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Union of the Comoros: Staff-Monitored Program

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UNION OF THE COMOROS

Staff-Monitored Program

Prepared by the African Department
(In consultation with other departments)

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February 4, 2005

- **Background**. After nearly a decade of political tensions undermining the economic development of the country, the cooperation between the Union and island governments is gradually improving. Following the transition agreement of December 2003 and parliamentary elections in March/April 2004, the new Union Assembly adopted organic laws in early January 2005, which established the competencies of the union and the islands, and a consolidated budget. The last Article IV consultation was concluded by the Executive Board on April 30, 2004.

- **Staff Monitored Program**. In the attached letter of intent (LOI) dated February 2, 2005 (Appendix I) and the accompanying memorandum of economic and financial policies (MEFP), the Comoros requests a 12-month SMP to help restore the credibility of its economic management, put public finances back on a sound footing, improve financial intermediation, and accelerate structural reforms. The program will be monitored quarterly. Satisfactory performance under the SMP would provide a track record of policy implementation that could lead to a PRGF arrangement. The authorities have expressed their intention to publish their LOI and the MEFP on the IMF website.

- **Mission**. Discussions on a SMP took place during November 8-20, 2004. The mission met with the Minister of Finance and the Budget of the Union, the Governor of the Central Bank, and several other Ministers and senior officials. It was received by the President of the Union, Mr. Azali, and met with the Presidents and parliaments of the three island governments and the National Assembly of the Union. The staff team comprised Pierre van den Boogaerde (head), Rodolphe Blavy (AFR), Jaume Puig (SEC), and Claire Gicquel (PDR).

- **Work program**. The next Article IV consultation report is scheduled for Executive Board discussion in July 2005. This will provide an opportunity to discuss the SMP.

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Executive Summary

- **The political situation remains fragile but cooperation between the Union and island governments is improving**. The Union parliament has adopted a first draft of the organic law on the delineation of the responsibilities, the organic law containing the revenue sharing formula, and the consolidated budget for 2005.

- **Economic growth in 2004 remained weak and fiscal policy was expansionary**. Per capita income continued to decline, while inflation remained subdued. The external current account deficit narrowed because of a surge in private remittances. The primary fiscal balance deteriorated by about 2 percent of GDP and the overall deficit was financed by a further accumulation of arrears. Monetary policy remained circumscribed by the country's participation in the Franc zone.

- **The authorities' program for 2005 is focused on macroeconomic stabilization**. This is predicated on a consolidated budget entailing a domestic fiscal adjustment slightly above 3 percent of GDP, to be achieved about evenly through revenue and expenditure measures. Monetary policy will remain circumscribed by the country's participation in the Franc zone (and thus an effective currency peg to the euro). The program includes several structural reform steps, including a number of privatizations.

- **The authorities agreed that the Poverty Reduction Strategy (PRS) process needed to gather momentum, with a view to making progress toward the Millennium Development Goals**. The PRS process came to a virtual halt since the adoption of the draft I-PRSP in May 2003. Preparing an updated I-PRSP through a participatory process and completing a full PRSP in 2006 should remain a high priority.

- **Agreement in principle was reached on a staff monitored program covering 2005**. The program would support the authorities' economic reforms and establish a track record of policy implementation that could lead to a PRGF arrangement.

- **The program faces a number of risks, notably in the areas of continued inter-island cooperation, implementation of the fiscal program, and exogenous shocks**. Continued mistrust between the different entities will need to be overcome. Persistent cooperation on macroeconomic management will have to be demonstrated if the ambitious fiscal adjustment envisaged is to be achieved. Also, the authorities need to address the fiscal cost of the 2004-05 vanilla crop where official prices remain considerably above world market levels.

I. BACKGROUND

1. **The power struggle between the Union and the islands which severely hampered economic policies in recent years is receding and cooperation is improving** (Box 1). Following parliamentary elections in March/April 2004 to elect the assemblies of the islands and the Union, a new government of the Union was formed in July 2004. The new Assembly of the Union has passed important organic laws, in particular, the laws on distribution of competencies between the islands and the Union, and on revenue-sharing quotas.[1]

2. **The authorities have requested a 12-month Staff-Monitored Program (SMP)**. The abatement of political tensions offers an opportunity for the authorities to implement economic policies that could enhance economic growth and reduce poverty. The central objective of the program is to restore credible economic management and put public finances back on a sound footing. Satisfactory performance under the SMP is a prerequisite for negotiating a program that could be supported by the Fund under the PRGF, and for obtaining debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. In addition, the authorities hope that the SMP would facilitate the dialogue with multilateral and bilateral donors and allow access to new concessional aid.

Box 1. Comoros: The Road to Political Integration

The Union of the Comoros consists of three islands: Ngazidja (Grande Comore), Mwali (Mohéli), and Nzwani (Anjouan). Population is estimated at 768,000, of which 52 percent live in Ngazidja, 42.5 percent in Anjouan, and 5.5 percent in Mohéli. Before French rule, the Comoros were not a political unit. Following independence from France in 1975, the young republic was characterized by political instability and a number of military coups and secessionist moves. In August 1997, the island of Anjouan unilaterally declared its independence. After more than three years of negotiations under the aegis of the Organization of African Unity, Anjouan reintegrated into the Union in February 2001. In December 2001, a new constitution providing for wide-ranging autonomy of the islands was approved by referendum. The Union is to be headed in turn by a representative of one of the three islands, elected by the overall population of the archipelago, for a period of 4 years. Colonel Azali, who had taken power in a 1999 coup, was elected President of the Union in April 2002. After a number of failed attempts, a Transition Agreement was reached in December 2003, supported by the international community through a Multi-Donor Trust Fund. The first parliamentary elections were held in March/April 2004 and won by the opposition with a two-thirds majority. A new Union government was formed, including representatives of the island governments, with the exception of the island of Ngazidja that decided not to participate in the government.

[1] The Constitutional Court rejected some aspects of the law on distribution of competencies. Parliamentary adoption of the final version is scheduled for February 2005.

II. Recent Economic Developments

3. **Economic performance in 2004 was once again lackluster**. Against the backdrop of a significant external shock due to a collapse in vanilla prices[2] and the rise in oil prices, GDP growth is estimated at 1.9 percent, resulting in a further decline on a per capita basis by 0.8 percent. Consumer price inflation is estimated to average about 4 percent for the year.

4. **Fiscal policy was expansionary, with the domestic primary balance deteriorating by about 2 percent of GDP to a deficit estimated at 1.4 percent of GDP**. The overall deficit (commitment basis, including grants), estimated at 2.7 percent of GDP, was financed by about 3 months of salary arrears and a further accumulation of external arrears equivalent to 0.9 percent of GDP. This reflected:

- The non-implementation of the revenue sharing agreements introduced in March 2004 by the various entities.

- A decline in tax revenue estimated at ½ percent of GDP to 14.9 percent of GDP, because of a lack of administrative capacity that followed the devolution of tax collection competencies to the island governments.

- An increase in current outlays estimated at 1 percent of GDP to 16.3 percent of GDP due to new hirings (salaries represent 55 percent of primary current expenditure) and the cost of the new Union institutions.

5. **Monetary policy remained narrowly circumscribed by the country's participation in the Franc zone**. Broad money is estimated to have fallen slightly, reflecting a fall in deposits due to salary arrears. Private sector credit declined due to lower levels of vanilla crop financing.

6. **A deterioration in the trade balance due to the terms of trade shock was more than offset by a sharp increase in net private transfers from the Comorian expatriate community**. This reflected a significant increase in visiting expatriates after the opening of a new direct flight between France and Moroni. The current account deficit (including official transfers) is estimated to have narrowed from 6.2 percent of GDP in 2003 to 3 percent of GDP in 2004. Net official reserves are estimated to have remained above 10 months of imports of goods and services.

7. **The economic crisis of recent years resulted in an accumulation of external debt service arrears**, especially on the debt to the African Development Bank (AfDB), the

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[2] International vanilla prices fell from an average of US$251/kg in 2003 to about US$50/kg at present.

Arab Bank for Economic Development in Africa (BADEA), and bilateral creditors.[3] External arrears accumulation is estimated at US$6.1 million in 2004 and the stock of arrears amounted to $106.9 million at end-2004 (Table 6). Outstanding external debt at end-2004 (including arrears) is estimated at US$290 million (76 percent of GDP and 470 percent of goods and services exports).

III. Policy Discussions

8. **The program for 2005 is focused on macroeconomic stabilization**. The key objective is to set up a credible home-grown program based on tighter fiscal policies and structural reforms. The mission discussed a medium-term macroeconomic framework centered on reforms in agriculture, fisheries, and tourism. This could lead to a gradual recovery, after a transition period (2005-07), to a growth path of 5 percent in 2008, in line with the target of the poverty reduction strategy. For 2005, GDP growth is projected at 3 percent, slightly above the population growth rate, with inflation remaining subdued. This is based on a deregulation of the cash crop sector (vanilla, cloves, and ylang-ylang)—with the liberalization of the vanilla sector particularly important (Box 2)— and on a package of other structural measures, including the privatization of customs,[4] the petroleum products distribution company, and the telecommunications company.

A. Fiscal Policy

9. **The authorities adopted a consolidated budget for 2005 geared to supporting domestic and external sustainability**. The overriding goal is a primary domestic surplus equivalent to about 1.8 percent of GDP, entailing a domestic fiscal adjustment slightly above 3 percent of GDP compared with 2004.

- Notwithstanding unfavorable exogenous developments and some tax cuts,[5] combined revenue for the three island governments and the Union is expected to increase by about 1¼ percent of GDP compared with 2004 to 16.2 percent of GDP because of a number of revenue enhancing measures, notably the upward revision in some customs rates as part of

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[3] The conjunction of the high level of reserves and absence of arrears clearance results from the franc zone mechanism, where the availability of reserves to the government is dependent on the government's ability to purchase them with domestic resources. In the case of the Comoros, the government lacked the domestic cash resources to repurchase its reserves.

[4] The authorities intend to solicit offers for a management contract of customs services by the spring of 2005. Many details still need to be decided, in consultation with the World Bank.

[5] Including the delivery of only one rice shipment instead of the usual two and the removal of the surtax on rice that had been introduced to finance the set up of a university, but was weighing heavily on the poor.

the inter-island harmonization (projected yield 0.4 percent of GDP), higher dividend receipts, fishing royalties and privatization receipts (projected yield 0.4 percent of GDP), and the payment in 2005 of back income and domestic consumption taxes following audits undertaken late in 2004 (projected yield about 0.3 percent of GDP).[6]

- Agreement was reached on the combined total of primary expenditure, to be contained to 14.4 percent of GDP through a set of identified measures (MEFP, paragraph 20). Spending cuts (relative to 2004) pertain notably to a curtailment in wages through a comprehensive action plan to streamline the civil service and not renewing the contracts of temporary personnel hired over the last two years; to cuts in outlays for goods and services; and to the strict application of spending procedures to exercise better control.

Box 2. Comoros: Recent Developments and Reforms in the Vanilla Sector

- **International vanilla prices** have been on a secular decline because of the increasing use of much cheaper artificial vanilla flavoring. Because of a typhoon that destroyed a large part of Madagascar's crop in 2002, international vanilla prices spiked in 2003 (to as high as $500/kg), but have collapsed in 2004 (reaching about $50/kg by early 2005) as Madagascar is expected to have a bumper crop.

- **The fall in world vanilla prices poses major challenges for the sale of the 2004-05 crop**. The vanilla crop year runs from June through May. Up to the 2004-05 crop year, the government was setting the domestic price structure, that did not differentiate according to quality, in consultation with representative bodies of the growers, preparers, and exporters. The government mandated price for 2004-05 was cut by about 60 percent compared with 2003-04, to an equivalent FOB price of about US$81/kg. The price differential for the overall crop amounts to US$2.5 million (0.6 percent of GDP). Faced with this prospect, the exporters have been unwilling so far to buy the crop from the preparers. The government wants to minimize the potential fiscal cost, insisting on some burden sharing.

- **Deregulation**. Starting with the 2005-06 crop, the government has decided to deregulate the cash crop sector. It will no longer interfere in the price setting of cash crops and transfer marketing to the private sector. This is expected to increase the flexibility of the sector, lower the cost structure, and improve quality as pricing will be differentiated according to quality.

- **Longer term competitiveness issue**. The Comoros' cost structure is based on the euro. The recent strengthening of the euro vis-à-vis the dollar has eroded competitiveness, in particular vis-à-vis Madagascar, the world's largest vanilla producer, whose currency has depreciated significantly. The liberalization of the cash crop sectors is expected to offset some of the loss in competitiveness, notably through the emphasis on quality. This issue will be examined in more detail during the next Article IV consultations.

[6] To be supplemented by the recommendations of a FAD technical assistance mission on tax policy planned for early 2005.

- The budget avoids an accumulation of new domestic arrears and creates room for the payment of current obligations to multilateral creditors.
- The budget includes a reallocation of public expenditure to the social sectors, notably through a reduction in expenditure on wages and security to benefit social spending.

10. **The authorities intend to find a sustainable way of clearing domestic arrears**. To preserve social peace, one of the authorities' priorities is to clear back wages owed to civil servants. They will endeavor to mobilize external financing to that end. The authorities intend to audit the government debt due to private enterprises, and negotiate the settlement of that debt by 2005. Also, they plan to offset the cross-debts between the government and public enterprises and clear the balance in 2005.

B. Monetary and Exchange Rate Policy

11. **Monetary and exchange rate policy will remain circumscribed by the country's** currency **peg to the euro**. The arrangement has provided the country with a firm monetary anchor and tight limits on monetary financing of fiscal deficits, contributing to low inflation. Nonetheless, external competitiveness has become an issue, as the cost structure of the Comoros' main export crops has risen significantly compared with its competitors (see Box 2). Broad money is expected to grow by about 5 percent in 2005. The central bank will seek to facilitate a gradual revival of the credit market, in particular by using its rediscount window.

12. **The central bank will continue its efforts to enhance the effectiveness of the financial system and to strengthen bank supervision** (following up on technical assistance provided by MFD). The authorities noted the lack of competition in the financial sector, which has only one commercial bank. They have initiated discussions with other potential operators that specialize in financing the productive sectors. They will also reinforce supervision for microfinance institutions. In addition, the authorities will examine whether the restructuring efforts of the Comoros Development Bank warrant a renewal of its one-year banking license, and will grant a banking license to the National Financial and Postal Services Company only after the necessary rules are in place and its management has been trained in banking.

C. Structural Reforms and Governance

13. **The SMP includes a fast-track program of structural reforms**. To improve economic efficiency and lower costs, the authorities will resume the program for government divestment of public enterprises with the support of the World Bank and other donors. Specifically, the government intends to privatize the Comoros Hydrocarbons Company (SCH) and Comore Telecom by the end of 2005. In addition, it will consider abolishing the ONICOR monopoly on rice imports.

14. **The authorities are committed to strengthening governance and the judiciary**. Parliament recently adopted the organic laws on the justice system, the Supreme Court, and the status of magistrates. To promote the rule of law and its enforcement, the government will embark on extensive reforms of the judiciary and strengthen the powers of the courts.

D. External Financing and Clearance of Arrears

15. **Preparations for a donors' roundtable are underway**. Under the auspices of the United Nations Development Program (UNDP), who administers the multi-donor trust fund account, a mission evaluated the prior steps needed and the tentative calendars. The roundtable, to be hosted by Mauritius, is tentatively scheduled for October 2005 after (i) two successful quarterly reviews under the SMP would demonstrate the Comoros government's implementation capacity, and (ii) the three year investment plan would have been strengthened based on an update of the interim Poverty Reduction Strategy Paper (I-PRSP). The roundtable is expected to be preceded by an information session for donors in the spring of 2005, following the first quarterly review under the SMP.

16. **The 2005 budget provides for the payment of current obligations to** multilateral **creditors**. The authorities will continue to service their obligations to IDA, the International Fund for Agricultural Development (IFAD), the Islamic Development Bank (IsDB), and the OPEC Fund, and settle current payments due to the AfDB. It is expected that the authorities will seek a rescheduling of existing bilateral debt as an interim step to a comprehensive solution under the enhanced HIPC initiative.[7]

17. **The authorities noted that they intend to request in the future financial assistance from the Fund through a PRGF-supported program**. The staff indicated that good performance under the SMP, as demonstrated through two successful quarterly reviews, could provide a basis for initiating negotiations on a PRGF supported program in the fall of 2005.

E. Poverty Reduction Strategy

18. **The authorities agreed with the staff that the PRSP process needed to gather renewed momentum, with a view to making progress toward achieving the** Millennium **Development Goals** (MDGs). The PRSP process came to a virtual halt since the adoption of the draft I-PRSP in May 2003. The authorities in November 2004 prepared an update of the I-PRSP action plan for the medium term (2005-2007), with specific actions in the five strategic areas of the I-PRSP. The mission discussed the need to quickly relaunch consultations with the stakeholders in all three islands in preparation of an updated I-PRSP by the time of discussions for the PRGF. This would allow for a Joint Staff Advisory Note to

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[7] The Comoros owes debt to only one Paris Club creditor and has never had a Paris Club rescheduling. Two thirds of its bilateral debt is owed to Saudi Arabia and Kuwait.

be presented shortly thereafter and would lay the foundation for the preparation of a full PRSP in 2006, before the Comoros could reach the decision point under the HIPC initiative. Starting in 2005, the authorities will begin increasing allocations to the social sectors, especially to health and education, from their very low levels in 2004. They also intend to restructure the national pharmacy (Pharmacie Nationale d'Approvisionnement des Comores) and lower its operating costs and margins in an effort to reduce the price of generic drugs.

F. Program Risks and Monitoring

19. **The major risks to the program relate to entrenched interests that may derail the reconciliation process, difficulties in achieving the fiscal targets, and exogenous shocks**. In spite of the substantial progress achieved recently, the authorities of the Union and of each of the islands will have to overcome the remaining mistrust and demonstrate adequate and persistent cooperation on macroeconomic management, in particular on revenue sharing and spending competencies. The fiscal adjustment, and in particular the curtailment in wages, is ambitious, and there is a risk that the civil service reform might not be fully implemented. The government will need to break with past practice and implement the budget with steadfast adherence. The authorities will also have to address the fiscal cost of unwinding the 2004-05 vanilla crop and endeavor to improve the competitiveness of the sector.

20. **In view of these risks, the staff will closely monitor the SMP implementation**. The authorities' policies covering January-December 2005 have been specified in the attached MEFP. Performance under the program will be monitored using quarterly indicative targets, and reviews (paragraph 34 and Table 1 of the MEFP).

21. **The government is committed to establishing and regularly updating a database of reliable key fiscal and monetary indicators**,[8] and to reporting to IMF staff the key information needed to monitor the implementation of the program. To help this endeavor in light of the remaining serious deficiencies in the Comoros' economic and financial database, the authorities requested technical assistance from the Statistics Department in several areas.

IV. STAFF APPRAISAL

22. **The Comoros is emerging from nearly a decade of political infighting**. Though mistrust between the Union and island governments still persists, there is clearly a new impetus to cooperate. In part, this is driven by the realization of the urgent need to adopt coherent economic policies and normalize relations with donors and creditors as the only way to rekindle growth and obtain debt reduction under the enhanced HIPC Initiative.

[8] See section IV of the technical memorandum of understanding.

However, to achieve these objectives, determined efforts by the authorities of the Union and island governments will be needed, backed by the international community.

23. **The SMP's macroeconomic framework is focused on stabilization as a precondition for gradual economic recovery**. The cornerstone of this stabilization is implementation of a consolidated budget for 2005 that is consistent with domestic and external sustainability. The ambitious measures to improve fiscal discipline are welcome, in particular the reduction in the wage bill through a comprehensive plan to streamline the civil service. To avoid any further accumulation of domestic and external arrears, adoption of tax reforms, strictly adhering to the revenue-sharing process, and forceful implementation of expenditure controls will be essential.

24. **Membership of the Comoros in the franc zone has served the country well**, providing a firm monetary anchor and tight limits on monetary financing of fiscal deficits. This has contributed to low inflation. External competitiveness has eroded, though this could be mitigated by forcefully pursuing the envisaged liberalization policies. The intention of the authorities to broaden the availability of financial services is welcome, but this should be accompanied by the recruitment of qualified staff and appropriate capitalization, strict enforcement of prudential regulation and supervision, and an unequivocal commitment to the independence of the central bank.

25. **The staff welcomes the ambitious structural reform agenda**. The planned privatization of the customs office, and of the petroleum distribution and telecommunication companies, should increase revenue, improve economic efficiency, and diminish rent-seeking opportunities. The reform of the judiciary and strengthening of the power of the courts is essential to foster domestic investment and attract foreign direct investment.

26. **There is a pressing need to rekindle the PRS process after two years of neglect,** with **a view to making progress toward achieving the MDGs**. Per capita income has declined over the last five years, exacerbating the endemic poverty in the country. Directing significant efforts to fight poverty based on the revised I-PRSP action plan, preparing an updated I-PRSP through a participatory process by the time of the discussions for the PRGF, and completing a full PRSP by 2006 should remain very high on the authorities' priority list.

27. **Concerted efforts by the authorities and donors are needed to clear the Comoros' external arrears and close the financing gap**. The authorities intend to meet current payment obligations to all multilateral creditors. Concurrently, they will endeavor to reach agreements to regularize arrears to other creditors. The staff supports this objective and the authorities' intention to mobilize donor assistance to fill the budgetary financing gap.

28. **The planned improvement in the Comoros' statistics is welcome**. In particular, the authorities' commitment to establish a system of timely reporting of fiscal and monetary indicators will improve economic monitoring and enhance transparency.

29. **The program faces a number of risks, notably in the areas of continued inter-island cooperation, implementation of the fiscal program, and the fiscal cost of the 2004-05** vanilla **crop**. Continued mistrust will need to be overcome. The fiscal program is ambitious and the spending targets tight. It will be crucial that the new government remains determined in achieving them. Arrangements for the 2004-05 vanilla crop need careful management to avoid jeopardizing the Comoros' main export crop and endangering the microfinance sector, that has lent heavily to the farmers, while minimizing the fiscal cost.

30. **The authorities' program is designed to turn around a very difficult situation**. The staff will closely monitor program implementation. This program will help the authorities establish a track record that can restore credibility in macroeconomic policy implementation and provide a basis for moving to a PRGF supported arrangement in due course.

Table 1. Comores: Selected Economic and Financial Indicators, 2001-2007

	2001	2002	2003	2004	2005	2006	2007
				Est.	Proj.		
	(Annual percentage change, unless otherwise indicated)						
National income and prices							
Real GDP	2.3	2.3	2.1	1.9	3.0	3.5	4.3
Real GDP per capita	-0.4	-0.4	-0.6	-0.8	0.3	0.7	1.5
Nominal GDP (in millions of Comorian francs)	121,003	128,980	139,036	145,489	152,839	163,277	175,125
Nominal GDP (in millions of U.S. dollars)	220.3	247.5	317.7	367.7	402.2	431.4	463.9
Nominal GDP per capita (in U.S. dollars)	377.7	413.2	516.5	582.0	619.9	647.4	677.9
GDP deflator	8.6	4.2	5.6	2.7	2.0	3.3	2.9
Consumer price index (annual averages)	5.9	3.3	4.4	4.3	3.0	3.0	3.0
External sector							
Exports, f.o.b.	25.9	13.5	12.7	-37.7	-15.3	3.6	4.4
Imports, f.o.b.	9.9	16.9	1.8	6.9	0.2	7.7	8.0
Terms of trade	61.4	0.8	75.1	-59.1	-20.5	0.9	-1.3
Government budget							
Domestic revenue	53.4	27.3	3.8	-3.1	14.4	8.8	11.2
Total expenditure and net lending	54.4	25.9	-6.9	-8.9	6.5	9.2	9.0
Current expenditure	57.5	13.7	-5.8	-3.9	4.2	7.2	7.4
Capital expenditure and net lending	29.3	41.4	-0.2	-13.8	13.9	15.4	13.5
Money and credit							
Net foreign assets	57.9	9.2	-4.4	2.8	-2.5	...	...
Domestic credit	-5.6	11.7	-2.2	-8.4	14.3	...	...
Credit to government	-16.5	15.2	-49.1	20.2	0.0	...	...
Credit to the rest of the economy	-1.8	10.5	12.5	-13.6	17.6	...	...
Broad money	58.6	10.3	-4.6	-2.6	5.1	...	...
Velocity (GDP/average broad money)	3.6	3.5	4.0	4.3	4.3	...	...
Interest rate (in percent, end of period)	6.4	6.1	6.1	6.1	6.1	...	...
	(In percent of GDP, unless otherwise indicated)						
Investment and savings							
Investment	11.8	12.2	11.8	10.4	10.7	11.1	11.5
Public	4.4	5.9	5.5	4.5	4.9	5.3	5.6
Private	7.3	6.4	6.3	5.9	5.9	5.9	5.9
Gross national savings	12.9	8.2	5.5	7.5	6.5	7.0	7.5
Public	0.8	2.1	2.0	1.8	4.4	4.6	5.2
Private	12.1	6.1	3.6	5.7	2.2	2.4	2.3
External current account (incl. official transfers)	1.1	-4.0	-6.2	-3.0	-4.2	-4.1	-3.9
Government budget							
Domestic revenue	14.0	16.7	16.1	14.9	16.2	16.5	17.1
Total grants	4.4	4.2	2.3	2.0	3.1	3.1	3.1
Total expenditure	22.0	26.0	22.4	19.5	19.8	20.2	20.6
Current expenditure	17.6	18.7	16.4	15.0	14.9	15.0	15.0
Capital expenditure	4.4	5.9	5.5	4.5	4.9	5.3	5.6
Primary balance	-2.2	1.1	0.5	-1.4	1.8	2.0	2.5
Overall balance (commitment basis, including grants)	-3.6	-5.1	-4.1	-2.7	-0.5	-0.7	-0.3
Overall balance (cash basis, including grants)	-2.2	-4.3	-2.5	-0.9	-0.4	-3.1	-2.6
Total debt	119.8	110.7	96.0	77.3	73.9	69.8	66.4
External sector							
Current account balance (incl. official transfers)	1.1	-4.0	-6.2	-3.0	-4.2	-4.1	-3.9
Current account balance (excl. official transfers)	-0.9	-6.7	-7.3	-3.4	-4.9	-4.8	-4.6
Outstanding external debt (in percent of exports of goods and nonfactor services)	632.3	572.9	452.2	470.7	475.1	454.1	433.7
Outstanding external debt (in percent of GDP)	100.5	91.9	78.9	76.0	72.6	68.6	64.9
External debt service							
In percent of exports of goods and nonfactor services	19.9	14.6	12.9	13.8	13.7	14.3	13.2
In percent of government revenue	22.7	14.1	14.0	14.9	12.9	13.1	11.6
Overall balance of payments (in millions of U.S. dollars)	16.8	6.3	-5.9	-2.9	-4.9	-2.7	0.0
External payments arrears (end of year; in millions of U.S. dollars)	83.3	90.4	100.8	106.9	112.1	113.2	114.3
Gross international reserves (end of period; in millions of U.S. dollars)	65.2	80.9	97.2	100.0	101.4	110.9	118.1
(equivalent months of imports, c.i.f.)	11.9	11.8	10.6	10.3	10.0	10.3	10.3

Sources: Comorian authorities; and staff estimates and projections.

Table 2. Comoros: Consolidated Government Financial Operations, 2002-2007

	2002	2003	2004	2004	2005	2006	2007
			Proj. *	Proj. **	Proj.		
	(In millions of Comorian francs)						
Total revenue and grants	26,929	25,482	29,362	24,489	29,496	31,930	35,416
Revenues	21,521	22,335	24,389	21,648	24,756	26,941	29,946
Tax revenues	18,038	19,622	21,112	18,926	21,385	22,559	25,922
Nontax revenues	3,483	2,713	3,277	2,640	3,371	4,205	4,024
Exceptional revenue	0	0	0	83	0	0	0
External grants	5,408	3,147	4,973	2,838	4,740	4,989	5,469
Budgetary assistance	1,130	0	0	103	0	0	0
Project financing (incl. technical assistance)	3,317	3,147	4,973	2,736	4,740	4,989	5,469
Other budgetary aid	961	0	0	0	0	0	0
Total expenditure and net lending	33,473	31,161	29,803	28,402	30,237	33,030	35,997
Current expenditure	24,172	22,769	22,829	21,870	22,796	24,440	26,246
Budgetary	21,284	20,262	21,459	20,019	21,782	23,233	24,864
Wages and salaries	10,703	11,493	11,379	11,554	11,732	12,583	13,541
Goods and services	7,909	5,297	6,322	6,864	6,288	6,744	7,258
Transfers	1,338	2,041	2,529	1,601	2,348	2,518	2,710
Interest payments	1,335	1,431	1,230	1,299	1,414	1,388	1,354
External debt	1,265	1,323	1,122	1,204	1,306	1,280	1,246
Domestic debt	70	108	108	95	108	108	108
Technical assistance	2,887	2,507	1,370	552	1,014	1,207	1,382
Capital expenditure	7,597	7,578	6,974	6,532	7,440	8,590	9,751
Domestically financed investment	131	2,785	1,869	3,633	1,694	1,902	2,110
Foreign-financed investment	7,466	4,793	5,105	2,899	5,746	6,688	7,641
Priority rehabilitation expenditures	0	0	0	0	0	0	0
Net lending	-69	0	0	0	0	0	0
Primary balance	1,441	719	2,291	-2,001	2,694	3,194	4,327
Overall balance (commitment basis)	-6,544	-5,679	-441	-3,912	-740	-1,100	-582
Excluding grants	-11,952	-8,826	-5,414	-6,751	-5,481	-6,089	-6,051
Change in net arrears (+: accumulation)	969	2,226	260	1,038	54	-3,998	-3,997
Interest on external debt	882	1,001	742	485	54	52	53
Domestic arrears	87	1,225	-482	553	0	-4,050	-4,050
Change in the accounts at the Treasury	n.a.	n.a.	n.a.	1,554	0	0	0
Overall balance (cash basis)	-5,575	-3,453	-181	-1,320	-686	-5,098	-4,579
Excluding grants	-10,983	-6,600	-5,154	-4,158	-5,427	-10,087	-10,048
Financing	5,575	3,453	731	1,399	119	1,011	2,364
Foreign (net)	6,189	3,333	523	1,055	119	982	1,667
Drawings	7,036	4,153	1,502	1,517	2,020	2,906	3,554
Amortization	-1,603	-1,638	-1,749	-1,206	-2,195	-2,253	-2,217
Arrears (principal)	755	818	770	744	294	330	330
Domestic (net)	-613	120	208	344	0	29	698
Bank financing	112	81	208	344	0	29	698
Deposits and claims on treasury	-228	-1	0	0	0	0	0
Nonbank financing	-498	40	0	0	0	0	0
Financing gap	0	0	-550	-79	568	4,087	2,215
Memorandum items:	(In percent of GDP)						
Domestic revenue	16.7	16.1	16.4	14.9	16.2	16.5	17.1
Noninterest domestic primary expenditure	15.6	15.5	14.8	16.3	14.4	14.5	14.6
Expenditure	26.0	22.4	20.0	19.5	19.8	20.2	20.6
Primary balance	1.1	0.5	1.5	-1.4	1.8	2.0	2.5
Overall balance (commitment basis)	-5.1	-4.1	-0.3	-2.7	-0.5	-0.7	-0.3
excluding grants	-9.3	-6.3	-3.6	-4.6	-3.6	-3.7	-3.5
Overall balance (cash basis)	-4.3	-2.5	-0.1	-0.9	-0.4	-3.1	-2.6
excluding grants	-8.5	-4.7	-3.5	-2.9	-3.6	-6.2	-5.7

Sources: Ministry of Finance; and staff estimates and projections.

*: as projected in the 2004 Staff Report; **: new projections by staff in November 2004.

Table 3. Comoros: Government Financial Operations, September and December 2004

(In millions of Comorian francs, unless otherwise indicated)

	September 2004 (Prel.)					December 2004 (Est.)					
	Consolidated	Union	Ngazidja	Nzwani	Mwali	Consolidated	Salaries	Union	Ngazidja	Nzwani	Mwali
Total revenue and grants, after transfers from federation account	16,813	11,524	1,832	3,027	430	24,489	4,257	14,473	2,073	3,172	514
Revenue collected	14,566	11,701	441	2,361	64	21,648	--	17,044	539	3,978	87
Taxes	12,822	10,415	319	2,034	54	18,926	--	14,881	409	3,561	74
Of which: Taxes on income and profits	2,300	2,237	20	38	4	2,767	--	2,666	25	69	7
Of which: Taxes on goods and services	3,379	2,217	263	886	12	4,756	--	3,205	336	1,199	17
Of which: Taxes on international trade	6,967	5,824	--	1,107	36	11,133	--	8,794	--	2,290	49
Nontax revenues	1,743	1,284	122	327	10	2,640	--	2,080	130	417	13
Exceptional revenue	2	2	--	--	--	83	--	83	--	--	--
Distribution of Revenue	14,566					21,648					
Revenue allocated to the Federation		6,445	--	329	31		--	10,553	--	1,915	55
Revenue allocated from the Federation		4,097	1,318	995	397		4,257	5,247	1,431	1,109	482
Available revenue after Federation transfers	14,569	9,353	1,759	3,027	430	21,651	4,257	11,738	1,970	3,172	514
External grants	2,244	2,170	74	--	--	2,838	--	2,736	103	--	--
Budgetary assistance	74	--	74	--	--	103	--	--	103	--	--
Project financing (incl. technical assistance)	2,170	2,170	--	--	--	2,736	--	2,736	--	--	--
Total expenditures and net lending	20,602	13,143	3,592	2,791	677	28,402	3,369	17,634	3,741	2,947	710
Current expenditures	15,809	8,440	3,592	2,702	677	21,870	3,369	11,211	3,741	2,838	710
Primary current expenditures	14,318	7,347	3,592	2,702	677	20,019	3,369	9,361	3,741	2,838	710
Salary, wages and pensions	8,585	3,090	3,080	1,842	573	11,554	2,969	3,090	3,080	1,842	573
Goods and services	4,532	3,575	448	409	100	6,864	--	5,588	597	546	133
Transfers and subsidies	1,201	682	64	450	4	1,601	400	682	64	450	4
Interest on debt	1,041	1,041	--	--	--	1,299	--	1,299	--	--	--
Domestic debt	41	41	--	--	--	95	--	95	--	--	--
External debt	1,000	1,000	--	--	--	1,204	--	1,204	--	--	--
Technical assistance	450	450	--	--	--	552	--	552	--	--	--
Capital expenditure	4,793	4,704	--	89	--	6,532	--	6,423	--	109	--
Domestically financed	2,817	2,728	--	89	--	3,633	--	3,524	--	109	--
Externally financed	1,976	1,976	--	--	--	2,899	--	2,899	--	--	--
Net lending	--	--	--	--	--	--	--	--	--	--	--
Primary balance	-2,566	-323	-1,833	236	-247	-2,001	888	-1,147	-1,771	225	-196
Overall balance (commitment basis)											
Excluding grants	-6,033	-3,790	-1,833	236	-247	-6,751	888	-5,896	-1,771	225	-196
Including grants	-3,789	-1,620	-1,760	236	-247	-3,912	888	-3,161	-1,668	225	-196
Repayment of Arrears	2,521	2,189	--	333	--	2,521	--	2,189	--	333	--
Domestic	2,521	2,189	--	333	--	2,521	--	2,189	--	333	--
of which: salaries, wages, and pensions	326	--	--	326	--	326	--	--	--	326	--
External	--	--	--	--	--	--	--	--	--	--	--
Accumulation of Arrears	636	636	--	--	--	485	--	485	--	--	--
Domestic	--	--	--	--	--	--	--	--	--	--	--
of which: salaries, wages, and pensions	--	--	--	--	--	--	--	--	--	--	--
External	636	636	--	--	--	485	--	485	--	--	--
Mouvements comptes du Tresor	1,554	1,554	--	--	--	1,554	--	1,554	--	--	--
Change in float (+, accumulation of payments due)	3,075	626	2,059	358	31	3,074	--	626	2,059	358	31
Overall balance (cash basis)											
Excluding grants	-2,890	-3,162	226	261	-216	-4,158	888	-5,420	288	250	-165
Including grants	-646	-992	300	261	-216	-1,320	888	-2,684	391	250	-165
Financing	1,140	1,140	--	--	--	1,399	--	1,399	--	--	--
Domestic	344	344	--	--	--	344	--	344	--	--	--
Bank	344	344	--	--	--	344	--	344	--	--	--
Central bank	344	344	--	--	--	344	--	344	--	--	--
Commercial Banks	--	--	--	--	--	--	--	--	--	--	--
Non bank	--	--	--	--	--	--	--	--	--	--	--
External	796	796	--	--	--	1,055	--	1,055	--	--	--
Drawings	982	982	--	--	--	1,517	--	1,517	--	--	--
Projects	982	982	--	--	--	1,517	--	1,517	--	--	--
Program	--	--	--	--	--	--	--	--	--	--	--
Amortization	-855	-855	--	--	--	-1,206	--	-1,206	--	--	--
Arrears on principal	669	669	--	--	--	744	--	744	--	--	--
Errors and omissions / Financing gap	-494	-149	-300	-261	216	-79	-888	1,284	-391	-250	165
Memorandum items						(In percent of GDP)					
Domestic revenue	13.4	8.6	1.6	2.8	0.4	14.9	2.9	8.1	1.4	2.2	0.4
Domestic primary expenditure, excluding interest	15.7	9.2	3.3	2.6	0.6	16.3	2.3	8.9	2.6	2.0	0.5
Expenditure	18.9	12.0	3.3	2.6	0.6	19.5	2.3	12.1	2.6	2.0	0.5
Domestic primary balance	-2.4	-0.7	-1.7	0.2	-0.2	-1.4	0.6	-0.8	-1.2	0.2	-0.1
Overall fiscal balance, payments orders basis	-3.5	-1.5	-1.6	0.2	-0.2	-2.7	0.0	-2.2	-1.1	0.2	-0.1
Excluding grants	-5.5	-3.5	-1.7	0.2	-0.2	-4.6	0.0	-4.1	-1.2	0.2	-0.1
Overall fiscal balance, cash basis	-0.6	-0.9	0.3	0.2	-0.2	-0.9	0.0	-1.8	0.3	0.2	-0.1
Excluding grants	-2.6	-2.9	0.2	0.2	-0.2	-2.9	0.0	-3.7	0.2	0.2	-0.1

Table 4. Comoros: Monetary Survey, 2001-2005

	2001	2002	2003	2004		2005			
				Sep.	Dec.	Mar.	Jun	Sep.	Dec.
				Est.	Proj		Projectio		
	(In millions of comorian francs)								
Net foreign assets	36,019	39,324	37,587	38,638	38,638	38,401	38,164	37,927	37,691
Central bank	33,486	38,399	37,636	37,963	37,963	37,726	37,489	37,252	37,016
Assets	34,879	38,796	37,860	38,094	38,094	37,857	37,620	37,383	37,147
	-1,393	-	-	-	-	-	-	-	-
Commercial	2,533	925	-	675	675	675	675	675	675
Assets	4,864	3,182	1,690	1,514	1,514	1,514	1,514	1,514	1,514
	-2,331	-2,257	-1,738	-	-	-	-	-	-
Net domestic assets	-2,690	-2,548	-2,509	-4,637	-4,467	-3,799	-3,130	-2,462	-1,793
Domestic credit	11,957	13,356	13,058	11,426	11,959	12,386	12,813	13,239	13,666
Net credit to government	2,733	3,148	1,604	1,528	1,928	1,928	1,928	1,928	1,928
Bank	2,733	3,148	1,604	1,528	1,928	1,928	1,928	1,928	1,928
Claims on government	3,955	4,231	3,420	3,840	3,840	3,840	3,840	3,840	3,840
Deposits of government	-1,221	-1,083	-1,816	-2,312	-1,912	-1,912	-1,912	-1,912	-1,912
Deposits at Treasury	-	-	-	-	-	-	-	-	-
Claims on public	73	94	80	203	203	197	191	184	178
Claims on private sector	9,151	10,114	11,374	9,695	9,828	10,261	10,694	11,127	11,560
Other items net	-14,648	-15,904	-15,567	-16,063	-16,426	-16,185	-15,943	-15,701	-15,459
Broad	33,329	36,776	35,079	34,001	34,171	34,603	35,034	35,466	35,897
Money	22,937	25,305	24,696	24,228	24,349	24,657	24,964	25,272	25,579
Currency in	12,355	12,503	11,505	12,387	12,449	12,606	12,763	12,921	13,078
Demand deposits	10,582	12,803	13,191	11,841	11,900	12,050	12,201	12,351	12,501
Quasi-	10,392	11,471	10,383	9,773	9,822	9,946	10,070	10,194	10,318
	(Percent change from previous year)								
Net foreign assets	57.9	9.2	-4.4	-4.2	2.8	4.8	2.3	-1.8	-2.5
Domestic	-5.6	11.7	-2.2	-19.3	-8.4	1.4	9.7	15.9	14.3
Net credit to	-16.5	15.2	-49.1	-34.4	20.2	28.4	-6.0	26.2	0.0
Credit to public enterprises	-1.5	28.9	-14.8	743.4	153.5	305.4	42.9	-9.2	-12.3
Credit to private sector	-1.8	10.5	12.5	-17.9	-13.6	-3.8	12.6	14.8	17.6
Other items	1.3	8.6	-2.1	0.9	5.5	3.6	0.7	-2.3	-5.9
Broad	58.6	10.3	-4.6	-11.8	-2.6	4.1	5.7	4.3	5.1
Money	62.5	10.3	-2.4	-13.8	-1.4	3.8	7.0	4.3	5.1
Quasi-	50.5	10.4	-9.5	-6.5	-5.4	4.7	2.6	4.3	5.1
	(In percent of beginning of period money stock)								
Net foreign assets	62.8	9.9	-4.7	3.0	3.0	-0.7	-1.4	-2.1	-2.8
Domestic	-3.3	4.2	-0.8	-4.7	-3.1	1.2	2.5	3.7	5.0
Net credit to	-2.6	1.2	-4.2	-0.2	0.9	0.0	0.0	0.0	0.0
Credit to public enterprises	0.0	0.1	0.0	0.4	0.4	0.0	0.0	-0.1	-0.1
Credit to private sector	-0.8	2.9	3.4	-4.8	-4.4	1.3	2.5	3.8	5.1
Other items	-0.9	-3.8	0.9	-1.4	-2.5	0.7	1.4	2.1	2.8
Broad	58.6	10.3	-4.6	-3.1	-2.6	1.3	2.5	3.8	5.1
Money	42.0	7.1	-1.7	-1.3	-1.0	0.9	1.8	2.7	3.6
Quasi-	16.6	3.2	-3.0	-1.7	-1.6	0.4	0.7	1.1	1.5
Memorandum items:									
GDP at current prices	121,003	128,980	139,036	...	145,489	...	...	...	152,839
Velocity	3.6	3.5	4.0	...	4.3	...	...	...	4.3
M1/M2 (in percent)	69	69	70	71	71	71	71	71	71

Sources: Central Bank of Comoros; and staff

Table 5. Comoros: Balance of Payments, 2001-2007
(in millions of US Dollars, unless otherwise indicated)

	2001	2002	2003	2004	2005	2006	2007
				Estimate		Proj.	
Current Account	2.4	-9.9	-19.7	-10.9	-16.8	-17.9	-18.3
Goods and Services	-29.0	-36.1	-42.8	-52.6	-55.3	-59.5	-64.0
Trade Balance	-23.2	-29.2	-32.8	-52.0	-57.2	-62.5	-68.3
Exports	16.6	19.9	26.7	18.4	16.2	16.9	17.7
Vanilla	9.8	12.7	20.9	10.0	8.0	8.3	8.7
Cloves	4.4	4.1	3.6	4.3	4.6	4.7	5.0
Ylang-ylang	1.8	2.6	1.5	3.2	2.6	2.7	2.9
Other	0.6	0.6	0.8	0.9	1.0	1.1	1.2
Imports	-39.8	-49.1	-59.5	-70.4	-73.4	-79.4	-86.0
Net Services	-5.8	-6.9	-10.0	-0.6	1.9	3.0	4.3
Services, receipts	18.4	19.8	28.7	41.0	45.2	48.3	51.8
of which: Travel	9.1	8.6	11.8	17.7	19.5	20.8	22.4
Services, payments	-24.2	-26.7	-38.7	-41.6	-43.3	-45.2	-47.4
Income (net)	0.7	-0.8	-1.3	-2.2	-2.2	-1.9	-1.1
of which: Interest	-2.3	-2.4	-3.0	-3.0	-3.2	-3.4	-3.3
Current Transfers (net)	30.7	26.9	24.4	43.9	40.7	43.5	46.8
Government	4.5	6.7	3.4	1.4	2.7	2.9	3.2
Private	26.3	20.3	21.0	42.4	37.9	40.6	43.6
Capital And Financial Account	14.4	16.2	13.8	8.0	11.9	15.2	18.4
Capital Transfers	5.2	3.7	3.8	5.7	9.7	10.3	11.3
Financial Account	2.6	15.7	8.6	3.1	2.2	4.9	7.1
Direct Investment	1.1	0.4	1.0	1.4	1.6	1.8	2.0
Other	1.4	15.2	7.6	1.6	0.5	3.1	5.1
Government	5.6	10.4	5.7	-1.1	--	1.7	3.5
Drawings	9.7	13.5	9.5	3.8	5.3	7.7	9.4
Amortization	-4.1	-3.1	-3.7	-4.9	-5.3	-6.0	-5.9
Private Sector (Net)	-4.2	4.8	1.8	2.7	0.5	1.4	1.5
Banks, net	-3.3	3.1	2.2	-1.8	--	0.0	0.0
Other (incl. Errors and omissions)	6.6	-3.2	1.5	-0.8	--	0.0	0.0
Overall Balance	16.8	6.3	-5.9	-2.9	-4.9	-2.7	0.0
Financing	-16.8	-6.3	5.9	2.9	4.9	2.7	0.0
Net Foreign Assets (increase -)	-20.7	-9.4	1.7	-0.8	2.5	-9.1	-6.9
Use of Fund credit (net)	-0.6	-0.3	-0.4	-0.2	--	0.0	0.0
Others (net)	-20.2	-9.1	2.1	-0.6	2.5	-9.1	-6.9
Net Change in Arrears	3.9	3.1	4.2	3.7	0.9	1.0	1.0
Exceptional Financing	--	--	--	--	--	0.0	0.0
Financing Gap	--	--	--	--	1.5	10.8	5.9
Memorandum items:							
Arrears (end of period)	83.3	90.4	100.8	106.9	112.1	113.2	114.3
External debt (end of period, incl. arrears & IMF)	227	247	281	290	303	305.9	310.7
Current account as percent of GDP							
Excluding transfers	-0.9	-6.7	-7.3	-3.4	-4.9	-4.8	-4.6
Including transfers	1.1	-4.0	-6.2	-3.0	-4.2	-4.1	-3.9
Exports of goods and nonfactor services	35.0	39.7	55.4	59.4	61.5	65.2	69.5
Imports of goods and nonfactor services	64.0	75.8	98.2	112.0	116.7	124.6	133.4
Debt service ratio (percent of exports of goods and nonfactor services)	19.9	14.6	12.9	13.8	13.7	14.3	13.2
Debt service ratio (percent of exports of goods)	41.9	29.2	26.7	44.4	51.9	55.3	51.9
External debt (including arrears & IMF)(percent of GDP)	100.5	91.9	78.9	76.0	72.6	68.6	64.9
Gross foreign assets of Central Bank	65.2	80.9	97.2	100.0	101.4	110.9	118.1
In months of imports of goods and nonfactor services, c.i.f	11.9	11.8	10.6	10.3	10.0	10.3	10.3
Nominal GDP (In millions of Comorian francs)	121,003	128,980	139,036	145,489	152,839	163,277	175,125

Sources: Central Bank of Comoros and staff estimates.

Table 6. Comoros: Stock of External Arrears: 2001-2004 by Creditor Groups

	Stock of External (In millions of U.S. dollars)			
	2001	**2002**	**2003**	**2004** Estimate
Tota	83.3	90.4	100.8	106.9
Multilatera	51.2	55.5	57.1	61.2
	0.0	0.0	0.0	0.0
ID	0.0	0.0	0.0	0.0
AfDB	19.8	21.5	26.7	30.3
of which:	13.8	15.0	8.9	9.9
Other	31.4	34.1	30.4	30.9
	24.9	27.1	25.6	26.0
OPEC	3.6	3.9	3.5	3.5
	0.0	0.0	0.2	0.2
	0.0	0.0	0.0	0.0
	2.9	3.1	1.1	1.1
Bilatera	32.1	34.8	43.7	45.7
Paris Club:	1.0	1.1	1.9	2.1
	1.0	1.1	1.9	2.1
Other Official Bilateral:	31.1	33.8	34.1	35.4
	12.7	13.8	14.4	15.5
Saudi	15.5	16.8	15.6	15.8
United Arab	1.1	1.2	1.1	1.1
China	1.8	2.0	3.0	3.0
Commercial:			7.7	8.3

Sources: Comorian authorities and staff estimates.

Table 7. Comoros: Millennium Development Goals

	1990	1995	2001	2002	2015 Target
Goal 1. Eradicate extreme poverty and hunger					
Target 1: Halve between 1990 and 2015, the proportion of people whose income is less than one dollar a day.					
1. Population below US$ 1 a day (percent)	...	...	...	...	...
2. Poverty gap ratio at US$ 1 a day (percent)	...	...	...	...	...
3. Share of income or consumption held by poorest 20 percent (percent)	...	...	...	...	...
Target 2: Halve, between 1990 and 2015, the proportion of people suffering hunger					
4. Prevalence of child malnutrition (percent of children under 5)	18.5	25.8	25.0	...	9.3
5. Population below minimum level of dietary energy consumption (percent)	...	...	...	...	...
Goal 2. Achieve universal primary education					
Target 3: Ensure that, by 2015, children will be able to complete a full course of primary schooling					
6. Net primary enrollment ratio (percent of relevant age group)	...	52.0	56.2	...	100.0
7. Percentage of cohort reaching grade 5	45.5	...	77.1	...	100.0
8. Youth literacy rate (percent age 15-24)	56.7	57.7	58.8	59.0	...
Goal 3. Promote gender equality and empower women					
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education by 2015					
9. Ratio of girls to boys in primary and secondary education (percent)	...	...	...	83.3	100.0
10. Ratio of young literate females to males (percent ages 15-24)	77.8	78.5	79.4	79.5	100.0
11. Share of women employed in the nonagricultural sector (percent)	...	...	...	...	...
12. Proportion of seats held by women in the national parliament (percent)	...	...	...	...	...
Goal 4. Reduce child mortality					
Target 5: reduce by two-thirds between 1990 and 2015, the under-five mortality rate					
13. Under-five mortality rate (per 1,000)	120.0	100.0	79.0	77.0	40.0
14. Infant mortality rate (per 1,000 live births)	88.0	74.0	59.0	58.0	...
15. Immunization against measles (percent of children under 12-months)	87.0	69.0	70.0	...	...
Goal 5. Improve maternal health					
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.					
16. Maternal mortality ratio (modeled estimate, per 100,000 live births)	...	570.0	...	...	...
17. Proportion of births attended by skilled health personnel	...	51.6	61.8	...	...
Goal 6. Combat HIV/AIDS, malaria and other diseases					
Target 7: Halt by 2015, and begin to reverse, the spread of HIV/AIDS					
18. HIV prevalence among females (percent ages 15-24)	...	...	...	...	...
19. Contraceptive prevalence rate (percent of women ages 15-49)	...	21.0	...	...	...
20. Number of children orphaned by HIV/AIDS	...	...	...	...	...
Target 8: Halt by 2015, and begin to reverse, the incidence of malaria and other major diseases					
21. Prevalence of death associated with malaria	...	...	...	...	...
22. Share of population in malaria risk areas using effective prevention and treatment	...	...	...	...	...
23. Incidence of tuberculosis (per 100,000 people)	...	...	63.3	...	...
24. Tuberculosis cases detected under DOTS (percent)	...	60.0	43.0	...	...

Table 7. Comoros: Millennium Development Goals (concluded)

	1990	1995	2001	2002	2015 Target
Goal 7. Ensure environmental sustainability					
Target 9: Integrate the principles of sustainable development into policies and programs. Reverse the loss of environmental resources					
25. Forest area (percent of total land area)	5.4	...	3.6	...	...
26. Nationally protected areas (percent of total land area)	...	0.0	0.0		
27. GDP per unit of energy use (PPP $ per kg oil equivalent)	...	...	...	...	...
28. CO2 emissions (metric tons per capita)	0.2	0.1	0.1	...	...
29. Proportion of population using solid fuels	...	...	...	...	...
Target 10: Halve by 2015 proportion of people without access to safe drinking water					
30. Access to improved water source (percent of population)	88.0	...	96.0	...	...
Target 11: Achieve by 2020 significant improvement for at least 100 million slum dwellers					
31. Access to improved sanitation (percent of population)	98.0	...	98.0	...	...
32. Access to secure tenure (percent of population)	...	...	...	...	...
Goal 8. Develop a Global Partnership for Development 1/					
Target 16: Develop and implement strategies for productive work for youth.					
45. Unemployment rate of population ages 15-24 (total)	...	...	...	...	...
Female	...	...	...	...	...
Male	...	...	...	...	...
Target 17: Provide access to affordable essential drugs					
46. Proportion of population access with access to affordable essential drugs	...	...	...	...	...
Target 18: Make available new technologies, especially information and communications					
47. Fixed line and mobile telephones (per 1,000 people)	...	...	...	...	...
48. Personal computers (per 1,000 people)	0.1	0.3	5.5	...	...

Sources: World Bank; and Fund staff estimates.

1/ Targets 12-15 and indicators 33-44 are excluded because they can not be measured on a country specific basis. These are related to official development assistance, market access, and the HIPC initiative.

Moroni, February 2, 2005

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. de Rato:

The Comoros has just put an end to almost a decade of instability, uncertainty, and mistrust with a democratic and constructive dialogue that has led to the establishment of new national institutions. The new Constitution adopted by referendum grants a large degree of autonomy to the islands and consolidates the territorial integrity of the country. Following the adoption of the new Constitution, the signing of the transition agreement for the Comoros in December 2003, and parliamentary elections held in March/April 2004, a new government, effectively representing all Comorian interests, was formed in July 2004. In early January 2005, the new National Assembly, created in June 2004, passed all the key organic laws, including the organic law on the competencies of the islands and the Union.

The first priority of the government is to foster social and economic development and ensure the well-being of its people. The government is committed to implementing an economic and financial program to be monitored by IMF staff for the calendar year 2005, with a view to restoring credible economic management, placing public finances back on a sound footing, improving financial intermediation, and accelerating structural reforms. Such a program should facilitate the dialogue with multilateral and bilateral donors and, we very much hope, allow access to new concessional assistance. Its successful execution is a prerequisite for negotiating a program to be supported by the IMF through the PRGF, and for becoming eligible to the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

The attached memorandum (Attachment I) reviews the macroeconomic developments in 2004 and describes the economic and financial policies that the government intends to implement to achieve the macroeconomic and structural objectives set for 2005. The government is committed to establishing and regularly updating a database of reliable statistics, and to reporting to the IMF staff all the information needed to monitor the implementation of the program. A Technical Memorandum of Understanding defining the performance indicative targets of the staff-monitored program and the data to be reported is also attached (Attachment II).

The Comorian authorities firmly believe that the policies and measures set forth in the attached policy memorandum are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. Throughout the duration of the program, the government will consult the Managing Director, on its own initiative or at your request, to discuss the economic and financial policies of the Comoros.

To assess progress in implementing the program, the IMF will, together with the government of the Union of the Comoros, conduct the first review of the program no later than May 2005, on the basis of the end-March 2005 benchmarks. A second review will take place no later than September 2005, on the basis of the end-June 2005 benchmarks. Following the successful completion of the second review, the government would like to begin negotiations with the IMF on a PRGF-supported program.

Sincerely yours,

/s/	/s/
Aboulbastoj Ahamadi	Ibrahim Ben Ali
Minister of State	Governor
Minister of Finance and Budget	Central Bank of the Comoros
/s/	/s/
C.E. Doulcin Mahamoud	Dr. Younoussa Assoumani
Minister of Finance, Budget, and Planning	Minister of Economy and Finance
Autonomous Island of Anjouan	Autonomous Island of Ngazidja

/s/
Milissane Hamadia
Minister of Financial and Economic Affairs
Autonomous Island of Mohéli

Attachments: - Memorandum of Economic and Financial Policies for 2005
- Technical Memorandum of Understanding

UNION OF THE COMOROS

Memorandum of Economic and Financial Policies for 2005

I. INTRODUCTION

1. **For nearly a decade, the Union of the Comoros endured political and economic hardship.** The Comoros has limited natural resources and a narrow and fragmented domestic market. Almost 60 percent of the population lives below the poverty line, and there is limited access to clean water and electricity, and to services such as education and health care. The situation worsened over the past few years due to internal strife, resulting in a serious deterioration of public services, and a large drop in donor assistance.

2. **Major efforts have helped to reunify the country and create new institutions.** Following parliamentary elections in March/April 2004 to elect the assemblies of the islands and the Union, the President formed a new government of the Union in July 2004. The new Assembly of the Union has passed important organic laws, in particular, the organic law on distribution of competencies between the islands and the Union.[1] Consistent with the new devolution of powers, revenue-sharing quotas were defined as follows: debt service and international contributions 17.5 percent; pensions 5.5 percent; outside services 2.6 percent; Union operating costs 27.9 percent; Ngazidja operating costs 20.4 percent; Anjouan operating costs 19.1 percent; and Mwali operating costs 7.0 percent.

3. **The new government is determined to resolve the country's economic difficulties.** In particular, the government's economic policy will focus on:

- Fiscal consolidation in the context of decentralized public finance management, with particular emphasis on solving the problem of chronic arrears;
- Reallocation of public expenditure to social sectors, in particular: (i) a reduction in primary current expenditure to allow for an increase in investment; and (ii) within primary current expenditure, a reduction in expenditure on wages and security to benefit poverty reduction spending;
- Adoption of structural measures that will create an environment conducive to promoting the private sector (for example, reform of the justice system, promotion of export-oriented sectors, development of financial intermediation).

[1] As the Constitutional Court rejected some aspects of the law, Parliament is scheduled to adopt the final version of the law in February 2005.

4. **With the assistance of IMF and World Bank staff, we have prepared an economic program for 2005 that endeavors to tackle the most urgent problems.** This program will be the basis for a medium-term program for the period 2006-2008 aiming at accelerating economic growth and reducing poverty. It is hoped that the medium-term program will be supported by the IMF's PRGF, the World Bank, and other creditors and donors, and that it will enable the Comoros to access the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

II. Recent Economic Developments

5. **Real GDP growth has been, on average, well below population growth over the past few years.** Production of our main export products (vanilla, cloves, and ylang-ylang) has been sluggish, and tourism has plummeted. Investment has stagnated, and the gross national savings rate has fallen to very low levels. This year, mainly because of the poor performance of the vanilla sector in a context of falling international prices, we are forecasting GDP growth of about 2 percent. Inflation, which had been very low in the first half of 2004, increased in the second half in line with the rise in international oil prices, and is expected to hover around a yearly average of 4.3 percent.

6. **Fiscal performance once again was weak in 2004.** The revenue-sharing mechanism introduced in March between the Union and the autonomous islands was bypassed, notably to settle wage arrears. Moreover, funds to be paid in 2004 were preempted in 2003 to finance the purchase of a new electricity generating plant and the installation of a mobile telephone service. Fiscal revenue is expected to total 14.9 percent of GDP, below the level of 15.3 percent of GDP achieved in 2003, while primary current expenditure is projected at 16.3 percent GDP, an increase of 1 percent of GDP from last year. This is mainly due to new hirings and the operating costs in the new institutions. Spending on wages rose slightly to about 55 percent of total primary current expenditure. Moreover, the new electricity plant resulted in a significant increase in investment outlays notwithstanding the steady decline in donor support.

7. **Because of these developments, the domestic primary balance[2] is projected to** worsen **considerably**, falling from a surplus of 0.5 percent of GDP in 2003 to an estimated deficit of 1.4 percent of GDP in 2004. The overall deficit (on a payment order basis, including grants) is projected at 2.7 percent of GDP. Reflecting a low level of bank financing and external resources, this deficit will be financed mainly through the net accumulation of

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[2] The domestic primary balance is defined as total revenue, excluding grants, minus expenditures, excluding interest payments and externally financed technical assistance and investment.

about three months of wage arrears[3] and a new accumulation of arrears to external creditors roughly equal to 0.9 percent of GDP.

8. **Given the country's participation in the franc zone, monetary policy remained focused on maintaining the fixed parity.**[4] Money supply growth is expected to decline slightly in 2004, reflecting delays in wage payments. Lending to the private sector is also expected to fall, mainly due to a drop in domestic financing of the vanilla crop in 2004 reflecting the sector's problems due to the decline in international prices. The net official reserve position improved somewhat due to the high volume of euro banknote purchases. Lending rates declined in early 2004 and currently range between 8 and 14 percent.

9. **The Central Bank of the Comoros (BCC) continued its efforts to improve prudential rules, strengthen bank supervision, and expand financial intermediation.** In March 2004, the National Post and Telecommunications Company (SNPT) was broken up into two entities, one to provide telecommunication services, and one to provide financial and postal services. In addition to the national savings bank (CNE), a postal checking service was established in April 2004. Further, a decree was adopted in July 2004 to improve monitoring of the microfinance sector, which currently accounts for about 25 percent of total deposits and 20 percent of credit, and is still growing rapidly.

10. **Performance in the external sector was mixed in 2004.** On the one hand, the trade balance is expected to deteriorate, mainly because of the fall in the price of vanilla by almost 60 percent and higher import costs in line with the increase in the price of oil and other commodities. On the other hand, travel receipts and private transfers from Comorians living abroad rose sharply following the opening up of a new direct flight between France and Moroni. As a result, the external current account deficit (including official grants) is projected to improve to 3 percent of GDP in 2004 from 6.2 percent of GDP in 2003. The surplus in the capital account is expected to fall slightly, reflecting lower official external financing. The overall external deficit is expected to decline from US$5.9 million in 2003 to US$2.9 million in 2004. Official reserves will remain above 10 months of imports of goods and nonfactor services.

11. **The serious economic crisis of recent years resulted in an accumulation of external debt service arrears,** especially on debt due to the African Development Bank (AfDB), the Arab Bank for Economic Development in Africa (BADEA), and bilateral creditors. External arrears accumulation is projected at US$6.1 million in 2004. Outstanding external debt at end-2004 is estimated at US$290 million (76 percent of GDP and 470 percent of goods and services exports), including arrears amounting to

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[3] The stock of wage arrears amounts to CF 8.1 billion, the equivalent of 15 to 18 months of wages.

[4] Since the beginning of 2000, the exchange rate has been fixed at € 1 = CF 492.

US$106.9 million, of which US$61.2 million due to multilateral creditors, mainly the AfDB and the BADEA.

12. **In light of the major efforts to carry out institutional and political reforms, there has been little headway in the area of structural reforms**. No progress was achieved in the area of public enterprise restructuring. The judicial reform agenda should benefit from the recent adoption by Parliament of the organic laws on the justice system, the Supreme Court, and the status of magistrates.

III. Poverty Reduction and the Medium-Term Macroeconomic Framework

13. **Political tensions made it difficult to pursue the poverty reduction initiatives** defined in our interim Poverty Reduction Strategy Paper (I-PRSP) of July 2002. Reducing endemic poverty and achieving the Millennium Development Goals (MDG) remains one of the paramount tasks in the government strategy. To this end, we have updated the I-PRSP action plan for the medium term (2005-2007), with specific actions in the five strategic areas of the I-PRSP: lay the ground for sustainable economic development; stimulate private sector activities; develop the agricultural sector; strengthen governance, the justice system, and security; and enhance human capital. Moreover, starting in 2005, we will begin increasing allocations to the social sectors, especially health and education, from their very low levels in 2004 in order to catch up on our PRSP goals and improve on the MDG indicators. The government will also undertake to restructure the national pharmacy (Pharmacie Nationale d'Approvisionnement des Comores) and lower its operating costs and margins in an effort to reduce the price of drugs.

14. **A central economic policy objective is to accelerate economic growth, and thereby reduce poverty.** After a long period of decline, the introduction of sound economic policies and renewed donor support are expected to boost gradually economic growth to 5 percent per year by 2008. Special emphasis will be given to promoting the agricultural sector, which employs the majority of the workforce, developing trade,[5] revitalizing tourism,[6] and accelerating structural reforms. Over the same period, investment rates should grow from their present very low levels, as a result of higher investment outlays by the government and an expected pick-up in foreign direct investment. Inflation will remain subdued in line with a monetary policy focused on the fixed parity of the Comorian franc within the franc zone. We are aware of the utmost importance of containing the budget deficit in order to achieve our growth and poverty reduction objectives.

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[5] In particular, we are considering an extension of the Moroni port zone to the grounds of the old airport as a temporary solution until work is completed on a new deep sea port on Ngazidja Island.

[6] Particularly through efforts to re-open the Galawa Beach Hotel and restore regular flights to South Africa, and by providing better protection for the Mohéli marine reserve.

IV. Economic and Financial Policies For 2005

A. Macroeconomic Framework

15. **The 2005 program is designed to establish the basis for stronger growth**. The immediate crisis we are faced with is for the 2004/05 vanilla campaign to unfold normally: with the sharp drop in the international price of vanilla (from US$251/kg on average in 2003 to about US$50/kg in 2004), the current f.o.b. sales price is roughly half the cost price mandated by the official schedule. We are actively seeking a solution in order not to jeopardize the sector. Moreover, we will overhaul the mode of operation of the cash crop sectors, starting in 2005. Specifically, the government has decided to transfer its regulatory power over the vanilla, clove, and ylang-ylang sectors to the industry association, which will endeavor to professionalize the operators. Furthermore, taxation of the sectors has been transformed (see revenue measures table). On this basis, the program forecasts a real GDP growth of 3 percent, slightly above the population growth rate, with inflation at a moderate 3 percent. The external current account deficit (including grants) should widen to about 4.2 percent of GDP on account of a deterioration in the trade balance. This would affect the overall balance and the reserve position, which would nonetheless remain around 10 months of imports of goods and nonfactor services.

B. Fiscal Policy

16. **The anchor for fiscal policy in 2005 is the adoption by the governments of the Union and the autonomous islands of a consolidated budget consistent with** macroeconomic **stability**. To this end, all parties have formally agreed to the effective transfer of shared revenues to the special account with the Central Bank of the Comoros and to the revenue sharing mechanism based on the quotas.[7] Strictly adhering to these agreements will be critical for achieving our program's macroeconomic objectives.

17. **The key objective of this budget is to achieve a domestic primary surplus of about 1.8 percent** of **GDP**. To achieve this objective, the fiscal adjustment in 2005 will be about 3 percent of GDP resulting from increases in revenue and expenditure curtailment.

18. **Revenue will be negatively affected by exogenous developments and by some needed tax cuts**. We will only have one shipment of rice in 2005 instead of the usual two.[8] Also, we have discontinued the surtax on rice of CF 50/kg in effect in the autonomous islands of Ngazidja and Mohéli. This tax had been introduced to finance the launch of the new university, but weighed heavily on the most vulnerable segments of society.

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[7] The special account will be debited automatically by the BCC every day to credit the specific accounts according to the quotas.

[8] Exceptionally, the first shipment for 2005 will be delivered in December 2004.

19. **These shortfalls will be more than offset by a number of revenue enhancing measures to increase revenue by about 1¼ percent of GDP over the 2004 level to 16.2** percent **of GDP**. Specific measures that were adopted in the context of the 2005 Finance Law are:[9]

- Require stamp taxes for the issuance all official documents;
- Harmonization of the customs tariffs of the Union and the autonomous islands of Ngazidja and Mohéli on the one hand, and the autonomous island of Anjouan on the other hand. Specifically, the autonomous island of Anjouan has adjusted its customs tariff rates for luxury rice and tobacco to bring them in line with the rates of the Union and the autonomous islands of Ngazidja and Mohéli. This harmonization is expected to increase revenue during 2005 by about 0.4 percent of GDP;
- Overhaul of agricultural sector taxes: to encourage country-wide operations, the island specific business and export licenses have been eliminated and a single business and export licensing system has been introduced; the five percent export tax on vanilla, cloves, and ylang-ylang and the specific export duties on vanilla have been replaced with a specific domestic tax set at CF 350/kg of green vanilla for 2005.[10] This domestic tax should yield about 0.2 percent of GDP in 2005. The professional fee will remain in place, but the proceeds will be managed by the industry association to finance the observatory, the laboratory, and the vanilla solidarity fund;
- All discretionary tax and customs exemptions will be eliminated, especially in the Union customs office.

Furthermore, in the islands, enhanced capacity is expected to lead to higher revenue collection, especially from business licenses and locally-controlled corporations. The tax on petroleum products will benefit from the rise in crude prices and the growing use of generators. Also, the tax authorities undertook a number of audits late in 2004; the payment of back income and domestic consumption taxes, totalling about 0.3 percent of GDP, will take place in 2005.

20. **The government is determined to reverse the rapid growth in primary spending experienced in recent years to a level commensurate with the resources of the Union**. The 2005 **budget** limits primary expenditure to 14.4 percent of GDP compared with 16.3 percent of GDP in 2004. The brunt of the savings will come from a cut in the wage bill

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[9] These measures will be complemented by the recommendations of the technical assistance mission on tax policy from the IMF Fiscal Affairs Department.

[10] This new tax will lighten the burden on the sector in a low price environment. In 2003, the export tax yielded about 0.6 percent of GDP. It has been suspended from April 2004 onward.

by 1.6 percent of GDP from its level without measures, notably by not renewing the contracts of temporary personnel hired over the last two years and applying a freeze on new hiring, except for the social sectors. Expenditure on goods and services will be kept below 2004 levels, equivalent to a saving of ½ percent of GDP, mainly by reducing the number of overseas missions. There will be a freeze on security outlays over the next three years through the redeployment of security personnel. Also, there will be strict enforcement of the regular commitment procedures for public spending, by restricting expenditure made by cash advances to a maximum of 3 percent of total current expenditure (a maximum of CF 900 million by end-2005).

21. **The government is also determined to reform and strengthen fiscal management starting in 2005** with measures consisting mainly of an overhaul of tax services, improved expenditure management, control of the wage bill, and securitization of the **pension** fund. The main measures planned are described in the box below.

Fiscal administration reform in 2005

- Merge the tax administration into one single General Tax Directorate, to be assisted by the regional directors representing the autonomous islands;
- Maintain the single customs administration and subcontract customs services to a private provider, with performance requirements;
- Introduce a revenue-monitoring system in the General Tax Directorate, including a taxpayer census, strict enforcement of deadlines for filing returns under the General Tax Code, and better inventory of fiscal stamps, passports, and visas on hand;
- Reinforce the agencies responsible for auditing public finances and corporate taxes;
- In light of the adoption of the organic law on the civil service by Parliament, preparation of an action plan to streamline the civil service, specifying the number of civil servants and contractual staff assigned to each level of government (with the assistance of the World Bank);
- Strengthen the rules governing public procurement, in particular prevailing laws and practices for tendering, with a view to reduce arbitrariness;
- With the help of the World Bank, overhaul and harmonize the budget nomenclature at all levels, and introduce a computerized real-time mechanism to monitor expenditures;
- Close the autonomous and budgetary accounts at the Treasury.

22. **This budget would avoid an accumulation of new domestic arrears, and creates room for the payment of current obligations to multilateral creditors.** The strict **compliance** with the transfer of shared revenues and automatic redistribution according to the agreed quotas will result in a more predictable cash flow that will facilitate the timely payment of domestic obligations. We will continue our on-time payments to IDA, IFAD,

IsDB, and the OPEC Fund. Also, we will endeavor to pay current obligations to other multilateral creditors, particularly the AfDB. Pending our eligibility for debt relief under the enhanced HIPC Initiative, we will initiate negotiations with our bilateral creditors for rescheduling until a comprehensive solution is reached at the decision point.

23. **Under these assumptions, the overall fiscal deficit (on a payment order basis, including grants) would be limited to 0.5 percent of GDP**. Despite an accumulation of arrears to bilateral creditors, there will be an exceptional financing gap of CF 0.6 billion (US$1.5 million). We anticipate that this financing gap can be fully covered through additional concessional assistance to be provided following the donors' conference planned for October 2005.

24. **The government is aware of the need to implement measures for safeguarding the solvency of the pension fund**. It will request assistance from the International Labor Organization to carry out a financial and actuarial audit of the fund. Also, the autonomous island of Anjouan will perform an accounting adjustment for contributions between 1998 and 2004, and the fund will cover pension payments for Anjouan starting in 2005.

25. **We are also committed to finding a sustainable way to clear domestic arrears.** Specifically, the government will endeavor to mobilize external financing to clear back wages owed to civil servants over a two year period (2006-2007), with equal treatment for the three islands and the Union. We also intend to audit the government debt due to private enterprises, and negotiate the settlement of that debt by end-2005. Finally, we plan to offset the cross-debts between the government and the public enterprises, and clear the balance in 2005.

C. Financial Sector and Monetary Policies

26. **The discipline required by our membership in the franc zone has enabled us to contain inflation, and maintain a stable exchange rate and an adequate level of foreign reserves despite major fiscal imbalances**. This exchange rate regime has served us well. We fully recognize that it limits our monetary policy options, that are further constrained by the fact that our financial system comprises only one commercial bank and two modest microfinance networks. Within these constraints, the central bank is seeking to facilitate a gradual revival of the credit market, in particular by using its rediscount window. To facilitate this task, the government will guarantee the autonomy and independence of the central bank.

27. **The central bank will continue its efforts to enhance the effectiveness of the financial system and to strengthen bank supervision**. To instill competition, it will promote the opening of new commercial banks specializing in financing the productive sectors. In keeping with the decree of July 2004, it will reinforce the supervision program for microfinance institutions. The one-year banking license extended to the Comoros Development Bank yielded satisfactory results, and its extension will be examined in early 2005. Renewal will depend both on continued restructuring of the bank and the creation of a

satisfactory management training program. The bank license requested by the new National Financial and Postal Services Company (SNPSF) will only be granted once the necessary rules are in place and the officials have been given training in banking. In the meantime, the SNPSF will endeavor to extend the new postal checking service to a larger public.

D. External Debt Management

28. **External debt management has improved steadily**. We received assistance from Debt Relief International (DRI) in 2004 to help the National Debt Directorate improve the recording of debt data, train personnel to use the Debt Pro analytical software, and gauge progress on the debt management procedures manual. These advances will make it possible, especially in preparation for the HIPC Initiative, to identify all external debts of the government and public and parastatal enterprises.

29. **The government is very much aware of the need to better control and limit the contracting of new external debt**. Any government or government-guaranteed external borrowing will be subject to prior approval by the Finance Minister of the Union, and the autonomous island governments may under no circumstances contract or guarantee external loans. We will also consult closely with the IMF staff to ensure that all external debt contracted or guaranteed would be concessional, as defined in the TMU (paragraph 4). Moreover, for the full duration of the staff-monitored program, the government shall not contract or guarantee any nonconcessional external debt.

E. Structural Reforms and Governance

30. **The government intends to embark on a fast-track program of structural reforms**. With the support of the World Bank and other donors, we plan to resume the program for divestment of public enterprises. Specifically, the government intends to privatize the Comorian Hydrocarbons Company (SCH) and Comoros Telecom by the end of 2005. In addition, it will consider abolishing the ONICOR monopoly on rice imports and replacing it with a private sector co-operative.

31. **The government attaches great importance to improving governance and the judiciary**. The government will vigorously fight all forms of corruption. In particular, to promote the rule of law and its impartial enforcement, following the recent adoption by the National Assembly of the organic laws on the justice system, the Supreme Court, and the status of magistrates, starting in 2005, the government will begin extensive reforms of the judiciary, and strengthen the powers of the courts as part of the interim PRSP action plan.

F. Statistics

32. **Work remains to be done to improve our database of socio-demographic and macroeconomic** statistics**.** For this purpose, we have decided to provide the General Planning Directorate with new support structures and experienced managers from other administrations. We have submitted a request to the IMF for technical assistance for a

comprehensive review of our statistical apparatus, most notably for fiscal and balance of payment statistics. This review will serve as a basis for setting up a medium-term action plan.

33. To take into account the government decentralization, the Union will introduce statistical frameworks for compiling, collecting, and disseminating data from the islands. Action will focus on the development of these frameworks, regular data transmission, and the training of statistical officers.

G. Program Monitoring

34. **To monitor the program, quarterly quantitative indicative targets have been set for:** (a) the domestic primary fiscal balance; (b) government domestic revenue; (c) the wage bill; (d) expenditures made by cash advances; (e) accumulation of new domestic payments arrears; (f) contracting or guaranteeing nonconcessional government external debt; (g) short-term external debt, and; (h) accumulation of new public sector external payments arrears to multilateral institutions (Table 1). Structural indicative targets have also been established (Table 2). Program implementation will be reviewed in May and September 2005.

35. **To secure the cooperation of the four territorial entities in program implementation, a four-party committee will be created to monitor the program.** The committee will be made up of the finance ministers from the three islands and the Union or their deputies. On a technical level, the Treasurers-Paymasters General of each entity will take part in monitoring the operations of the special account (payments and appropriations), to ensure transparent management and mutual agreement with respect to redistribution among the entities.

Table 1. Comoros: Quantitative Indicative Targets Under the Staff-Monitored Program 1/
January-December 2005
(In millions of Comorian francs, cumulative since the beginning of the fiscal year)

	2005			
	March Indicative Targets	June Indicative Targets	September Indicative Targets	December Indicative Targets
(a) Floor on the domestic primary fiscal balance	2,081	2,759	2,620	2,694
(b) Floor on total domestic revenues	7,427	13,621	19,082	24,756
(c) Ceiling on the wage bill	2,933	5,866	8,800	11,732
(d) Ceiling on expenditures made by cash advances	200	425	665	900
(e) Ceiling on the accumulation of new domestic arrears	0	0	0	0
(f) Ceiling on new nonconcessional external debt contracted or guaranteed by the State 2/	0	0	0	0
(g) Ceiling on new short-term external debt contracted or guaranteed by the State 2/	0	0	0	0
(h) Ceiling on accumulation of debt service arrears towards multilateral creditors	0	0	0	0

1/ The definitions of the indicative targets and the adjusters are provided under the Technical Memorandum of Understanding (TMU).
2/ Excluding trade credits.

Table 2 – Comoros: Structural Indicative Targets of the 2005 Staff-Monitored Program

Sector	Measure	Deadline
Fiscal	Transfer of shared revenues to the special account with the Central Bank of the Comoros and strict application of the revenue sharing mechanism based on the quotas.	Continuous
Legal environment	Adoption by Parliament of the final version of the organic law on the distribution of the competencies	End-February 2005
Fiscal	Amend prevailing laws and practices for tendering with a view to strengthen public procurement rules.	End-June 2005
Fiscal	Preserve the single customs administration and subcontract customs services to a private provider, with performance requirements.	End-June 2005
Fiscal	Harmonize all levels of budget nomenclature, and introduce computerized system for real-time monitoring of the expenditures.	End-September 2005
Fiscal	Offset the debts of the government and the public and parapublic enterprises, and clear the balance.	End-December 2005
Structural	Privatize the Comorian Hydrocarbons Company.	End-December 2005
Structural	Privatize Comoros Telecom.	End-December 2005

COMOROS

Technical Memorandum of Understanding for the Staff-Monitored Program covering 2005

1. This technical memorandum of understanding (TMU) contains the definitions of the indicative targets of the Comoros staff-monitored program (SMP) covering 2005 and describes the reporting requirements under that program. The TMU is an integral part of the documents that govern the IMF staff's monitoring of the Comoros' program.

I. Definitions

A. External Debt

2. As specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on August 24, 2000, for purposes of the program, "debt" will be understood to mean current, i.e., not contingent, liability, created under a contractual arrangement 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. Debt can take a number of forms, the primary ones being the following:

- **loans**: advances of money to the obligor by the lender on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' or suppliers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

- **suppliers' credits:** contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and

- **leases**: arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time, which are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this memorandum, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property.

3. Under this definition of debt, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are

debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

B. Concessionality of External Debt

4. Debt is considered concessional if it has a grant element equivalent to 35 percent or more using the available currency-specific commercial interest reference rate (CIRR).

C. Domestic Debt

5. The domestic debt includes all current—and unconditional—obligations arising from a contractual agreement concluded or guaranteed by the governments of the Comoros with a resident partner, as the counterpart to an interest that may take the form of assets (including cash) or services and by virtue of which the obligor must subsequently make one or several payments in the form of assets (including cash) or services in repayment of the principal and/or interest arising from the contractual obligation.

D. Cash Relief from External Debt Rescheduling

6. For the purpose of the program, the only debt relief that will be considered is one that leads to an effective reduction in programmed debt service. This excludes debt relief given on debt that has been in drawn-out rescheduling/restructuring negotiations with creditors and for which no debt service has been paid in the past year, and for which no provision in debt service has been explicitly made in the fiscal program.

E. Governments

7. Unless otherwise noted, the governments is meant to include the government of the Union of the Comoros and the governments of the three autonomous islands. Local governments are excluded from the definition of government. The units covered under this definition of governments are consolidated for the needs of the program.

F. Privatization Receipts

8. For the purpose of this memorandum, privatization receipts will be understood to mean all monies received by the government through the sale or concessioning of a public company, organization, or facility to a private company or companies, organization(s), or individual(s). To the extent possible, receipts should be presented on gross basis; if costs are incurred in the sale or concessioning, they should be recorded separately as expenditure.

II. QUANTITATIVE BENCHMARKS

A. Floor on Domestic Primary Fiscal Balance

Definition

9. The consolidated domestic primary fiscal balance (payments order basis) is calculated as total government revenue, excluding foreign grants and privatization proceeds

(counted as financing), less expenditure, excluding interest payments, and foreign-financed technical assistance and investment expenditure. The domestic primary balance will be adjusted for current expenditures financed through external resources, by adjusting revenues upward in an amount equivalent to the external resources used to finance current expenditure.

Indicative target

10. The target on the domestic primary fiscal balance applies to the Union government. The floor on the domestic primary fiscal balance, cumulative from the beginning of the 2005 calendar year, is set at Comorian francs (CF) 2,081 million at March 31, 2005, CF 2,759 million at June 30, 2005, CF 2,620 million at September 30, 2005, and CF 2,694 million at December 31, 2005. These floors represent a benchmark at end-March, end-June, end-September and end-December 2005.

Reporting deadlines

11. Data on the primary fiscal balance (payment order basis) will be forwarded monthly by the Ministry of Finance and the Budget of the Union government within 30 days following the end of each month.

B. Floor on Domestic Revenue

Definition

12. Consolidated domestic revenue consists of all tax and nontax revenue included in the TOFE.

Indicative target

13. Responsibility for achieving the floor on the domestic revenue rests with both the Union government and the autonomous island governments. The floor on the domestic revenue, cumulative from the beginning of the 2005 calendar year, is set at Comorian francs (CF) 7,427 million at March 31, 2005, CF 13,621 million at June 30, 2005, CF 19,082 million at September 30, 2005, and CF 24,756 million at December 31, 2005. These floors represent a benchmark at end-March, end-June, end-September and end-December 2005.

Reporting deadlines

14. Data on domestic revenue will be forwarded monthly by the Ministry of Finance and the Budget of the Union government within 30 days following the end of each month.

C. Ceiling on the Wage Bill

Definition

15. The consolidated wage bill includes all wages and salaries, premia for social insurance and pensions, indemnities, bonuses and other payments directly related to public sector employment. Included in the wage bill are the wage expenditures of the civil service, governorates, the military and security personnel, and the Caisse de Retraite des Comores (CRC).

Indicative target

16. Responsibility for achieving the ceiling on the wage bill rests with both the Union government and the autonomous island governments. The ceiling on the wage bill, cumulative from the beginning of the 2005 calendar year, is set at Comorian francs (CF) 2,933 million at March 31, 2005, CF 5,866 million at June 30, 2005, CF 8,800 million at September 30, 2005, and CF 11,732 million at December 31, 2005. These ceilings represent a benchmark at end-March, end-June, end-September and end-December 2005.

Reporting deadlines

17. Data on the wage bill will be forwarded monthly by the Ministry of Finance and the Budget of the Union government within 30 days following the end of each month.

D. Ceiling on expenditures made by cash advances

Definition

18. Expenditures made by cash advances include all expenditures paid without prior commitment or payments order.

Indicative target

19. Responsibility for achieving the ceiling on expenditures made outside of normal procedures rests with both the Union government and the autonomous island governments. The ceiling on expenditures made outside of normal procedures, cumulative from the beginning of the 2005 calendar year, is set at Comorian francs (CF) 200 million at March 31, 2005, CF 425 million at June 30, 2005, CF 665 million at September 30, 2005, and CF 900 million at December 31, 2005. These ceilings represent a benchmark at end-March, end-June, end-September and end-December 2005.

Reporting deadlines

20. Data on expenditures made outside of normal procedures will be forwarded monthly by the Ministry of Finance and the Budget of the Union government within 30 days following the end of each month.

E. Non-accumulation of Domestic Payment Arrears

Definition

21. Domestic payment arrears are defined as follows:

- For all obligations having a contractual due date, the arrear arises by non-payment on the due date;

- For expenditures that are treated through the normal procedure, the non-payment, in cash, by bank transfer, or any other legal means of settlement, including through compensations, within 90 days from the date when the payment order was issued, generates an arrear;

- Tax credits confirmed by the proper authorities after review, and not paid within 60 days from the date of confirmation, are considered arrears;

- All other obligations arising from unexpected events or from a decision of the proper public authorities, such as indemnities for expropriations, public enterprise restructuring associated with social plans, whose payments have not been made within the timeframe specified in the subsequent legal acts, are considered arrears.

Indicative target

22. The governments of the Union and the autonomous island governments will not accumulate any domestic payment arrears on a net basis in 2005. This nonaccumulation is an indicative target to be observed continuously.

Reporting deadlines

23. Data on outstanding balances, accumulation, and repayment of domestic arrears will be reported by the Ministry of Finance and the Budget of the Union government within 30 days following the end of each month.

F. Ceiling on Nonconcessional External Borrowing Contracted or Guaranteed by the Governments

Indicative target

24. The Union government undertakes not to contract or guarantee any foreign loans maturing in one year or more, with a grant element of less than 35 percent (as defined above). This indicative target applies not only to debt as defined in point 9 of the Guidelines

on Performance Criteria with Respect to Foreign Debt, adopted by the IMF's Executive Board on August 24, 2000,[1] but also to commitments contracted or guaranteed for which value has not been received. However, this indicative target does not apply to financing granted by the Fund and to debt contracted in the context of rescheduling agreements. This obligation is an indicative target to be observed continuously. As of December 31, 2004, the stock of external debt with maturity of one year or more is estimated at US$290 million.

Reporting deadlines

25. Details on any government loan (terms of the loan and creditors) must be reported by the Ministry of Finance and the Budget of the Union government within 30 days of the end of each month. The same requirement applies to guarantees extended by the governments.

G. Short-term External Debt of the Government

Indicative target

26. The Union government undertakes not to contract or guarantee any new external debt with a contractual maturity of less than one year. This indicative target applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the IMF's Executive Board on August 24, 2000,[2] but also to commitments contracted or guaranteed for which value has not been received. Excluded from this indicative target are normal import-related commercial credits and changes in deposits from international bodies. This obligation is an indicative target to be observed continuously. As of December 31, 2004, the governments had no short-term external debt.

Reporting deadlines

27. Details on any new government short-term external debt (terms of the loan and creditors) must be reported by the Ministry of Finance and the Budget of the Union government within 30 days of the end of each month. The same requirement applies to short-term guarantees extended by the governments.

H. Non Accumulation of External Payments Arrears to Multilateral Creditors

Definition

28. External arrears of the governments to multilateral creditors consist of all debt-service obligations to these creditors (principal and interest) arising in respect of loans contracted or guaranteed by the governments that are due but not paid on the due date, and unpaid penalties or interest charges associated with these arrears. Excluded from this

[1] See paragraph 2.

[2] Ibid.

indicative target are arrears resulting from the non-payment of debt service whose rescheduling is being negotiated. In summary, the stock of arrears due to a multilateral creditor should at no time surpass the outstanding stock at end-2004, unless rescheduling proceedings have been initiated.

29. The stock of external debt service arrears to multilateral creditors as of end-December 2004 (in millions of U.S. dollars) was: US$30.3 million to the African Development Bank (of which US$20.4 million to the African Development Fund), US$0.2 million to the European Union/European Development Fund, US$26 million to the Arab Bank for Economic Development in Africa (BADEA), US$3.5 million to the OPEC Fund, and US$1.1 million to the Islamic Development Bank.

Indicative target

30. Under the program, the Union government undertakes not to accumulate new external payment arrears to multilateral creditors, with the exception of external payment arrears arising from government debt being renegotiated with these creditors. This nonaccumulation is a performance indicator to be observed continuously.

Reporting deadlines

31. Data on outstanding balances, accumulation, and repayment of external payment arrears will be reported by the Ministry of Finance and the Budget of the Union government within 30 days of the end of each month.

III. Monitoring of The Structural Benchmarks

Indicative targets

32. The transfer of shared revenues to the special account with the Central Bank of the Comoros and the strict application of the revenue sharing mechanism based on the quotas constitutes an indicative target to be observed continuously.

33. The adoption by Parliament of the final version of the organic law on the distribution of the competencies constitutes an indicative target by **February 28, 2005**.

34. The strengthening of public procurement rules and overhaul of prevailing laws and practices for tendering constitutes an indicative target by **June 30, 2005**.

35. Preserving the single customs administration and subcontracting customs services to a private provider, constitutes an indicative target by **June 30, 2005**.

36. The overhaul and harmonization at all levels of the budget nomenclature, and introduction of a computerized system for real-time monitoring of the expenditure chain, with the assistance of the World Bank, constitutes an indicative target by **September 30, 2005**.

37. Offsetting the debts of the government and the public and parapublic enterprises, and clearing the balance constitutes an indicative target by **December 31, 2005**.

38. The privatization of the Comorian Hydrocarbons Company constitutes an indicative target by December **31, 2005**.

39. The privatization of Comoros Telecom constitutes an indicative target by **December** 31**, 2005**.

Reporting deadlines

40. The information concerning the implementation of these structural benchmarks will be reported to the Fund within two weeks following their scheduled implementation date.

IV. Information and Data to Be Provided to the IMF

41. The Comorian authorities will provide Fund staff with the following information and data according to the schedule provided, either directly (e-mail or facsimile) or by airmail. Barring any agreement to the contrary, the data will take the form mutually agreed by the authorities and the IMF. The fiscal data, monetary data, external debt data, the consumer price index, and any information on important legislative and/or other developments will be provided not later than one month after the date to which they pertain.

Monthly:

- The monetary survey, and the monthly balance sheets of the BCC and the commercial bank;
- Classification of commercial bank loans by economic sector;
- Interest rates;
- TOFE data on a cash and payments order basis, the related detailed tables on revenue, and a table showing the link between the payments order and cash basis for expenditures;
- External public debt operations (debt contracted and publicly guaranteed, settlement of external payments arrears, and debt service paid, broken down between interest and principal;
- Consumer price index; and
- Imports and exports, production of electricity, tourist arrivals, and any other indicators of economic activity that may be available on a monthly basis.

Quarterly:

- Production of major products (vanilla, cloves, ylang-ylang)

Annually

- National accounts data
- Balance of payments

42. Moreover, information on important measures adopted by the government in the economic and social areas that would have an impact on program developments, changes in legislation, and any other pertinent legislation will be reported to Fund staff on a timely basis for consultation or information, as appropriate.

Comoros: Relations with the Fund
(As of November 30, 2004)

I. Membership Status: Joined 09/21/76; Article VIII

II. General Resources Account:	**SDR Millions**	**% Quota**
Quota	8.90	100.00
Fund holdings of currency	8.36	93.91
Reserve position in Fund	0.54	6.11

III. SDR Department:	**SDR Millions**	**% Allocation**
Net cumulative allocation	0.72	100.00
Holdings	0.00	0.14

IV. Outstanding Purchases and Loans: None	**SDR Millions**	**% Quota**
	0.00	0.00

V. Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR millions)	Amount Drawn (SDR millions)
SAF	06/21/91	06/20/94	3.15	2.25

VI. Projected Obligations to Fund (SDR millions; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2004	2005	2006	2007	2008
Principal	0.00	0.00	0.00	0.00	0.00
Charges/interest	0.00	0.02	0.02	0.02	0.02
Total	0.00	0.02	0.02	0.02	0.02

VII. Exchange Rate Arrangements

The currency of the Comoros is the Comorian franc, which is pegged to the euro at €1 = CF 492. The Comoros has accepted the obligations of Article VIII, Sections 2(*a*), 3, and 4 and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

VIII. Article IV Consultation

The Comoros is on the standard 12-month cycle. The 2004 Article IV consultation was concluded on April 30, 2004 (IMF Country Report No. 04/259).

IX. Recent Technical Assistance

Department	Dates	Subject
FAD	May 2001	Follow-up mission on tax and customs administration
FAD	March-Apr. 2002	Mission on options for decentralization
MAE	Sep. 2001	Mission to review central bank internal controls
MAE	Jan.-Feb. 2002	Follow-up on central bank internal controls
MFD	July 2003	Mission to review the role of the central bank in banking supervision and to evaluate technical assistance needs
MFD	Sep.- Oct. 2003	Mission to review the envisaged resumption of activities by the Comoros Development Bank, the possible opening of a postal bank, and the supervision of microfinance institutions

X. Resident Representative

A resident representative post established in September 1991 was closed in December 1995.

Comoros: IMF-World Bank Group Relations
(As of January 6, 2005)

1. The World Bank Executive Board has approved 19 IDA credits totaling US$132.4 million to support the Comoros since the World Bank became active in the country in 1976. The current active portfolio consists of one project, which became active on September 29, 2004. This community-based Social Services Project (SSP) seeks to maintain service delivery and addresses most urgent health and water sector needs. The SSP is a four-year operation in the amount of US$13.3 million. The Bank presented a Transitional Support Strategy Update (TSSU) to the Board of Directors in March 2004. This Strategy Update for the next 18 to 24 months has two key objectives: (i) maintaining basic social services; and (ii) supporting the process of national reconciliation and facilitating the transition to a viable institutional

2. Together with the IMF and the United Nations Development Program (UNDP), the World Bank assisted the government of Comoros in the official launch of the Poverty Reduction Strategy Paper (PRSP) process in March 2002. Its aim is to formulate a medium-term development strategy for the country. A first draft of the interim PRSP was completed in July 2002 and validated by Comorian stakeholders in all three islands in May 2003. Since then the process came to a virtual halt, largely reflecting the uncertain political environment. With the resumption of the reconciliation process and the progresses towards the establishment of a more representative institutional structure and a more stable political environment, the PRSP process should gather renewed momentum. A Joint Staff Assessment (JSA) is to take place in 2005 if Comoros proves successful in implementing a new Fund Staff Monitored Program (SMP) and if it thereby returns on the track to HIPC debt relief.

3. Since the signing of a national reconciliation agreement in December 2003, the Bank has worked in close collaboration with the Fund to support the transition in the Comoros, in particular the creation of viable economic institutions and a consolidated budget. If the reconciliation process proves sustainable, the Bank will continue to work closely together with the Fund in these areas.

4. The IFC does not have any activity in the Comoros, and the country has not yet joined the MIGA.

Active Portfolio in Comoros—IDA Lending Operations
As of January 2, 2005
(In millions of U.S. dollars)

Purpose	Approved	Committed	Disbursed
	(Fiscal year)	(Less cancellations)	
Number of closed credits (18)		109.1	108.8
Active credits			
Services Support Project	FY2004	13.3	1.3
Total active		**13.3**	**1.3**

Source: World Bank staff.

Comoros: IDA Loans and Debt Service FY 1996–FY 2005
(In millions of U.S. dollars)

	FY 96	FY 97	FY 98	FY 99 1/	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05 12/14/04
IDA net disbursements	3.9	4.3	5	0.6	0.4	2.9	14.2	8.0	4.9	0.7
Disbursements	4.1	4.7	5.4	0.6	1.5	3.6	15.1	10.0	6.4	1.7
Repayments	0.2	0.4	0.4	0	1.1	0.7	0.9	1.0	1.5	1.0
Interest payment	0.2	0.5	0.5	0	1.1	0.5	0.5	1.0	0.8	0.5

Source: World Bank
1/ Under IDA suspension of disbursements because of arrears.
Questions may be referred to Javier Suarez, Country Economist for the Comoros. Tel: (202) 458 2630.