion although good progress has been made towards a resolution. To ensure that our debt service database is updated with the correct information, we will formally request an updated medium-term debt service schedule (2025-2027) for all disbursed debt as of end-2024 and communicate it to the IMF (proposed end-December SB). Of the three missed SBs, we are requesting that two (onsite inspections of financial institutions and promulgation of the BCC statutes) be reset to slightly later dates, and one (the daily reporting of government account balances) be reformulated. We also propose that the SB on the BPC banking license be reformulated and reset, and the SB on monitoring of the BPC operationalization under the old business plan, which is no longer relevant, be canceled. Finally, we are requesting that the end-December 2024 SB on the BCC's approval of timebound recapitalization plans by financial institutions in breach of capital adequacy requirement be postponed to end-March 2025, and that the date for submitting monthly external debt reports produced by the CSDRMS software be reset from the end of each month to the 15th of the following month.

5. Looking ahead, we reaffirm our commitment to the reform agenda under the ECF-supported program. We are aware that continued implementation of the reform agenda remains essential to safeguarding macroeconomic stability and debt sustainability. We will continue to strengthen tax and customs administration and policies, and further seek IMF technical assistance to reinforce these capacities over the medium term. We are committed to improving transparency in our fiscal reporting and have committed to publishing the Government Financial Operations Tables (TOFE) for the four quarters of 2024 by August 30, 2025 (proposed SB). We are also advancing our anti-corruption reform agenda. We stand ready to tighten monetary policy in the event of a resurgence of inflation or large outflows of reserves. We are committed to addressing the long-term challenges associated with poverty, climate change, gender inequalities, and human capital development.

6. We are optimistic that the measures and policies set forth in the attached MEFP are appropriate to achieve the objectives of the program. We stand ready to take any additional measure that may prove necessary to safeguard the objectives under our economic reform program. We will consult with IMF staff on the adoption of any additional measures and prior to any revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations. We will hold timely consultations with the IMF on new external borrowing to ensure that it continues to strengthen confidence in the program, does not jeopardize debt sustainability, and is in line with ceilings on non-concessional and concessional performance criteria under the program. To facilitate program monitoring and assessment, the government undertakes to provide all necessary information to IMF staff on a regular basis and in a timely manner, pursuant to the attached Technical Memorandum of Understanding (TMU).

7. In line with our commitment to transparency, we consent to make public the content of the IMF staff report, including this letter, the attached MEFP, and the TMU. We, therefore, authorize the IMF to publish these documents on its website once the IMF Executive Board approves the completion of the second review under the ECF.

Sincerely yours,

/s/	/s/
Ibrahim Mohamed Abdourazak	Younoussa Imani
Minister of Finance and Budget	Governor, Central Bank of Comoros

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Moroni, Union of the Comoros, 23 November 2024

This Memorandum of Economic and Financial Policies (MEFP) updates and supplements the MEFP of June 2024. It describes recent economic developments, the progress made in implementing the policies and reforms to which we committed under the ECF-supported program, the macroeconomic outlook, as well as the government's objectives and economic policy plans over the coming years.

A. Recent Economic Developments and Outlook

1. Economic activity remained broadly stable in 2023, with inflationary pressures emerging in 2024. Despite stable global commodity prices and lower inflation in the Euro Area, headline inflation averaged 2.9 percent in 2024H1, reaching 8.1 percent (y/y) in August, driven by rising food prices. Growth is estimated at around 3 percent for 2023, as projected during the second review, reflecting the impact of large public investment projects. Domestic credit growth stood at 2.4 percent in July 2024, due to reduced credit to public enterprises. Similarly, private sector credit growth also slowed, averaging 3.6 percent in 2024H1, down from 12 percent in 2023H2. This slowdown reflects a deleveraging among importers following a period of significant borrowing linked to the post-pandemic recovery, as well as declining sales among key exporters.

2. Fiscal performance showed some signs of weakening in the first half of 2024, contrasting with stabilization observed in the second half of 2023. While tax revenues in June 2023 had increased by a third in year-on-year (y/y) terms, a slight deterioration was observed (y/y) in June 2024, primarily reflecting declines in personal income tax (PIT) and, to a lesser extent, excise duties. Furthermore, the overall fiscal balance, at -9,650 million KMF, deteriorated compared to the same period last year. This was mainly driven by increased expenditures on externally financed investment and technical assistance (5,803 million KMF and 3,521 million KMF year-on-year increases, respectively). However, the end-June primary domestic balance showed slight improvement, supported by an increase in non-tax revenues and a marked reduction in transfer expenditures.

3. The external position remained stable as of mid-2024. Preliminary trade data for 2024H1 show 14.1 percent contraction in imports compared to the same period in 2023. This decline in imports reflects the normalization of activity in the construction sector, including delays in planned imports to complete the El Maarouf hospital project. Overall, exports increased by 10.1 percent relative to the same period in 2023, despite a substantial decline in vanilla and clove exports. Export growth was primarily supported by shipments of other products, mainly scrap materials. By end-June, gross international reserves (GIR) stood at US$ 307.5 million (6.9 months of imports of goods and services). Our country officially joined the World Trade Organization (WTO) on August 21, 2024, after 17 years of negotiations.

4. **While growth is expected to accelerate in 2024, the outlook remains subject to uncertainties.** The upward trend in food inflation, shortages of rice and other essential goods, recurring power outages, and worsening water shortages continue to pose risks to social stability and macroeconomic performance. External risks persist, as ongoing geopolitical conflicts, both within and outside the continent, are likely to impact on trade, particularly affecting oil and food imports. The slowdown in grants and budgetary aid to Sub-Saharan Africa, including Comoros, has tightened financing constraints. Meanwhile, any delay in the execution of investment projects such as the El Maarouf Hospital and the Galawa Hotel could have a growth impact. While awaiting the direct benefits in terms of trade and investment from the accession to the WTO in August 2024, we recognize the need for substantial efforts in revenue mobilization to bridge the gap which could be caused by the removal of certain customs fees. Over the medium term, Comoros continues to face many development challenges, including limited capacity and economic diversification, low fiscal revenue, and dependency on imports, remittances, and external aid. These challenges are further exacerbated by natural disaster risks, including those related to climate change.

B. Economic and Financial Policies Supported by the ECF

Fiscal Policy

5. **Our fiscal program remains focused on a sustained consolidation effort over the medium term to mitigate debt sustainability risks and gradually reduce financing needs over time**. Consolidation would be driven by (i) a continued increase in tax revenues through a gradual reform of the tax system (streamlining tax exemptions, more efficient collection of corporate and personal income taxes, consumption taxes, and excise duties) as well strengthening revenue administration (continuing work on broadening tax base, improving taxpayers compliance, collecting main tax debts, accelerate digitalization of tax and customs procedures, deploy information technology systems (SIGIT, SYDONIA), manage customs suspensive regimes, ensure accurate customs valuation, ensuring proper application of customs' tariff, and improving customs' audit performance) ; (ii) a set of targeted current expenditure measures (keeping stabilized the wage-to-GDP ratio and continuing the work to improve the management of civil employees); (iii) key structural PFM system's reform (improving budget execution and transparency, cash and debt management, reform of the TSA, SOE's restructuration and supervision; and, (iv) normalizing investment spending once already committed spending is phased out. Although a slower pace of consolidation than initially planned may occur in 2025 due to delays in large investment projects (primarily, the construction of the El Maarouf hospital), the fiscal path will tighten thereafter to achieve the program's objective of reducing debt risks and bringing all debt burden indicators below their higher risk thresholds by 2028. Overall, these policies are expected to improve the domestic primary balance through a fiscal consolidation of at least 1.8 pp of GDP during the program period—from -2.0 percent of GDP in 2023 to around -0.1 percent of GDP by the end of the program under the definition of the original budget perimeter (or from -2.7 to -0.6 percent of GDP under the amended perimeter).

6. Our 2024 amended budget is aligned with the fiscal plan and targets under the program parameters, though new expenditure pressures have emerged. The broadening of the consumption tax (TC) base, improved tax administration facilitated by the implementation of the Large and Medium Taxpayers' Office, and ongoing efforts to strengthen tax and customs administration have led to a strong revenue performance in 2023. We are committed to maintaining the momentum in 2024, despite the weaker performance in the first half noted above (¶2). However, the revised 2024 budget includes modest upward revisions in current expenditures, reflecting salary adjustments for teachers' and policemen, the new government structure, the establishment of the Anti-Corruption Chamber, and preparations for the 2025 legislative and municipal elections. Additionally, new needs have emerged in 2024, particularly related to expenses for containing the cholera epidemic, and more expenses incurred in assisting flood victims due to the rainy season in the first half of 2024. New spending related to increased transfers to universities and higher government pension contribution rates will be considered within the framework of the 2025 budget.

7. Despite the on-going consolidation efforts, fiscal deficits and corresponding external financing needs persist over the medium term. These deficits reflect several factors, including the still-insufficient level of mobilized revenues, expenses related to the recapitalization of the postal bank, and debt service obligations for the IMF's 2019 and 2020 emergency financing as well as non-concessional loans contracted prior to the ECF program. We are committed to securing grants and concessional financing to address these needs, and we are fully aware that further uptakes of non-concessional debt would quickly undermine debt sustainability. We are therefore committed to avoiding contracting any non-concessional borrowing over the program period (Quantitative Performance Criteria, QPC).

8. The government is committed to protecting social spending and priority investments and will aim to increase such expenditures as reforms help create more fiscal space. We have dedicated KMF 3.02 billion for health and KMF 6.05 billion for education during the first half of 2024. Most (85 percent) of the education spending was directed towards goods and services, and over 70 percent of health spending was executed through transfers to the health insurance fund, hospitals, and specific health initiatives. We are committed to maintaining at least these levels in the second half of the year. With support from the World Bank, we have implemented the social safety net project (Projet de Filets Sociaux de Sécurité, PFSS) which provides cash transfer to the most vulnerable households. In July 2023, this project was replaced with the Projet de Filets Sociaux de Sécurité Résilient et Réactif aux Chocs (PFSS-RRC), with an expanded mandate to support transfers related to cash for work, livelihood grants, and technical training. We will continue to partner with the World Bank on this important social project and will aim to ensure timely disbursements for the project. We will also continue to work with development partners to prioritize and implement investment projects outlined in our national development strategy, *Plan Comores Emergent*, to ensure continued growth and shared prosperity for the Comorian population.

9. We have accumulated new external and net domestic arrears in the second half of 2023 and in 2024, but we have reduced the stock of net domestic arrears.

- Discussions with BADEA are nearing completion, and debt service payments have been suspended pending formalization of an agreement. Regarding Exim Bank India, an agreement in principle has been obtained to waive penalties and restructure arrears over a five-year period. To date, we have accumulated $1.47 million in arrears since the start of the program (USD 0.97 million in 2023 and USD 0.49 million in 2024). Unfortunately, we were unable to maintain the pace required to service all external debt after the program's second review due to liquidity management challenges, resulting in arrears of USD 0.41 million to Bpifrance Assurance Export as of end-June and USD 1.41 million to the TDB in September. However, we have committed to clear all arrears as of November and have remained current on all debt service obligations since then.
- As of mid-2024, gross domestic arrears repayments amounted to KMF 2,567 million, with KMF 391 million in new arrears accumulated, resulting in a significant net repayment and reduction in the stock of domestic arrears. We are committed to clearing these arrears and continuing to avoid the accumulation of new net domestic arrears. We have finalized a medium-term strategy to clear domestic arrears accumulated during 2009-2020, most of which are owed to key SOEs.

Text Table 1. Union of the Comoros: Proposed Arrears Clearance Plan

	Amount KMF million	Payment Period
Total Arrears Clearance	**27,162**	
o/w Pension Fund	3,854.0	2024-27
o/w Salaries	700.0	2025-26
o/w Banking sector	380.0	2026-30
o/w Court decision	1,155.0	2026-30
o/w State-Owned Enterprises	11,670.0	2027-36
o/w Goods and services expenditures	6,646.7	2027-36
o/w Capital expenditures	2,502.3	2027-37
o/w Subsidies and transfers	254.0	2027-28

- The delays in external debt payments were due to liquidity constraints and liquidity management issues. We will continue working with the IMF to develop a system ensuring timely debt service repayment, and the Debt Directorate has already begun compiling debt reports using the CSDRMS software (end-September 2024 SB). To improve debt management and reporting capacity, we are undertaking a project supported by the African Development Bank (AfDB) to construct a debt database and implement a new debt management software.

Fiscal Structural Reforms

10. We recognize that Comoros' fiscal revenue is the lowest among all small island states and we are committed to steadily raising revenue over time to enable higher public investment in human and physical capital. Work will continue on tax system reform and strengthening tax and customs administrations. We will also continue to seek technical assistance (TA) support from the IMF in revenue administration and tax policy to identify and implement measures to increase tax revenue in the short and medium term.

- On tax administration, we plan to (i) expand the tax base by increasing the number of active taxpayers at the Large and Medium Taxpayers' Office by 20 percent by the end of 2025 and send tax declaration requests to all these taxpayers (new SB); (ii) conduct a tax audit campaign based on customs data collected through the SIGIT-SYDONIA interconnection to tax new taxpayers and conduct tax adjustments, with an audit report to be prepared by end-July 2025 (new SB); and (iii) recover a significant portion of the results from these audits in the second half of 2025. We also plan to: (i) operationalize new tax sub-centers (5 in Ngazidja, 2 in Ndzouani, and 1 in Mwali) to support taxpayer registration efforts in collaboration with local authorities (municipalities of Moroni, Mutsamudu, etc.); (ii) continue the taxation of liberal professions, including on the two islands; (iii) finalize tax regularization agreements with major public enterprises; (iv) streamline the taxpayer registry and ensure secure use of the Tax Identification Number (TIN) by sharing a list of active taxpayers with valid TINs with the DGD; (v) request the DGD to monitor inactive or non-compliant importers and collect tax arrears; (vi) continue efforts to recover outstanding arrears, which continue to grow each year (stock estimated at KMF 497 million at end-2023); (vii) extend data collection from other third parties (SONELEC and SONEDE client lists, Commercial Court, ANPI, banks, telecommunications operators, other SOEs, etc.); (viii) strengthen dialogue and cooperation with the private sector; and (ix) conduct an awareness and enforcement campaign for proper application of the consumption tax (TC) billing rules, pending the effective implementation of cash registers. Our digitalization priorities remain the implementation of e-filing and e-payment at the Large and Medium Taxpayers' Office and the deployment of SIGIT across all islands by 2026.
- At customs administration, we have begun implementing measures to enforce certain provisions of the customs code as outlined in ministerial decrees issued in June 2024, and we have also ensured the correct application of customs tariffs in SYDONIA with IMF technical assistance. We will incorporate a series of measures from the Union of Comoros' post-accession action plan to the WTO into our Strategic Plan for 2024-2027. With IMF support, we have adopted a clearance plan for expired suspensive regimes (end-September 2024 SB) and intend to recover at least 50 percent of the duties and taxes due or outstanding as of June 30, 2024 (SB). Furthermore, we plan to: (i) deactivate all Tax Identification Numbers (TINs) not recognized by the DGI in SYDONIA by end-December 2024 to secure TIN use in imports; (ii) incorporate TIPP settlements into SYDONIA based on monthly output statements from hydrocarbon depots; (iii) continue simplifying and popularizing customs clearance procedures; (iv) increase the number of products subject to tariff specification codes (TSC) from 16 to 20 by end-2025; (v) strengthen risk management and improve control selectivity criteria; (vi) improve the efficiency of customs

control, particularly in valuation and clearance procedures for key imported goods; (vii) strengthen monitoring and control procedures for exemptions and the clearance of suspensive regimes; (viii) centralize oversight of customs clearance operations across all customs centers on the three islands; (ix) develop dialogue between customs and the private sector; (x) gradually reduce tariff and non-tariff barriers to align the trade regime with WTO standards; and (xii) strengthen the internal control system and decision-making information system.

- We intend to quickly operationalize the newly established Tax Policy Unit (TPU) created in September (SB) with the support of IMF technical assistance. We will ensure that the TPU is staffed with full-time personnel experienced in tax policy, revenue administration, statistics, data analysis, and expertise in legal and accounting frameworks, enabling the unit with the capacity to formulate tax policy effectively. The TPU will also have a protocol to ensure access to anonymized tax data from the General Directorates of Taxes (DGI) and Customs (DGD) and other relevant private sources, which will enable the unit to conduct impact studies and inform future tax reforms. In the short term, we will seek IMF support to undertake a tax expenditure analysis (SB for end-October 2025) to identify avenues for the gradual reduction of exemptions and tax incentives starting in 2026. The TPU will also lead medium-term tax policy reforms, such as modernizing corporate tax, consumption tax, personal income tax, and excise duties, simplifying parafiscal charges, and streamlining exemptions and other tax incentives.

- As part of implementing the Union's post-accession Strategic Plan to the WTO, we are committed to seeking IMF technical assistance in revenue administration and tax policy to define the primary objectives of a strategy aimed at minimizing potential revenue losses when certain taxes are no longer collected by customs. We will coordinate the execution of this plan with the macroeconomic and fiscal objectives of the program, as well as with the various reforms underway within the tax and customs administrations.

11. The government will continue its efforts to deepen public financial management (PFM) reforms, increase the efficiency and transparency of public finances, and improve cash management to ensure the best possible use of our resources. We have already (i) published the 2024 budget and the amended budget law approved by Parliament, marking key steps in enhancing budget transparency; (ii) completed the audit of domestic arrears, including cross-arrears with SOEs; (iii) promulgated in May 2024 the presidential decree on the Budgetary and Accounting Management Regulations; (iv) ensured the daily transfer of tax revenues collected by EXIM Bank on behalf of the DGI; to the Treasury Single Account (TSA) at the BCC, according to the terms of the contract for the collection and transfer of tax revenues between the Government and EXIM Bank Comoros; and (v) established the Government Financial Operations Table (TOFE) development committee. We plan to implement additional key measures, including:

- Appointing the Director of the General Directorate of Public Accounting and the Treasury (DGCPT) (prior action for the third review), which has been significantly delayed due to challenges in finding qualified and experienced candidates. The DGCPT director will be appointed no later than the end of November 2024.

- Continuing to improve the operation of the TSA, in strict compliance with the legal framework set out in the Agreement of November 27, 2014, on the terms and conditions for the operating and management procedures of the TSA at the BCC. We plan to gradually extend the coverage of the Treasury Single Account (TSA) to include all transactions relating to extrabudgetary entities, public administrative bodies, and foreign-financed projects. To date, several state sub-accounts remain outside the control of the Union's General Treasury Paymaster (TPGU), preventing visibility into the Government's overall liquidity position and efficient cash management. To address this situation, as an initial step, and following the Ministry of Finance's request (SB for end-June 2024), the BCC started, as of July 1, 2024, to provide the TPGU with daily consolidated statements of all government accounts held at the BCC. We have also started sharing daily consolidated account statements with the IMF team. Starting January 1, 2025, we will include the IMF in our communications to the TPGU and the DGCPT on the balances of all government accounts held at the BCC. Subsequently, we plan to (i) close and transfer the balances of an initial batch of state sub-accounts to the TSA; and (ii) integrate a selection of state sub-accounts at the BCC into the TSA scope. Finally, we are committed to refraining from opening any new sub-accounts or accounts outside the scope of the TSA.
- Operationalizing the Treasury Committee, which will be responsible for developing and closely monitoring the implementation of the Government's cash management plan. The Committee will ensure consistency between the expenditure scheduling profile in the commitment plan and the revenue collection pace in the quarterly cash plan. Under the authority of the Minister of Finance, the Treasury Committee will be chaired by the Director General of Public Accounting and the Treasury and will include all relevant MFB structures involved in the execution of the Government budget (DGB, DGI, DGD, DGCPT, CREF, DGPESPFEEP, Financial Control, Public Debt, and Public Debt), as well as the BCC (Banking Operations and Research). The Treasury Committee will meet on the 1st and 15th of each month to review the effective execution of the cash plan.
- Implementing a cash management plan, which we are committed to improving over time. Initially simplified, this cash plan aims to align the use of available resources with the timely execution of essential expenditures for the proper functioning of the Government, according to a predetermined priority order, while avoiding the accumulation of arrears. The Treasury Committee will oversee and monitor the cash plan with support from the unit responsible for account centralization within the General Directorate of Public Accounting and the Treasury (DGCPT).
- Improving the availability, consistency, and quality of budgetary and financial data in the Government Financial Operations Table (TOFE). Following the establishment of the TOFE Committee, we have developed an action plan aimed at enhancing the quality of the TOFE and are seeking IMF support for its effective implementation.
- Implementing the Decree on Budgetary and Public Accounting Management Regulations (RGBCP), which introduces the latest innovations in budgetary and accounting management for the Government, local authorities, and public enterprises. We will focus on drafting an initial set of implementing texts for this new decree, including: the State Chart of Accounts (PCE); the

classification of supporting documents for expenditures and revenues; the General Instruction on Government Accounting; the status of public accountants; and the list of expenditures that can be made without prior authorization or prior scheduling.

- Requesting IMF support to effectively implement these key reforms through the appointment of a resident advisor to the DGCPT. This expert's main tasks will include: (i) supporting the Treasury Committee in overseeing and monitoring the cash management plan; (ii) assisting the TOFE Committee in stabilizing and improving the quality and availability of the TOFE; and (iii) supporting the establishment of the Central Treasury Accounting Agency (ACCT) within the DGCPT.
- Continuing efforts to strengthen wage bill management in line with the recommendations of capacity building missions by the IMF and other partners, building on the recent merger of separate island payroll databases into a single national database, aligning payroll records with the actual staff of ministries following the latest government restructuring, and improving the State's personnel management information system with three main objectives: (i) identifying "ghost" employees and facilitating physical control of civil servants; (ii) managing attendance and hours worked; and (iii) optimizing salary processing and payment.
- Implementing the strategy to clear domestic arrears from 2009-2020 (end-September 2024 SB). We have completed this strategy and plan to begin clearing arrears between the State and the entities concerned as soon as possible, starting with the Pension Fund.

12. We will continue enhancing governance and strengthening the oversight of SOEs. The draft SOE law was adopted by Parliament on August 27, 2024, and promulgated by the President on September 21, 2024. With the continued support of the IMF's Fiscal Affairs Department (FAD), we will focus on effective implementation of the new SOE law, particularly to strengthen governance and performance oversight of key SOEs. To this end, we are committed to: (i) appointing the Director of the Direction de la Gestion des Participations de l'Etat et de Suivi des Performances Financières des Etablissements et Entreprises Publiques (DGPESPFEEP); (ii) recruiting and building the capacity of personnel within this directorate; (iii) adopting the main regulations of the new law (roles and composition of boards of directors, oversight responsibilities of supervisory bodies, the State's shareholder strategy, remuneration rules, code of ethics, etc.); (iv) appointing board members for key SOEs; and (v) centralizing the SOE supervisory function within the directorate in coordination with relevant line ministries.

13. We intend to require SOEs to comply with their tax reporting and payment obligations, including filing all periodic tax returns and making timely payments, particularly for payroll tax and consumption tax, and to systematically present certified annual balance sheets and income statements audited by a statutory auditor, ensuring the homogenization of financial information and documents in accordance with OHADA rules. We will improve tax revenue forecasting methods to align more closely with the actual fiscal potential of SOEs.

14. We are also committed to continuing the financial audit of SOEs conducted by the Inspection des Finances. At this stage, ONICOR, OCOPHARMA and Comores Telecom have been audited. We commit to proposing restructuring plans that will be implemented with our key partners. We will subsequently conclude performance contracts with major SOEs to ensure improvements in the quantity and quality of services provided and to set financial targets. We will seek adjustments in SOEs' staffing levels and compensation packages, and ensure the proper application of tax rules, particularly regarding payroll tax. Finally, we will end the practice of cross-arrears settlement between the State and the SOEs to promote greater transparency, starting with the state-owned oil company, SCH.

Monetary and Financial Sector Policies

15. Monetary policy will continue to safeguard the peg and maintain stability. The BCC has kept (i) its minimum bid rate for reverse auctions unchanged at 3 percent since July 2023, (ii) the liquidity absorption ceiling was raised from 10 to 15 KMF billion in October 2024, and (iii) the reserve requirement ratio steady at 12.5 percent since October 2023, thereby supporting the stability of the euro peg. Nevertheless, considering inflation pressures observed in 2024H1 due to rising food price, the BCC is closely monitoring inflation trends and stands ready to adjust its monetary policy stance necessary. Furthermore, the external coverage ratio of the Comorian franc remains well above its statutory norm, averaging around 105 percent during the review year, compared to 101 percent in 2022 and 95 percent in 2021. The BCC remains prepared to defend the euro peg in the event of significant reserve outflows, especially as net FX outflows tend to increase in the first half of the year. We will also continue our efforts to strengthen the monetary policy toolkit and to equip the Comorian economy with greater resilience against exogenous shocks.

16. The government is committed to preserving external stability. In 2024H1, the central bank's gross international reserves (GIR) stood at US$307.5 million (equivalent to 6.9 months of imports of goods and services), supported by increased remittances from the diaspora and recent disbursements of loans and grants. Aware of the importance of preserving reserves at a level that can effectively cushion shocks, we will closely monitor balance of payments developments and engage with the IMF on any emerging challenges, avoiding any measures or policies that would give rise to or compound such difficulties.

17. Our banking system continues to face substantial challenges:

- **Weak institutions and judicial enforcement continue to constrain lending to the economy and undermine the quality of financial assets**. Financial institutions have weak underwriting and risk management procedures, often significant credit risk concentration, while shortcomings in the judicial system delay loans recovery. The Non-Performing Loans (NPLs) Commission, established in 2021 and which comprises the Ministry of Finance, the Ministry of Justice, and the BCC, helped reduce the level of NPLs in 2021-2022 (see below). At the initiative of the BCC, a national workshop will be organized, bringing together key decision-makers from the judiciary, public finance, banking institutions, and the private sector, to seek a mutually acceptable solution for addressing NPLs.

- **The financial safety net (FSN) is not yet fully developed, limiting the government's available options to deal with problem banks**. For example, an emergency liquidity assistance (ELA) facility remains to be created. Work is ongoing with the TA of the Monetary and Capital Markets Department (MCM) of the IMF which has allowed the identification of a list of collateral eligible for refinancing at the BCC, and in particular, within the ELA framework.
- **A lack of financial infrastructure inhibits the development of the interbank market**. Banks cannot easily borrow from or lend to other banks and the BCC, given absence of organized market and readily available lending instruments and collateral (neither the government nor the central bank issue securities). However, as part of the ongoing work on the operational framework of monetary policy and liquidity management, the BCC has put in place a marginal lending facility as well as a mechanism for absorbing monthly excess liquidity. Two financial institutions with sufficient liquidity regularly subscribe to the marginal lending facility via calls for tender, and now have high-quality collateral in the form of term deposits at the central bank, enabling them to refinance at the marginal lending facility. The adoption of the Public Debt Management Law in 2023 contributes to the improvement of guarantee and refinancing instruments. The BCC has requested technical assistance from the BCEAO to support the implementation of the recently established monetary policy framework, developed with the assistance of the MCM department.

18. To strengthen the financial sector, the government intends the following:

- **Improve financial sector's operating environment,** including by strengthening the judicial system to ensure that financial institutions can realize pledged collateral and avoiding arrears owed to suppliers by the government and SOEs. In this context, the NPL Commission delivered recommendations on accelerating the drafting of court decisions, with initial positive results during its first phase of operation in 2021-2022, reflected by the improvement in the NPL ratio from 23.7 percent in 2020 to 14 percent in October 2023. After pausing in its activity during the elections, the Commission resumed its work in February 2024, focusing on the largest cases of NPLs, and is continuing its work to resolve them. The Commission will report on the progress made in 2024 to the President of the Union by end-May 2025 (SB).
- **Strengthen supervision of the banking sector and the FSN.** The BCC established in June 2023 a bank resolution and regulation department (DRRB), structurally separated from the supervision department (DSB), and reporting separately to the Governor and the BCC Board. This department has been responsible for amending the 2020 Financial Institutions Resolution and Recovery Law (LRIF). These legislative amendments were recommended in the MCM TA report of September 2022, and include establishing a statutory depositor preference, introducing a resolution funding mechanism, and solidifying the power to liquidate an entity in default. We received the TA from the IMF Legal Department (LEG) in the second quarter of 2024, which enabled the completion of these amendments. We submitted the amended LRIF to Parliament end-May 2024 (SB). Additionally, we received further technical assistance from MCM in August 2024 to support the operationalization of the updated LRIF. Although work on the amended framework progressed, challenges persist in upgrading the supervisory and regulatory capacities

of the BCC, particularly in completing onsite inspections. The DSB was unable to complete all inspections by June 2024 due to resource constraints, with the final inspection conducted in October 2024. We expect to complete the inspection reports by end-December 2024 (reset SB).

- **Stabilizing the financial sector.** We are considering strategic options for two banks—one under resolution since July 2022, and another nationalized, with public administration lifted in June 2022. We are preparing recapitalization plans, and estimating the potential fiscal costs associated with recapitalizing of one of the two banks and the recovery or takeover of the other. These recapitalization plans will be credible – in the case of divestments, these will be preceded by thorough restructuring and recapitalization, supported by fiscal resources and strong governance reforms. By March 2025, the BCC will have received and approved time-bound recapitalization plans from all deposit-taking institutions in breach of capital adequacy requirements, including microfinance institutions (SB). Institutions unable to comply with these time-bound recapitalization plans, or that are insolvent or unviable, will be resolved. Any provision of funding would be subject to strict conditions that minimize the risk of moral hazard, and include determinations that (i) the provision of temporary funding is necessary to protect financial stability and will facilitate a resolution option that is best able to achieve resolution objectives; (ii) private sources of funding have been exhausted or cannot achieve these objectives; and (iii) losses are first allocated to shareholders and, as appropriate, to creditors and the industry at large.
- **Strengthen financial infrastructure**, including by strengthening liquidity management, and in the medium term, the BCC will operationalize its ELA function by establishing a framework for the ELA facility; while we consider the development of a government securities market in coordination with the Treasury to be important, we are aware that, alongside the development of the government securities market, a number of prerequisites that must be met. In addition to these prerequisites, there are other obstacles such as insufficiently developed cash management, the absence of a unit within the Ministry of Finance's Debt Department responsible for issuing government securities, and inadequate human and technical resources that need to be addressed. Further, it is necessary to strengthen debt management and liquidity forecasting capacities, develop a medium-term debt strategy, and dispose of a sufficiently deep and diverse investor base. The BCC and Ministry of Finance are working closely to implement a roadmap developed by AFRITAC South, provided the necessary prerequisites for developing the securities market are completed.

19. Continuing the restructuring of the SNPSF. We are advancing the reforms to ensure that the new postal bank (Banque Postale des Comores, BPC) will operate in a way that minimizes fiscal risks and is supported by a strong governance and risk management framework, to promote financial inclusion while limiting fiscal contingent liabilities. We have terminated the functions of the former SNPSF management. The restructuring committee is finalizing the BPC application dossier for banking license approval, scheduled for review at an extraordinary session of the BCC Board in January 2025. We are addressing the BCC Board’s remaining requests, including (i) validation of the entity to manage the non-performing assets of the SNPSF along with the assets and liabilities transferred to it; (ii) validation of the repayment plan for the debt instrument issued by the Comorian government to cover BPC’s funding gap, which was recently recalculated, reducing estimated capitalization needs to KMF 3.38 billion from KMF 7.36 billion; (iii) validation of the financial statements of the three entities (BPC, Post, and the asset management structure). The validation exercise to identify performing loan and deposit accounts, carried out by external consultants, revealed a capital gap smaller than previously estimated. The government has committed to canceling securities, issued to the BPC in May 2023 totaling KMF 7.36 billion (of which KMF 1.1 billion was repaid in cash in 2024), and an additional instrument issued in March 2024. Instead, the government will issue new securities totaling KMF 3.38 billion, to be repaid over four years. The French Treasury has committed to providing grants, via the AFD, towards the restructuring process, to be disbursed as agreed milestones are met. We expect that these funds will alleviate liquidity pressures and allow to redeem the bond on time.

20. The next steps for launching the BPC are as follows:

- The BPC restructuring team will implement the Management Information System (MIS) for the BPC in collaboration with a supplier selected through a call for tenders (contract signed in April 2024). We will ensure that the MIS is fully operational, which includes (i) the complete migration of data from the old system to the new MIS; (ii) conducting all new activities through the new system; and (iii) implementing a cybersecurity system. These conditions will be validated by the DSB.
- BPC's initial operations will follow the first phase of the business plan developed with AFD's technical assistance, in consultation with the IMF and the World Bank, and adopted under the Staff-Monitored Program (SMP). In this phase, risk-taking will be limited by restricting lending to existing clients, with a cap of KMF 5 million per client for new loans. However, the business plan was developed several years ago and is now outdated. We assess that such a loan limit could pose medium-term profitability challenges for the bank, and we request that this limit be maintained only until the MIS is fully operational (as specified above), after which the BCC Board should reconsider the loan cap.
- The BCC commits to withdrawing SNPSF's banking license as soon as BPC becomes operational (expected in early 2025). We will work on recovering the non-performing assets of the SNPSF, and in accordance with the banking law, the BCC will ensure that the liquidation of SNPSF's remaining assets is completed within the next three years.

Strengthening Governance and Reducing Vulnerabilities to Corruption

21. The government will continue to take measures to enhance governance and lower the vulnerabilities to corruption:

- **Rule of law:** Our judicial system needs to be strengthened to ensure property rights and enforce contracts, supporting private sector development and improving the business climate. We have undertaken steps to strengthen the judicial system's efficiency, including by enhancing its equipment. These efforts have resulted in an acceleration of court cases. We will continue to further strengthen the integrity and efficiency of the system, with the support of the EU.

- **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. We published in June 2023 the results of the audit of the spending of IMF emergency financing provided under the RCF/RFI of April 2020. To further strengthen fiscal transparency, we regularly publish comprehensive information on all public procurement contracts, including beneficial ownership information starting on May 1, 2024 (continuous SB). We have laid the basis for such publications by issuing a circular regarding the submission to a nominated procurement agency of documentation on all public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s). We will also publish the four quarterly TOFE tables for 2024 (SB, end-August 2025) and commit to regularly and timely publishing the TOFE in the years ahead.
- **Anti-corruption**. We adopted the new anti- corruption law in June 2023, which met the objectives under the program (SB). As provided by the law, we created the Anti-Corruption Chamber (ACC) (end-December 2023 SB), which is an operationally independent and autonomous public entity with investigative capacity and powers and the mandate to set up the country's anti-corruption policy priorities, manage an effective asset declarations (AD) system of senior officials, and maintain a public anti-corruption complaints platform. Members of the ACC also participated in a seminar on building fiscal institutions to address corruption organized by AFRITAC South in July 2024, which helped in outlining the next steps. We have requested technical assistance from the IMF Legal Department to initiate the Chamber's activities, particularly in implementing the asset declaration system for subjected officials and the data management system. We would also be interested in eventually seeking IMF support in the future to conduct a governance diagnostic assessment (GDA), which could help identify areas of vulnerability to corruption. The recommendations from this diagnostic could contribute to developing the Chamber's future reform agenda.
- **Management of the civil service**. Our civil service is facing capacity constraints, and we are taking steps to strengthen it. We will continue our efforts to address absenteeism and recover wages that were paid to "ghost workers" by accelerating improvements to the State's personnel management information system. We are also exploring the option of strengthening hiring using 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 hirings that are not included in the budget laws or non-compliant with existing procedures.

22. The government will strengthen the effectiveness of the AML/CFT framework. We will align the AML/CFT law with the international standards set by the Financial Action Task Force and adopt it. In this regard, we are working with a consultant from the World Bank. The BCC is engaging with commercial banks to raise awareness of AML/CFT requirements and is enhancing risk-based supervision, including by conducting onsite inspections to assess compliance with existing AML/CFT regulations. The findings from the assessment of the Comoros' AML/CFT frameworks by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), published in August, will guide our reforms. We will ensure the recommendations from this assessment are integrated into ongoing efforts to strengthen AML/CFT framework.

23. The Central Bank will continue working on implementing recommendations of the IMF's 2023 safeguards assessment. To that end, we completed amendments to the 2008 central bank statutes to strengthen the BCC's autonomy in line with the safeguard's recommendations. Despite minor delays—due to time needed to finalize the statutes with the IMF's safeguards team, the BCC Board, and the transition of the French finance minister, who is a signatory to the statutes—we aim to submit the revised statutes for presidential promulgation by April 2025 (reset SB). Further, the BCC will strengthen the internal audit function, the oversight of the external audit and financial reporting process, including ensuring that financial statements are prepared in accordance with international standards. The government is also working to establish a repayment plan for the long-term loan that the BCC extended to government in connection with the IMF SDR allocation.

Data Enhancement

24. The government recognizes that Comoros' economic and financial data have serious shortcomings in almost all sectors that hamper economic analysis, 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 update the national accounts, in line with the statistical capacity support project of the World Bank, the IMF and other partners.

Program Monitoring

25. The program will be monitored through prior actions, quantitative performance criteria, indicative targets, and structural benchmarks as listed in MEFP Tables 1a, 1b, 2, and 3. The program will be monitored with reviews at semi-annual frequency. The fourth, fifth, and sixth reviews will be on or after March 30, 2025, September 30, 2025, and March 30, 2026, and based on end-December 2024, end-June 2026, and end-December 2025 test dates, respectively. The Technical Memorandum of Understanding describes the definitions of key indicators as well as data provision requirements.

Table 1a. Union of the Comoros: Quantitative Performance Criteria and Indicative Targets, March 2024 – September 2024

(Millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2024											
	End-March				End-June				End-September			
	Indicative targets				Performance Criteria				Indicative targets			
	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status
Quantitative Performance Criteria[1]												
1. Floor on Tax Revenues	11,347.6		11,155.2	Unmet	25,532.1		24,967.5	Unmet	42,553.4			
2. Floor on the Primary Domestic Fiscal Balance	-5,354.8		-4,452.3	Met	-8,210.7	-8,158.6	-4,256.7	Met	-8,657.0			
3. Floor on the Level of Net International Reserves	108,570.9		113,214.9	Met	109,639.4		113,943.5	Met	111,776.6		125,789.5	Met
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[2]	0.0		0.0	Met	0.0		0.0	Met	0.0		0.0	Met
5. Ceiling on Accumulation of New External Arrears (millions USD)[2]	0.0		1.9	Unmet	0.0		0.3	Unmet	0.0		3.4	Unmet
Indicative Targets[1]												
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0		-1,288.2	Met	0.0		-2,176.7	Met	0.0			
7. Floor on Social Cash Transfers	264.7	245.0	245.0	Met	264.7	271.7	271.7	Met	264.7	457.6	457.6	Met
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	632.0	313.2	313.2	Met	3,210.7	510.5	510.5	Met	3,919.9	2,385.5	2,385.5	Met
Memorandum Items												
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[3]	14				14				27			

Sources: IMF Staff.

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

[2]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[3]Cumulative since the start of the program.

Table 1b. Union of the Comoros: Quantitative Performance Criteria and Indicative Targets, December 2024 – December 2025

(Millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2024		2025				
	End-December		End-March	End-June		End-September	End-December
	Performance Criteria		Indicative target	Performance Criteria		Indicative target	Performance Criteria
	Proj.	Modified	Proj.	Proj.	Modified	Proj.	Proj.
Quantitative Performance Criteria[1]							
1. Floor on Tax Revenues	56,737.9	56,085.4	12,497.0	28,118.3		46,912.0	62,549.3
2. Floor on the Primary Domestic Fiscal Balance [2]	-8,924.7		-6,292.8	-3,442.2	-8,390.3	-9,439.1	-10,487.9
3. Floor on the Level of Net International Reserves	112,204.0		112,130.3	112,007.4		112,030.4	112,250.0
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0		0.0	0.0		0.0	0.0
5. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0		0.0	0.0		0.0	0.0
Indicative Targets[1]							
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0		0.0	0.0		0.0	0.0
7. Floor on Social Cash Transfers	457.6		...	...		...	...
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	2,833.0		353.1	882.8		1,224.2	1,765.6
Memorandum Items							
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	78		14	14		27	78

Sources: IMF Staff.

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

[2]Starting in 2025, this target accounts for the new definition of the primary domestic fiscal balance as per the TMU.

[3]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

Table 2. Union of the Comoros: Proposed Prior Actions and New Structural Benchmarks, 2024–25	
Proposed Measures	**Proposed Timing**
A. Prior Actions	
Submit to Parliament a draft 2025 Budget Law that is consistent with program parameters and establishes key mandatory priority expenditures (wages, social contributions, debt repayment), in consultation with the IMF team	
Appoint the Director General of the General Directorate of Public Accounting and the Treasury (DGCPT)	
B. Fiscal Structural Reforms	
The Ministry of Finance to publish the Government Financial Operations Tables (TOFE) for the four quarters of 2024	August 30, 2025
Attach to the 2025 Budget Law the detailed cash flow plans specifying the exact payment dates for mandatory expenditures (including salaries and debt service) and the due dates for major taxes and duties (TIPP, TC, IS, ITS) (see example in the TMU)	December 31, 2024
In accordance with certain provisions of Decree No. 009-081/PR of July 20, 2009 which establishes a Government Cash Flow Plan, adopt a ministerial decree to (i) define the nature and classification of mandatory expenditures, and (ii) create a Treasury Committee responsible for the development and monitoring of the Government Cash Flow Plan, defining its composition and setting out its missions and operating procedures	December 31, 2024
The Ministry of Finance to formally request from its creditors, and communicate to the IMF, an updated schedule of medium-term debt service (2025-2027) for all disbursed debt as of the end of 2024	December 31, 2024
The BCC to provide the DGCPT and the Union's General Treasury Paymaster (TPGU), with a copy to the IMF, the daily balance of each government account held at the BCC, except for accounts related to projects funded by international partners, and those for national security and the presidency	Every workday starting from January 1, 2025
Raise the number of active taxpayers by 20 percent at the Large and Medium Taxpayer Office (DGME) (from 676 as of September 30, 2024, to at least 811 by the end of 2025) and send all these taxpayers requests to file tax declarations	December 31, 2025
The DGI to produce an audit report showing tax adjustments in the second half of 2024, resulting from the identification and taxation of new taxpayers based on data exchanges with customs through the SIGIT-SYDONIA interconnection	June 30, 2025
C. Financial Sector Structural Reform	
The BCC to issue a banking license for the BPC, with a credit ceiling of KMF 5 million which will only be in place during the establishment of the information system and until the BCC board can review the relevance of this "specific modality" of the banking license when the DSB has validated the operationalization and reliability of this information system	March 31, 2025

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24

	Date	Status
A. Fiscal Structural Reforms		
Measures to Boost Tax Revenue		
Establish the Large and Medium Taxpayer Office (Direction des Grandes et Moyennes Entreprises)	July 31, 2023	Met
Raise the number of active taxpayers by 10 percent at the Large and Medium Taxpayer office (from 543 at the large taxpayer office and the medium and small taxpayer office, as of March 31, 2023) and send all these taxpayers requests to file tax declarations	December 31, 2023	Met
Remove the fee for getting a NIF (Numero d'Identification Fiscale) and the requirement to renew it every 3 years and ensure that all taxpayers have a NIF adapted to the SIGIT platform	September 30, 2023	Met
Interconnect the SIGIT and SYDONIA platforms to enable automated exchange of data between DGI and customs	December 31, 2023	Met
Customs Reforms		
Complete the *de jure transfer* of the management of fuel products taxes to the customs administration after already having completed the transfer *de facto*	June 30, 2024	Met
Issue ministerial decrees to implement the customs code	June 30, 2024	Met
General Directorate of Customs to complete an arrears report, identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024, and specifying the due dates on those customs duties	September 30, 2024	Met
General Directorate of Customs to recover at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024	December 31, 2024	
Tax Policy Measures		
Establish a Tax Policy Unit that reports to the Minister of Finance, with TA from FAD	September 30, 2024	Met
Ministry of Finance to conduct tax expenditure analysis starting with customs duties and indirect taxes	October 31, 2025	
PFM Measures		
Complete the audit of domestic arrears, including cross-arrears between SOEs and the government	December 31, 2023	Met
Develop a medium-term action plan to clear domestic arrears	September 30, 2024	Met
Appoint Director of the General Directorate of Public Accounting and the Treasury	March 31, 2024	Not met, proposed as a Prior Action for 3rd ECF Review

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (continued)

	Date	Status
Finalize and promulgate the presidential decree on the Budgetary and Accounting Management Regulations	April 30, 2024	Not met, completed in May 2024
Publish the annual 2024 budget approved by Parliament	April 30, 2024	Met
Ministry of Finance to request BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	June 30, 2024	Met
The BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	Every workday starting from July 1, 2024	Modification proposed in Table 2
The Debt Directorate at the Ministry of Finance to provide the IMF and the BCC with the external debt situation compiled by the debt management software CSDRMS	At the end of every month starting from September 30, 2024	Proposed to modify due date of the monthly report to the 15th of the following month, starting from January 15, 2025
B. Financial Sector Reforms		
SNPSF Restructuring		
Appoint managing director at BPC with management expertise and experience in banking and credit risk management to operationalize the BPC according to the business plan developed under the SMP	August 31, 2023	Met
Submit to BCC an application for a banking license for the Banque Postale des Comores, which would specify a business plan, a management team, and a capital injection plan that are in line with MEFP ¶15 of the ECF Request	August 31, 2023	Met
BCC to issue a banking license which complies with the conditions set out in SMP MEFP ¶15 of the ECF Request	December 31, 2023	Not Met, modification proposed in Table 2
BCC to provide supervisory reports on the compliance of BPC with the phase 1 of the business plan (limit lending operations to existing customers with individual limits of KMF 5 million for the first two years of operation), including quantitative information on the number of new customers and maximum lending per customer, in line with ¶15 of the MEFP of the ECF Request	Every July and January, starting on July 31, 2024, to January 31, 2026	Cancelled, as no longer pertinent given modification of associated SB on the BPC's banking license
Measures to Enhance BCC's Supervision and Resolution Capacity		
BCC to set up a resolution unit which is structurally separated from the Supervision Department, and reports separately to the BCC Board	June 30, 2023	Met
Submit to Parliament the statutory resolution framework that includes the three points recommended in the MCM TA report, "Operationalization of the Bank Resolution Act of September 2022," to align with international standards	May 31, 2024	Met

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (concluded)		
	Date	**Status**
BCC to complete onsite inspections to assess the quality of credit portfolios	June 30, 2024	Not Met, proposed to reset to December 31, 2024
Approval by the BCC of a formal timebound recapitalization plan to be adopted by each Comorian deposit-taking institution in breach of capital adequacy requirements	December 31, 2024	Proposed to reset to March 31, 2025
NPL Commission to submit a report to the President on NPL developments and work of the Commission to resolve NPLs during 2024	May 31, 2025	
C. Institutional, Governance and Anti-Corruption Reform		
Adopt into law the draft anti-corruption law that was aligned with the SMP objectives to enhance preventive measures against corruption, strengthen the rules related to conflicts of interest, and improve the asset declaration system for senior public officials, while providing for the creation of an operationally independent and autonomous Anti- Corruption Chamber with the mandate to set up and coordinate implementation of the country's anti-corruption policy priorities	June 30, 2023	Met
Operationalize an independent and autonomous anti-corruption agency in line with the draft anti-corruption law	December 31, 2023	Not Met, completed in May 2024
Publish the full audit report of spending financed by the IMF emergency support in 2020	June 30, 2023	Met
Publish online information on public procurement contracts, including beneficial ownership information, in line with the roadmap published in 2021	Continuous, starting on May 1, 2024	Met
Promulgation by the President of the Union of Comoros of the amended statutes of the BCC in line with IMF staff advice	September 30, 2024	Not Met, proposed to reset to April 2025

Attachment II. Technical Memorandum of Understanding

Moroni, Union of the Comoros, November 23, 2024

This Technical Memorandum of Understanding (TMU) defines the concepts, adjustment mechanisms, and data reporting requests relating to the quantitative targets provided in Tables 1a and 1b of the Memorandum on Economic and Financial Policies (MEFP).

A. Definitions and Computation Methods

1. 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 2023 as of end-April 2023, specifically 462.8 KMF per U.S. dollar, 491.97 KMF per euro, 617.32 KMF per SDR, and 612.44 KMF per AfDB Accounting Unit.

2. Unless otherwise indicated, 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.

3. Government **domestic revenue** comprises all tax and non-tax revenue of the government as reported in the Table of Government Financial Operations (TOFE) reported by the Ministry of Finance, Budget, and the Banking Sector. Revenue is assessed on a cash basis. It includes any tax revenue withheld by the Treasury at the source (such as on the salaries of civil servants) but not tax revenue withheld by SOEs in compensation for services provided to, or debt owed by, the government. Revenue includes recovered tax arrears but excludes outstanding tax arrears. Proceeds from grants, loans, and asset sales do not count as domestic revenue. Starting in 2025, non-tax revenue no longer includes the CCIA (tax to support the Chamber of Commerce, Industry and Agriculture) collected by the General Directorate of Customs.

4. Government **domestically financed expenditure** comprises all government spending including spending financed by budget support grants or loans, non-concessional loans, and loans contracted for spending on El Maarouf hospital, but excludes expenditure financed by all other project-specific external grants or concessional loans (such as technical assistance, project maintenance, vaccines, World Bank financing for strengthening the social safety net, external funding related to the African Union presidency, or investments in fixed assets). Recapitalization and restructuring costs of state-owned enterprises, such as the SNPSF, are also excluded from expenditure; recapitalization costs are instead recorded as acquisition of assets under “financing” (i.e., “below the line”). Spending is assessed on a payment-order basis but includes also spending executed before payment authorization and not regularized. Starting in 2025, domestically financed expenditure also includes spending related to the Redevance Administrative Unique (RAU) collected by the General Directorate of Customs and which were not previously part of the budgetary spending or budget regularization processes.[1]

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

6. **Net international reserves (NIR) of the BCC** are defined for program-monitoring purposes as reserve assets of the BCC minus short-term external liabilities at remaining maturities and all credit outstanding from the IMF. Reserve assets are defined as external assets readily available to, and controlled by, the BCC and exclude pledged or otherwise encumbered external assets, assets used as collateral or guarantees for third-party liabilities, or assets that are not fully convertible. 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. When calculating NIR, all values are to be converted to the actual mid- point market exchange rates prevailing at the test date.

7. **Debt** is defined as in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103) of the Executive Board (October 28, 2020). "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."

8. 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.

9. **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, including any applicable grace period; (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

[1] This definition impacts the end-March 2025 indicative target and end-June 2025 quantitative performance criterion on the domestic primary balance and for the remainder of the program.

following month. Arrears exclude debt service **that the creditor has forgiven or rescheduled to a later date.**

10. **Social cash transfers** refer to cash **transfers** supporting vulnerable households that have a direct effect on reducing poverty, including those financed by international development partners. **Transfers related to cash for work, livelihood grants, and technical training** refer to cash transfers that support vulnerable households in livelihood and income-generating activities supported by the World Bank's Shock Responsive and Resilient Social Safety Net Project (PFSS-RR) in Comoros.

B. Quantitative Performance Criteria and Indicative Targets

11. Unless otherwise stated, all quantitative targets (MEFP Tables 1a and 1b) will be assessed cumulatively from the beginning of the calendar year.

12. The **floor on tax revenue** is the tax portion of government domestic revenue described in paragraph 3. Thus, the sought-after increase in tax revenue specified in Tables 1a and 1b of the MEFP will have to be realized entirely in the cash portion of domestic revenue.

13. The **floor on the domestic primary fiscal balance** (as defined in ¶5) will be adjusted as follows:

- The end-2024 floor on the domestic primary fiscal balance will be fully adjusted downward (i.e., more negative) for unexpected spending on COVID-19 vaccinations that is not financed by support for vaccinations from development partners such as the World Bank.
- The quarterly floor on the domestic primary fiscal balance will be adjusted upward (i.e., less negative) by one half of the amount by which domestic revenue (tax and non-tax) exceeds expectations. As a result, the authorities will be able to spend half of any excess revenue. For reference, domestic revenue in 2024 is projected to reach KMF 66,086.9 million at end-December. For 2025, domestic revenue is projected to reach KMF 14,582.1 million, KMF 32,809.8 million, KMF 54,683.0 million, and KMF 72,910.7 million at end-March, end-June, end-September, and end-December, respectively.
- Given the definition of domestic revenue (¶3) the floor on the domestic primary fiscal balance will not be adjusted for unexpected changes in budget grants and loans. This implies that any additional budget support above expectations must be saved or used to reduce debt, while any shortfall in budget support would not require raising revenue or cutting spending to offset the lower budget support. Note that the previous bullet continues to apply even if budget support is lower than expected.

14. The **floor on net international reserves of the BCC** will not be adjusted for unexpected changes in budget grants and loans. The reason is that the current level of reserves is adequate, hence significant further accumulation is not needed, but their level should not fall below the floor of 6.8 months of imports that is assessed be adequate for Comoros.

15. The **ceiling on domestic arrears** applies to the net accumulation of domestic arrears from the beginning of the calendar year. This accumulation will be assessed by subtracting clearance of arrears incurred in the current year or earlier from gross accumulation of new arrears in the current year. The **ceiling on external arrears** applies continuously to the gross accumulation of new external arrears from the beginning of the calendar year (in other words, there should be no new external arrears accumulated at any point in time). Starting from January 1, 2024, the program definition of new external arrears exclude debt to the Arab Bank for Economic Development in Africa (BADEA), for which an alternate creditor is being sought, and debt to Exim Bank India, which relates to a power plant project under dispute and for which the Comorian authorities are seeking solutions with the Indian government. These exclusions are made on a temporary basis for these specific loans that are under discussion/dispute. This continuous performance criterion will be monitored continuously by the authorities and any nonobservance will be reported promptly to the Fund. For reference, the net accumulation of domestic arrears up to the end of 2023 is estimated at 399 million KMF.

16. The floors on social cash transfers and transfers related to cash for work, livelihood grants, and technical training (as defined in ¶10) will be adjusted downward for shortfalls in the disbursements of World Bank grants for these projects. Similarly, they will be adjusted upward for disbursements above the projected amounts. For reference:

- The cumulative amount expected for social cash transfers at end-December 2024 is US$ 988,764 (or KMF 457.6 million at the program exchange rate defined in ¶1).
- The cumulative amounts expected for transfers related to cash for work, livelihood grants, and technical training are as follows:

Text Table 1. Union of the Comoros: Disbursements by the World Bank for the PFSS-RRC Transfers for Cash for Work, Livelihood Grants, and Technical Training
(Cumulative Since Start of the Year)

	U.S. dollars	Millions KMF at the program exchange rate defined in ¶1
End-December 2024	6,121,435	2,833.0
End-March 2025	762,965	353.1
End-June 2025	1,907,519	882.8
End-September 2025	2,645,203	1,224.2
End-December 2025	3,815,039	1,765.6

17. 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 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. This continuous performance criterion will be monitored continuously by the authorities and any nonobservance will be reported promptly to the Fund.

18. Standard continuous performance criteria include prohibitions on (1) the imposition or intensification of restrictions on making of payments and transfers for current international transactions; (2) the introduction or modification of multiple currency practices; (3) the conclusion of bilateral payments agreements that is inconsistent with Article VIII; and (4) the imposition or intensification of import restrictions for balance of payments reasons.

C. Reporting Requirements

19. The authorities will report to Fund 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 Fund staff any data revisions and consult Fund staff regarding any and all information or data not specifically addressed in this TMU but necessary for monitoring the program.

Table 1. Union of the Comoros: Periodic Data Required for the Extended Credit Facility

	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	Electricity production and consumption.	Quarterly	1 month
SONOLEC	Financial statement	Annually	3 months
SCH	Financial statement	Annually	3 months
ONICOR	Financial statement	Annually	3 months
	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**
TOFE Committee	TOFE (including a file detailing social spending: education, health, support for the most vulnerable)	Quarterly	3 months
Directorate of Public Accounting and the Treasury	Treasury cash flows	Monthly	2 weeks
Debt Directorate	Monitoring of public debt (contracted debt, disbursed debt, interest payments, principal repayment) due to external creditors and domestic financial institutions.	Quarterly	1 month
Debt Directorate	External debt arrears	As soon as incurred	As soon as incurred
Debt Directorate	Debt arrears with domestic financial institutions.	Monthly	1 month
Debt Directorate	Debt bulletin	Quarterly	3 months

Table 1. Union of the Comoros: Periodic Data Required for the Extended Credit Facility (concluded)			
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	Balance of payments	Annually	4 months
BCC/Banking supervision	Financial soundness indicators of the banking system	Quarterly	1 month
BCC/ Banking supervision/ Banking Resolution	Monitoring reports of SNPSF, BDC and BFC	Quarterly	1 month

Table 2. Union of the Comoros: Example of Treasury Plan as Annex to the Budget Law

Code	Label	Total Annual Budget	Jan	Feb	Mar	Q1	Apr	May	Jun	Q2
	TOTAL REVENUES									
	Tax Revenues									
	Non-Tax Revenues									
	Other Domestic Resources									
	Loans and Grants									
	TOTAL EXPENSES									
	Compulsory Expenses									
	Wages and Salaries									
	Retirement Pensions									
	Debt Repayment									
	Domestic									
	External									
	Transfers to Agencies with Autonomous Budgets									
	Priority Expenses									
	Water, Electricity, Internet, etc.									
	Overhead Costs: Rent, etc.									
	Other Priority Expenses									
	Other Expenses									
	Transfers and Subsidies									
	Other Supplies and Services									
	Investment Expenses									
	Equity Participation in Financial Institutions									
	Financed Domestically									
	Financed Externally									
	NET CASH FLOW									
	Cash Flow Balance Forecast									
	December of Year N-1									
	Opening Balance									
	Net Cash Flow									
	Closing Balance									

Table 2. Union of the Comoros: Example of Treasury Plan as Annex to the Budget Law (concluded)

Code	Label	Total Annual Budget	Jul	Aug	Sep	Q3	Oct	Nov	Dec	Q4
	TOTAL REVENUES									
	Tax Revenues									
	Non-Tax Revenues									
	Other Domestic Resources									
	Loans and Grants									
	TOTAL EXPENSES									
	Compulsory Expenses									
	Wages and Salaries									
	Retirement Pensions									
	Debt Repayment									
	Domestic									
	External									
	Transfers to Agencies with Autonomous Budgets									
	Priority Expenses									
	Water, Electricity, Internet, etc.									
	Overhead Costs: Rent, etc.									
	Other Priority Expenses									
	Other Expenses									
	Transfers and Subsidies									
	Other Supplies and Services									
	Investment Expenses									
	Equity Participation in Financial Institutions									
	Financed Domestically									
	Financed Externally									
	NET CASH FLOW									
	Cash Flow Balance Forecast									
	December of Year N-1									
	Opening Balance									
	Net Cash Flow									
	Closing Balance									

INTERNATIONAL MONETARY FUND

UNION OF THE COMOROS

November 26, 2024

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA —DEBT SUSTAINABILITY ANALYSIS

Approved By

Costas Christou and S. Jay Peiris (IMF); Hassan Zaman and Manuela Francisco (IDA)

The Debt Sustainability Analysis (DSA) was prepared jointly by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgement	*Yes*

The Debt Sustainability Analysis (DSA) assesses Comoros' external and overall debt as sustainable including in the medium term but continuing to remain at high risk of debt distress[1]. Although debt indicators generally remain below their risk thresholds under the baseline scenario, one of the four external debt burden indicators - the external debt service-to-exports ratio - breaches the threshold while the debt service-to-revenue ratio is at the threshold, both in 2026. While the breach is one-off and marginal, consistent with an external risk rating of moderate, the recurrence of external arrears which breach the performance criterion under the IMF's ECF program, low revenue and export bases, high uncertainty in the macroeconomic baseline, and a weak institutional framework including limited debt and liquidity management capacity are key factors that trigger the application of judgment to maintain the high DSA risk rating. Factors that mitigate the risk include the authorities' reform plans supported by the IMF's Extended Credit Facility (ECF) and the World Bank's Development Policy Operations (DPOs), as well as the consistently strong performance of remittances, which supports external sustainability. This overall assessment is contingent on: (i) progress on domestic resource mobilization and gradual but sustained fiscal consolidation over the medium term, (ii) no additional non-concessional borrowing, and (iii) enhanced financial oversight of SOEs. The DSA suggests that Comoros' external debt is susceptible to export, revenue, and contingent liability shocks.

[1] Comoros' debt carrying capacity is assessed as medium, given a Composite Indicator of 2.84 based on April 2024 WEO projections and the 2023 Country Policy and Institutional Assessment (CPIA) rating of 2.7.

PUBLIC DEBT COVERAGE

1. Public debt coverage includes all financing from the central bank to the Treasury (Text Table 1). The coverage of external debt includes the entire public sector, namely external debt of the central government, the central bank borrowing on behalf of the government, and government-guaranteed debt of SOEs. Subnational government entities cannot take up external debt on their own, and they have not taken on domestic debt. SOEs cannot access the external debt market without a government guarantee. Domestic debt includes central government, SOE's guaranteed debt from domestic banks, and on-lending from the Central Bank of Comoros (BCC) to the government, including statutory advances and loans connected to the IMF SDR allocation.

Text Table 1. Union of the Comoros: Public Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

Sources: Comorian authorities, and IMF staff

Text Table 2. Union of the Comoros: Coverage of the Contingent Liabilities Stress Test

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	4.5	Audited estimate of domestic arrears.
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	7.3	Potential recapitalizing/resolving undercapitalized banks
	Total (2+3+4+5) (in percent of GDP)			13.8	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Sources: Comorian authorities, and IMF staff

2. Contingent liabilities remain a risk (Text Table 2). The magnitude of the contingent liabilities shock is 13.8 percent of GDP. First, the coverage for other elements of the general government not captured in the baseline stock of debt is set at 4.5 percent of GDP to reflect the potential impact of legacy domestic arrears. Second, contingent liabilities shock from SOE debt is set at the default 2 percent of GDP. Third, exposures to PPPs are set at zero, as PPPs in Comoros are insignificant as a proportion of GDP. Last, the coverage for the contingent liabilities from the financial sector is set at 7.3 percent of GDP, which represents about one third of banking sector assets in Comoros.

BACKGROUND

A. Recent Debt Developments

3. **The public debt ratio rose from 34.1 percent of GDP in 2022 to 35 percent in 2023.** Of this ratio, external public debt constituted around 80 percent of total public debt (average of about 80 percent for 2021 to 2023), reaching 27.9 percent of GDP in 2023 and is expected to rise further to around 31 percent of GDP by end-2024. Domestic public debt increased by 0.2 percentage points in 2023 from 6.7 percent of GDP in 2022, mainly reflecting the increase in commercial banks' claims on government.

4. **External public debt in 2023 was dominated by bilateral lenders.** At end-2023, disbursed debt owed to official bilateral creditors accounted for about 53 percent of total external public debt and the remaining by multilateral creditors. Non-concessional debt, mainly relating to the construction of the Galawa Hotel is expected to grow over the next few years once loan disbursements for the construction commences.

Text Table 3. Union of Comoros: Debt Stock 2022-23

Source: IMF staff and authorities

Total Debt Stock (in KMF mn)		
	2022	**2023**
Total Public Debt	**194,792.9**	**210,784.6**
External Debt	156,429.6	169,159.1
o/w Multilateral	61,350.2	79,091.5
o/w Bilateral	95,079.4	89,401.8
o/w Arrears[1]	n/a	662.9
Domestic Debt	38,363.4	41,625.5
o/w Commercial Banks	2,661.8	5,970.4
o/w Central Bank-Statutary advance	10,254.8	10,672.2
o/w Central Bank-SDR on-lend	15,757.3	15,312.2
o/w Other (incl. SOEs)	9,689.5	9,670.7

1 This is limitted to arrears accumulated on external debt service from June 2023 only.

Total Debt Stock % of GDP)		
	2022	**2023**
Total Public Debt	**34.1**	**34.8**
External Debt	27.4	27.9
o/w Multilateral	10.7	13.1
o/w Bilateral	16.6	14.8
o/w Arrears[1]	n/a	0.1
Domestic Debt	6.7	6.9
o/w Commercial Banks	0.5	1.0
o/w Central Bank-Statutary advance	1.8	1.8
o/w Central Bank-SDR on-lend	2.8	2.5
o/w Other (Incl. SOEs)	1.7	1.6

1 This is limitted to arrears accumulated on external debt service from June 2023 only.

5. **External arrears would increase from USD 7.8 million at the end-2023 to 9.1 million at end-2024 (0.6 percent of GDP).** A large part of the outstanding stock is accounted for by the loan from the Arab Bank for Economic Development in Africa (BADEA), for which arrears clearance discussions are advancing. Discussions are also ongoing for the arrears to Exim Bank India which

concern a disputed power plant project.[2] The authorities have an arrears clearance agreement with Bpifrance Assurance Export, covering a partial amount (USD 0.3 million), while negotiations are underway for the remaining amount (USD 1.2 million). Recurrent accumulation of external arrears, which breach the conditionality of the IMF's Extended Fund Facility (ECF) Program, reflects tight liquidity constraints and chronic debt management challenges.

6. **The authorities are seeking to complete the construction of the El Maarouf Hospital with concessional financing.** The last estimated cost to complete the hospital was around USD 55 million, which is included in the baseline.

B. Macroeconomic Forecasts

7. **The current DSA baseline reflects the latest macroeconomic developments and an active policy scenario under the ECF.** It assumes a modest increase in tax revenue, supported by structural reforms in revenue administration and tax policy, normalizing public investment, and a roughly stable wage-to-GDP ratio (average of 5.3 percent of GDP). Under the current baseline:

- Real GDP growth is expected to rise to 3.3 percent in 2024, lower than the 3.5 percent projected in the previous DSA. The downward revision is attributed to the deceleration in the growth of credit, imports, and key exports, as well as delays in major public investment projects, including El Maarouf Hospital and Galawa Hotel, observed during this year. The medium-term growth outlook is forecast to converge to an average of around 3.8 percent (same assumption under previous DSA). The impact on growth of the fiscal consolidation programmed under the ECF is expected to be muted due to the relatively small size of the public sector, the households' reliance on remittances, and the significant contribution of external grants to investment. Moreover, reforms under the DPOs and the ECF are expected to continue to have a long-lasting effect while helping catalyze support from other development partners. Additionally, the DPO is working to empower the private sector in various markets, such as rice, which has already yielded positive results. Long-term growth projections assume a gradual increase in productivity and private capital accumulation as the country is projected to benefit from the completion of the World Bank's funded transport (Inter-island Connectivity Project) and energy (Solar Energy Access Project) projects, while financial intermediation is projected to improve and support private investment.

- Average inflation is projected to decline from 8.5 percent y/y in 2023 to 5.0 percent in 2024 (revised up from 2.2 percent in the previous DSA). The upward revision reflects recent price developments. After 2024, inflation is projected to gradually stabilize at around 2 percent reflecting the peg of the exchange rate to the Euro.

[2] BADEA has requested that its loan to Comoros be transferred to a new creditor as the institution has become focused on serving non-shareholder countries. As of November 2024, the Comorian authorities have reported good progress towards a resolution with a credible plan that ensures debt sustainability. The authorities have also obtained an agreement in principle with Exim India, to waive penalties and restructure the arrears to be paid over a period of 5 year.

- The fiscal sector assumptions reflect the policy adjustment scenario under the ECF program during 2023-27 built on the following:

    - Tax revenue is estimated at 8.5 percent of GDP in 2024 (8.8 percent in the previous DSA). While this shows a thirteen percent nominal growth y/y, the lower-than-anticipated tax revenue is driven in part by lower trade taxes stemming from trade disruptions and the general softening in activity. Nonetheless, tax revenue is projected to maintain the average increase of 0.3 percent of GDP per year from 2023 to 2027, as envisaged under the ECF program. Improvements will stem mainly from tax administration reforms aiming to raise the number of taxpayers, strengthening the use of IT systems, recovery of taxes due from the SOEs and other unpaid taxes. From the tax policy side, the authorities removed several sales tax exemptions during 2023. Some of the recent tax policy and revenue administration achievements include: (i) increase in the number of large and medium taxpayers, (ii) recovery of some tax arrears, (iii) interconnection of the SIGIT-SYDONIA platforms. Other notable measures are: (i) the systematic use of customs data to combat tax evasion, (ii) the pursuit of tax arrears collection, and (iii) the expansion of data sources used to identify new taxpayers.

    - Containing current spending while phasing out some one-offs (e.g., domestic outlays on the AU presidency and spending on elections, both of which ended in early 2024); and reducing investment spending to pre-pandemic levels.

    - The domestic primary deficit (DPD)[3] is expected to improve from 2.0 percent of GDP in 2023 to 1.2 percent in 2024 (1.4 percent of GDP in the previous DSA), following the slow execution of domestic investment spending. The DPD will further decline to 0.9 percent of GDP in 2025 (0.5 percent in the previous DSA). The upward revision vis-à-vis the previous DSA is due to the continuation of large public investment projects previously assumed to be completed in 2024 (primarily, the construction of the El Maarouf hospital). Effective implementation of these structural reforms is expected to reduce the DPD to 0.1 percent of GDP by 2027.

- The current account deficit is expected to be around 3.5 percent of GDP in 2024 (compared to 5.7 percent in the 2023 DSA vintage) driven mainly by lower current transfers as budgetary aid is projected to decline this year. The forecast also reflects a slowdown in imports following delays with the completion of some public investment projects (including the El-Maarouf hospital). Exports are moderately higher compared to 2023 (but generally lower than the forecasts under previous DSA vintage) mainly on the back of a surge in non-traditional exports, particularly scrap materials as key goods exports have declined. Remittance flows in 2024 are projected to decline relative to 2023 as the flows return to pre-COVID-19 levels. Over the medium term, the CAD is forecast to average about 4 percent of GDP (compared to around 5 percent of GDP in the previous DSA). Baseline external forecasts also reflect the impact of Comoros' WTO membership,

[3] The Domestic Primary balance is defined as 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 (Société Nationale des Postes et Services Financiers).

which was assessed to be limited as Comoros already had access to trading with large markets given pre-existing preferential treatment due to their least developed country status and the diversification and scaling up of exports would take time.[4]

8. **This DSA assumes that the authorities will adopt a prudent borrowing strategy.** The assumption is that the government mobilizes mostly external financing, with an average borrowing mix of 95 percent for external borrowing over the projected horizon.

- **Foreign financing**: Staff assumes that disbursement from already contracted loans will continue over the coming years in line with the authorities' borrowing plans. The government is committed to only concessional borrowing as required by the IMF-supported ECF program and has not breached this requirement since the program started. IDA financing, including through investment projects, is projected at USD 21.2 million per year on average during the period 2024-2027. The baseline includes around USD 10.1 million from AfDB, USD 13.1 million from Saudi Arabia over 2 years, and the Galawa Hotel loan. The baseline also includes around USD 16 from the ISDB and USD 17 million from OPEC over two years for the financing of the El Maarouf Hospital with the remaining financing expected from other multilateral partners over the medium-term. For the purposes of this DSA, staff further assumes that the fiscal financing gap (around 2.2 percent of GDP on average during 2024-2027) would be filled with grants and concessional loans. These assumptions reflect financing under the ECF and DPO programs, which catalyzes multilateral and bilateral partners' financing, as well as Comoros' commitment to limiting non-concessional borrowing under the ECF and as a PPA under the SDFP.[5] The average grant element of new borrowing is around 47 percent.

Text Table 4. Union of Comoros: Summary Table of Projected External Borrowing Program

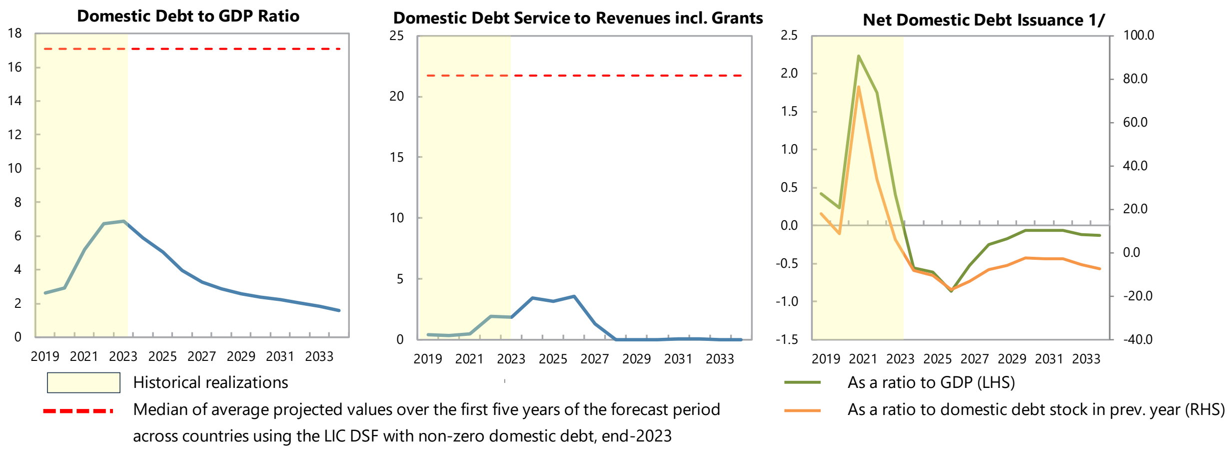
PPG external debt	2024		2025		2026		2027	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**90.6**	**100.0**	**67.8**	**100.0**	**102.6**	**100**	**81.5**	**100**
Concessional debt, of which	**38.0**	**42.0**	**36.3**	**53.5**	**93.1**	**90.7**	**76.7**	**94.1**
Multilateral debt	32.0	35.3	29.1	42.9	34.8	33.9	20.1	24.7
Bilateral debt	6.0	6.6	7.1	10.5	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.1	0.1	58.4	56.9	56.6	69.4
Non-concessional debt, of which	**52.6**	**58.0**	**31.5**	**46.5**	**9.5**	**9.3**	**4.8**	**5.9**
Semi-concessional[1]	9.5	10.5	9.5	14.0	9.5	9.3	4.8	5.9
Commercial terms	43.1	47.6	22.0	32.5	0.0	0.0	0.0	0.0
By Creditor Type	**90.6**	**100.0**	**67.8**	**100.0**	**102.6**	**100.0**	**81.5**	**100.0**
Multilateral debt	41.5	45.8	38.6	56.9	44.3	43.1	24.9	30.6
Bilateral debt	6.0	6.6	7.1	10.5	0.0	0.0	0.0	0.0
Commercial terms	43.1	47.6	22.0	32.5	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.1	0.1	58.4	56.9	56.6	69.4
		0.0		0.0		0.0		0.0
Uses of debt financing	**90.6**	**100.0**	**67.8**	**100.0**	**102.6**	**100.0**	**81.5**	**100.0**
Infrastructure	38.0	41.9	36.2	53.4	57.9	56.4	32.1	39.4
Budget Financing	9.5	10.5	9.5	14.0	9.5	9.3	4.8	5.9
Other	43.1	47.6	22.1	32.6	35.3	34.4	44.6	54.7

1/ Projected ECF disbursements

[4] Selected Issues Paper (SIP) prepared as part of the 2023 Article IV consultations (https://www.imf.org/en/Publications/CR/Issues/2024/01/08/Union-of-the-Comoros-Selected-Issues-543402).
[5] The ECF access is proposed at 180 percent of quota (SDR 32.04 million) disbursed over four years. The 2024 DPO is USD 27 million.

- **Domestic financing:** Overall, domestic borrowing in this DSA reflects the rollover of SOE debt, which is assumed as medium-term debt at an average nominal interest rate of 6 percent. Domestic financing assumptions do not pose risks to debt sustainability (Text Figure 1). Domestic debt to GDP ratio is projected to decline as SOEs' operations improve. Domestic debt service to revenue indicator picks up over the medium-term as SOEs are projected to repay domestic debt owed to commercial banks. Risks from domestic debt are limited by the absence of a domestic securities market and shallow depth of the financial market.

Text Figure 1. Union of the Comoros: Indicators of Public Domestic Debt 2019-2033



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	52%
Short-term	48%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	4.0%
Avg. maturity (incl. grace period)	1
Avg. grace period	0
Domestic short-term debt	
Avg. real interest rate	1.1%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

Text Table 5. Union of Comoros: Assumptions for DSA

	2020	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	Long Term[1]
GDP Growth Rate (percent)										
Previous DSA	-0.2	2.0	2.6	3.0	3.5	4.0	4.3	4.5	4.3	3.8
Current DSA	-0.2	2.0	2.6	3.0	3.3	3.8	4.3	4.5	4.3	3.8
Inflation, average (percent)										
Previous DSA	0.8	0.0	12.4	9.2	2.2	2.3	2.2	1.9	1.9	1.9
Current DSA	0.8	0.0	12.4	8.5	5.0	1.8	1.9	1.9	1.9	1.9
Government Revenues (percent of GDP)										
Previous DSA	9.2	10.4	9.9	10.3	10.4	10.9	11.2	11.6	11.8	13.9
Current DSA	9.2	10.4	9.9	10.2	10.1	10.5	11.0	11.2	11.5	13.4
Overall Fiscal Balance (percent of GDP)										
Previous DSA	-1.4	-3.4	-1.9	-1.8	-1.4	-0.2	-0.2	-0.1	-0.1	0.0
Current DSA	-1.4	-3.4	-1.9	-2.0	-1.2	-1.5	-0.9	-0.6	-0.5	-0.4
FDI (percent of GDP)										
Previous DSA	0.3	0.3	0.3	0.4	0.5	0.6	0.6	0.6	0.6	0.6
Current DSA	0.3	0.3	0.3	0.4	0.5	0.6	0.6	0.6	0.6	0.6
Current Account Deficit (Percent of GDP)										
Previous DSA	-1.8	-0.3	-0.5	-5.8	-5.7	-5.3	-5.5	-5.2	-4.4	-3.7
Current DSA	-1.8	-0.3	-0.5	-2.0	-3.5	-4.1	-4.2	-4.3	-3.9	-3.0
Export of Goods and Services (annual percentage growth)										
Previous DSA	-44.7	58.7	73.7	-28.8	3.7	7.8	8.7	11.8	10.2	7.5
Current DSA	-44.7	58.7	73.7	-43.0	17.3	-0.2	19.9	7.3	8.5	8.7
Import of Goods and Services (annual percentage growth)										
Previous DSA	-2.5	2.4	20.3	11.9	3.1	3.0	8.5	6.8	6.7	6.4
Current DSA	-2.5	2.4	20.3	7.0	-4.5	15.6	1.5	5.1	7.0	6.5
Investment (percent of GDP)										
Previous DSA	15.6	15.9	16.9	17.5	17.8	17.9	18.1	18.2	18.3	18.9
Current DSA	15.6	15.9	16.9	17.7	17.9	18.2	18.3	18.4	18.5	19.1
Net Current transfers (percent of GDP)										
Previous DSA	20.2	21.8	24.7	19.7	19.0	17.1	16.4	16.2	16.5	15.1
Current DSA	20.2	21.8	24.7	24.3	18.5	19.1	16.2	15.6	14.8	14.9

Source: IMF staff

[1]Covers the period 2029-42 for current DSA, and 2029-41 for the previous DSA.

9. **Realism tools do not flag issues (Figures 3 and 4).** The 3-year adjustment in the primary balance puts Comoros slightly above the mid-range of adjustments seen in other LIC program countries. The projected GDP growth in 2024 is compatible with a range of plausible fiscal multipliers. Moreover, growth in Comoros is highly dependent on factors outside the fiscal path, notably private consumption driven by remittances. The projected contribution of government investment over the medium term is below the historical experience which is in line with the near completion of several large infrastructure projects. The projected contribution from the other factors reflects the recovery from the multiple successive shocks during 2019-22, and the gradual increase in private sector and export activities, reflecting improvements in the business climate due to reforms under the ECF. The residual shown in the public debt dynamics for 2023 (Table 3) largely captures the effect of the Galawa loan[6].

C. Country Classification and Determination of Stress Test Scenarios

10. **Comoros is assessed to have medium debt carrying capacity, unchanged from the 2023 DSA (Text Table 6),** with a Composite Indicator (CI) of 2.84 based on April 2024 WEO projections and the 2023 Country Policy and Institutional Assessment (CPIA) rating of 2.7. As a result, this DSA continues to use the same external debt burden thresholds and total public benchmarks for countries with medium debt carrying capacity (Text Table 6). The relevant thresholds indicating high risk are 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt

[6] The Galawa loan is a balance of payment transaction and therefore not captured by the primary deficit variable in Table 3.

service-to revenue ratio. These thresholds are applicable to public and publicly guaranteed external debt. For the PV of total public debt-to-GDP ratio, the benchmark is 55 percent.

Text Table 6. Union of Comoros: Calculation and Contribution of the CI Score Components

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.84	Medium 2.82	Medium 2.83

Applicable thresholds

External debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

Total public debt benchmark	
PV of total public debt in percent of GDP	55

Source: LIC DSF

11. Standardized stress tests use default settings. In addition to the contingent liability stress test which assumes a shock of 13.8 percent of GDP – 4.5 percent of GDP for risks associated with other elements of the general government, the default value of 2 percent for SOE debt , zero for PPPs exposure as PPPs in Comoros are insignificant as a proportion of GDP and 7.3 percent of GDP for risks associated with financial sector (see paragraph 2) **-** Comoros qualifies for the natural disaster scenario given that it is exposed and vulnerable to natural disaster shocks, such as cyclones and eruptions of the Karthala volcano. The tailored stress test assumes a one-off natural disaster shock of 10 percent of GDP to external PPG debt-GDP ratio in the second year of the projection period. The financing cost of all shocks is set to the default values of the models.

DEBT SUSTAINABILITY

A. External Debt Sustainability

12. One of four external debt burden indicators breaches its threshold while the other is at the threshold under the baseline macroeconomic assumptions underlying this exercise (Text Figure 2). The breach is temporary (only in 2026) and not of significant importance. Results of the external debt sustainability assessment can be summarized as follows:

- The PV of external debt-to-GDP ratio is still below the threshold and is expected to decline along the same trajectory of the 2023 DSA. Similarly, the PV of debt-to-export ratio is below the threshold.

- The debt service-to-exports ratio breaches its threshold in 2026 while the debt service-to-revenue ratio is at the threshold in 2026. Beyond 2026, the indicators remain below the threshold.

13. The stress tests suggest that both export and revenue shocks have negative impact on the debt trajectory. The PV of debt-to-export ratio is the most sensitive indicator as it would see prolonged breaches of its threshold under most of the shock scenarios.

B. Total Public Debt Sustainability

14. Overall public debt is projected to peak by 2027 at 38.6 percent of GDP before declining progressively, remaining well below its indicative benchmark under the baseline and stress tests (Figure 2). Under the current baseline, domestic debt accumulation would continue to decrease due to the fiscal space resulting from the proposed fiscal consolidation and the moderate improvement of the financial situation of SOEs from less adverse international commodity prices. The results of the stress tests indicate that the most significant negative effects on the debt trajectory are caused by the contingent liabilities shock. For instance, the combined contingent liabilities shock could increase the present value of the debt-to-revenue ratio by 61 percentage points by 2026. The most significant shocks on the debt service-to-revenue ratio are the depreciation and the combined contingent liabilities shocks. The former is mitigated by Comoros' fixed exchange rate while the latter would increase debt service-to-revenue ratio by an average of 0.7 percentage points over 2024-2044.

C. Risk Assessment and Vulnerabilities

15. Comoros external and overall debt are sustainable and mechanical signals suggest a moderate risk of debt distress. Both ratings on the external public debt and overall public debt are determined by the levels and trajectories of debt, together with any breaches of the debt indicators. The levels and trajectories continue to be assessed as sustainable. Given that the breach of the external debt indicator, debt service-to-export ratio is limited while the other, debt service-to-revenue is at threshold, both for year 2026, and the projected debt burden metrics improved over the forecast horizon as a result of the envisaged fiscal consolidation, the mechanical external risk rating suggests a moderate risk rating.

16. However, several factors and country-specific considerations trigger the application of judgment under the LIC DSF to maintain the high risk of debt distress. As a fragile and climate-vulnerable country with no market access, the macroeconomic baseline for Comoros is subject to considerable uncertainty. Tight liquidity constraints and limited debt management capacity have led to the recurrence of external arrears which breach the performance criterion under the IMF's ECF program[7]. Over the medium term, the country's ability to preserve debt sustainability hinges on continued support from multilateral and bilateral partners through program and grant financing, highlighting the fragility in the financing mix assumption under the baseline. These considerations, combined with low revenue and export bases, and weak institutional framework are key factors that trigger the application of judgment to maintain the high DSA risk rating. Factors that mitigate the risk include the authorities' economic reform program supported by the ECF and the World Bank's

[7] In the context of the ECF-supported program, engagement with the World Bank, and support from the African Development Bank, the authorities are working to gradually improve debt management capacity.

DPOs, which are expected to catalyze grant and concessional financing. Another factor is the consistently strong performance of remittances, which supports external sustainability. While debt vulnerabilities are projected to decline over the medium term, this overall assessment is contingent on: (i) progress on domestic resource mobilization and gradual but sustained fiscal consolidation over the medium term, (ii) no additional non-concessional borrowing, and (iii) enhanced financial oversight of SOEs. The use of judgement in determining the risk rating will be reviewed in the next DSA.

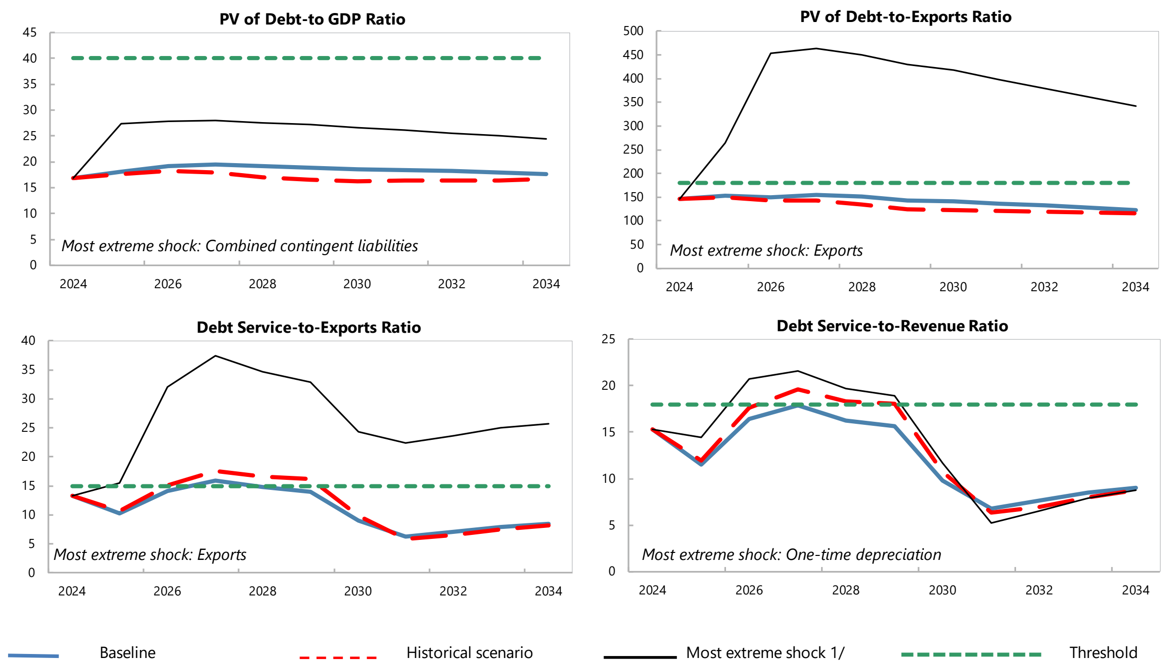
17. Risks to the baseline are tilted to the downside. The upward trend in food inflation, along with shortages of rice and other key food products, recurring power cuts, and intensified water shortages could exacerbate social tensions and undermine macroeconomic stability. Climate-related shocks are an ever-present threat to growth and public finances. External risks arise from continued geopolitical conflicts, both within and outside the continent, that could negatively impact trade, particularly oil and food imports. Additionally, a prolonged contraction of key exports could put pressure on the balance of payments. Upside risks include Comoros' participation in the World Bank REPAIR Project, that should strengthen the country's readiness to respond to climate and other shocks. Also, larger- or faster-than-expected trade and investment benefits from the WTO membership and a stronger-than-expected boost to growth from both private and public investment projects, albeit the latter mitigated by delays in project execution.

18. Mitigating risks to public debt requires several policy actions: Reforms under the ECF program that will help mitigate risks to public debt via (i) making faster progress on domestic resource mobilization and ensuring gradual but sustained fiscal consolidation over the medium term, (ii) avoiding additional non-concessional borrowing, (iii) enhancing financial oversight of SOEs, which should help reduce the size of a contingent liability shock should it materialize. Risks could also be mitigated through the implementation of reforms under the World Bank's DPOs and the SDFP as follows: (i) the compulsory reporting of SOE financial performance and the audit of financial statements; and (ii) the enhanced regulatory framework for the issuance of public guarantees and on-lend credit. Additional measures related to the diversification of the export base could help further lessen debt vulnerabilities as underscored by the sensitivity analysis.

Authorities' Views

19. The authorities generally shared staff's assessment of debt sustainability and reaffirmed their commitment to continuing the strong implementation of the IMF-supported program. They reiterated that fiscal consolidation, supported by fiscal structural reforms, will be needed to preserve debt sustainability, and gradually reduce the risk of debt distress to moderate over the medium term. The authorities are committed to prudent borrowing policies and noted that budget support, including that from the IMF and the WB, has been critical for containing borrowing needs.

Figure 1. Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2024-2034



Customization of Default Settings

Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	No	No
Commodity Price 2/	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*

	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	4	4

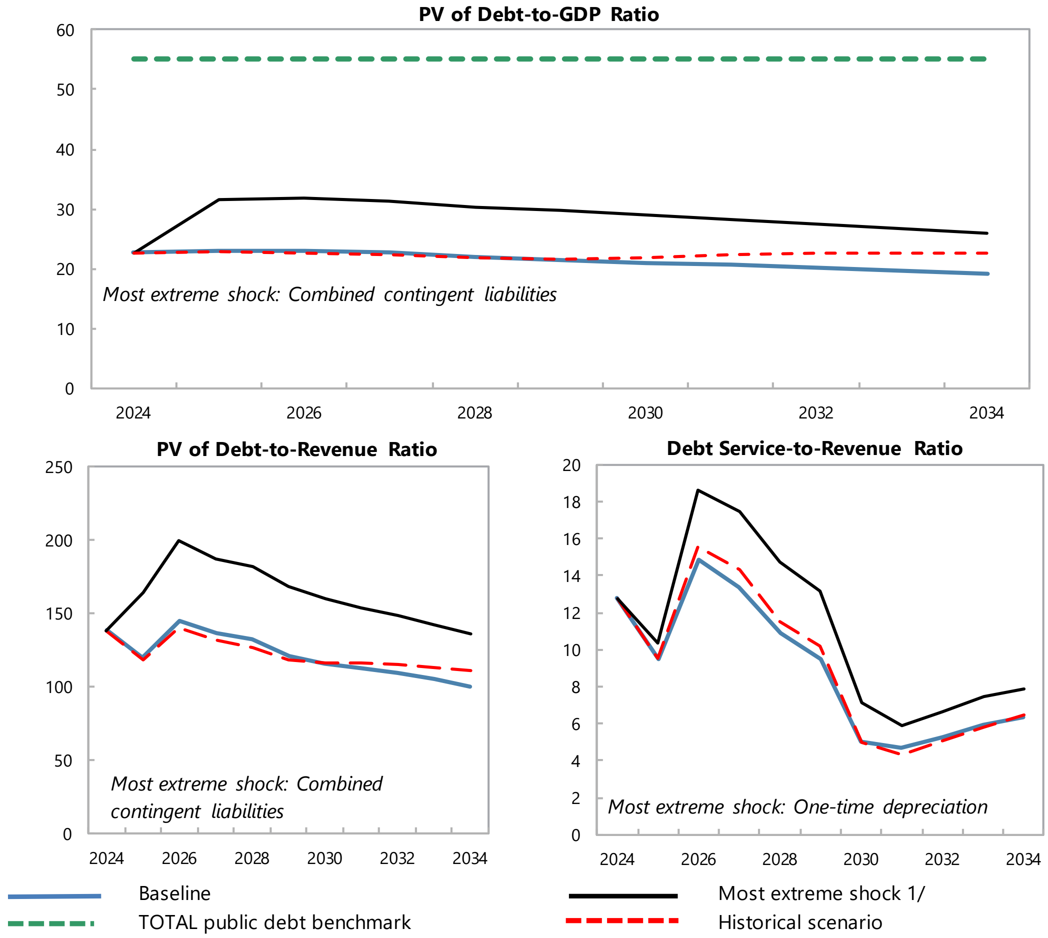
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Indicators of Public Debt Under Alternative Scenarios, 2024-2034



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	107%	107%
Domestic medium and long-term	-3%	-3%
Domestic short-term	-3%	-3%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.0%	4.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	1.1%	1.1%

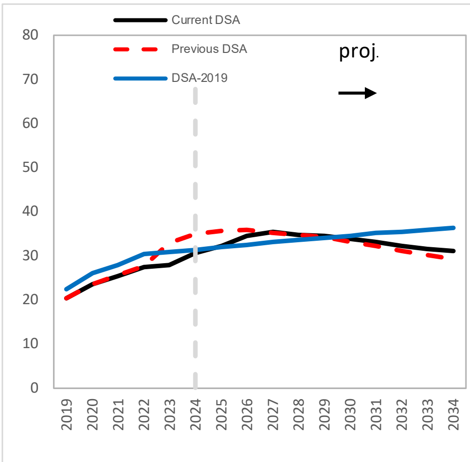
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

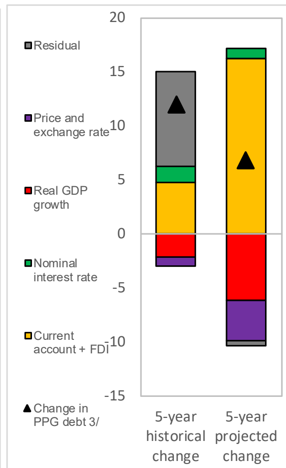
1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Drivers of Debt Dynamics—Baseline Scenario External Debt External Debt

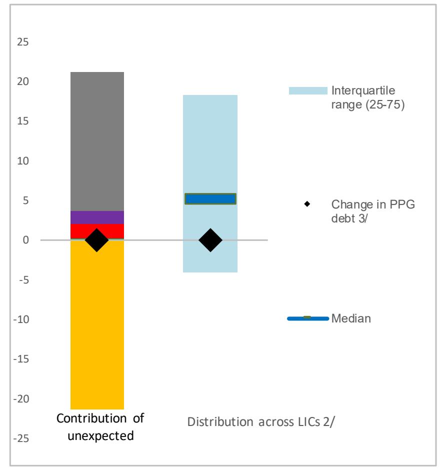
Gross Nominal PPG External Debt
(in Percent of GDP; DSA Vintages)



Debt-creating Flows
(Percent of GDP)

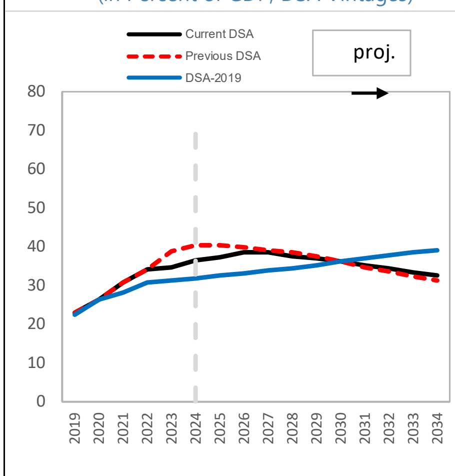


Unexpected Changes in Debt 1/
(Past 5 Years, Percent of GDP)

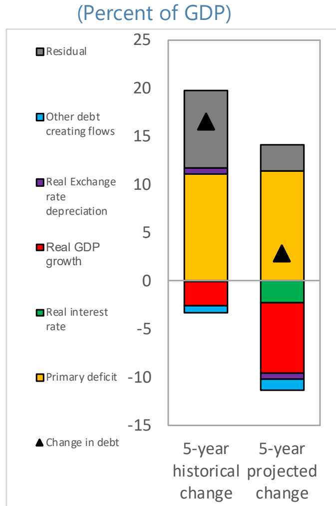


Public Debt

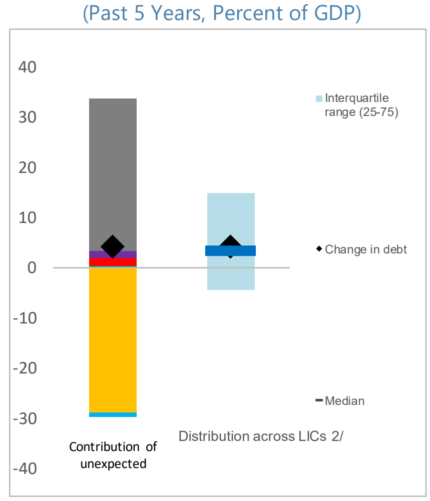
Gross Nominal Public Debt
(in Percent of GDP; DSA Vintages)



Debt-creating Flows
(Percent of GDP)



Unexpected Changes in Debt 1/
(Past 5 Years, Percent of GDP)



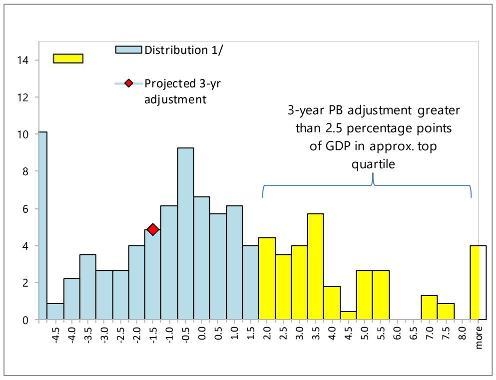
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

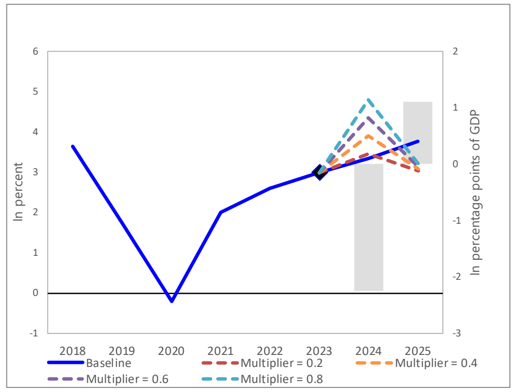
Figure 4. Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



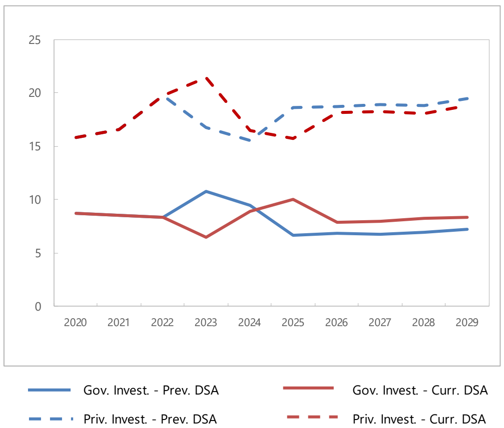
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

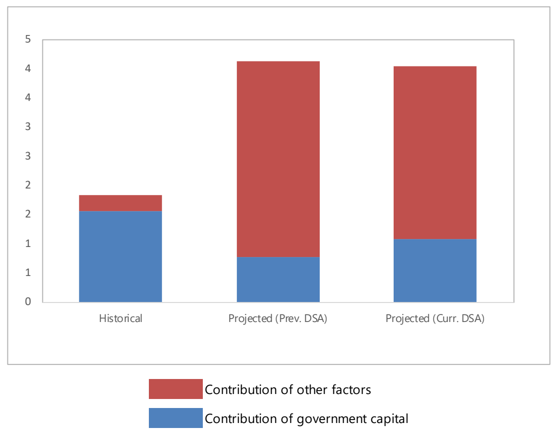


Table 1. Union of Comoros: Decomposition of Public Debt 2021-23[1]

	2021	2022	2023	2021	2022	2023
	Million USD			% GDP		
Total	390.0	417.3	466.3	28.3	34.1	34.8
External	323.7	335.1	374.2	25.4	27.4	27.9
Multilateral creditors[2]	123.0	131.4	175.0	9.7	10.7	13.1
IMF	27.6	23.4	26.4	2.2	1.9	2.0
World Bank	28.4	39.2	59.0	2.2	3.2	4.4
ADB/AfDB/IADB	7.1	8.2	23.2	0.6	0.7	1.7
Other Multilaterals	60.0	60.5	66.3	4.7	4.9	4.9
o/w: BADEA	28.0	28.0	28.0	2.2	2.3	2.1
o/w: TDB	18.3	16.7	17.9	1.4	1.4	1.3
o/w: IsDB	7.5	6.9	9.5	0.6	0.6	0.7
Bilateral Creditors	200.7	203.7	197.8	15.8	16.6	14.8
Paris Club	2.1	2.5	1.8	0.2	0.2	0.1
o/w: France	2.1	2.5	1.8	0.2	0.2	0.1
Non-Paris Club	198.6	201.2	196.0	15.6	16.4	14.6
o/w: China	112.1	110.8	106.7	8.8	9.0	8.0
o/w: Saudi Arabia	33.7	38.0	38.0	2.6	3.1	2.8
o/w: India	27.6	27.6	27.6	2.2	2.3	2.1
o/w: Kuwait	25.1	24.8	23.8	2.0	2.0	1.8
Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	66.3	82.2	92.1	2.9	6.7	6.9
Held by residents, total[3]	66.3	82.2	92.1	5.2	6.7	6.9
SOEs debt[4]	23.0	23.0	23.0	N.A	1.9	1.7
Memo items:						
Collateralized debt[5]	N.A.	N.A.	N.A.	0.0	0.0	0.0
o/w: Related	N.A.	N.A.	N.A.	0.0	0.0	0.0
o/w: Unrelated	N.A.	N.A.	N.A.	0.0	0.0	0.0
Contingent liabilities[6]	159.1	153.1	167.6	12.5	12.5	12.5
o/w: Public guarantees	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Other explicit contingent liabilities[7]	159.1	153.1	167.6	12.5	12.5	12.5
Domestic arrears	N.A.	N.A.	60.1	0.0	0.0	4.5
External arrears	6.0	7.2	7.2	N.A	0.6	0.5
Nominal GDP	1273	1225	1340			

Source: Country authorities and staff estimates and projections

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/ Inludes central bank on lending related to the SDR allocation.

4/ SOEs debt in Comoros is guarantee debt.

5/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

6/ As defined in the customized contingent liabilities stress test of the last three published DSAs.

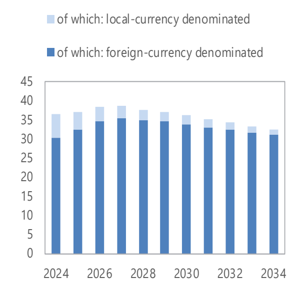
7/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

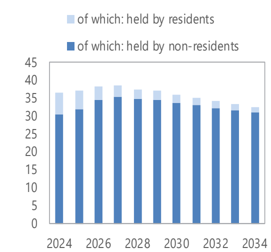
Table 2. Union of Comoros: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021-2044

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	30.6	34.1	34.8	36.5	37.2	38.4	38.6	37.6	37.1	32.6	17.2	22.9	36.1
of which: external debt	25.4	27.4	27.9	30.6	32.1	34.5	35.3	34.7	34.5	31.0	17.2	19.7	33.0
Change in public sector debt	4.3	3.4	0.7	1.7	0.6	1.3	0.1	-1.0	-0.5	-0.8	-6.9		
Identified debt-creating flows	1.7	4.9	-1.5	1.3	0.1	0.4	-0.7	-0.3	-0.8	-0.7	-1.4	0.9	-0.4
Primary deficit	2.5	4.0	1.0	3.2	2.1	2.6	1.7	1.8	1.0	0.9	-0.7	1.3	1.5
Revenue and grants	17.1	14.3	16.5	16.4	19.2	15.9	16.7	16.7	17.7	19.1	22.0	16.8	17.8
of which: grants	6.7	4.5	9.5	6.3	8.7	5.0	5.4	5.1	5.9	5.7	5.5		
Primary (noninterest) expenditure	19.6	18.2	17.4	19.6	21.3	18.6	18.4	18.5	18.8	20.0	21.3	18.1	19.3
Automatic debt dynamics	-0.7	1.4	-2.3	-1.7	-1.7	-1.9	-2.1	-2.1	-1.8	-1.6	-0.8		
Contribution from interest rate/growth differential	-0.7	-0.7	-1.2	-1.7	-1.7	-1.9	-2.1	-2.1	-1.8	-1.6	-0.8		
of which: contribution from average real interest rate	-0.2	0.1	-0.2	-0.6	-0.4	-0.4	-0.5	-0.5	-0.4	-0.4	0.1		
of which: contribution from real GDP growth	-0.5	-0.8	-1.0	-1.1	-1.3	-1.5	-1.6	-1.6	-1.4	-1.2	-0.9		
Contribution from real exchange rate depreciation	0.0	2.1	-1.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.1	-0.4	-0.1	-0.2	-0.3	-0.3	-0.3	0.0	0.0	0.0	0.0	-0.1	-0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	-0.1	-0.4	-0.1	-0.2	-0.3	-0.3	-0.3	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.6	-1.5	2.2	0.4	0.6	0.9	0.9	-0.7	0.3	-0.1	-5.5	1.5	0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	21.2	22.7	23.1	23.1	22.8	22.0	21.5	19.2	9.5		
PV of public debt-to-revenue and grants ratio	...	...	129.0	138.7	120.3	145.3	136.6	132.1	121.4	100.5	43.1		
Debt service-to-revenue and grants ratio 3/	4.8	11.1	9.6	12.8	9.5	14.9	13.3	10.9	9.5	6.3	3.9		
Gross financing need 4/	3.2	5.1	2.5	5.1	3.6	4.7	3.6	3.6	2.7	2.1	0.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	2.0	2.6	3.0	3.3	3.8	4.3	4.5	4.3	3.8	3.8	3.8	2.3	3.9
Average nominal interest rate on external debt (in percent)	1.2	2.3	1.1	0.8	0.8	0.6	0.5	0.4	0.6	0.7	0.9	0.9	0.6
Average real interest rate on domestic debt (in percent)	4.2	-2.4	-0.8	-3.1	0.0	-0.1	-0.3	-0.2	-0.3	-2.0	11.9	0.9	-1.1
Real exchange rate depreciation (in percent, + indicates depreciation)	0.0	8.4	-4.2	...	...	...	...	...	...	...	...	1.5	...
Inflation rate (GDP deflator, in percent)	-1.2	5.3	2.9	4.9	1.7	1.9	2.0	1.9	2.0	2.0	2.0	1.6	2.2
Growth of real primary spending (deflated by GDP deflator, in percent)	9.9	-4.8	-1.5	16.2	12.9	-9.2	3.4	5.1	5.3	5.7	0.5	4.7	5.4
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.7	0.5	0.3	1.5	1.5	1.4	1.5	2.8	1.5	1.7	6.2	-0.3	1.7
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

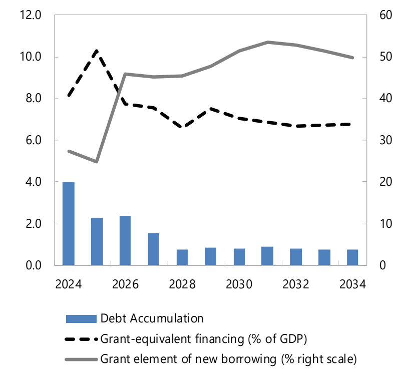
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

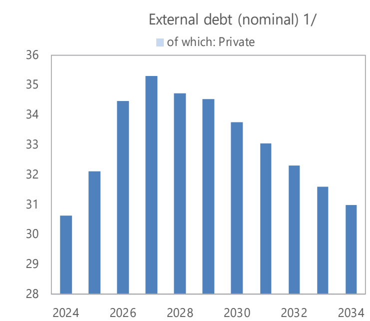
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Union of Comoros: External Debt Sustainability Framework, Baseline Scenario, 2021-2044

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	25.4	27.4	27.9	30.6	32.1	34.5	35.3	34.7	34.5	31.0	17.2	19.7	33.0
of which: public and publicly guaranteed (PPG)	25.4	27.4	27.9	30.6	32.1	34.5	35.3	34.7	34.5	31.0	17.2	19.7	33.0
Change in external debt	2.0	1.9	0.6	2.7	1.5	2.4	0.8	-0.6	-0.2	-0.6	-7.7		
Identified net debt-creating flows	-1.0	1.1	-0.8	2.2	2.4	2.3	2.2	1.9	1.8	1.1	1.6	1.3	1.7
Non-interest current account deficit	0.1	-0.2	1.7	3.3	3.9	4.0	4.1	3.8	3.4	2.7	2.9	2.0	3.3
Deficit in balance of goods and services	22.6	25.7	26.8	22.1	23.4	20.8	20.1	19.0	18.6	17.7	18.2	20.1	19.4
Exports	10.1	13.6	11.1	11.5	11.8	12.8	12.6	12.7	13.2	14.3	16.2		
Imports	32.8	39.3	37.9	33.6	35.1	33.5	32.7	31.7	31.8	32.0	34.4		
Net current transfers (negative = inflow)	-21.8	-24.7	-24.3	-18.5	-19.1	-16.2	-15.6	-14.8	-14.8	-15.0	-14.5	-17.5	-15.8
of which: official	-1.8	-3.2	-4.8	-1.6	-3.0	-1.2	-1.3	-1.2	-1.9	-1.7	-1.0		
Other current account flows (negative = net inflow)	-0.8	-1.2	-0.8	-0.3	-0.4	-0.5	-0.5	-0.4	-0.3	0.0	-0.9	-0.7	-0.3
Net FDI (negative = inflow)	-0.3	-0.3	-0.4	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.4	-0.6
Endogenous debt dynamics 2/	-0.8	1.6	-2.1	-0.7	-0.9	-1.1	-1.3	-1.3	-1.1	-0.9	-0.7		
Contribution from nominal interest rate	0.3	0.6	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2		
Contribution from real GDP growth	-0.4	-0.7	-0.7	-0.9	-1.1	-1.3	-1.5	-1.4	-1.3	-1.1	-0.9		
Contribution from price and exchange rate changes	-0.6	1.7	-1.6	...	...	...	...	...	...	...	...		
Residual 3/	3.0	0.8	1.3	0.5	-0.9	0.1	-1.4	-2.5	-2.0	-1.7	-9.3	0.4	-1.5
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	14.4	16.8	18.0	19.2	19.5	19.2	18.9	17.6	9.5		
PV of PPG external debt-to-exports ratio	...	...	129.5	146.1	153.4	150.2	155.2	150.6	143.7	123.5	58.6		
PPG debt service-to-exports ratio	7.3	9.6	11.5	13.3	10.3	14.1	16.0	14.8	14.0	8.5	5.9		
PPG debt service-to-revenue ratio	7.1	13.4	18.3	15.3	11.5	16.4	17.8	16.3	15.6	9.0	5.8		
Gross external financing need (Million of U.S. dollars)	6.1	9.9	34.5	63.8	69.3	86.1	96.2	93.8	91.8	85.5	148.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	2.0	2.6	3.0	3.3	3.8	4.3	4.5	4.3	3.8	3.8	3.8	2.3	3.9
GDP deflator in US dollar terms (change in percent)	2.5	-6.2	6.3	5.5	2.0	2.1	1.6	1.5	2.0	2.0	2.0	-0.2	2.2
Effective interest rate (percent) 4/	1.2	2.3	1.1	0.8	0.8	0.6	0.5	0.4	0.6	0.7	0.9	0.9	0.6
Growth of exports of G&S (US dollar terms, in percent)	87.2	29.1	-10.8	13.2	8.0	15.5	4.5	7.2	9.6	7.7	6.0	9.5	8.7
Growth of imports of G&S (US dollar terms, in percent)	21.4	15.5	5.6	-3.3	10.6	1.6	3.5	2.7	6.0	5.7	5.8	5.0	4.7
Grant element of new public sector borrowing (in percent)	...	...	...	27.5	24.8	45.9	45.1	45.4	47.8	49.9	#VALUE!	...	45.0
Government revenues (excluding grants, in percent of GDP)	10.4	9.7	7.0	10.1	10.5	11.0	11.2	11.5	11.8	13.4	16.5	9.9	11.8
Aid flows (in Million of US dollars) 5/	85.9	55.4	127.4	124.5	166.5	170.1	172.0	152.7	181.6	204.5	...		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	8.1	10.3	7.7	7.6	6.6	7.5	6.8	...	...	7.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	62.9	68.2	70.4	74.4	79.3	80.9	86.3	...	...	79.5
Nominal GDP (Million of US dollars)	1,273	1,225	1,340	...	...	...	...	...	...	... ...	...		
Nominal dollar GDP growth	4.5	-3.8	9.5	9.0	5.8	6.5	6.1	5.9	5.9	5.8	5.9	2.1	6.2
Memorandum items:													
PV of external debt 7/	...	...	14.4	16.8	18.0	19.2	19.5	19.2	18.9	17.6	9.5		
In percent of exports	...	...	129.5	146.1	153.4	150.2	155.2	150.6	143.7	123.5	58.6		
Total external debt service-to-exports ratio	7.3	9.6	11.5	13.3	10.3	14.1	16.0	14.8	14.0	8.5	5.9		
PV of PPG external debt (in Million of US dollars)			192.6	246.1	279.1	315.8	341.0	354.6	370.8	460.1	436.9		
(PVt-PVt-1)/GDPt-1 (in percent)				4.0	2.3	2.4	1.5	0.8	0.9	0.7	-4.8		
Non-interest current account deficit that stabilizes debt ratio	-1.9	-2.1	1.1	0.6	2.4	1.7	3.3	4.4	3.6	3.3	10.6		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 4. Union of Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024-2034

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
PV of debt-to GDP ratio											
Baseline	17	18	19	20	19	19	19	18	18	18	18
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	17	18	18	18	17	16	16	16	16	16	17
B. Bound Tests											
B1. Real GDP growth	17	19	21	21	21	21	20	20	20	20	19
B2. Primary balance	17	20	22	22	22	22	21	21	21	20	20
B3. Exports	17	21	27	27	27	27	26	25	25	24	23
B4. Other flows 3/	17	22	26	26	26	25	25	24	23	23	22
B5. Depreciation	17	23	19	19	19	19	18	19	19	19	19
B6. Combination of B1-B5	17	25	26	27	26	26	25	25	24	23	23
C. Tailored Tests											
C1. Combined contingent liabilities	17	27	28	28	28	27	27	26	26	25	24
C2. Natural disaster	17	25	26	26	26	26	25	25	25	24	24
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	146	153	150	155	151	144	141	137	132	128	123
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	146	149	142	142	134	125	123	121	119	117	117
B. Bound Tests											
B1. Real GDP growth	146	153	150	155	151	144	141	137	132	128	123
B2. Primary balance	146	167	175	179	174	166	162	157	151	146	140
B3. Exports	146	**264**	**453**	**463**	**450**	**429**	**417**	**398**	**379**	**360**	**342**
B4. Other flows 3/	146	**190**	**203**	**208**	**202**	**193**	**187**	178	170	161	153
B5. Depreciation	146	153	117	122	118	113	110	109	108	106	104
B6. Combination of B1-B5	146	**234**	**183**	**269**	**261**	**249**	**241**	**231**	**221**	**211**	**202**
C. Tailored Tests											
C1. Combined contingent liabilities	146	**233**	**218**	**223**	**216**	**206**	**201**	**193**	**186**	178	171
C2. Natural disaster	146	**218**	**207**	**213**	**208**	**199**	**194**	**188**	**182**	176	170
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	13	10	14	**16**	15	14	9	6	7	8	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	13	11	**15**	**18**	**17**	**16**	10	6	6	7	8
B. Bound Tests											
B1. Real GDP growth	13	10	14	**16**	15	14	9	6	7	8	8
B2. Primary balance	13	10	14	**16**	**15**	14	10	8	9	9	10
B3. Exports	13	**15**	**32**	**37**	**35**	**33**	**24**	**22**	**24**	**25**	**26**
B4. Other flows 3/	13	10	15	**17**	**16**	15	12	10	11	11	12
B5. Depreciation	13	10	14	**15**	14	13	9	4	5	6	7
B6. Combination of B1-B5	13	12	**21**	**24**	**22**	**21**	**17**	12	13	14	15
C. Tailored Tests											
C1. Combined contingent liabilities	13	10	**15**	**17**	**16**	**15**	14	11	12	12	12
C2. Natural disaster	13	11	**16**	**17**	**16**	**15**	13	10	11	12	12
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	15	11	16	18	16	16	10	7	8	8	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	15	12	18	**20**	**18**	**18**	11	6	7	8	9
B. Bound Tests											
B1. Real GDP growth	15	12	**18**	**20**	18	17	11	7	8	9	10
B2. Primary balance	15	11	17	**18**	17	16	11	9	9	10	11
B3. Exports	15	12	18	**20**	18	17	12	11	12	13	13
B4. Other flows 3/	15	11	17	**19**	17	17	13	11	11	12	12
B5. Depreciation	15	14	**21**	**22**	**20**	**19**	12	5	7	8	9
B6. Combination of B1-B5	15	12	**19**	**21**	**19**	**18**	14	10	11	12	12
C. Tailored Tests											
C1. Combined contingent liabilities	15	11	18	**19**	18	17	16	12	12	13	13
C2. Natural disaster	15	12	18	**19**	17	17	14	11	11	12	13
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 5. Union of Comoros: Sensitivity Analysis for Key Indicators of Public Debt, 2024-2034

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	PV of Debt-to-GDP Ratio										
Baseline	23	23	23	23	22	22	21	21	20	20	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	23	23	23	22	22	22	22	22	23	23	23
B. Bound Tests											
B1. Real GDP growth	23	24	26	27	27	27	27	27	27	27	28
B2. Primary balance	23	25	26	26	25	24	24	23	23	22	22
B3. Exports	23	26	30	30	29	28	27	27	26	25	24
B4. Other flows 3/	23	27	30	29	29	28	27	26	25	24	23
B5. Depreciation	23	27	25	23	21	19	18	17	16	15	14
B6. Combination of B1-B5	23	24	24	23	22	22	21	21	20	20	19
C. Tailored Tests											
C1. Combined contingent liabilities	23	32	32	31	30	30	29	28	28	27	26
C2. Natural disaster	23	30	30	30	29	28	28	27	27	26	25
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	139	120	145	137	132	121	116	112	109	105	101
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	139	119	140	132	127	118	117	116	116	114	111
B. Bound Tests											
B1. Real GDP growth	139	125	161	155	154	146	144	143	144	142	140
B2. Primary balance	139	128	164	154	150	138	132	127	123	118	113
B3. Exports	139	134	189	178	173	159	152	144	139	131	124
B4. Other flows 3/	139	143	188	177	172	158	150	143	137	130	123
B5. Depreciation	139	145	160	142	130	113	103	96	89	81	73
B6. Combination of B1-B5	139	125	153	136	133	122	117	113	110	105	101
C. Tailored Tests											
C1. Combined contingent liabilities	139	165	200	187	182	168	160	154	149	142	136
C2. Natural disaster	139	154	187	176	172	159	152	147	143	138	133
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	13	9	15	13	11	10	5	5	5	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	13	10	16	14	12	10	5	4	5	6	6
B. Bound Tests											
B1. Real GDP growth	13	10	16	14	11	10	5	5	6	7	8
B2. Primary balance	13	9	14	13	11	10	6	6	6	7	7
B3. Exports	13	9	15	14	12	10	6	8	8	8	9
B4. Other flows 3/	13	9	15	14	12	10	7	7	8	8	9
B5. Depreciation	13	10	19	17	15	13	7	6	7	7	8
B6. Combination of B1-B5	13	9	15	13	11	10	5	5	5	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	13	9	10	15	12	10	9	8	8	9	9
C2. Natural disaster	13	10	12	14	12	10	8	7	8	8	9
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Table 5. Union of Comoros: Sensitivity Analysis for Key Indicators of Public Debt, 2024-2034

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	PV of Debt-to-GDP Ratio										
Baseline	23	23	23	23	22	22	21	21	20	20	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	23	23	23	22	22	22	22	22	23	23	23
B. Bound Tests											
B1. Real GDP growth	23	24	26	27	27	27	27	27	27	27	28
B2. Primary balance	23	25	26	26	25	24	24	23	23	22	22
B3. Exports	23	26	30	30	29	28	27	27	26	25	24
B4. Other flows 3/	23	27	30	29	29	28	27	26	25	24	23
B5. Depreciation	23	27	25	23	21	19	18	17	16	15	14
B6. Combination of B1-B5	23	24	24	23	22	22	21	21	20	20	19
C. Tailored Tests											
C1. Combined contingent liabilities	23	32	32	31	30	30	29	28	28	27	26
C2. Natural disaster	23	30	30	30	29	28	28	27	27	26	25
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	139	120	145	137	132	121	116	112	109	105	101
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	139	119	140	132	127	118	117	116	116	114	111
B. Bound Tests											
B1. Real GDP growth	139	125	161	155	154	146	144	143	144	142	140
B2. Primary balance	139	128	164	154	150	138	132	127	123	118	113
B3. Exports	139	134	189	178	173	159	152	144	139	131	124
B4. Other flows 3/	139	143	188	177	172	158	150	143	137	130	123
B5. Depreciation	139	145	160	142	130	113	103	96	89	81	73
B6. Combination of B1-B5	139	125	153	136	133	122	117	113	110	105	101
C. Tailored Tests											
C1. Combined contingent liabilities	139	165	200	187	182	168	160	154	149	142	136
C2. Natural disaster	139	154	187	176	172	159	152	147	143	138	133
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	13	9	15	13	11	10	5	5	5	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	13	10	16	14	12	10	5	4	5	6	6
B. Bound Tests											
B1. Real GDP growth	13	10	16	14	11	10	5	5	6	7	8
B2. Primary balance	13	9	14	13	11	10	6	6	6	7	7
B3. Exports	13	9	15	14	12	10	6	8	8	8	9
B4. Other flows 3/	13	9	15	14	12	10	7	7	8	8	9
B5. Depreciation	13	10	19	17	15	13	7	6	7	7	8
B6. Combination of B1-B5	13	9	15	13	11	10	5	5	5	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	13	9	10	15	12	10	9	8	8	9	9
C2. Natural disaster	13	10	12	14	12	10	8	7	8	8	9
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Mr. Adriano Ubisse and Ms. Gonaya Basutli on Union of the Comoros
December 13, 2024

The Union of the Comoros continues to navigate a complex economic landscape, marked by persistent challenges, structural weaknesses and extreme vulnerability to climate change which continue to pose substantial hurdles and compound the country's economic fragility. This year alone, amidst a post-election political transition, the authorities have contended with a cholera outbreak, heavy rains, and floods, even as they strive to shed the lingering impacts of the pandemic and geopolitical conflicts. Furthermore, institutional capacity remains low, and diversification efforts are yet to bear fruit. Nevertheless, the authorities are pressing on with their reform agenda under the Fund's Extended Credit Facility arrangement, aimed at ensuring sustainable growth and improved living standards for the Comorian people.

Introduction

1. Our Comorian authorities appreciate the constructive dialogue with staff during the recent third review under the Extended Credit Facility (ECF) arrangement. They broadly share staff's appraisal and policy priorities.

2. Despite the significant development challenges facing Comoros, the authorities continue to persevere with reforms under the ECF arrangement to realize their aspirations for structural transformation and sustainable growth. While growth is relatively stable, downside risks persist, owing to elevated external uncertainty and the country's narrow economic base, characterized by dependence on imports, remittances, and foreign aid. Nevertheless, the authorities remain committed to the implementation of reforms under their ECF-supported program and have sought to ensure continuity in program engagement in the post-election transition, including by implementing corrective actions for missed targets. They have sustained their determined fiscal consolidation efforts to maintain debt on a sustainable footing and continue to monitor price developments to keep inflation under control. Against this backdrop, the authorities' performance under the ECF program has remained broadly satisfactory. They are now directing their efforts towards addressing the key outstanding structural benchmarks to support a sustained and inclusive recovery.

Program Performance

3. Performance under the Extended Credit Facility (ECF) program has remained broadly satisfactory. The authorities met three out of five end- June 2024 quantitative performance criteria (QPCs) and all indicative targets (ITs). Against the background of liquidity constraints and persistent debt management challenges, the authorities missed the QPCs related to the floor on tax revenue and ceiling on the accumulation of new external arrears. Corrective measures have been implemented, and all external arrears were cleared, save for those to BADEA and Exim Bank India, which are currently under negotiation, with notable progress made toward resolution.

4. Our Comorian authorities continue to implement structural reforms, and performance has been broadly satisfactory**.** They met six of the nine structural benchmarks (SBs) expected

between June and October 2024. Due to staffing constraints at the Banque Centrale des Comores' (BCC) Supervision Department, the SB relating to the onsite inspections of banks to assess the quality of credit portfolios was met with a slight delay. That said, the reports are expected to be finalized by the end of December. The authorities are requesting reformulations for the SBs relating to the BCC's issuance of the banking license for the postal bank BPC and the provision of daily statements of government accounts held at the BCC. They also seek to reset the dates for three SBs, namely the promulgation of the amended statutes of the BCC (from September 2024 to April 2025); the approval by the BCC of timebound recapitalization plans for deposit-taking institutions in breach of capital adequacy requirements (from December 2024 to March 2025), and the provision of monthly external debt reports compiled by the debt management software CSDRMS, from the end of each month to the 15th day of the following month.

5. As a Prior Action (PA) for the third ECF review, the authorities submitted the 2025 budget proposal to Parliament. The budget proposal is consistent with program parameters and establishes key mandatory priority expenditures, including wages, social contributions, and debt repayment. To fulfil another PA, the authorities also appointed the Director General of the General Directorate of Public Accounting and the Treasury (DGCPT). **Against this background, our authorities request the completion of the third review under the Extended Credit Facility arrangement and approval of a modification of the end-December quantitative performance criterion (QPC) on tax revenue, in view of this year's weaker-than-expected economic activity; modification of the 2025 QPCs on the primary domestic balance, and corresponding modification of the Technical Memorandum of Understanding (TMU); and waivers of nonobservance of the QPC on tax revenue and the continuous QPC on the non-accumulation of external arrears**.

Recent Economic Developments and Outlook

6. Economic activity is anticipated to pick up slightly to 3.3 percent in 2024 (revised from 3.5 percent) from an estimated 3 percent in 2023. While growth reflects the continued implementation of sound macroeconomic policies, and reforms, the downward revision in projections is attributable to the deceleration in the growth of credit, imports, and key exports, as well as delays in public investment projects. Further growth impetus is expected from improved terms of trade and investment prospects following Comoros' recent accession to the World Trade Organization. Real GDP is, therefore, expected to average above 4.0 percent over the medium term. The favorable outlook for growth is, however, subject to potential downside risks, including the elevated food prices, shortages of rice and other essential goods, recurring power outages, and worsening water shortages. Additionally, external risks persist, arising from ongoing geopolitical conflicts and their potential impact on trade, especially affecting oil and food imports. Other risks stem from possible delays in project execution, in the face of tightened financing conditions.

7. While inflation had decelerated significantly in 2023 from the double-digit highs in the previous year, it increased again in 2024, on the back of a persistent increase in food prices, warranting upward revisions to inflation projections. Thus, inflation is projected to reach 3.5 percent at the end of December 2024, from negative 0.9 percent in 2023, before easing and stabilizing at around 2 percent in the medium term.

8. Meanwhile, the current account deficit is estimated at about 3.5 percent of GDP, wider than the 2.0 percent estimated for 2023, and the 3.3 percent of GDP projected during the second review. The higher deficit mainly reflects lower current transfers, given the projected decline in budgetary aid in 2024.

Fiscal Policy and Debt Management

9. Our authorities remain committed to a sustained fiscal consolidation path aimed at ensuring debt sustainability and gradually reducing the financing needs. They view domestic revenue mobilization as a key pillar of their consolidation strategy and aim to continually increase their tax revenues. In this regard, they view reforms of the tax system that encompass enhancing tax collection efficiency, streamlining tax exemptions, and strengthening revenue administration. On the expenditure side, while protecting critical social spending and priority investments, the authorities are planning to implement some targeted expenditure measures, including wage-bill reform and improved management of the civil service.

10. The authorities also attach prominence to enhancing public financial management (PFM) and will continue to implement reforms aimed at increasing the efficiency and transparency of public finances and improving cash management to ensure the best possible use of resources. In this regard, they have published the 2024 budget and the amended budget law approved by Parliament as critical steps in enhancing budget transparency; completed the audit of domestic arrears, including cross-arrears with SOEs; and promulgated in May 2024 the presidential decree on the Budgetary and Accounting Management Regulations. Going forward, they intend to improve the Treasury Single Account (TSA) by extending its coverage to include all transactions from extrabudgetary entities, public administrative bodies, and foreign-financed projects, as well as operationalize the Treasury Committee, which will be responsible for developing and closely monitoring the implementation of the Government's cash management plan.

11. Comoros' public debt remains sustainable, although at high risk of distress. To ensure that external borrowing does not put debt sustainability in jeopardy, the authorities will prioritize concessional debt and grants, as well as consult with staff on new external borrowing. This is in line with their commitment to bring debt back to moderate risk of distress.

Monetary and Financial Sector Policies and Reforms

12. Our authorities remain committed to the implementation of monetary policy actions geared at safeguarding the currency peg and maintaining stability. Therefore, the BCC continues to closely monitor inflation trends and stands ready to adjust its monetary policy stance as necessary. While the BCC has kept the minimum bid rate for reverse auctions unchanged at 3 percent since July 2023 and held the reserve requirement ratio unchanged at 12.5 percent since October 2023, the liquidity absorption ceiling was raised from 10 KMF billion to 15 KMF billion in October 2024. The authorities remain steadfast in their efforts to strengthen the monetary policy toolkit and to equip the Comorian economy with greater resilience against exogenous shocks. As such, the BCC has requested technical assistance from the BCEAO to support the implementation of the recently established monetary policy framework, developed with Fund assistance. Going forward, with the help of TA from the Fund and other partners, the authorities will continue to advance work towards developing the collateral framework, interbank

market, marginal lending facility, and emergency liquidity assistance framework.

13. The authorities prize financial sector stability and regard efforts to enhance supervisory, regulatory and resolution frameworks as essential. They continue to address the vulnerabilities in the financial sector, including the high Non-Performing Loans (NPLs), which have gradually decreased. They are preparing recapitalization plans, and estimating the potential fiscal costs associated with recapitalizing of one of the two banks and the recovery or takeover of the other. The authorities will also continue with the ongoing restructuring of the state-owned postal bank (SNPSF) and ensure that the new *Banque Postale des Comores* operates with strong governance and risk management frameworks, to meet the objectives of promoting financial inclusion while limiting fiscal contingent liabilities.

Structural and Governance Reforms

14. The authorities place prominence on advancing governance and anti-corruption reforms. They view these reforms as vital to enhancing the public sector's institutional integrity and transparency as well as fostering a conducive business environment. In that vein, they continue to work with the EU to strengthen the integrity and efficiency of the judicial system. They completed work on the publication of all public procurement contracts, including beneficial ownership information, and, since May 1, 2024, regularly publish comprehensive information. Moreover, the newly established Anti-Corruption Chamber (ACC) is a significant step in the fight against corruption and is set to play a crucial role in enforcing the anti-corruption law and formulating a broader anti-corruption agenda, including enforcing asset declaration requirements for senior public officials. The authorities are committed to a comprehensive strategy allowing the ACC to fulfill its mandate, but full operationalization will require additional financial and capacity development support from development partners. Our authorities have also committed to addressing capacity constraints in the civil service by fast-tracking improvements to the State's personnel management information system.

15. They also continue to prioritize improvements to the AML/CFT framework and plan to adopt a new AML/CFT law that is aligned with international standards. Recommendations from the recent assessment by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) will inform the ongoing efforts to adopt and enhance risk management frameworks. Furthermore, and in line with the recommendations of the IMF's 2023 safeguards assessment, the authorities continue to implement measures to strengthen the BCC's autonomy.

16. Meanwhile, Comoros faces significant challenges from extreme weather events induced by climate change, including cyclones, heavy rains and floods whose detrimental impact on infrastructure and livelihoods compounds the country's existing vulnerabilities. In this light, the authorities continue to prioritize climate adaptation while seeking to build resilience.

17. Recognizing the importance of data reliability, the authorities have reaffirmed their commitment to the success of the statistical capacity support project conducted in collaboration with the World Bank, the Fund, and other partners, with a focus on price data and national accounts.

Conclusion

18. Our Comorian authorities reiterate their strong commitment to advancing the structural reforms necessary to engender macroeconomic stability and achieve their development goals under the ECF-supported program. They highly value the extensive technical assistance and Fund support that the program affords them. Along with other development partners, the Fund remains indispensable to the successful implementation of Comoros' economic and structural reform agenda.