



# UNION OF THE COMOROS

## SECOND REVIEW UNDER THE STAFF-MONITORED PROGRAM—PRESS RELEASE; AND STAFF REPORT

April 2023

In the context of the Second Review Under the Staff-Monitored Program, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information, following discussions that ended on December 8, 2022, with the officials of the Union of the Comoros on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 3, 2023.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association.

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## IMF Management Completes the Second Review of the Staff-Monitored Program with the Union of the Comoros

FOR IMMEDIATE RELEASE

Staff Monitored Programs (SMPs) are informal arrangements between national authorities and IMF staff to monitor the authorities' economic program. As such, they do not entail endorsement by the IMF Executive Board. SMP Staff reports are issued to the Board for information

- Management of the International Monetary Fund (IMF) has approved the second and final review of Comoros' Staff-Monitored Program (SMP).
- The implementation of the SMP, which supported the government's reform program during 2021-2022, was broadly satisfactory, with most quantitative targets and structural benchmarks being met on time.
- The completion of the SMP has helped the authorities establish a track record of policy implementation and paved the way towards a discussion on a financing arrangement under the [Extended Credit Facility \(ECF\)](#).

**Washington, DC – April 20, 2023:** The Management of the International Monetary Fund (IMF) has approved the completion of the second and final review of the Staff-Monitored Program (SMP).

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

The COVID-19 pandemic and the war in Ukraine have severely affected Comoros, exacerbating already weak macroeconomic conditions. While benefiting from substantial aid from the diaspora and development partners during the pandemic, Comoros' economic activity stagnated in 2020-2021. The expected recovery in 2022 was interrupted by Russia's war in Ukraine and its spillovers on global commodity prices, with inflation reaching record double-digit levels in 2022 and a considerably worsened fiscal outlook. Effects of the shocks are expected to recede in 2023, with growth expected at 3 percent, although considerable uncertainty remains in the global outlook.

Despite challenging circumstances, the authorities met six of the seven end-December 2021 quantitative targets, while the cash transfers to the poor were delayed by COVID-19-related logistical issues. All three end-December 2021 structural benchmarks were met, and one of the three end-February 2022 structural benchmarks were met on time. The benchmarks on the amendments to the 2008 anti-corruption law and the restructuring of the postal bank SNPSF (Société Nationale des Postes et Services Financiers) were however not completed as scheduled, in part reflecting the complexity of the reforms and capacity constraints. The

draft anti-corruption law has since been aligned with requirements under the SMP, and the authorities are making progress on the restructuring of the postal bank SNPSF.

Under the SMP, the authorities raised the number of active taxpayers, created a framework for reporting procurement information, adopted an action plan for broadening the Treasury Single Account (TSA), and commissioned an audit of domestic arrears. It will be critical for the authorities to build on these reform efforts to consolidate gains.

Comoros' top priorities remain to raise fiscal revenue to support investment in human and physical capital, stabilize the financial sector to improve credit allocation and minimize fiscal risks, and strengthen governance to reduce corruption vulnerabilities. Given high risk of debt distress, efforts to mobilize grants and external concessional loans for development financing will be important to contain debt sustainability risks. The completion of the SMP has helped the authorities establish a track record of policy implementation and paved the way towards a discussion on a financing arrangement under the Extended Credit Facility (ECF).

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



# UNION OF THE COMOROS

## SECOND REVIEW UNDER THE STAFF-MONITORED PROGRAM

April 3, 2023

### EXECUTIVE SUMMARY

**Background.** Comoros is a small, fragile island state (population: 850,000) with low and shock-prone growth. A Staff-Monitored Program (SMP) has been in place since July 2021. Policies aimed to: (i) contain and recover from the COVID-19 pandemic; and (ii) start implementing reforms to overcome fragility, boost inclusive growth, and limit risks. The first review assessed implementation through end-September 2021 as satisfactory and rescheduled three structural benchmarks that needed more time from end-December 2021 to end-February 2022. This second (and final) review assessed implementation of end-December 2021 and end-February 2022 quantitative targets and structural benchmarks, as well as overall policy implementation under the SMP.

**Recent developments and outlook.** The reported number of COVID-19-related cases has remained relatively low (8,987 infections and 160 deaths as of mid-January 2023). However, the fallout from the war in Ukraine has slowed the recovery and exacerbated already weak macroeconomic conditions. GDP growth is estimated to have risen from 2.1 percent in 2021 to 2.4 percent in 2022 and is projected to remain subdued at 3 percent in 2023, while average inflation is expected to gradually decline to about 8.2 percent in 2023 after reaching record double-digit levels in 2022. State-owned enterprises (SOEs) incurred substantial losses in 2022 as administered prices were slow to adjust to the surge in global commodity prices, implying lower fiscal revenue, higher public debt, and wider financing gaps over the medium term. Comoros was already facing a high risk of debt distress and substantial financing gaps due to large projects (including a hospital and a hotel) financed by non-concessional debt and the restructuring of the insolvent state-owned postal bank (SNPSF). The recent deterioration in macroeconomic conditions has further heightened debt sustainability risks. Strong remittances and a resumption of tourism have helped cushion the shock while maintaining an adequate level of foreign reserves.

**SMP implementation:** Most quantitative targets and structural benchmarks were met.

- The authorities met 12 out of 14 quantitative targets and substantially overperformed on the key tax revenue target. They missed the end-September 2021 deficit target (adjusted for higher revenue) due to spending overruns but subsequently took corrective measures to contain spending and met the end-December 2021 deficit target. They also missed the end-December 2021 target on cash transfers to the poor

by a small amount due to COVID-19-related logistical difficulties, and instead completed the transfers in 2022.

- The authorities met six out of eight structural benchmarks. The two benchmarks requiring more comprehensive reforms related to the restructuring of SNPSF and the anti-corruption law were not met at end-February 2022 as scheduled, as they proved more complex and required more time than anticipated. However, the authorities recently completed the revision of the draft Anti-Corruption Law, which incorporates all elements under the anti-corruption benchmark and made significant progress towards the restructuring of the SNPSF. They committed to advancing the remaining elements, including under a follow-on engagement with the Fund.

**Staff views.** Staff recommends completion of the second (and final review) of the SMP. SMP implementation since the first review, as well as overall SMP implementation, was broadly satisfactory. In particular, staff welcomes the revenue overperformance and the corrective measures taken to meet the end-December 2021 fiscal deficit target after missing that target at end-September 2021 due to spending overruns. The fallout from the war in Ukraine, however, has set back the expected fiscal gains, underscoring the need for continued fiscal consolidation efforts. Staff welcomes the authorities' commitment to continuing engagement with the IMF country and technical assistance teams as they push forward the remaining structural benchmark and tackle other structural reforms.

**Future program engagement.** The authorities have expressed interest in a follow-on engagement under the Extended Credit Facility (ECF). Given overall satisfactory performance under the SMP, staff will support the authorities' request for an ECF arrangement provided that: (i) the authorities and staff reach a robust understanding on program goals and policies; and (ii) the authorities in the meantime continue to implement sound and prudent policies.

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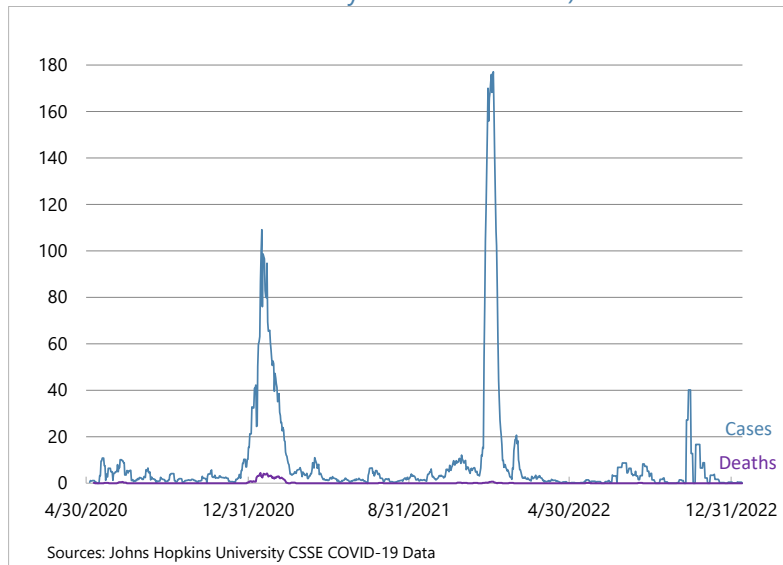
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## BACKGROUND

**1. The COVID-19 pandemic and the war in Ukraine have severely affected Comoros, exacerbating already weak macroeconomic conditions.** The number of COVID-19 infections has been relatively low with cumulative recorded infections as of mid-January 2023 of 8,987 and deaths at 160 (out of a population of about 850,000). However, Comoros remains vulnerable to new infections as only less than half of the population has been fully vaccinated, mostly with the Sinopharm vaccine, against the two-thirds of the population targeted. The country benefited from substantial aid from the diaspora and development partners during the pandemic, but economic activity stagnated in 2020-2021. The expected recovery in 2022 was interrupted by Russia's war in Ukraine and its spillovers on global commodity prices, with inflation reaching record double-digit levels in 2022 and a considerably worsened fiscal outlook. Comoros was already facing a high risk of debt distress with substantial financing gaps due to large projects (including a hospital and a hotel) financed by non-concessional debt and the restructuring of the insolvent state-owned postal bank SNPSF.

**2. The authorities embarked on the Staff-Monitored Program (SMP) in 2021 to establish a track record of policy implementation and pave the way towards engagement under the Extended Credit Facility (ECF).** The SMP was in place during July 2021 – March 2022 to address the impact of the pandemic and reduce economic risks while beginning to tackle sources of fragility and boost inclusive growth. Discussions under the SMP continued beyond March to give the authorities time to make progress on two key structural benchmarks.

**Text Figure 1. Daily Confirmed COVID-19 Cases and Deaths** (7-day rolling average. Limited testing and challenges in the attribution of cause and death mean the cases and deaths counts may not be accurate)



**3. Commitment to the program has been strong despite delays in some areas.** Although capacity constraints, frequent turnover of senior officials, and the complexity of reforms under the program contributed to delays in the completion of the SMP, the authorities, led by President Assoumani, maintained a strong commitment to engaging with the Fund and to meeting program objectives. The authorities remain interested in a future arrangement under the Extended Credit Facility (ECF). Staff will support the authorities' request for an ECF arrangement provided that the



authorities and staff reach a robust understanding on an economic adjustment program and the authorities in the meantime continue to implement sound and prudent policies.

## RECENT ECONOMIC DEVELOPMENTS

### 4. The fallout from the war in Ukraine is weighing heavily on the economy, hindering the recovery from the COVID-19 crisis.

- GDP growth is expected to rise from 2.1 percent in 2021 to only 2.4 percent in 2022, compared to a projected 3.8 percent before Russia’s invasion of Ukraine. Domestic activity had begun to pick up at the end of 2021, buoyed by a resumption of tourism and traditional social events (the “Grands Mariages”), as the pandemic subsided and lockdown measures were gradually lifted. However, the recovery was undercut by the global slowdown and surge in commodity prices that accompanied the war in Ukraine which disrupted economic activity, including delays in public investment projects.
- Year-on-year inflation rose from 7.1 percent at end-2021 to a record 11.4 percent in mid-2022, and is expected to have reached around 17 percent at end-2022. The surge in prices prompted the government to raise the administered prices of fuel products, electricity, and ordinary rice for the first time in several years by almost 40 percent on average, 50 percent, and 20 percent, respectively, in 2022 to contain losses at SOEs.<sup>1</sup> Simultaneously, the government offered temporary subsidies and tax exemptions on certain staple goods, particularly ordinary rice, to limit the increase in prices (to 20 percent in the case of rice).
- Key state-owned enterprises (SOEs) incurred large losses in early 2022 before the authorities raised administered prices. The largest impact has been on the oil company SCH, which had previously been profitable. The company ONICOR also saw significant losses during this year, but more favorable global rice price developments have recently helped stabilize the situation. SOEs largely financed their losses through public-guaranteed loans from commercial banks, substantially raising fiscal contingent liabilities risks.

**5. The Central Bank of Comoros (BCC) has tightened monetary policy.** The BCC raised unremunerated reserve requirements—its main policy tool—from 10 percent to 12.5 percent in January 2022 and to 15 percent in July, its pre-COVID-19 level. The BCC’s interest rates are also rising in line with the European interbank rates to which they are anchored, although these rates have limited influence on the real economy. Recently, the BCC started, with Fund technical assistance support, implementing liquidity absorption operations which could help underpin the development of the interbank market. Meanwhile, the government has phased out its program of loan guarantees (equivalent to 0.9 percent of GDP) to importers, which had helped raise credit growth in 2021. While credit growth appears to have remained strong in 2022, this was driven

<sup>1</sup> In May 2022, the government raised prices of gasoline (25 percent), diesel oil (44 percent) and petroleum (40 percent). And between June and October, prices of ordinary rice were increased by 20 percent.

mainly by the higher level of needed financing for imports following the surge in oil prices.

**6. SOEs' losses contributed to lower fiscal revenue in 2022, reversing gains made in 2021, but lower COVID-19-related spending helped narrow the domestic primary deficit.**

- Revenue is expected to have fallen from 10.3 percent of GDP in 2021 to 9.6 percent in 2022, mainly due to foregone income tax revenue and dividends from SOEs and tax exemptions on rice, offsetting the 1.1 percent of GDP gain in the previous year also driven by improved revenue administration. Grants came in lower than expected in both 2021 and 2022, partly on account of slower disbursements by the World Bank in 2021 for spending related to vaccinations, and the delayed completion of the SMP which influenced disbursement decisions by some donors (Tables 2A, 2B).
- Spending declined by over 2 percent of GDP in 2022, as COVID-19-related outlays began to be phased out and other spending was contained. As a result, the domestic primary deficit is estimated to have narrowed from 3.4 percent of GDP in 2021 to 1.7 percent of GDP in 2022, although the overall fiscal deficit deteriorated as donors disbursed fewer grants and more concessional loans.
- There have been persistent arrears in pension payments to public sector retirees, as pension contributions have been insufficient to cover payments, and previous accumulated reserves kept at the Treasury have not been available for disbursement. However, the authorities indicated that there were no accumulated fiscal arrears on a net basis in 2022, as payment of old arrears offset new arrears.

**7. The authorities have started to use the 2021 SDR allocation for budget financing.** The central bank had previously exchanged the full SDR allocation (SDR 17.1 million, 1.4 percent of GDP) for hard currencies and deposited the proceeds at the French Treasury where they earned interest of around 2.5 percent per year.<sup>2</sup> More recently, the BCC on-lent the exchanged SDRs to the Treasury

**Text Table 1. Comoros: Fiscal Developments**  
(In percent of GDP)

	2020	2021	2022
	Outturn	Outturn	Proj. <sup>1</sup>
<b>Total revenue and grants</b>	<b>18.3</b>	<b>17.0</b>	<b>13.9</b>
<b>Revenues</b>	<b>9.2</b>	<b>10.3</b>	<b>9.6</b>
Tax revenue	7.7	8.6	7.7
Nontax revenue	1.5	1.7	1.9
<b>External grants</b>	<b>9.0</b>	<b>6.8</b>	<b>4.3</b>
<b>Total expenditure</b>	<b>18.8</b>	<b>19.8</b>	<b>17.6</b>
<b>Current expenditure</b>	<b>10.7</b>	<b>12.8</b>	<b>10.6</b>
Primary current expenditures	9.6	11.7	10.2
Wages and salaries	5.2	5.3	5.2
Goods and services	2.6	2.2	2.0
Transfers and pensions	1.8	4.2	2.9
Interest payments	0.2	0.3	0.3
Foreign-financed project maintenance	0.6	0.5	0.0
Technical assistance	0.2	0.3	0.2
<b>Capital expenditure</b>	<b>7.8</b>	<b>7.0</b>	<b>7.0</b>
Domestically financed investment	1.1	2.1	1.3
Foreign-financed investment	6.7	5.0	5.7
<b>Domestic primary balance</b>	<b>-1.4</b>	<b>-3.4</b>	<b>-1.7</b>
Overall balance (commitment basis)	-0.5	-2.8	-3.7
Change in net arrears	-0.2	0.0	0.0
<b>Overall balance (cash basis)</b>	<b>-0.8</b>	<b>-2.8</b>	<b>-3.7</b>

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

<sup>2</sup> Under Comoros' institutional arrangements, use of the SDR allocation involves provision by the central bank of credit to the government in excess of existing limits that tie central bank credit to previous year's fiscal revenue.

for use as a liquidity buffer. As of November 2022, the Treasury's total deposits at the BCC stood at 51 percent of the 2021 SDR allocation.

**8. The external current account deficit widened substantially in the wake of the war in Ukraine, erasing gains in 2021.** Despite a 16-percent deterioration in the terms of trade in 2021, the current account turned positive at 0.3 percent of GDP as remittances continued to rise and services, specifically tourism, picked up, offsetting higher imports due to rising oil prices. However, preliminary data for the first three quarters of 2022, suggest these gains were reversed as imports rose by more than 28 percent (y/y) following the surge in food and oil prices and the appreciation of the dollar. The current account deficit is thus estimated at 4.5 percent of GDP in 2022, on account of a further deterioration (9.4 percent) in the terms of trade.

**9. The financial sector remains vulnerable and presents substantial fiscal risks.** In 2021, the aggregate banking system incurred losses for the fifth consecutive year and, in the absence of capital injections, banking sector capital adequacy deteriorated. Average capital adequacy ratios mask large variations across banks, and more than two-thirds of deposit-taking institutions are in breach of solvency requirements. The ratio of non-performing loans (NPLs) to total loans improved noticeably in 2021 (from 23.7 percent to 16.8 percent), albeit stabilizing at a still-high level of 17 percent at end-June 2022. The improvement largely reflects the work of the Commission on NPLs, which reports having succeeded in accelerating court cases against several delinquent debtors. Liquidity indicators also

**Text Table 2. Comoros: Financial Soundness Indicators for the Banking Sector, 2016-2022**  
(In percent)

	2017	2018	2019	2020	2021 (1)	2022 (1)(2)
<b>Capital adequacy</b>						
Regulatory Capital to Risk-Weighted Assets	21.2	22.3	27.9	25.2	8.3	8.8
<b>Asset quality</b>						
Non-performing Loans to Total Gross Loans	24.8	24.3	22.5	23.7	16.8	17.0
Non-performing Loans Net of Provisions to Capital	49.1	40.7	29.4	35.4	23.0	34.7
<b>Earning and profitability</b>						
Return on Equity	-0.7	-0.5	-0.7	-7.6	-0.5	N.A.
<b>Liquidity</b>						
Liquid Assets to Short Term Liabilities	84.8	94.1	88.7	104.3	N.A.	N.A.
Customer Deposits to Total (Non-interbank) Loans	122.7	132.3	134.6	154.7	163.0	141.2

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

(2) End-June 2022 data. Do not include all deposit-taking institutions due to inconsistencies in the reporting of some institutions

mask large differences across banks, and the higher reserve requirements imposed in 2022 led to breaches by some banks. Credit to SOEs increased by 63.8 percent between end-December 2021 and end-June 2022, while deposits of SOEs with the banks decreased by 25.5 percent over the same period.

**10. Comoros' external and overall debt are sustainable but remain at high risk of debt distress.** The external debt burden has continued to grow as a result of weak growth, higher fiscal liabilities, and USD appreciation. The pandemic, higher food and fuel prices, and the costs of recapitalizing SNPSF have also contributed to the debt burden. Three of four external debt burden indicators in the debt sustainability analysis (DSA) breach their respective thresholds under the baseline. A key factor behind the breaches is non-concessional debt equivalent to 4.5 percent of

GDP contracted in 2020 to build a hotel in Galawa, part of the authorities' drive to spur tourism. The incorporation into domestic debt of the BCC statutory advances, SDR on-lending to the government, and higher level of publicly guaranteed domestic debt of SOEs result in a deterioration of domestic debt dynamics, albeit with domestic debt remaining at modest levels (see the DSA accompanying this report).

**11. With the expiration of the DSSI and tightening liquidity constraints, the authorities accumulated new external arrears in 2022.** Between end-December 2021 and end-December 2022, external arrears increased from US\$6 million to US\$7.2 million. A large part of the outstanding stock (US\$5.2 million) is accounted for by the loan from BADEA. Of the new arrears accumulated during 2022, the authorities have indicated that they plan to repay shortly Kuwait Fund (US\$0.12 million) and the OPEC Fund for International Development (US\$0.35 million). The authorities reported they are awaiting a response to their request for debt cancellation from the French Treasury for debt owed to Bpifrance Assurance Export (US\$0.56 million) which started accumulating arrears following the expiration of the DSSI. Discussions are ongoing regarding the pre-existing arrears (US\$1.17 million) to Exim Bank India for a power plant project currently in dispute.

## OUTLOOK AND RISKS

**12. Effects of the shocks are expected to recede in 2023, although there is considerable uncertainty in the outlook.** Growth is projected to rise to 3.0 percent in 2023, driven by large investment projects, including a hospital expansion, the construction of the Galawa Hotel, and the refurbishment of roads. Inflation is expected to gradually decline from double digits to around 2 percent by end-2023 and stay between 2-2½ percent thereafter (Table 1). Remittances are projected to come down from their earlier record levels during the pandemic amid lower expected growth in the Eurozone. Merchandise exports are projected to continue to recover in 2023, while the expected increase in visitor numbers should bolster service exports. Imports should also see strong growth due to higher prices and the start of the Galawa Hotel construction project, before normalizing over the medium term in line with expected developments of international prices and the completion of the hotel. In line with these projections, foreign reserves are projected to decline vis-à-vis the first review of the SMP. The real effective exchange rate appreciated by 4.1 (y/y) in November 2022 as average inflation in Comoros over the prior 12 months exceeded that in trading partners by around 7 percent.

**13. Risks to the outlook are substantial.** The surge in global food and fuel prices could put food security at risk as well as lead to social unrest that could further undermine the recovery. Renewed supply chain disruptions could put additional upward pressure on consumer prices, while a resurgence of the pandemic could hinder the recovery. Progress in vaccination may help limit this risk, but the effectiveness of the majority of the vaccines used and the sources of other vaccine supplies are uncertain while logistics for vaccines that require cold storage remain a challenge (see Annex 1 for the Risk Assessment Matrix). On the upside, the completion of the SMP is helping prepare the grounds for a possible ECF which could boost investment beyond what is assumed in the baseline while potentially unlocking financing for projects and structural reforms.

## PROGRAM IMPLEMENTATION

**14. The authorities met six of seven end-December 2021 quantitative targets, missing only the floor on cash transfers to the poor (MEFP Table 1).** Tax revenue reached KMF [45.7] billion (8.6 percent of GDP), substantially higher than the program floor of KMF 41.9 billion (7.9 percent of GDP). The domestic primary deficit amounted to KMF 18.0 billion (3.4 percent of GDP), below the adjusted program ceiling of KMF 19.5 billion (3.7 percent of GDP). The target on net international reserves was met, and the authorities report that they did not accumulate new net domestic or external arrears nor contract new non-concessional debt during 2021. However, cash transfers to the poor of KMF 5.2 billion fell slightly short of the target of KMF 5.8 billion, as it became impossible to conduct in-person meetings in late 2021 due to a new wave of COVID-19 infections at that time. The authorities completed the transfer program (KMF 5.8 billion) in August 2022. Notably, they would still have met the end-2021 primary deficit target even if they had made all the required cash transfers on time.

**15. The authorities met all three end-December 2021 structural benchmarks and one of three end-February 2022 ones (MEFP Table 2).**

- The authorities raised the number of active taxpayers as required; created a framework for reporting procurement information, including beneficial ownership information; adopted an action plan for broadening the Treasury Single Account (TSA) to cover all transactions relating to extrabudgetary entities, public administrative bodies, and foreign-financed projects; and met the benchmark on commissioning an audit of domestic debt.
- The benchmarks on the amendments to the 2008 anti-corruption law and the restructuring of the postal bank SNPSF were not met at end-February 2022 as scheduled. The delay in meeting these benchmarks in part reflects the complexity of the associated reforms and capacity constraints evidenced by the extent of the technical support required to complete them. Nevertheless, the authorities have been able to make significant progress:
  - The latest draft anti-corruption law meets all the requirements specified under the structural benchmark. The draft law incorporated most recommendations from the IMF's Legal Department related to the creation of an effective, operationally independent, and autonomous anti-corruption agency, and adoption of rules on regular disclosure of income and interests by top public officials, verification of disclosed information, and introduction of dissuasive sanctions for violations. However, shortcomings remain vis-à-vis disclosure of beneficially owned property and publication of asset declarations. The latter is criminalized in the Penal Code, which diminishes transparency and accountability in public service. The authorities should continue taking steps to address the remaining shortcomings to make the new anti-corruption legal framework effective. The authorities explained that the disclosure of beneficially owned property could be included instead in the decrees of the Cabinet of Ministers while IMF staff's exact recommendations related to the publication of asset

declaration requiring changes to the penal code may not be suitable for the Comorian social context.<sup>3</sup>

- The authorities have recently completed most elements required to meet the benchmark on the restructuring of the SNPSF, including a governance structure and business plan that have been agreed with staff, the inclusion of the first and second tranches of capitalization costs for the newly created bank in the 2023 budget, and the call for application for the CEO and board members. What remains is the application for a banking license for the new bank which would incorporate these elements. The authorities indicated that a committee has been appointed to spearhead this process, but that it could take some time as it involves assistance from external consultants funded by the Agence Française de Développement (AFD).

## POLICY DISCUSSIONS

*Discussions focused on: (i) policies to address the recent adverse developments, particularly inflation and losses at SOEs, and enhance macroeconomic stability; and (ii) the implementation of the authorities' reform agenda, with particular attention to fiscal structural reforms, strengthening the financial sector, and enhancing governance.*

### A. Addressing Recent Shocks and Enhancing Macroeconomic Stability

#### 16. Fiscal policy faces the task of supporting the economy and the poor in the face of substantially higher prices and rising indebtedness.

- *The recently approved 2023 budget appropriately seeks to support growth without overly raising debt or inflationary pressures, but revenue projections may be optimistic and provisions to help the poor cope with the higher cost of living could be strengthened.* The budget appropriately plans to end one-time subsidies and tax exemptions introduced in 2022, particularly on rice imports, as prices stabilize, and to reintroduce the long-overdue sales tax on construction materials, which led to abuse in the past. The budget promotes growth through higher investment spending in 2023, mostly financed on concessional terms, while containing other expenditures, including social assistance, relying instead on planned aid from the World Bank for these purposes. Under these policies, staff projects revenue to slightly decline to 9.5 percent of GDP in 2023, compared to 10.5 percent of GDP assumed in the budget, as gains will be more than offset by foregone revenue from SOEs burdened by debt to finance their earlier losses. Domestic spending would expand to 12.1 percent of GDP, widening the domestic primary deficit from 1.7 percent of GDP in 2022 to 2.7 percent in 2023. The overall deficit would increase from 3.7 percent of GDP to 6.4 percent, reflecting also expected higher project loans from development partners. While a temporary fiscal loosening could be justified by the weaker growth and tight fiscal stance in 2022, a return to fiscal consolidation will be necessary to address growing debt sustainability

<sup>3</sup> The current draft law allows for limited public consultation of the asset disclosures, but full publication gives rise to privacy and safety concerns for the public officials and their families given the small size of the Comorian society.

risks (see next bullets). Staff also noted that authorities should ensure timely implementation of the World Bank (WB) supported social assistance program, and considerations could be given to budget provisions (e.g., through expenditure reallocation) that would ensure assistance to the most vulnerable in case of delays in WB disbursements without incurring higher debt.

- *A comprehensive medium-term strategy is needed to address the losses at SOEs.* The increase in administered prices in May 2022 has brought prices of fuel and ordinary rice broadly in line with current costs, stemming losses at the state-owned oil and rice companies. The authorities appropriately plan to maintain tariffs at the current level while international prices decline, with a view to returning these enterprises to profitability and enabling them to repay debt contracted to finance earlier losses. On the other hand, despite a 50 percent increase, electricity tariffs remain below costs, reflecting the high inefficiency in electricity production and distribution. The state-owned electricity company SONELEC is planning a transition to more efficient technologies (involving a mix of solar and heavy oil use) in the future. However, this may take several years, during which the company is likely to continue to incur losses. In the meantime, the authorities should closely examine if there is still some margin to increase electricity tariffs without unduly affecting the economy.
- *A more proactive medium-term strategy is needed to reduce the risk of debt distress.* Under the baseline scenario, a gradual fiscal consolidation would start in 2024, reducing the deficit by about 3.5 percent of GDP by 2027. Nevertheless, under this baseline, substantial financing gaps already emerge in 2023 and public external debt rises to around 40 percent of GDP over the medium term, reflecting low expected revenue, the restructuring of SNPSF (see ¶21 and MEF ¶116 for estimated fiscal costs), and debt service obligations from non-concessional borrowing. Staff noted that greater fiscal consolidation efforts would be required, underpinned by a revenue mobilization plan and with a view to reducing fiscal sustainability risks as well as preventing the accumulation of new external arrears.

**17. In view of the externally driven nature of the current crisis, the authorities should proceed cautiously in further tightening monetary policy.** It is important to note that (i) recent and expected price increases in Comoros reflect mainly supply-side factors (higher import prices); (ii) monetary policy tightening in advanced economies is likely to have only modest spillovers to Comoros given that its integration into global capital markets remains limited; and (iii) increases in unremunerated reserve requirements (de facto the only currently available policy instrument) will further depress the already negative banking sector profitability and strain liquidity in weak banks. Against this background, the authorities should consider further tightening only in case of second-round impacts of higher import prices or large outflows of reserves, noting that policy actions will have limited passthrough to the economy due to the weak transmission mechanism. The authorities should also intensify supervision of the banking system and continue their efforts to develop and strengthen the monetary policy toolkit, including in the area of excess liquidity management which has benefited from technical assistance from the IMF's Monetary and Capital Markets Department.



## B. Implementing Fiscal Structural Reforms

**18. The authorities rightly intend to further strengthen revenue administration and embark on tax policy reforms, making full use of continued IMF support in capacity development.** The strong revenue performance in 2021 can in part be attributed to revenue administration reforms implemented under the SMP. However, these gains are being offset by the lower dividends and tax payments expected from SOEs going forward, highlighting the need to step up domestic revenue mobilization efforts.

- Key objectives on tax administration include: (i) further raising the number of active taxpayers, building on the increase achieved under the SMP; (ii) broadening the use of the SIGIT software, after now having put an end to competing taxpayer registration by the service provider VIGOR; (iii) aligning tax administration on SOEs with other taxpayers; and (iv) recovering unpaid taxes.
- On customs administration, planned measures include: (i) completing the *de jure* transfer of the management of fuel products taxes to the customs administration after already having completed the transfer *de facto*; (ii) strengthening risk management, including by focusing inspection efforts on shipments with the highest compliance risks; (iii) deploying an internal control system and developing a decision-making information system; and (iv) finalizing the regulations needed to implement the customs code.
- The retraction of the sales tax exemption for construction materials is welcome.
- Comoros continues to benefit from substantial capacity development support in these areas from Fund experts. Implementation of recommendations, however, is often slow due in large parts to capacity constraints and lack of coordination among the fiscal agencies.

**19. In the same vein, the authorities should accelerate efforts to improve public financial management and strengthen oversight of SOEs.** Under the SMP, the authorities adopted the roadmap for extending the coverage of the TSA to all transactions relating to extrabudgetary entities, public administrative bodies, and foreign-financed projects. The roadmap contains a number of comprehensive reforms needed to improve the functioning of the TSA before coverage can be extended; however, actions on those reforms have been lagging. Efforts to strengthen SOE oversight, ensure SOE tax compliance, and align SOE wage compensation with that of the civil service have also stalled.

**20. Comprehensive reforms are also needed to ensure the viability of the pension system and replenish over time the pension fund.** The current contributions are no longer sufficient to sustain payments in light of the lower relative proportion of contributors.

## C. Restructuring the Postal Bank and Stabilizing the Financial Sector

**21. The only remaining element for the structural benchmark on the restructuring of the postal bank SNPSF is the application for a banking license for the new bank.** The business plan



for the new postal bank, Banque Postale des Comores (BPC) has been prepared with the help of an external consultant and reflects feedback from staff. It envisages a gradual development of BPC's business operations in three phases in order to limit fiscal risks. Only in phase 2 would BPC offer credits to individual entrepreneurs and only in phase 3 to small businesses with fewer than fifty employees to promote financial inclusion in the country (a condition for AFD grants). The development of risk management capacities will be funded with grants from AFD over the next two years and is a pre-condition for phase 2 to begin. Risk-taking will also be limited by individual credit limits during all three phases. The authorities aim to appoint a full-time CEO who will work on the establishment and operation of the new bank, free from political interference. The capitalization of BPC has started. The government deposited KMF 1.5 billion in an escrow account at the BCC. The AFD and the French Treasury have committed to providing grants towards the capitalization process. The remaining part to be covered by the Comorian authorities, currently estimated at KMF 4.9 billion, will be paid in equal shares over 2023-25, with the first and second tranches disbursed in 2023. The authorities, with the support of external consultants funded by AFD, intend to file an application for authorization by the BCC by the end of the 1st quarter of 2023 (MEFP ¶16).

<b>Structural Benchmark on SNPSF Under the SMP</b>	
<b>Elements under the Benchmark</b>	<b>Status</b>
Adopt a law/decreree splitting SNPSF into postal and banking activities;	Completed. Two decrees signed by the President on March 12, 2022, set out the articles of association of the new postal bank (BPC) and the new post office.
And submit to the Central Bank of Comoros (BCC) an application for approval of the new Postal Bank that enshrines the following:	Not completed. The application will be prepared with assistance from external consultants funded by AFD.
(i) strong governance in line with applicable international standards and the requirements of the BCC as the bank's regulator and supervisor	Completed. Above decree on BPC provides for such governance, including two independent directors, an audit and a risk committee chaired by independent directors
(ii) a viable business plan adopted in consultation with IMF staff, and	Completed. See MEFP ¶16, 5 <sup>th</sup> bullet.
(iii) profiles of future managers that ensure adequate management expertise and experience in banking and credit risk management.	Completed. The authorities completed at end-February 2022 a call for application for the CEO and the board based on these requirements.

**22. In addition to concerted efforts to restructure the SNPSF, the authorities will need to press ahead with broader efforts to place the banking sector on a stronger footing.** More efforts are particularly needed to:

- *Improve banks' operating environment and capital position by reducing the NPL problem:* While efforts by the Commission on NPLs to accelerate court proceedings to reduce NPLs have started to show results, the Commission has stopped meeting in recent months. Regular (at least quarterly) meetings should resume with a view to further reducing NPLs.
- *Enhance banking sector supervision:* The BCC delayed onsite inspections to assess the quality of credit portfolios due to persistent understaffing of its Supervision Division. Given the importance of such inspections for banking sector stability, the authorities should resolve the staffing challenges as soon as possible.
- *Enhance financial market infrastructure and the BCC's toolkit:* The authorities are laying the foundations for a government securities market, strengthening the BCC's liquidity management, and creating an emergency liquidity assistance framework, all with assistance from the IMF's Monetary and Capital Markets Department. Given the rudimentary financial market infrastructure in Comoros, efforts on these fronts will need to continue over the medium term.
- *Reduce losses at the banks that have come under provisional administration or government ownership:* The two non-systemic banks placed under provisional administration in June 2020 (one of which the government subsequently acquired) incurred further losses in 2021 and 2022. The authorities are seeking investors, but the disposal of these banks will likely come at additional fiscal costs. The nationalized bank holds more than KMF 9 billion (1.7 percent of GDP) in mostly retail deposits, which constitute a fiscal risk. Staff urges the authorities to cut losses at these two banks and begin preparing contingency plans as a first step in the development of a broader financial sector strategy.

## D. Strengthening Governance and Reducing Vulnerability to Corruption

**23. Progress is slow towards collecting and publishing information on public procurement projects including beneficial ownership information,** in line with the circular and roadmap published in December 2021. The delay in part reflects the frequent changes in leadership at the Ministry of Finance in recent years. The authorities have however started to publish some information, including the amounts, purposes of the approved projects, and names of the companies awarded the contracts, on the [BCC website](#)<sup>4</sup> while a permanent website dedicated to public procurement contracts is being developed. The audit of spending financed by IMF emergency support in 2020 is being conducted by the Court of Auditors and the authorities intend to publish the full audit report by June 2023 (MEFP ¶17).

**24. The Fund will continue to support the authorities' capacity development needs in priority areas to strengthen governance, transparency, and anti-corruption.** Support will prioritize the adoption of amendments to the 2008 anti-corruption law that are in line with the SMP

<sup>4</sup> This information is available at:

<http://www.banque-comores.km/index.php?mact=News.cntnt01,detail,0&cntnt01articleid=128&cntnt01returnid=60>

objectives, fiscal governance including public financial management, SOEs' financial reporting, and revenue administration to reduce vulnerability to corruption or rent seeking.

**25. Efforts to strengthen AML/CFT are progressing slowly.** The national risk assessment that was planned for 2022 has been moved to 2023 (MEFP ¶19). Comoros' AML/CFT frameworks are expected to undergo an assessment by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) this year, with onsite visit tentatively scheduled for June 2023.

## E. Other Issues

**26. The authorities have made significant progress on the implementation of the 2020 safeguards assessment recommendations.** The BCC implemented most of the 2020 safeguards recommendations including improvements to the external and internal audit processes, amendments to the Audit Committee charter to enhance oversight, filling of the Deputy Governor position, and the adoption of the International Financial Reporting Standards (IFRS) as its accounting framework effective December 2021. However, efforts to address the remaining recommendation on amending the BCC statutes to enhance BCC autonomy, currently under discussion between the French and the Comorian parties, have progressed slowly.

**27. Data shortcomings across key sectors continue to pose challenges for economic analysis.** The Fund has provided substantial capacity building support to improve data provision in a range of areas. Some of the capacity built in this way was lost in early 2022 due to a wave of departures of contractual employees from the national statistics institute, INSEED. To make best use of Fund assistance and lock in gains in capacity, the authorities should take more determined action to strengthen the staffing and equipment of INSEED.

## STAFF APPRAISAL

**28. Implementation of the SMP has been broadly satisfactory, although the fallout from the war in Ukraine has set back the expected fiscal gains.** The authorities met most (12 out of 14) quantitative targets, substantially overperforming on the key tax revenue target, and successfully implemented corrective actions to address the missed target for fiscal deficit. They also met most (six out of eight) structural benchmarks. Encouraging trends in the fiscal revenue, however, were interrupted by the outbreak of the war in Ukraine and the resulting surge in global commodity prices in 2022, setting back one of the SMP's objectives of raising fiscal revenue to support investment in human and physical capital and enhance debt sustainability.

- Under the SMP, the authorities raised the number of active taxpayers by 10 percent, adopted a roadmap to expand the coverage of the Treasury Single Account (TSA), commissioned an audit of domestic arrears, and took steps to increase the transparency around large public procurement contracts.

- The two benchmarks on the restructuring of the postal bank SNPSF and the anti-corruption law proved more challenging than anticipated and were not completed by end-February 2022 as scheduled. With the benefit of hindsight, these reforms may have required a longer-term engagement than the SMP in light of their complexity, capacity constraints and slow coordination on the part of the authorities, and frequent turnover of senior officials charged with the SMP implementation. Nevertheless, substantive progress, including the completion of the draft anti-corruption law that meets the requirements under the structural benchmark, largely reflecting Fund staff input provided through technical assistance, has been encouraging. Staff welcomes the authorities' intention to complete the reforms by approving the draft law in the Council of Ministers and filing an application for the newly created Banque Postale des Comores.
- Nevertheless, the macroeconomic outlook has deteriorated compared to the beginning of the SMP. Not only did the expected post-COVID-19 recovery not materialize, but the sustained increase in global prices has also led to a spike in inflation, lower growth, and substantial losses by SOEs. The expected fiscal revenue in 2022 and projections going forward have been revised down to reflect lower tax payments and dividends from SOEs and slower growth recovery, thus pushing back the previously targeted consolidation. These shocks came on top of already tightening liquidity constraints amid declines in international aid to pre-COVID-19 levels and the expiration of debt service suspension under the DSSI. These developments point to the need for even greater fiscal efforts over the medium term to contain debt sustainability risks.

**29. Short-term policies adopted during 2022 helped weather the impact of sharply higher food and fuel prices and diminished fiscal space.** The authorities' decision to increase administered prices of fuel products, electricity, and ordinary rice for the first time in several years was appropriate to contain losses of SOEs. With diminished fiscal space, staff agrees with the authorities' intention to not extend the temporary subsidies and tax exemptions on certain staple goods introduced during 2022 to limit the rising cost of living. Instead, staff recommends that the authorities explore mechanisms for more targeted social transfers to help protect the most vulnerable population. The liquidity constraints during 2022 also manifested in the accumulation of new external arrears. Staff urges the authorities to follow up with the relevant counterparties to resolve these arrears in a timely manner.

**30. The approved 2023 budget appropriately seeks to support the economy without overburdening debt, but revenue projections are optimistic, and the budget could strengthen provisions to help the poor.** Spending allocations aim to balance recovery with debt and inflation considerations. However, revenue projections include assumptions of substantial gains in tax administration which, in staff's view, are optimistic. Staff also sees scope for introducing budget provisions to ensure timely social transfers in the event of delays in disbursements under the WB-supported social assistance program. The authorities' commitment to continue engaging with Fund staff on budget execution as well as potential budget revisions is welcome.

**31. Under the baseline, and before taking into account Comoros' enormous development needs, substantial financing gaps pose a challenge for debt sustainability.** Much of these needs

stem from debt service on non-concessional borrowings previously contracted to finance large-scale investment projects and the cost of restructuring the SNPSF (see ¶21). The debt burden which already saw substantial increases in recent years will continue to grow quickly. Assuming borrowing on concessional terms to fill the financing gaps, external debt would rise to about 38 percent of GDP by 2025, about 13 percentage points of GDP higher than in 2021. Non-concessional borrowing would result in debt becoming unsustainable. Going forward therefore, it is crucial that the authorities seek to maximize financing through grants and concessional borrowing.

**32. The projected increase in debt also highlights the importance of accelerating reforms to lift growth and strengthen fiscal revenue while lowering unproductive spending and fiscal risks.** The authorities will need to develop a coherent medium-term plan to address internal resource constraints by raising fiscal revenue, strengthening public financial management, and improving viability of SOEs. Fiscal structural reforms must be complemented by reforms in the financial sector as well as administrative and judicial institutions to strengthen governance and reduce the vulnerability to corruption. Taken together, these reforms would help mobilize domestic revenues, including by strengthening the population's motivation to pay taxes, and enhance the business environment.

**33. Staff supports the completion of the second review of the SMP given overall performance and the authorities' commitment to meeting program objectives.** The economic reforms adopted under the SMP are an important step towards reducing Comoros' fragility. The authorities' continued commitment to sound policies and structural reforms will strengthen the prospects for engagement under a potential ECF which would unlock financial support, including from other development partners, for an economic program to support higher, more diversified, and more inclusive growth.

**Table 1. Comoros: Selected Economic and Financial Indicators, 2019–28**

	2019	2020	2021		2022		2023		2024	2025	2026	2027	2028
			First rev.		First rev.	Est. <sup>1</sup>	First rev.				Proj. <sup>1</sup>		
(Annual percentage change, unless otherwise indicated)													
<b>National income and prices</b>													
Real GDP	1.8	-0.2	1.6	2.1	3.8	2.4	3.7	3.0	3.6	4.1	4.3	4.3	4.2
GDP deflator	4.5	0.8	0.3	-0.3	1.7	5.2	1.7	4.4	1.5	2.3	2.1	2.0	2.0
Consumer price index (annual average)	3.7	0.8	1.5	0.0	1.6	12.0	1.7	8.2	1.6	2.3	2.1	2.0	2.0
Consumer price index (end period)	6.3	-4.8		7.1		17.1	0.5	0.6	2.4	2.3	2.0	2.0	2.0
<b>Money and credit</b>													
Net foreign assets	2.1	30.3	15.1	11.5	12.0	0.8	-0.7	1.5	5.1	-8.4	-10.1	-4.6	-0.7
Domestic credit	10.6	-8.7	13.7	22.1	2.3	12.4	-0.3	8.2	1.3	-2.5	11.5	5.0	-1.3
Credit to the private sector	4.1	-2.8	1.5	9.7	3.0	15.0	3.5	7.5	5.1	6.6	6.5	6.4	6.2
Broad money	5.9	11.5	18.0	20.1	5.0	7.8	6.5	2.4	0.5	3.5	2.4	0.4	3.4
Velocity (GDP/end-year broad money)	3.6	3.2	2.8	2.7	2.8	2.7	2.8	2.9	3.0	3.1	3.2	3.4	3.5
<b>External sector</b>													
Exports, f.o.b.	-2.1	-48.3	24.5	62.4	38.4	19.8	4.6	9.2	7.2	8.8	9.0	9.3	9.8
Imports, f.o.b.	2.6	-2.5	5.4	4.6	19.8	17.3	4.9	18.5	3.7	1.7	6.3	4.7	6.9
Export volume	0.0	-36.7	26.1	75.4	38.9	5.5	4.7	-4.2	2.9	3.4	3.6	3.4	3.3
Import volume	-2.2	7.9	-6.4	-5.9	22.9	-8.9	9.8	1.8	3.4	3.4	2.1	1.8	1.7
Terms of trade	-2.5	-0.1	-10.5	-16.0	6.9	-9.4	3.8	24.7	3.2	-0.2	1.1	-0.9	0.5
(In percent of GDP, unless otherwise indicated)													
<b>Investment and savings</b>													
Gross fixed capital formation	15.6	15.6	17.0	15.7	17.4	16.7	17.1	16.9	17.2	17.3	17.5	17.6	17.7
Public	6.3	5.5	6.8	5.4	7.1	5.1	6.6	7.3	7.6	5.8	5.8	5.8	5.7
Private	9.3	10.0	10.2	10.3	10.3	11.6	10.4	9.7	9.5	11.5	11.7	11.8	12.0
Gross national savings	12.1	13.6	15.4	16.0	13.6	12.1	11.6	9.7	10.8	11.2	11.1	12.2	13.0
Public	-0.5	1.6	-0.2	-0.3	-0.4	-0.5	0.9	0.5	1.5	1.4	1.4	1.4	1.5
Private	12.7	12.0	15.5	16.3	14.0	12.6	10.7	9.2	9.3	9.7	9.7	10.8	11.5
External Savings	3.5	1.9	1.7	-0.3	3.8	4.5	5.5	7.3	6.4	6.1	6.4	5.4	4.8
Total revenue and grants	15.8	18.3	17.8	17.0	17.7	13.9	16.4	14.3	14.7	13.8	15.3	15.6	16.0
Total revenue	9.6	9.2	10.2	10.3	10.0	9.6	10.3	9.5	9.7	10.0	10.2	10.4	10.6
Tax Revenue <sup>1</sup>	6.8	7.7	8.4	8.6	8.5	7.7	8.8	7.9	8.0	8.3	8.5	8.6	8.8
Non-tax Revenue	2.8	1.5	1.9	1.7	1.5	1.9	1.5	1.6	1.7	1.7	1.7	1.7	1.75
Total grants	6.3	9.0	7.5	6.8	7.7	4.3	6.1	4.8	5.0	3.8	5.1	5.2	5.4
Total expenditure and net lending	20.2	18.8	21.5	19.8	22.0	17.6	20.3	20.7	20.3	18.3	18.4	18.5	18.6
Current expenditure	11.3	10.7	12.5	12.8	12.6	10.6	11.4	11.2	10.4	10.5	10.7	10.9	11.0
Capital expenditure	8.4	7.8	9.0	7.0	9.3	7.0	8.9	9.5	9.9	7.7	7.7	7.7	7.6
Domestic primary balance <sup>2</sup>	-2.9	-1.4	-3.0	-3.4	-3.3	-1.7	-2.0	-2.7	-2.7	-1.4	-1.4	-1.4	-1.4
Overall balance (cash basis)	-3.9	-0.8	-3.7	-2.8	-4.3	-3.7	-3.9	-6.4	-5.6	-4.4	-3.1	-2.9	-2.7
Excluding grants	-10.2	-9.8	-11.2	-9.6	-12.0	-8.0	-9.9	-11.2	-10.6	-8.2	-8.2	-8.1	-8.1
Net Financing	4.0	0.9	3.7	2.8	3.7	3.7	3.2	3.5	3.6	2.0	1.0	0.8	0.6
Foreign	2.4	0.9	2.9	1.7	4.0	2.9	4.2	4.8	4.5	2.5	1.2	0.9	0.7
Domestic	1.6	0.0	0.9	1.2	-0.3	0.8	-1.0	-1.3	-0.9	-0.5	-0.1	-0.1	-0.1
Of which: Net acquisition of assets	0.0	0.0	-0.7	-0.1	-0.5	-0.7	-0.5	-1.0	-0.3	-0.3	0.0	0.0	0.0
Financing gap/errors and omissions <sup>3</sup> (+ = underfinancing)	-0.1	-0.1	0.0	0.0	0.6	0.0	0.7	2.9	2.0	2.4	2.1	2.1	2.0
<b>External sector</b>													
Exports of goods and services	11.9	5.5	8.6	11.5	10.9	12.4	10.9	11.7	11.8	12.0	12.3	12.6	13.0
Imports of goods and services	29.8	28.2	30.2	32.5	33.6	35.5	33.4	36.8	35.5	33.8	33.4	32.7	32.5
Current account balance	-3.5	-1.9	-1.7	0.3	-3.8	-4.5	-5.5	-7.3	-6.4	-6.1	-6.4	-5.4	-4.8
Excl. official and private transfers	-17.4	-22.2	-20.7	-20.5	-21.8	-22.6	-21.8	-25.0	-23.5	-21.7	-21.1	-20.1	-19.5
Private remittances, net <sup>4</sup>	12.1	16.9	15.9	19.0	14.8	16.9	14.1	15.5	14.9	13.6	12.8	12.9	12.9
Official grants and loans	8.6	10.3	10.6	8.6	12.4	7.4	10.8	10.1	10.1	7.6	7.6	7.6	7.5
<b>Gross international reserves<sup>5</sup></b>													
In millions of U.S. dollars	200.2	292.2	352.8	329.3	393.7	308.0	388.5	312.9	319.2	286.8	252.4	231.2	219.6
In months of imports of goods & services	7.0	8.4	9.1	9.0	9.5	7.4	9.4	7.5	7.7	6.8	6.0	5.4	4.8
<b>Gross international reserves, including fiscal gap</b>													
In millions of U.S. dollars	200.2	292.2	354.6	331.0	406.7	312.0	418.8	323.6	336.6	306.9	273.4	252.9	242.0
In months of imports of goods & services	7.0	8.4	10.9	9.1	10.5	7.5	10.1	7.8	8.2	7.3	6.5	5.9	5.3
Exchange rate: CF/US\$ (period average)	439.4	431.1		415.7									
<b>Memorandum items:</b>													
Public external debt (in Percent of GDP) <sup>6</sup>	21.3	21.7	24.6	25.7	28.1	28.2	30.7	31.8	35.8	38.8	39.6	40.6	41.3
GDP (nominal, in billions of CF)	522.0	524.9	534.2	534.3	564.2	575.8	594.8	619.1	650.9	693.5	738.8	785.9	834.9
GDP per capita (nominal, in US Dollars)	1,360	1,357	1,408	1,395	1,450	1,291	1,495	1,362	1,372	1,372	1,366	1,350	1,324

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

<sup>1</sup> Over 2017-21, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.<sup>2</sup> Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat the COVID epidemic and the cost of restructuring SNPSF.<sup>3</sup> For 2022-23, includes unmet financing needs for restructuring SNPSF.<sup>4</sup> From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.<sup>5</sup> End of period. From 2021, includes new SDR allocation of \$24 million.<sup>6</sup> Coverage of debt: The central government, the central bank and government-guaranteed debt. Definition of external debt is Residency-based.

**Table 2a. Comoros: Consolidated Government Financial Operations, 2019–28**  
(In millions of Comorian Francs)

	2019	2020	2021		2022		2023	2024	2025	2026	2027	2028	
			First rev.		First rev.	Est. <sup>1</sup>	First rev.			Proj. <sup>1</sup>			
Total revenue and grants	82,714	95,807	94,903	91,049	99,660	80,174	97,788	88,359	95,669	96,044	113,051	122,617	133,361
Revenues	50,013	48,538	54,756	54,982	56,259	55,178	61,548	58,553	63,234	69,539	75,449	81,692	88,255
Tax revenues <sup>1</sup>	35,563	40,411	44,872	45,695	47,757	44,526	52,584	48,699	51,967	57,541	62,660	67,979	73,679
Nontax revenues <sup>2</sup>	14,449	8,127	9,884	9,288	8,502	10,653	8,964	9,854	11,267	11,998	12,789	13,713	14,576
External grants	32,701	47,269	40,148	36,066	43,401	24,995	36,239	29,805	32,435	26,505	37,602	40,925	45,106
Budgetary assistance	2,228	11,712	6,857	7,426	8,739	2,468	7,137	9,151	9,532	8,323	8,866	9,431	10,019
Projects (incl. techn. assist.)	30,473	35,557	33,291	28,640	34,663	22,528	29,102	20,654	22,903	18,183	28,736	31,494	35,087
Total expenditure and net lending	105,350	98,493	114,848	105,924	123,888	101,510	120,692	128,128	132,027	126,654	136,067	145,639	155,525
Current expenditure	58,915	56,225	66,730	68,278	71,316	61,160	67,969	69,410	67,756	73,167	79,080	85,403	91,947
Primary current expenditures	54,000	50,410	61,208	62,436	65,451	58,543	61,280	62,278	60,131	65,225	71,061	76,974	83,026
Wages and salaries	28,237	27,533	30,005	28,465	31,393	30,180	31,819	31,392	32,597	35,113	37,949	40,684	43,553
Goods and services	15,595	13,662	15,798	11,765	17,142	11,567	16,043	16,060	13,779	14,927	16,411	17,493	19,495
Transfers and pensions <sup>1,2</sup>	10,168	9,216	15,404	22,206	16,915	16,796	13,419	14,827	13,755	15,184	16,702	18,797	19,978
Interest payments	1,068	1,292	1,249	1,568	1,674	1,705	2,271	2,533	2,791	2,790	2,853	2,995	3,122
Foreign-financed project maintenance	1,262	3,324	2,671	2,671	1,398	0	1,474	1,534	1,613	1,718	1,831	1,926	2,069
Technical assistance	2,584	1,198	1,603	1,603	2,793	912	2,944	3,065	3,222	3,433	3,336	3,508	3,729
Capital expenditure	43,891	40,795	48,118	37,645	52,572	40,349	52,723	58,718	64,271	53,487	56,987	60,236	63,579
Domestically financed investment	11,002	5,649	12,323	11,119	14,768	7,530	12,874	17,238	20,664	13,955	14,874	15,830	16,825
Foreign-financed investment	32,889	35,146	35,795	26,527	37,804	32,820	39,849	41,480	43,607	39,532	42,113	44,406	46,754
Domestic primary balance <sup>3</sup>	-14,990	-7,521	-15,815	-18,073	-18,886	-9,746	-11,803	-16,677	-17,560	-9,641	-10,486	-11,113	-11,596
Overall balance (commitment basis)	-22,636	-2,686	-19,945	-14,875	-24,228	-21,336	-22,905	-39,770	-36,358	-30,610	-23,016	-23,022	-22,165
Change in net arrears	2,343	-1,279	0	-164	0	0	0	0	0	0	0	0	0
Overall balance (cash basis)	-20,293	-3,965	-19,945	-15,039	-24,228	-21,336	-22,905	-39,770	-36,358	-30,610	-23,016	-23,022	-22,165
Financing	20,753	4,480	19,945	15,225	20,769	21,508	18,942	21,756	23,281	13,779	7,727	6,537	5,130
Foreign (net)	12,280	4,563	15,376	8,939	22,483	16,777	24,914	29,821	29,033	17,060	8,507	7,342	5,967
Drawings	11,954	6,592	16,747	9,909	26,481	17,572	27,860	32,944	33,575	26,501	18,865	18,711	17,869
Amortization	-402	-1,198	-1,371	-1,540	-3,998	-1,681	-2,946	-2,895	-4,542	-9,442	-10,358	-11,369	-11,902
Change in net arrears (principal)	727	-831	0	571	0	886	0	-228	0	0	0	0	0
Domestic (net)	8,474	-83	4,569	6,285	-1,715	4,732	-5,972	-8,065	-5,752	-3,281	-780	-805	-837
Bank financing	8,474	86	8,373	6,989	1,385	8,570	-2,872	-4,534	-3,987	-1,516	-780	-805	-837
Central bank	5,930	-854	12,756	8,820	1,943	10,070	-2,872	-3,034	-3,233	-1,516	-780	-805	-837
Of which: IMF (net)	3,756	4,128	-737	-738	-1,075	-1,143	-2,872	-3,034	-3,233	-1,516	-780	-805	-837
Commercial banks	2,544	940	-4,383	-1,831	-558	-1,500	0	-1,500	-754	0	0	0	0
Net acquisition of assets	0.0	-169	-3,804	-704	-3,100	-3,838	-3,100	-5,931	-1,766	-1,766	0	0	0
of which recapitalization of SNPSF			-3,100	0	-3,100	-2,238	-3,100	-3,531	-1,766	-1,766	0	0	1
Errors and omissions/Financing gap <sup>4</sup> (+ = underfinancing)	-460	-515	0	-185	3,459	-173	3,963	18,014	13,077	16,831	15,289	16,485	17,035
<i>Memorandum items:</i>													
GDP (nominal)	522,045	524,947	534,250	534,274	564,241	575,781	594,763	619,106	650,852	693,547	738,831	785,939	834,895
Wages in percentage of revenues	56.5	56.7	54.8	51.8	55.8	54.7	51.7	53.6	51.6	50.5	50.3	49.8	49.3

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

<sup>1</sup> Over 2017-21, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

<sup>2</sup> Including RAU ("Relevance Administrative Unique") from 2018.

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

<sup>4</sup> For 2022-23, includes unmet financing needs for restructuring SNPSF

**Table 2b. Comoros: Consolidated Government Financial Operations, 2019–28**  
(In percent of GDP)

	2019	2020	2021		2022		2023	2024	2025	2026	2027	2028	
			First rev.		First rev.	Est. <sup>1</sup>	First rev.			Proj. <sup>1</sup>			
Total revenue and grants	15.8	18.3	17.8	17.0	17.7	13.9	16.4	14.3	14.7	13.8	15.3	15.6	16.0
Revenues	9.6	9.2	10.2	10.3	10.0	9.6	10.3	9.5	9.7	10.0	10.2	10.4	10.6
Tax revenues <sup>1</sup>	6.8	7.7	8.4	8.6	8.5	7.7	8.8	7.9	8.0	8.3	8.5	8.6	8.8
Nontax revenues <sup>2</sup>	2.8	1.5	1.9	1.7	1.5	1.9	1.5	1.6	1.7	1.7	1.7	1.7	1.7
External grants	6.3	9.0	7.5	6.8	7.7	4.3	6.1	4.8	5.0	3.8	5.1	5.2	5.4
Budgetary assistance	0.4	2.2	1.3	1.4	1.5	0.4	1.2	1.5	1.5	1.2	1.2	1.2	1.2
Projects (incl. techn. assist.)	5.8	6.8	6.2	5.4	6.1	3.9	4.9	3.3	3.5	2.6	3.9	4.0	4.2
Total expenditure and net lending	20.2	18.8	21.5	19.8	22.0	17.6	20.3	20.7	20.3	18.3	18.4	18.5	18.6
Current expenditure	11.3	10.7	12.5	12.8	12.6	10.6	11.4	11.2	10.4	10.5	10.7	10.9	11.0
Primary current expenditures	10.3	9.6	11.5	11.7	11.6	10.2	10.3	10.1	9.2	9.4	9.6	9.8	9.9
Wages and salaries	5.4	5.2	5.6	5.3	5.6	5.2	5.3	5.1	5.0	5.1	5.1	5.2	5.2
Goods and services	3.0	2.6	3.0	2.2	3.0	2.0	2.7	2.6	2.1	2.2	2.2	2.2	2.3
Transfers and pensions <sup>1,2</sup>	1.9	1.8	2.9	4.2	3.0	2.9	2.3	2.4	2.1	2.2	2.3	2.4	2.4
Interest payments	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Foreign-financed project maintenance	0.2	0.6	0.5	0.5	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Technical assistance	0.5	0.2	0.3	0.3	0.5	0.2	0.5	0.5	0.5	0.5	0.5	0.4	0.4
Capital expenditure	8.4	7.8	9.0	7.0	9.3	7.0	8.9	9.5	9.9	7.7	7.7	7.7	7.6
Domestically financed investment	2.1	1.1	2.3	2.1	2.6	1.3	2.2	2.8	3.2	2.0	2.0	2.0	2.0
Foreign-financed investment	6.3	6.7	6.7	5.0	6.7	5.7	6.7	6.7	6.7	5.7	5.7	5.7	5.6
Domestic primary balance <sup>3</sup>	-2.9	-1.4	-3.0	-3.4	-3.3	-1.7	-2.0	-2.7	-2.7	-1.4	-1.4	-1.4	-1.4
Overall balance (commitment basis)	-4.3	-0.5	-3.7	-2.8	-4.3	-3.7	-3.9	-6.4	-5.6	-4.4	-3.1	-2.9	-2.7
Change in net arrears	0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-3.9	-0.8	-3.7	-2.8	-4.3	-3.7	-3.9	-6.4	-5.6	-4.4	-3.1	-2.9	-2.7
Financing	4.0	0.9	3.7	2.8	3.7	3.7	3.2	3.5	3.6	2.0	1.0	0.8	0.6
Foreign (net)	2.4	0.9	2.9	1.7	4.0	2.9	4.2	4.8	4.5	2.5	1.2	0.9	0.7
Drawings	2.3	1.3	3.1	1.9	4.7	3.1	4.7	5.3	5.2	3.8	2.6	2.4	2.1
Amortization	-0.1	-0.2	-0.3	-0.3	-0.7	-0.3	-0.5	-0.5	-0.7	-1.4	-1.4	-1.4	-1.4
Change in net arrears (principal)	0.1	-0.2	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	1.6	0.0	0.9	1.2	-0.3	0.8	-1.0	-1.3	-0.9	-0.5	-0.1	-0.1	-0.1
Bank financing	1.6	0.0	1.6	1.3	0.2	1.5	-0.5	-0.7	-0.6	-0.2	-0.1	-0.1	-0.1
Central bank	1.1	-0.2	2.4	1.7	0.3	1.7	-0.5	-0.5	-0.5	-0.2	-0.1	-0.1	-0.1
Of which: IMF (net)	0.7	0.8	-0.1	-0.1	-0.2	-0.2	-0.5	-0.5	-0.5	-0.2	-0.1	-0.1	-0.1
Commercial banks	0.5	0.2	-0.8	-0.3	-0.1	-0.3	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Net acquisition of assets	0.0	0.0	-0.7	-0.1	-0.5	-0.7	-0.5	-1.0	-0.3	-0.3	0.0	0.0	0.0
of which recapitalization of SNPSF			-0.6	0.0	-0.5	-0.4	-0.5	-0.6	-0.3	-0.3	0.0	0.0	0.0
Errors and omissions/Financing gap <sup>4</sup> (+ = underfinancing)	-0.1	-0.1	0.0	0.0	0.6	0.0	0.7	2.9	2.0	2.4	2.1	2.1	2.0
<i>Memorandum items:</i>													
GDP (nominal, in millions Comorian francs)	522,045	524,947	534,250	534,274	564,241	575,781	594,763	619,106	650,852	693,547	738,831	785,939	834,895
Wages in percentage of revenues	56.5	56.7	54.8	51.8	55.8	54.7	51.7	53.6	51.6	50.5	50.3	49.8	49.3

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

<sup>1</sup> Over 2017-21, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

<sup>2</sup> Including RAU ("Redevance Administrative Unique") from 2018.

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

<sup>4</sup> For 2022-23, includes unmet financing needs for restructuring SNPSF



**Table 3. Comoros: Monetary Survey, 2019–28**  
(In millions of Comorians Francs, unless otherwise indicated)

	2019	2020	2021		2022		2023	2024	2025	2026	2027	2028	
			First rev.		First rev.	Est.	First rev.			Proj.			
Net foreign assets	82,702	107,782	124,050	120,222	138,903	121,213	137,876	122,972	129,253	118,376	106,389	101442.2	100735.6
Central bank assets <sup>1</sup>	88,614	118,106	145,742	143,309	159,270	143,079	155,118	143,607	149,131	137,804	125,305	119457	118218.6
Central bank liabilities <sup>1</sup>	-13,579	-16,956	-26,133	-27,523	-25,058	-26,379	-22,186	-25,488	-24,980	-24,864	-24,707	-24174.92	-24026.84
Commercial banks assets	10,835	10,156	8,947	8,319	9,449	12,149	9,960	13,064	13,733	14,634	15,590	16583.78	17616.78
Commercial banks liabilities	-3,168	-3,523	-4,506	-3,883	-4,759	-7,636	-5,016	-8,211	-8,632	-9,198	-9,799	-10423.58	-11072.86
Net domestic assets	64,008	55,765	68,935	76,121	63,732	90,384	77,929	93,673	88,584	107,101	124,401	130284	138786.2
Domestic credit	99,087	90,450	102,820	110,438	105,233	124,136	104,945	134,261	135,956	132,542	147,754	155164	153076.8
Net credit to government	17,074	9,910	22,561	17,038	22,567	24,399	19,385	27,019	23,214	12,405	19,773	19022.53	8455.079
Of which: Treasury	21,781	17,831	27,982	27,173	28,292	34,470	25,420	29,271	25,284	23,769	22,989	22183.28	21346.43
Bank financing	17,074	9,910	22,561	17,038	22,567	24,399	19,385	27,019	23,214	12,405	19,773	19022.53	8455.079
Claims on government	25,665	29,284	29,925	41,393	28,292	39,892	25,420	34,693	30,707	29,191	28,411	27605.6	26768.75
Deposits of government	-8,591	-19,374	-7,363	-24,356	-5,725	-15,493	-6,035	-7,675	-7,492	-16,786	-8,638	-8583.064	-18313.67
Claims on public enterprises	768	1,484	8,000	6,651	8,449	16,379	8,906	16,380	16,381	16,382	16,383	16384	16385
Claims on other financial institutions	-136	-59	-101	-43	-101	-43	-101	-43	-43	-43	-43	-43.30135	-43.30135
Claims on private sector	81,336	79,072	80,259	86,728	82,666	99,738	85,560	107,242	112,742	120,137	127,981	136141.5	144621.8
Other items net	-35,078	-34,685	-33,885	-34,317	-41,502	-33,752	-27,016	-40,588	-47,372	-25,441	-23,353	-24880.09	-14290.68
Broad money	146,711	163,547	192,985	196,343	202,634	211,597	215,805	216,645	217,837	225,477	230,791	231726.2	239521.8
Money	98,099	110,869	127,603	135,663	133,582	148,187	143,018	150,501	150,505	159,213	161,669	161364.8	170276.5
Currency in circulation	38,764	41,592	47,870	48,120	50,557	54,856	53,292	64,640	64,642	62,536	73,690	73692.18	71291.42
Demand deposits	59,335	69,277	79,733	87,544	83,025	93,330	89,726	85,860	85,863	96,677	87,979	87672.63	98985.13
Quasi-money	48,611	52,678	65,382	60,679	69,052	63,410	72,788	66,145	67,331	66,263	69,121	70361.39	69245.25
	<i>(in percent of beginning period broad money)</i>												
Net foreign assets	1.3	17.1	9.9	7.6	7.7	0.5	-0.5	0.8	2.9	-5.0	-5.3	-2.1	-0.3
Net domestic assets	4.7	-5.6	8.1	12.4	-2.7	7.3	7.0	1.6	-2.3	8.5	7.7	2.5	3.7
Domestic credit	6.8	-5.9	7.6	12.2	1.3	7.0	-0.1	4.8	0.8	-1.6	6.7	3.2	-0.9
Net credit to government	5.4	-4.9	7.7	4.4	0.0	3.7	-1.6	1.2	-1.8	-5.0	3.3	-0.3	-4.6
Credit to public enterprises	-0.9	0.5	4.0	3.2	0.2	5.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Credit to private sector	2.3	-1.5	0.7	4.7	1.2	6.6	1.4	3.5	2.5	3.4	3.5	3.5	3.7
Other items (net)	-2.2	0.3	0.5	0.2	-3.9	0.3	7.1	-3.2	-3.1	10.1	0.9	-0.7	4.6
Broad money	5.9	11.5	18.0	20.1	5.0	7.8	6.5	2.4	0.5	3.5	2.4	0.4	3.4
Money	3.8	8.7	10.2	15.2	3.1	6.4	4.7	1.1	0.0	4.0	1.1	-0.1	3.8
Quasi-money	2.1	2.8	7.8	4.9	1.9	1.4	1.8	1.3	0.5	-0.5	1.3	0.5	-0.5
Velocity (GDP/end-year broad money)	3.6	3.2	2.8	2.7	2.8	2.7	2.8	2.9	3.0	3.1	3.2	3.4	3.5
Credit to private sector (percent change)	4.1	-2.8	1.5	9.7	3.0	15.0	3.5	7.5	5.1	6.6	6.5	6.4	6.2

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

<sup>1</sup> From 2021, includes new SDR allocation of \$24 million.

**Table 4a. Comoros: Balance of Payments, 2019–28**  
(In millions of Comorian Francs, unless otherwise indicated)

	2019	2020	2021		2022		2023		2024	2025	2026	2027	2028
			First rev.	Est.	First rev.	Est.	First rev.	Est.		Proj.			
Current account	-18,037	-10,125	-8,850	1,784	-21,461	-26,162	-32,759	-45,005	-41,610	-42,599	-47,316	-42,189	-39,662
Goods and services	-93,406	-118,935	-115,713	-112,058	-128,173	-133,397	-134,104	-155,603	-154,001	-151,136	-156,221	-158,290	-163,214
Trade balance	-88,407	-94,110	-96,431	-93,297	-113,362	-109,079	-118,929	-130,858	-135,086	-135,898	-143,931	-149,627	-159,198
Exports	17,276	8,924	11,828	14,492	16,370	17,365	17,123	18,970	20,338	22,127	24,112	26,366	28,938
Of which: Vanilla	3,093	1,951	2,218	1,940	2,781	1,941	2,773	2,047	2,204	2,411	2,643	2,914	3,231
Cloves	6,257	3,868	4,933	5,686	6,994	7,375	7,390	7,972	8,587	9,391	10,295	11,349	12,584
Ylang-ylang	5,387	1,926	2,736	2,624	4,252	1,349	4,493	2,761	2,973	3,252	3,565	3,930	4,357
Other	2,539	1,179	1,941	4,243	2,342	6,700	2,466	6,191	6,574	7,074	7,610	8,174	8,766
Imports (f.o.b.)	-105,683	-103,035	-108,259	-107,789	-129,732	-126,444	-136,051	-149,828	-155,424	-158,025	-168,043	-175,994	-188,136
of which oil	-30,436	-30,586	-33,509	-37,101	-36,295	-50,765	-36,806	-48,177	-46,713	-46,365	-47,359	-49,294	
Services (net)	-4,999	-24,825	-19,282	-18,761	-14,811	-24,318	-15,175	-24,745	-18,915	-15,239	-12,291	-8,663	-4,016
Receipts	44,672	20,190	33,857	47,040	45,147	53,885	47,689	53,309	56,676	61,092	66,476	72,344	79,315
Payments	-49,671	-45,015	-53,140	-65,800	-59,957	-78,203	-62,864	-78,054	-75,592	-76,330	-78,766	-81,006	-83,331
Income (net)	2,481	2,545	5,300	2,624	5,217	3,051	4,327	1,089	865	975	642	240	21
Of which: Interest on rescheduled obligations	-1,024	-1,091	-903	-1,359	-1,635	-1,515	-2,271	-2,399	-2,686	-2,782	-2,892	-2,989	-3,068
Current transfers (net)	72,888	106,264	101,563	111,218	101,494	104,184	97,018	109,508	111,526	107,562	108,264	115,861	123,531
Government	9,539	17,635	16,609	9,473	18,022	6,746	13,161	13,750	14,367	13,474	14,032	14,865	15,816
Of which: HIPC and MDRI assistance	0	0	0	0	0	0	0	0	0	0	0	0	0
Private <sup>1</sup>	63,349	88,629	84,954	101,745	83,472	97,438	83,857	95,758	97,159	94,088	94,231	100,996	107,714
Capital and financial account	39,321	35,043	37,223	21,566	36,064	27,075	31,479	48,567	50,367	32,786	35,598	37,146	39,260
Capital account	13,457	14,979	23,538	12,458	25,379	14,060	23,078	13,780	17,606	13,031	23,248	25,695	28,885
Capital transfers	13,457	14,979	23,538	12,458	25,379	14,060	23,078	13,780	17,606	13,031	23,248	25,695	28,885
Transfer of fixed assets	26,627	29,435	23,538	20,292	25,379	13,795	23,078	18,236	20,462	22,947	45,856	48,379	51,038
Financial account	25,864	20,065	13,685	9,107	10,685	13,015	8,401	34,787	32,761	19,755	12,350	11,451	10,375
Direct investment	1,890	1,669	1,336	1,674	1,411	2,103	2,379	9,143	6,995	4,161	4,433	4,716	5,009
Net portfolio and other investment	23,974	18,395	12,349	7,433	9,275	10,912	6,022	25,643	25,766	15,594	7,917	6,735	5,365
Public sector	26,673	16,657	28,503	5,692	27,657	16,852	24,914	31,740	31,753	21,701	8,430	7,286	5,956
Disbursement	27,334	17,800	29,874	17,147	31,655	18,533	27,860	34,635	36,295	31,142	18,788	18,654	17,858
Of which: Drawings (excl. IMF)	27,334	17,800	19,960	7,233	31,655	18,533	27,860	34,635	36,295	31,142	18,788	18,654	17,858
Of which: SDR allocations			9,914	9,914									
Amortization	-661	-1,143	-1,371	-1,540	-3,998	-1,681	-2,946	-2,895	-4,542	-9,442	-10,358	-11,369	-11,902
Private sector (net)	-2,699	1,738	-16,154	1,741	-18,383	-5,939	-18,892	-6,096	-5,987	-6,107	-513	-550	-591
Banks, net	-2,735	1,035	2,191	2,197	-249	-77	-254	-340	-249	-335	-355	-369	-384
Other	37	703	-18,345	-456	-18,133	-5,862	-18,638	-5,757	-5,738	-5,772	-158	-181	-207
Errors and omissions	-22,960	-408	0	2,591	0	0	0	0	0	0	0	0	0
Overall balance	-1,676	24,510	28,373	25,941	14,603	914	-1,280	3,562	8,757	-9,812	-11,718	-5,043	-402
Financing	1,948	-24,163	-28,373	-25,941	-14,603	-914	1,280	-3,562	-8,757	9,812	11,718	5,043	402
NFA of central bank (increase -)	898	-25,364	-28,373	-25,941	-14,603	-914	1,280	-3,562	-8,757	9,812	11,718	5,043	402
Foreign assets	-2,858	-29,492	-27,636	-25,203	-13,528	230	4,152	-528	-5,524	11,328	12,498	5,849	1,238
Foreign liabilities	3,756	4,128	-737	-738	-1,075	-1,143	-2,872	-3,034	-3,233	-1,516	-780	-805	-837
Of which: Net IMF Credit	0	0	-737	0	-1,075	0	-2,872	0	0	0	0	0	0
Net change in arrears	778	854	0	0	0	0	0	0	0	0	0	0	0
Error/Financing gap	0	0	0	0	0	0	0	0	0	0	0	0	0
Additional BoP financing needed to close fiscal gap	...	...	0	-185	3,459	-173	3,963	18,014	13,077	16,831	15,289	16,485	17,035
<i>Memorandum items:</i>													
Current account (percentage of GDP)	-3.5	-1.9	-1.7	0.3	-3.8	-4.5	-5.5	-7.3	-6.4	-6.1	-6.4	-5.4	-4.8
Excluding transfers	-17.4	-22.2	-20.7	-20.5	-21.8	-22.6	-21.8	-25.0	-21.7	-21.1	-20.1	-19.5	
Exports of goods and services (percentage of GDP)	11.9	5.5	8.6	11.5	10.9	12.4	10.9	11.7	11.8	12.0	12.3	12.6	13.0
Imports of goods and services (percentage of GDP)	29.8	28.2	30.2	32.5	33.6	35.5	33.4	36.8	35.5	33.8	33.4	32.7	32.5
Gross international reserves (end of period) <sup>2</sup>													
In millions of U.S. dollars	200.2	292.2	352.8	329.3	393.7	308.0	388.5	312.9	319.2	286.8	252.4	231.2	219.6
In months of imports of goods & services	7.0	8.4	9.1	9.0	9.5	7.4	9.4	7.5	7.7	6.8	6.0	5.4	4.8
Gross international reserves (end of period), including fiscal financing gap													
In millions of U.S. dollars	200.2	292.2	354.6	331.0	406.7	312.0	418.8	323.6	336.6	306.9	273.4	252.9	242.0
In months of imports of goods & services	7.0	8.4	10.9	9.1	10.5	7.5	10.1	7.8	8.2	7.3	6.5	5.9	5.3
Nominal GDP (CF millions)	522,045	524,947	534,250	534,274	564,241	575,781	594,763	619,106	650,852	693,547	738,831	785,939	834,895.4
Nominal GDP (millions of U.S. dollars)	1,188	1,218	1,297	1,285	1,385	1,233	1,481	1,349	1,409	1,463	1,512	1,552	1,579.6

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

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

<sup>2</sup> From 2021, includes new SDR allocation of \$24 million.

**Table 4b. Comoros: Balance of Payments, 2019–28**  
(In percent of GDP, unless otherwise indicated)

	2019	2020	2021		2022		2023		2024	2025	2026	2027	2028
			First rev.		First rev.	Est.	First rev.			Proj.			
Current account	-3.5	-1.9	-1.7	0.3	-3.8	-4.5	-5.5	-7.3	-6.4	-6.1	-6.4	-5.4	-4.8
Goods and services	-17.9	-22.7	-21.7	-21.0	-22.7	-23.2	-22.5	-25.1	-23.7	-21.8	-21.1	-20.1	-19.5
Trade balance	-16.9	-17.9	-18.0	-17.5	-20.1	-18.9	-20.0	-21.1	-20.8	-19.6	-19.5	-19.0	-19.1
Exports	3.3	1.7	2.2	2.7	2.9	3.0	2.9	3.1	3.1	3.2	3.3	3.4	3.5
Of which: Vanilla	0.6	0.4	0.4	0.4	0.5	0.3	0.5	0.3	0.3	0.3	0.4	0.4	0.4
Cloves	1.2	0.7	0.9	1.1	1.2	1.3	1.2	1.3	1.3	1.4	1.4	1.4	1.5
Ylang-ylang	1.0	0.4	0.5	0.5	0.8	0.2	0.8	0.4	0.5	0.5	0.5	0.5	0.5
Other	0.5	0.2	0.4	0.8	0.4	1.2	0.4	1.0	1.0	1.0	1.0	1.0	1.1
Imports (f.o.b.)	-20.2	-19.6	-20.3	-20.2	-23.0	-22.0	-22.9	-24.2	-23.9	-22.8	-22.7	-22.4	-22.5
of which oil	-5.8	-5.8	-6.3	-6.9	-6.4	-8.8	-6.2	-7.8	-7.2	-6.7	-6.3	-6.0	-5.9
Services (net)	-1.0	-4.7	-3.6	-3.5	-2.6	-4.2	-2.6	-4.0	-2.9	-2.2	-1.7	-1.1	-0.5
Receipts	8.6	3.8	6.3	8.8	8.0	9.4	8.0	8.6	8.7	8.8	9.0	9.2	9.5
Payments	-9.5	-8.6	-9.9	-12.3	-10.6	-13.6	-10.6	-12.6	-11.6	-11.0	-10.7	-10.3	-10.0
Income (net)	0.5	0.5	1.0	0.5	0.9	0.5	0.7	0.2	0.1	0.1	0.1	0.0	0.0
Of which: Interest on rescheduled obligations	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Current transfers (net)	14.0	20.2	19.0	20.8	18.0	18.1	16.3	17.7	17.1	15.5	14.7	14.7	14.8
Government	1.8	3.4	3.1	1.8	3.2	1.2	2.2	2.2	2.2	1.9	1.9	1.9	1.9
Of which: HIPC and MDRI assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	0
Private <sup>1</sup>	12.1	16.9	15.9	19.0	14.8	16.9	14.1	15.5	14.9	13.6	12.8	12.9	12.9
Capital and financial account	7.5	6.7	7.0	4.0	6.4	4.7	5.3	7.8	7.7	4.7	4.8	4.7	4.7
Capital account	2.6	2.9	4.4	2.3	4.5	2.4	3.9	2.2	2.7	1.9	3.1	3.3	3.5
Capital transfers	2.6	2.9	4.4	2.3	4.5	2.4	3.9	2.2	2.7	1.9	3.1	3.3	3.5
Transfer of fixed assets	5.1	5.6	4.4	3.8	4.5	2.4	3.9	2.9	3.1	3.3	6.2	6.2	6.1
Financial account	5.0	3.8	2.6	1.7	1.9	2.3	1.4	5.6	5.0	2.8	1.7	1.5	1.2
Direct investment	0.4	0.3	0.2	0.3	0.3	0.4	0.4	1.5	1.1	0.6	0.6	0.6	0.6
Net portfolio and other investment	4.6	3.5	2.3	1.4	1.6	1.9	1.0	4.1	4.0	2.2	1.1	0.9	0.6
Public Sector	5.1	3.2	5.3	1.1	4.9	2.9	4.2	5.1	4.9	3.1	1.1	0.9	0.7
Disbursements	5.2	3.4	5.6	3.2	5.6	3.2	4.7	5.6	5.6	4.5	2.5		
Of which: Drawings (excl. IMF)	5.2	3.4	3.7	1.4	5.6	3.2	4.7	5.6	5.6	4.5	2.5	2.4	2.1
Of which: SDR allocations			1.9	1.9									
Amortization	-0.1	-0.2	-0.3	-0.3	-0.7	-0.3	-0.5	-0.5	-0.7	-1.4	-1.4	-1.4	-1.4
Private sector (net)	-0.5	0.3	-3.0	0.3	-3.3	-1.0	-3.2	-1.0	-0.9	-0.9	-0.1	-0.1	-0.1
Banks, net	-0.5	0.2	0.4	0.4	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.1	-3.4	-0.1	-3.2	-1.0	-3.1	-0.9	-0.9	-0.8	0.0	0.0	0.0
Errors and omissions	-4.4	-0.1	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.3	4.7	5.3	4.9	2.6	0.2	-0.2	0.6	1.3	-1.4	-1.6	-0.6	0.0
Financing	0.4	-4.6	-5.3	-4.9	-2.6	-0.2	0.2	-0.6	-1.3	1.4	1.6	0.6	0.0
NFA of central bank (increase -)	0.2	-4.8	-5.3	-4.9	-2.6	-0.2	0.2	-0.6	-1.3	1.4	1.6	0.6	0.0
Foreign assets	-0.5	-5.6	-5.2	-4.7	-2.4	0.0	0.7	-0.1	-0.8	1.6	1.7	0.7	0.1
Foreign liabilities	0.7	0.8	-0.1	-0.1	-0.2	-0.2	-0.5	-0.5	-0.5	-0.2	-0.1	-0.1	-0.1
Of which: Net IMF Credit	0.0	0.0	-0.1	0.0	-0.2	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Net change in arrears	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Error/Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional BoP financing needed to close fiscal gap	...	...	0.0	0.0	0.6	0.0	0.7	2.9	2.0	2.4	2.1	2.1	2.0
<i>Memorandum items:</i>													
Current account (percentage of GDP)	-3.5	-1.9	-1.7	0.3	-3.8	-4.5	-5.5	-7.3	-6.4	-6.1	-6.4	-5.4	-4.8
Excluding transfers	-17.4	-22.2	-20.7	-20.5	-21.8	-22.6	-21.8	-25.0	-23.5	-21.7	-21.1	-20.1	-19.5
Exports of goods and services (percentage of GDP)	11.9	5.5	8.6	11.5	10.9	12.4	10.9	11.7	11.8	12.0	12.3	12.6	13.0
Imports of goods and services (percentage of GDP)	29.8	28.2	30.2	32.5	33.6	35.5	33.4	36.8	35.5	33.8	33.4	32.7	32.5
Gross international reserves <sup>2</sup>													
In millions of U.S. dollars	200.2	292.2	352.8	329.3	393.7	308.0	388.5	312.9	319.2	286.8	252.4	231.2	219.6
In months of imports of goods & services	7.0	8.4	9.1	9.0	9.5	7.4	9.4	7.5	7.7	6.8	6.0	5.4	4.8
Gross international reserves, including fiscal financing gap													
In millions of U.S. dollars	200.2	292.2	354.6	331.0	406.7	312.0	418.8	323.6	336.6	306.9	273.4	252.9	242.0
In months of imports of goods & services	7.0	8.4	10.9	9.1	10.5	7.5	10.1	7.8	8.2	7.3	6.5	5.9	5.3
Nominal GDP (CF millions)	522,045	524,947	534,250	534,274	564,241	575,781	594,763	619,106	650,852	693,547	738,831	785,939	834,895
Nominal GDP (millions of U.S. dollars)	1,188	1,218	1,297	1,285	1,385	1,233	1,481	1,349	1,409	1,463	1,512	1,552	1,580

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

<sup>1</sup> From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.<sup>2</sup> End of period. From 2021, includes new SDR allocation of \$24 million.

## Annex I. Risk Assessment Matrix<sup>1</sup>

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
<b>Global Risks</b>				
<b>Commodity price shocks.</b> A combination of continuing supply disruptions (e.g., due to conflicts and export restrictions) and negative demand shocks causes recurrent commodity price volatility and social and economic instability.	<b>High</b>	ST, MT	<b>High</b>	<b>Implement energy price adjustments prudently while protecting the most vulnerable and monitoring foreign reserves.</b> Promote local food production and/or substitution.
<b>Abrupt global slowdown or recession.</b> Global and idiosyncratic risk factors combine to cause a synchronized sharp growth slowdown, with outright recessions in some countries, spillovers through trade and financial channels, and downward pressures on some commodity prices.	<b>Medium</b>	ST	<b>Medium</b>	<b>Diversify supply routes and prepare contingency plans,</b> including measures to protect the most vulnerable as remittances slow down.
<b>Local Covid-19 outbreaks.</b> Outbreaks in slow-to-vaccinate countries or emergence of more contagious vaccine-resistant variants force new lockdowns or inhibit commerce. This results in extended supply chain disruptions, slower growth, capital outflows, and debt distress in some EMDEs.	<b>Medium</b>	ST, MT	<b>High</b>	<b>Speed up vaccination as much as possible given vaccine supply constraints,</b> preferably with vaccines shown to be highly effective. Provide guidance on social distancing as needed. Draw on remaining SDR allocation if needed.
<b>De-anchoring of inflation expectations and stagflation.</b> Supply shocks to food and energy prices sharply increase headline inflation and pass through to core inflation, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets. Central banks tighten monetary policy more than envisaged leading to weaker global demand, currency depreciations in EMDEs, and sovereign defaults. Together, this could lead to the onset of stagflation.	<b>Medium / Low</b>	ST, MT	<b>Low</b>	<b>Monitor international reserves and consumer prices.</b> In case of large and persistent reserve outflows or of second round impacts on consumer prices, consider tightening the policy stance.

<sup>1</sup> Based on the August 2022 Global Risk Assessment Matrix.

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
<b>Deepening geo-economic fragmentation and geopolitical tensions.</b> Broadening of conflicts and reduced international cooperation accelerate deglobalization, resulting in a reconfiguration of trade, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial system, and lower potential growth.	<b>High</b>	ST, MT	<b>Medium</b>	<b>Diversify supply routes and prepare contingency plans,</b> including measures to protect the most vulnerable in case of renewed supply disruptions. Advance structural reforms to enhance Comoros' appeal as a destination for investment.
<b>Domestic Risks</b>				
<b>Policy slippages.</b> In particular, delayed structural reforms could undermine revenue mobilization, adding pressures on public finances. The taking up of additional non-concessional debt could quickly undermine debt sustainability.	<b>High</b>	ST, MT	<b>High</b>	<b>Implement macroeconomic policies and structural reforms as described in the SMP,</b> particularly those related to raising fiscal revenue. Refrain from contracting non-concessional debt.
<b>Inter-island, social discontent and political instability.</b> Social unrest fueled by scaled back transfers and subsidies, increasing prices and shortages of essentials, rising inequality, trigger higher unemployment, and slower economic growth, and political instability while the opposition continues to reject the 2018 constitution.	<b>High</b>	ST, MT	<b>High</b>	<b>Provide support to the most vulnerable. Enhance governance, transparency, and the rule of law.</b>
<b>Deterioration of SOEs' financial situation</b> and ensuing increase of government liabilities.	<b>High</b>	ST, MT	<b>High</b>	<b>Improve supervision of SOEs and enhance financial reporting/data sharing by SOEs.</b>
<b>Natural disasters, related to climate change or other events,</b> for example eruption of the Karthala volcano, another hurricane, or drought.	<b>Medium</b>	ST, MT	<b>High</b>	<b>Implement the adaptation strategy discussed in Country Report 20/198.</b>

## Appendix I. Letter of Intent

Moroni, Union of Comoros  
February 25, 2023

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

Madame Managing Director,

The Government of the Union of Comoros requests the completion of the second and last review under the Staff-Monitored Program (SMP) covering the period July 22, 2021 – March 15, 2022.

The economy of Comoros has been buffeted by consecutive shocks in recent years. Following Cyclone Kenneth in 2019 and the COVID-19 pandemic during 2020-21, the outbreak of the war in Ukraine has dealt another harsh blow on the country through a negative terms-of-trade shock. The surge in commodity prices has weakened the fiscal outlook, impaired financial performances of private and state-owned enterprises, and led to record double-digit inflation which is disproportionately affecting the poorest households, leading the government to subsidize ordinary rice and flour.

Notwithstanding the difficult circumstances, we have remained committed to establishing a track record of policy implementation under the SMP, and we have accomplished most of the objectives set out under the program:

- We met twelve out of fourteen quantitative targets of the SMP and took corrective measures to address the two missed targets.
- We also met six out of eight structural benchmarks as scheduled and have now fulfilled the key elements of the benchmarks on the restructuring of the state-owned bank SNPSF and all elements on the amendments to the anti-corruption law. We will continue our efforts to ensure operationalization of an effective anti-corruption framework.

We are also pushing forward other reform fronts, including bolstering tax revenue and strengthening public financial management. The recently adopted 2023 budget seeks to promote growth while safeguarding fiscal sustainability. We commit to continuing close engagement with the IMF team as we monitor budget execution and, if needed, make budget adjustments. As our debt burden has continued to increase, reflecting the substantial development needs of the country, we will also seek to limit non-concessional financing. The attached supplementary Memorandum of Economic and Financial Policies (MEFP) sets out our plans in more detail.

On the basis of our progress in policy implementation discussed above, we request completion of the second and final review of the SMP. In turn, we hope that this will pave the way for discussions on an arrangement under the Extended Credit Facility (ECF).

In line with our commitment to transparency, we agree to the publication of this letter, attached MEFP, the related staff report, and the debt sustainability analysis (DSA) prepared by the IMF and the World Bank.

Sincerely yours,

/s/

Abdou Mohamed Chanfiou  
Minister of Finance, Budget, and Banking Sector

/s/

Younoussa Imani  
Governor, Central Bank of Comoros

## Attachment I. Memorandum of Economic and Financial Policies

*This Memorandum of Economic and Financial Policies (MEFP) reviews recent economic developments and performance under the SMP and presents the outlook as well as the government's objectives and economic policy plans over the coming years.*

### A. Recent Economic Developments and Outlook

**1. Comoros started 2022 with a pickup in domestic activity as the pandemic subsided and lockdown measures were gradually lifted.** The number of recorded COVID-19-related infections and deaths has remained relatively low, thanks in part to our response plan and vaccination campaign, with close to 40 percent of the population now fully vaccinated. While economic activities stagnated during 2020-21, Comoros benefited from substantial inflows and aid from the diaspora and development partners, including the IMF emergency financing provided under the RCF/RFI of April 2020. As with many countries across the world, growth was expected to accelerate in 2022 amid re-opening activities.

**2. Recovery from the COVID-19 pandemic, however, was interrupted by the outbreak of the war in Ukraine and the sharp increase in global food and fuel prices.** The war in Ukraine has impacted Comoros through supply chain disruptions and soaring inflation which exacerbated already weak economic conditions. Despite ongoing re-opening of the economy and increased tourism activity, growth projection for 2022 has been revised down from 3.8 to 2.4 percent. Public revenue fell significantly, driven by substantial losses at state-owned enterprises as they absorb the high commodity prices, widening the public debt. Prospects for 2023 remain challenging, with the economy projected to grow by only 3 percent.

### B. Program Implementation

**3. We met twelve out of fourteen quantitative targets (Table 1), and took corrective actions to address the two missed targets.** In particular, we realized substantially higher-than-programmed tax revenue, making faster than anticipated progress on a key program goal. As concerns the missed targets, after exceeding the programmed deficit ceiling at end-September 2021, partly due to weaknesses in spending controls, we strengthened spending controls and reduced spending in non-priority areas in the last quarter. This allowed us to meet the fiscal deficit target at end-December 2021. We also missed the floor on cash transfers to the poor at end-December 2021 due to logistical difficulties related to the wave of infections from the COVID-19 Omicron variant in late 2021. We have since completed the program (KMF 5.8 billion) of cash transfers.

**4. We also have met six out of eight structural benchmarks on time (Table 2) and fulfilled the key elements of the two remaining benchmarks.** We have raised the number of active taxpayers as required; commissioned an audit of domestic arrears; adopted a road map for extending the coverage of the Treasury Single Account; and created a framework for reporting on public procurement including beneficial owner information. However, reforms related to the



restructuring the postal bank SNPSF and the anti-corruption law proved to be more complex than anticipated and required more time to complete. Nevertheless, we have made progress on both fronts. With regards to the SNPSF, two decrees were signed by the President on March 12, 2022, which (i) separate the SNPSF into postal and banking activities, (ii) set out the articles of association of the new Banque Postale des Comores (BPC) and the new post office, and (iii) provide for the governance structure which includes two independent directors, an audit, and a risk committee chaired by independent directors. A business plan for the BPC has been developed in consultation with IMF staff, and the first two tranches of capitalization costs for the newly created bank have been included in the 2023 budget. In February 2022, we completed a call for application for a CEO for the BPC who will work on the establishment and operation of the new bank. What remains is the application for a banking license for the new bank. To this end, we have appointed a committee to spearhead this process, which will benefit from assistance from external consultants to be funded by the Agence Française de Développement (AFD). For the draft anti-corruption law, we have received technical assistance from the IMF's Legal Department. The current draft law incorporates most recommendations of the IMF staff related to the creation of an operationally independent and autonomous anti-corruption agency, and the introduction of an asset declaration system for top officials. We are committed to continuing to engage with the IMF to push forward these and other reforms to strengthen transparency and accountability in public service.

## C. Government Objectives and Policies

**5. Looking forward, we intend to continue our reform efforts.** Our key short-term objectives will be to adjust to the food and fuel price shocks while also continuing to support the recovery from the pandemic and maintain debt sustainability. Our medium-term policy objectives include fiscal structural reforms in the areas of revenue administration, public financial management (PFM), and tax policy; strengthening the financial sector; and improving governance and anti-corruption.

### Adjusting to the Global Price Shocks while maintaining Debt Sustainability

**6. We have developed a plan for adjusting our policies to the sharp increase in food and fuel prices.** For the first time in several years, we raised domestic prices on fuel, electricity, and ordinary rice to limit losses at SCH, SONELEC, and ONICOR. In May 2022, the government raised prices of gasoline (25 percent), diesel oil (44 percent) and petroleum (40 percent). And since June, prices of ordinary rice were increased by 20 percent. At the same time, we introduced temporary tax exemptions on rice during August-December 2022 to help alleviate price pressures on this staple good for the population. The three aforementioned public enterprises contracted public-guaranteed loans from commercial banks to finance their costs earlier in the year. The price increases should enable SCH and ONICOR to be profitable from 2023, and begin repaying their loans, as the expected decline in global prices should lower costs below sale prices. The electricity company SONELEC will take longer to become profitable, due to high production costs and distribution inefficiencies. A plan is being elaborated to transition SONELEC to more efficient technologies.

Meanwhile we are closely coordinating with the World Bank on a social safety net program to provide relief to the most vulnerable.

**7. Our 2023 budget seeks to support growth while containing non-priority or inefficient spending.** We plan to end one-time subsidies and tax exemptions introduced in 2022 as commodity prices stabilize, and to reintroduce the sales tax on construction material, especially cement. This together with strengthened tax and customs administration would allow revenue to rise to about 10½ percent of GDP. Continued work on the Maarouf Hospital, Galawa Hotel, and road construction, will support the recovery, as well as cover healthcare needs, spur growth in tourism, and build key infrastructures over the medium term. Thus domestic spending would expand to 12.1 percent of GDP, with current spending contained to provide room for higher investment, keeping the domestic primary deficit almost unchanged from the previous year.

**8. We aim to start gradual fiscal consolidation in 2024.** Consolidation would be driven by revenue gains from improved revenue administration; paring back pandemic-related spending; and gradually reducing investment spending to pre-pandemic levels. The envisaged fiscal path strikes a balance between enabling growth and lowering debt risks and is in line with our objective to bring all debt burden indicators below their higher risk thresholds by 2029.

**9. Despite the planned consolidation, we anticipate fiscal and corresponding external financing gaps starting in 2023 and lasting over the medium term,** reflecting several factors including the food and fuel price increase, postal bank recapitalization, and debt service obligations from previously contracted non-concessional borrowing. We hope to be able to obtain concessional financing for filling these gaps, and we are aware that the taking up of new non-concessional debt would quickly undermine debt sustainability. We therefore commit to avoid taking up any non-concessional borrowing over the foreseeable future.

**10. We intend to proceed prudently in tightening monetary policy, noting however that monetary policy decisions are in line with monetary cooperation with France.** We note that (i) recent price increases in Comoros reflect mainly supply-side external factors; (ii) monetary policy tightening in advanced economies is likely to have only modest spillovers to Comoros given Comoros' limited integration with global capital markets; and (iii) increases in unremunerated reserve requirements could strain banking sector profitability and liquidity. Against this background, we intend to monitor the evolution of inflation and foreign currency reserves and consider further tightening only in the less likely case of second-round impacts of higher import prices or large outflows of reserves. We will also intensify supervision of the banking system to ensure its stability and continue our efforts to strengthen the monetary policy toolkit.

**11. The government is committed to preserving external stability.** Though falling due in part to the higher costs of oil and food imports, reserves are expected to remain at a comfortable level over the next few years. Recognizing the importance of preserving reserves at a level that can effectively cushion shocks, we will monitor balance of payments developments and engage with the IMF on any emerging difficulties and will avoid measures or policies that would give rise to or compound such difficulties.

## Implementing Fiscal Structural Reforms

**12. We recognize that Comoros' fiscal revenue is the lowest among all small island states, and we are committed to raising revenue steadily over time to enable higher public investment in human and physical capital.** Work will continue to strengthen tax and customs administration and policies. Our efforts already started to bear fruit, with gains of 1.1 percent of GDP in 2021. Some of this improvement reflected one-off factors (e.g., delayed tax payments from 2020), but the remainder reflected improvements in tax and customs administration. Looking forward, we will continue to engage with the IMF on revenue administration and tax policies to raise revenue over the medium term. Our priorities include the following:

- On domestic tax administration, we intend to (i) further raise the number of active taxpayers, building on the increase achieved in 2021-22; (ii) strengthen the use of the SIGIT software, having now folded registration numbers and other data obtained under VIGOR into the SIGIT; applying the same tax administration on SOEs as other taxpayers; and intensifying efforts to recover unpaid taxes.
- At Customs administration, we intend to: (i) complete the *de jure* transfer of the management of fuel products taxes to the customs administration after already having completed the transfer *de facto*; (ii) strengthen risk management, including by inspecting a far smaller number of shipments based on compliance risks; (iii) deploy an internal control system and develop a decision-making information system; and (iv) finalize the regulations needed to implement the customs code.

**13. The government will continue efforts to strengthen public financial management (PFM) and enhance spending efficiency and transparency to ensure the best possible use of our scarce resources.** Key measures include

- Implementing the roadmap developed at the end of 2021 for extending the coverage of the Treasury Single Account (TSA) to all transactions relating to extrabudgetary entities, public administrative bodies, and foreign-financed projects. The roadmap includes a number of comprehensive reforms to improve the functioning of the TSA, e.g., creating a Treasury Accounting Agency, before the TSA can be extended.
- Strengthening wage bill management in line with the recommendations of IMF capacity building efforts, building on the recent merger of three separate island payroll databases into one national database.
- Avoiding the accumulation of domestic and external arrears. Findings from the audit of domestic arrears commissioned in February 2022 will help inform a strategy for clearing these arrears.

**14. We will continue strengthening the oversight of SOEs.** We intend to take the following initial steps: We will conclude performance contracts with major SOEs to ensure improved service provision quantity and quality, as well as define financial targets. Further, we intend to require SOEs

to prepare certified annual balance sheets and profit and loss statements. We will seek adjustments in SOEs' staffing levels and compensation packages where needed to align them with compensation in the civil service. Additionally, we will end cross-arrears settlement between the State and the SOEs to enable greater transparency, starting with the state-owned oil company SCH.

## Strengthening the Financial Sector

### 15. Our banking system is facing substantial challenges:

- **Weaknesses in the banking system and its environment continue to hinder the provision of credit to the economy and undermine asset quality.** Banks suffer from weak underwriting and risk management processes, often significant credit risk concentration, recurring government arrears, and shortcomings in the judicial system that inhibit attaching collateral. In 2021, the banking system as a whole registered losses for the fifth consecutive year. However, non-performing loans (NPL) have been brought down thanks to the work of our commission on NPLs (see below).
- **The financial safety net is not yet fully developed, which has limited the government's choices in dealing with problem banks.** For example, an emergency central bank liquidity assistance facility remains to be created.
- **Further, a lack of financial infrastructure inhibits interbank lending.** Banks cannot easily borrow from, or lend to, other banks and the BCC as there is no organized market and no readily available lending instrument and collateral (neither the government nor the central bank issue bills or bonds).
- **Restructuring the postal bank SNPSF will require large fiscal resources** (see below).

### 16. To strengthen the financial sector, the government intends to do the following:

- **Improve the operating environment for banks,** including by lowering the frequency of government arrears to suppliers and further strengthening the judicial system to ensure that banks can realize pledged collateral. In this context, a commission on NPLs, comprising the Ministry of Finance, the Ministry of Justice, and the BCC, delivered recommendations on accelerating the drafting of court decisions, with initial positive results in 2021 as the ratio of NPLs to total gross loans improved to 16.8 percent from 23.7 percent in the previous year. The commission will resume its work and hold meetings at least once a quarter.
- **Strengthen supervision of the banking sector.** The BCC will implement targeted onsite inspections in financial institutions to assess the quality of credit portfolios.
- **Strengthen the financial sector safety net,** including by creating a bank recovery and resolution framework (a law establishing such a framework was adopted in December 2020) and operationalizing the BCC's emergency liquidity assistance function.

- **Strengthen financial infrastructure**, including by establishing a government securities market. More recently, we are receiving technical assistance from the IMF to lay the foundations for a government securities market, strengthen the BCC's liquidity management, and create an emergency liquidity assistance framework.
- **Complete the restructuring of the SNPSF.** While the completion of this structural benchmark has taken longer than expected, key elements are now in place to fully implement the reform including a business plan for the new bank (BPC) that will limit fiscal risks. We intend to file an application for BPC for authorization by the BCC by the end of the 2nd quarter of 2023. The next steps are:
  - Operationalize the business plan for BPC: The operations of BPC will take place in three phases. In phase 1, risk taking will be contained by limiting loans to existing customers, with a limit to loans to any customer of KMF 5 million. In phase 2, BPC will expand credits to new customers, including individual entrepreneurs (but no other businesses), with credit per customer limited to KMF 5 million. In phase 3, BPC will provide credit to new customers, including small businesses with fewer than fifty employees, with credit per customer limited to KMF 7.5 million. Phases 1 and 2 will each last at least 2 years. The conditions to move from phase 1 to phase 2 will include full payment of the agreed BPC full capitalization schedules in cash, the establishment of improved risk management capacities with the support of AFD, and the fact that BPC has made profits for at least the previous two years. The conditions for moving to phase 3 will be the establishment of improved risk management capabilities incorporating procedures for small business credit risk and the fact that BPC has been profitable for at least the previous two years. The transition from each phase to the next will be subject to evaluation and authorization by the BCC.
  - Appoint management team: With the Board of Directors already appointed on October 13, 2022, we will aim to appoint a Managing Director within the next three months who will work full-time on the restructuring. We will ensure that BPC management will be free from political interference by signing a framework relationship agreement with BPC management, which could take the form of a short performance agreement.
  - Capital injection: Capitalization for BPC has started. The government has deposited KMF 1.5 billion in 2022 in an escrow account at the BCC. The AFD will also contribute KMF 0.75 billion, which has been disbursed into a sequestered account. For the remaining estimated capitalization costs, the State will issue debt instruments which can be registered as assets of the new bank. The debt instruments will be redeemed for cash over time, first in four equal installments of KMF 1.3 billion, inclusive of annual interest, over 2023-25 (two installments in 2023), with the final redemption equal to the remaining amount in 2025. The AFD and the French Treasury have committed to providing grants towards the restructuring process, to be disbursed as agreed milestones are met. An amount of € 2 million in budgetary aid from France has already been allocated in 2022 for the payment of maturities of the debt instruments in 2023. The net remaining needs, currently estimated at KMF 4.9 billion, will be covered by the Government of the Comoros.

## Strengthening Governance

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

- **Rule of law:** Our judicial system needs to be strengthened to further ensure property rights and enforce contracts, to support private sector development. We have undertaken steps to strengthen the judicial efficiency, including by enhancing its equipment. These efforts have resulted in an acceleration of court cases. We will continue to strengthen the integrity and efficiency of the system further.
- **Fiscal transparency.** Measures discussed above on strengthening public financial management and enhancing oversight of SOEs will make an important contribution to strengthening governance, as will our efforts to enhance fiscal accounting and reporting. To strengthen fiscal transparency further, we intend to do the following:
  - Regularly publish comprehensive information on all large public procurement projects. We have laid the basis for such publications by issuing a circular regarding the submission to a nominated procurement agency of documentation on all large public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s); and preparing a plan that sets out the steps and timeline for the publication of this documentation on an easily accessible website
  - Publish by end-June 2023 the results of the audit of the spending of IMF emergency financing provided under the RCF/RFI of April 2020. Concretely, we have asked the Court of Auditors to prepare this audit with technical assistance from the IMF. We also reaffirm our commitment to publishing semi-annual reports on any follow-up measures taken on the basis of the audit findings for as long as follow-up measures continue.
- **Anti-corruption.** We remain committed to strengthening the anti-corruption framework. We will adopt the new anti-corruption law, which incorporates most of the IMF staff recommendations and will continue working to strengthen transparency and efficiency of the asset declaration system for top officials.
- **Management of the civil service.** Our civil service is facing capacity constraints, and we are taking steps to strengthen it. We will continue our efforts to address absenteeism and recover wages that were paid to “ghost workers.” We are also exploring the option of strengthening hiring through the use of a competition/entrance exam in all parts of the civil service, as is already the case at the central bank; strengthening the training of civil servants by creating a school of national administration; and introducing performance management. We will avoid election-related hiring.

### 18. The government will strengthen effectiveness of the AML/CFT framework. This work is already underway and an evaluation by the Inter-Governmental Action Group against Money

Laundering in West Africa (GIABA) will be conducted in June 2023. The preparation and publication of the national risk assessment has been delayed to 2023. Thereafter, we will prepare an AML/CFT law in line with the international standards set by the Financial Action Task Force and adopt it. In the meantime, the BCC will reach out to commercial banks to raise awareness of AML/CFT requirements and enhance risk-based supervision including by conducting onsite inspections to assess compliance with existing AML/CFT regulations.

### **Other Issues**

**19. The Central Bank will continue working on implementing recommendations of the IMF's 2020 safeguards assessment.** To that end, the BCC adopted the International Financial Reporting Standards (IFRS) as its accounting framework effective December 2021, and we will continue to further enhance the transparency of our financial reporting. We recognize that work to amend the BCC's legal framework to enhance its autonomy has been delayed, but we remain committed to advancing this reform in consultation with the IMF.

**20. The government recognizes that Comoros' economic data have serious shortcomings in almost all sectors** that hamper economic analysis and policy formulation and implementation. The government is committed to ensuring that INSEED will have sufficient human and capital resources to collect timely price data and update the national accounts.

**Table 1. Comoros: Quantitative Targets for End-September and End-December 2021<sup>1</sup>**  
(In millions of Comorian Francs, cumulative since end previous year, unless otherwise specified)

	2021							
	End-September				End-December			
	Target	Adjusted	Actual	Status	Target	Adjusted	Estimate	Status
1. Floor on tax revenues	27,251.7	27,251.7	34,823.9	Met	41,925.8	41,925.8	44,692.6	Met
2. Ceiling on the primary domestic fiscal deficit	-17,090.9	-5,299.9	-13,774.2	Not Met	-18,259.9	-19,490.7	-18,073.4	Met
3. Floor on net international reserves (million KMF).	85,900.8	85,900.8	131,400.0	Met	86,278.3	86,278.3	129,699.1	Met
4. Ceiling on the accumulation of new domestic payments arrears, net <sup>2</sup>	0.0	0.0	-2,116.8	Met	0.0	0.0	0.0	Met
5. Floor on social cash transfers	3,000.0	3,000.0	4,900.0	Met	5,800.0	5,800.0	5,159.3	Not Met
6. Ceiling on new external arrears <sup>2</sup>	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met
7. Ceiling on new nonconcessional external debt contracted or guaranteed by the government <sup>2,3</sup>	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met

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

**Table 2. Comoros: Structural Benchmarks**

Measure	Purpose	Date	Status
Raise the number of active taxpayers by 5 percent at both the large taxpayer office (from 258 in May) and the medium and small taxpayer office (from 300 in May) and sending all these taxpayers requests to file tax declarations.	Boost tax revenue to enable greater investment in human and physical capital and safeguard debt sustainability.	Sep. 30, 2021	Met
Prepare terms of reference and launch a call for interest for an audit of domestic arrears including cross-arrears with SOEs.	Enhance PFM by strengthening budget execution and transparency; improve business climate.	Sep. 30, 2021	Met
Raise the number of active taxpayers by 10 percent at both the large taxpayer office (from 258 in May) and the medium and small taxpayer office (from 300 in May) and send all these taxpayers requests to file tax declarations.	Boost tax revenue to enable greater investment in human and physical capital and safeguard debt sustainability.	Dec. 31, 2021	Met
Adopt a road map for extending the coverage of the Treasury Single Account (TSA) to all transactions relating extrabudgetary entities, public administrative bodies, and foreign-financed projects.	Enhance PFM by strengthening expenditure control and transparency.	Dec. 31, 2021	Met



**Table 2. Comoros: Structural Benchmarks (concluded)**

<b>Measure</b>	<b>Purpose</b>	<b>Date</b>	<b>Status</b>
Commission an audit of domestic arrears including cross-arrears with SOEs as a step towards preparing a strategy for clearing them.	Enhance PFM by strengthening budget execution and transparency; improve business climate.	Feb. 28, 2022	Met
Adopt a law/decreree splitting SNPSF into postal and banking activities; and submit to the Central Bank of Comoros (BCC) an application for approval of the new Postal Bank that enshrines the following: (i) strong governance in line with applicable international standards and the requirements of the BCC as the bank's regulator and supervisor, (ii) a viable business plan adopted in consultation with IMF staff, and (iii) profiles of future managers that ensure adequate management expertise and experience in banking and credit risk management.	Enhance the management of SOEs and reduce unnecessary drains on the budget.	Feb. 28, 2022	Not met
Issue a circular/guidance regarding the submission to a nominated procurement agency of documentation on all large public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s); and prepare a plan that sets out the steps and timeline for the publication of this documentation along with the names and beneficial ownership information of the assigned companies on an easily accessible website.	Improve good governance and safeguard public resources.	Dec. 31, 2021	Met
Adopt in the Council of Ministers amendments to the 2008 anti-corruption law (N° 08-013/ AU) that will: (i) enhance preventive measures including those related to conflicts of interest and the creation of an effective asset declaration system for senior public officials in line with international best practices aimed at the collection/verification of asset declarations, the imposition of sanctions for failure and false reporting, and the provision of access to the declarations, (ii) set out the legal framework for creating an operationally independent and autonomous public entity with powers to set up the country's anti-corruption policy priorities, manage an effective asset declarations system, maintain a public anti-corruption complaints platform; and ensuring investigative capacity and powers.	Operationalize asset declaration regime for senior officials to lower corruption risks.	Feb. 28, 2022	Not met



# UNION OF THE COMOROS

April 3, 2023

## SECOND REVIEW UNDER THE STAFF-MONITORED PROGRAM—DEBT SUSTAINABILITY ANALYSIS

Approved By  
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Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

<b>Joint Bank-Fund Debt Sustainability Analysis</b>	
<b>Risk of external debt distress</b>	<i>High</i>
<b>Overall risk of debt distress</b>	<i>High</i>
<b>Granularity in the risk rating</b>	<i>Sustainable</i>
<b>Application of judgement</b>	<i>No</i>

*Comoros external and overall debt are sustainable but remain at high risk of debt distress.<sup>1</sup> Breaches of the external debt sustainability thresholds are of limited magnitude while debt service metrics are projected to gradually improve over the forecast horizon. Additional considerations that mitigate the mechanical risk signals include the authorities' successful completion of the IMF Staff-Monitored Program (SMP), plans for an economic reform program supported by the prospective IMF's Extended Credit Facility (ECF), and the consistently strong performance of remittances, which supports external sustainability. The baseline in this DSA reflects higher oil and food prices, the appreciation of the dollar, and a less active policy-adjustment scenario compared to the last DSA (reflecting a pre-ECF baseline). Three of four external debt burden indicators breach their respective thresholds under this baseline. The incorporation in domestic debt of statutory advances, SDR on-lending to the government and higher level of publicly guaranteed domestic debt of State-Owned Enterprises (SOEs), result in deterioration of domestic debt dynamics under the*

<sup>1</sup> Comoros' debt carrying capacity is assessed as medium, given a Composite Indicator of 2.855 based on October 2022 WEO projections and the 2021 Country Policy and Institutional Assessment (CPIA) rating.

*baseline. This assessment is contingent on: (i) progress on domestic resource mobilization and gradual but sustained fiscal consolidation over the medium term, (ii) no additional non-concessional borrowing, and (iii) enhanced financial oversight of SOEs. The DSA suggests that Comoros is susceptible to export and exchange rate depreciation shocks; natural disaster and contingent liabilities shocks would also present downside risks to the debt outlook.*

## PUBLIC DEBT COVERAGE

**1. Public debt coverage has been extended to include all financing from the central bank to the Treasury.** The coverage of external debt includes the entire public sector, namely external debt of the central government, the central bank borrowing on behalf of the government, and government-guaranteed debt of SOEs. Subnational government entities cannot take up external debt on their own, and SOEs cannot access the external debt market without a government guarantee. Domestic debt includes central government, SOE's guaranteed debt from domestic banks, and on-lending from the central bank including the IMF SDR allocation and statutory advances.

**Text Table 1. Comoros: Public Debt Coverage**

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

Sources: Comorian authorities, and IMF staff

**2. Contingent liabilities have built up significantly and the likelihood of their materialization is growing.** The magnitude of the contingent liabilities shock is revised up to 12.5 percent of GDP, from 8.8 previously, to reflect: (i) preliminary outcomes of an ongoing audit pointing to a higher-than-expected level of domestic arrears<sup>2</sup> and (ii) difficulties encountered by the SOEs involved in importing food and oil in rolling over their trade loans following the deterioration of their cash flows due to higher commodity prices.

**Text Table 2. Coverage of the Contingent Liabilities' Stress Test**

1 The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	4.5	Reflects unaudited estimates of domestic arrears.
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	3	SOEs growing debt
4 PPP	35 percent of PPP stock	0	
5 Financial market (the default value of 5 percent of GDP is the minimum)	5 percent of GDP	5	
<b>Total (2+3+4+5) (in percent of GDP)</b>		<b>12.5</b>	

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

Sources: Comorian authorities, and IMF staff

<sup>2</sup> These domestic arrears represent unpaid bills for goods and services and are included as contingent liabilities as the figures are still preliminary. They include arrears from the treasury to the pension system. Preliminary assessment from the ongoing audit is that the accumulation of domestic arrears includes considerable cross debts between the state and SOEs as well as among SOEs, reflecting PFM weaknesses rather than government insolvency. The government plans to elaborate a domestic arrears clearance strategy upon the completion of the audit exercise.

## BACKGROUND

### A. Recent Debt Developments

- 3. Public external debt has grown while domestic public debt rose significantly albeit still modest.** External public debt reached 28 percent of GDP in 2022 and is expected to rise further to 31.5 percent of GDP by end-2023, up from 20.3 percent of GDP prior to the pandemic. Domestic public debt jumped from 2.9 in 2020 to 5.1 percent of GDP in 2022, reflecting the BCC's on-lending of the SDR allocation a higher take-up of commercial bank debt by the SOEs involved in food and energy supply.
- 4. Negotiations are ongoing to finalize loans** for the El Maarouf Hospital. The authorities are seeking three concessional loans (amounting to USD 70 million), which are included in this baseline.
- 5. Debt Structure.** At end-2021, disbursed debt owed to official bilateral creditors accounted for 63 percent of public external debt, debt to multilateral creditors for 16 percent, and debt to regional lenders for 17 percent. The share of non-concessional debt stood at 14 percent of external debt at end-2021 and is expected to grow in the next few years as the non-concessional loan for the construction of the Galawa Hotel is disbursed.
- 6. With the expiration of the DSSI and tightening liquidity constraints, the authorities have accumulated new external arrears<sup>3</sup>** Between end-December 2021 and end-December 2022, external arrears increased from USD 6 million to USD 7.2 million, of which USD 5.2 million in external arrears (72 percent of the total) are owed to BADEA. The authorities plan to repay shortly arrears owed to the Kuwait Fund (USD 0.12 million) and the OPEC Fund for International Development (USD 0.35 million). Discussions are still ongoing regarding the pre-existing stock of arrears owed to Exim Bank India for a project loan in dispute (USD 1.17 million). External arrears also accumulated vis-à-vis Bpifrance Assurance Export (USD 0.56 million), for which the authorities reported that they are awaiting a response to their request for debt cancellation from the French Treasury.

### B. Macroeconomic Forecasts

- 7. Compared to the last DSA, the macroeconomic assumptions have been adjusted to reflect the impact of the recent shocks and the greater uncertainty in the global outlook going forward** (Text Table 4). The previous DSA, prepared in the context of the SMP request, built on an active policy scenario and a more favorable long-term outlook. In contrast, the current DSA is based on a less active policy scenario, reflecting the pre-ECF baseline. Long-run growth has also been revised down from the previous DSA to reflect the effects of consecutive shocks in recent years, delayed reforms as short-term policies prioritized addressing the shocks, and the significantly greater uncertainty in the global outlook.
- Real GDP growth for 2022 has been revised down to 2.4 percent from 3.8 percent before Russia's invasion of Ukraine. Growth is projected to rise to 3.0 percent in 2023 and then to an

<sup>3</sup> Projections of debt service payments to clear the arrears are included in macroeconomic assumptions underlying this exercise. The arrears represent < 1 of GDP and hence do not automatically trigger an in-debt distress rating.

average of 4.1 percent in 2024-28, driven by large investment projects, including hospital expansion, the construction of a hotel complex, and the refurbishment of roads, while remittances are expected to decline from their earlier record levels during the COVID-19 pandemic amid lower growth in the eurozone, albeit remaining strong. In the long run, the boosting effect of those investment projects will dissipate, and growth will come back to an average of 3.8 percent.

Text Table 3. Comoros: Decomposition of Public Debt 2019-21<sup>1</sup>

	2019	2020	2021	2019	2020	2021
	<i>Million USD</i>			<i>% GDP</i>		
<b>Total</b>	280.7	322.7	388.1	22.9	26.1	29.8
<b>External</b>	241.3	282.6	316.9	20.3	23.2	24.7
Multilateral creditors <sup>2</sup>	87.9	104.0	116.5	7.4	8.5	9.1
IMF	19.0	28.7	27.6	1.6	2.4	2.1
World Bank	12.3	17.6	22.0	1.0	1.4	1.7
ADB/AfDB/IADB	2.5	2.5	7.1	0.2	0.2	0.5
Other Multilaterals	54.1	55.2	59.9	4.6	4.5	4.7
o/w: BADEA	28.3	28.0	28.0	2.4	2.3	2.2
o/w: TDB	12.0	13.2	18.3	1.0	1.1	1.4
o/w: IsDB	7.6	7.5	7.5	0.6	0.6	0.6
Bilateral Creditors	153.4	178.6	200.3	12.9	14.7	15.6
Paris Club	2.1	2.1	2.1	0.2	0.2	0.2
o/w: France	2.1	2.1	2.1	0.2	0.2	0.2
Non-Paris Club	151.3	176.5	198.2	12.7	14.5	15.4
o/w: China	66.2	91.7	113.2	5.6	7.5	8.8
o/w: Saudi Arabia	33.7	33.7	33.7	2.8	2.8	2.6
o/w: India	26.4	26.4	26.4	2.2	2.2	2.1
o/w: Kuwait	25.0	24.8	25.0	2.1	2.0	1.9
Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0
<b>Domestic</b>	32.0	36.8	59.1	2.6	2.9	5.1
Held by residents, total <sup>3</sup>	32.0	36.8	59.1	2.7	3.0	4.6
Loans	32.0	36.8	59.1	2.7	3.0	4.6

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

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

3/ Includes central bank on lending related to the SDR allocation

Source: Country authorities and staff estimates and projections

- Average inflation is estimated at 12 percent in 2022 percent following higher international prices of oil and food aggravated by shortages linked to shipment difficulties. It will fall to around 8.2 percent in 2023 due to the base effect, the end of shipment difficulties and to the ongoing impact from the tightening of the monetary policy. After 2023, inflation will stabilize at around 2-2½ percent reflecting the peg of the exchange rate to the Euro.

- Fiscal sector: SOE's losses contributed to lower fiscal revenue in 2022 but lower COVID-19-related spending helped narrow the domestic primary deficit from 3.4 percent of GDP in 2021 to 1.7 percent of GDP in 2022. This will be followed by a widening of the primary deficit to 2.7 percent of GDP reflecting higher investment spending during 2023-24, with the primary deficit thereafter averaging at 1.7 percent of GDP per year. Projections include a fiscal financing gap starting in 2023 that mainly reflects insufficient funding for postal bank recapitalization, increased debt service obligations and lower revenues from key state-owned enterprises that need to recoup their earlier losses.
- The external current account deficit is estimated to have widened to 4.5 percent of GDP in 2022 and is expected to widen further in 2023 to 7.3 percent before gradually declining to 4.5 percent. Exports of goods are projected to recover to pre-pandemic levels by 2026 and improve further after that while tourism is already recording a stronger performance compared to pre-COVID-19 levels. Imports jumped to a high level amid the war in Ukraine and will be spurred by substantial public investment in 2023-24. Remittance inflows are expected to remain strong despite the correction from the COVID-19 levels, given the expected continued importance of the Comorian diaspora.<sup>4</sup> With sustained import growth and increased interest payments from previously contracted non-concessional debt, the current account is projected to weaken over the next few years before settling at around 4½ percent of GDP over the long term. Despite initially comfortable foreign exchange reserves coverage, the fiscal financing gap translates into an external financing gap of the same size as the government faces tight domestic and external borrowing constraints.

**8. This DSA assumes that the authorities will adopt a prudent borrowing strategy.** Staff assumes that disbursement from already contracted loans will continue over the coming years in line with the authorities' plans.

- **Domestic financing:** The drawdown of government's deposit at the central bank during 2022-23 is projected at 2.7 percent of GDP. The other domestic financing in this DSA captures SOEs' short term domestic debt.
- **Foreign financing:** Staff assumes that as yet undisbursed parts of already contracted loans will be disbursed over the coming years in line with the authorities' plans. IDA financing, including through investment projects, is projected at USD 28.7 million per year on average over the next four years. The baseline includes around USD 50 million from AfDB and USD 17 million from Saudi Arabia over the next four years. Staff further assumes that a remaining fiscal gap will be filled with borrowing on concessional terms. This assumption reflects Comoros' commitment to avoid non-concessional borrowing going forward. It is also underpinned by the implementation of performance policy actions (PPAs) under the sustainable development financing policy (SDFP) in 2022-2023 which aimed at improving debt management with a debt management law which was promulgated (in 2023), streamlining the borrowing process, reinforcing the role of the ministry of finance in the borrowing

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<sup>4</sup> During 2017-21, the average annual growth rate of remittances was 15 percent.

process, and establishing a committee to advise the minister of finance on the approval of loans and guarantees (in 2022). The average external loan financing from 2022-2032 is USD 62 million per year (including the fiscal financing gap) as compared to USD 59 million from the previous DSA. The average grant element of new borrowing is 54.5 percent, higher than the last DSA when it stood at 43.4 percent.

**9. Realism tools do not flag issues (Figures 3 and 4).** The 3-year fiscal adjustment is smaller than in most historical Fund-supported programs. The projected GDP growth in 2023 is compatible with a range of plausible fiscal multipliers. The projected contribution of government investment over the medium term is in line with historical experience. Changes between the sum of debt dynamics contributions during 2016-2021 against 2022-2026 reflect the impact of a higher projected GDP growth and current account normalization as the country rebounds from several shocks during 2019-21, the appreciation of the dollars over the next five years, and a higher primary deficit in 2023-24 reflecting higher investment spending.

**Text Table 4. Comoros: Assumptions for DSA**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	Long Term <sup>1</sup>
		Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
<b>GDP Growth Rate (percent)</b>										
Previous DSA	-0.5	1.6	3.8	3.7	3.9	4.3	4.4	4.2	4.2	4.2
Current DSA	-0.2	2.1	2.4	3.0	3.6	4.1	4.3	4.3	4.2	3.8
<b>Inflation, average (percent)</b>										
Previous DSA	0.8	-1.0	1.2	1.4	1.6	1.7	2.0	2.0	2.0	2.0
Current DSA	0.8	0.0	12.0	8.2	1.6	2.3	2.1	2.0	2.0	2.0
<b>Government Revenues (percent of GDP)</b>										
Previous DSA	9.3	8.9	9.2	9.5	9.8	10.1	10.4	10.7	11.0	13.2
Current DSA	9.2	10.3	9.6	9.5	9.7	10.0	10.2	10.4	10.6	12.1
<b>Overall Fiscal Balance (percent of GDP)</b>										
Previous DSA	-1.9	-3.5	-3.8	-2.1	-0.1	-0.1	-0.2	-0.4	-0.5	-1.1
Current DSA	-1.4	-3.4	-1.7	-2.7	-2.7	-1.4	-1.4	-1.4	-1.4	-1.8
<b>FDI (percent of GDP)</b>										
Previous DSA	0.0	0.3	0.3	0.4	0.6	0.7	0.9	1.0	1.1	1.4
Current DSA	0.3	0.3	0.4	1.5	1.1	0.6	0.6	0.6	0.6	0.6
<b>Current Account Deficit (Percent of GDP)</b>										
Previous DSA	-1.7	-4.1	-7.6	-8.6	-6.5	-6.8	-6.9	-7.2	-7.3	-7.5
Current DSA	-1.9	0.3	-4.5	-7.3	-6.4	-6.1	-6.4	-5.4	-4.7	-4.6
<b>Export of Goods and Services (annual percentage growth)</b>										
Previous DSA	-38.6	22.8	30.3	5.1	6.4	7.1	7.8	7.1	7.3	7.6
Current DSA	-48.3	62.4	19.8	9.2	7.2	8.8	9.0	9.3	9.8	6.8
<b>Import of Goods and Services (annual percentage growth)</b>										
Previous DSA	-3.7	7.8	18.2	4.3	-2.1	7.2	7.3	7.3	6.9	6.6
Current DSA	-2.5	4.6	17.3	18.5	3.7	1.7	6.3	4.7	6.9	6.7
<b>Investment (percent of GDP)</b>										
Previous DSA	15.6	16.2	17.3	16.9	15.4	15.6	15.9	16.1	16.3	17.9
Current DSA	15.6	15.7	16.7	16.9	17.2	17.3	17.5	17.6	17.7	18.3
<b>Net Current transfers (percent of GDP)</b>										
Previous DSA	18.7	16.4	14.7	13.7	13.5	13.5	13.5	13.4	13.5	13.4
Current DSA	20.2	20.8	18.1	17.7	17.1	15.5	14.7	14.7	14.8	15.0

<sup>1</sup> Covers the period 2029-42 for current DSA, and 2029-41 for the previous DSA.

Source: Authorities data and IMF staff estimates

## C. Country Classification and Determination of Stress Test Scenarios

**10. Comoros is assessed to have medium debt carrying capacity, unchanged from the 2021 DSA (Text Table 5),** with a Composite Indicator (CI) of 2.855 based on October 2022 WEO projections and the 2021 Country Policy and Institutional Assessment (CPIA) rating. As a result, this DSA continues to use the same external debt burden thresholds and total public benchmarks for countries with medium debt carrying capacity (Text Table 5). The relevant thresholds indicating high risk are 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to revenue ratio. These thresholds are applicable to public and publicly guaranteed external debt.



**11. Standardized stress tests use default settings.** In addition, Comoros qualifies for the natural disaster scenario given that it is exposed and vulnerable to natural disaster shocks, such as cyclones and eruptions of the Karthala volcano. The tailored stress test assumes a one-off natural disaster shock of 10 percent of GDP to external PPG debt-GDP ratio in the second year of the projection period.

**Text Table 5. Comoros: Calculation and Contribution of the CI Score Components**

Debt Carrying Capacity		Medium		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages	
Medium	Medium 2.85	Medium 2.89	Medium 2.89	

#### Applicable thresholds

External debt burden thresholds		Total public debt benchmark	
PV of debt in % of			
Exports	180	PV of total public debt in percent of GDP	55
GDP	40		
Debt service in % of			
Exports	15		
Revenue	18		

Source: CI score calculations based on LIF DSF.

## DEBT SUSTAINABILITY

### A. External Debt Sustainability

**12. Three out of four external debt burden indicators breach their respective thresholds under the macroeconomic assumptions underlying this exercise (Figure 1).**

- The PV of external debt-to-GDP ratio is still below the threshold but increased compared to the previous exercise.
- The breach of the PV of debt-to-export ratio persists during 2025-27 before declining below the threshold.
- The debt service-to-exports ratio breaches its thresholds during 2025-27 and the debt service-to-revenue ratio during 2025-28. Compared to the previous DSA, the breaches are less pronounced because delays in project execution during 2021-22 have smoothed loan disbursements and, as a consequence, associated debt services.

**13. The stress tests suggest that export shock and exchange rate depreciation have the largest negative impact on the debt trajectory.** The export shock would cause threshold breaches for three of four indicators while the depreciation shock while the depreciation shock would cause breach to the debt service to revenue ratio. The results indicate that a natural disaster shock may increase the PV of external

debt-to-GDP ratio from 18 percent to 31 percent in the medium term, and debt service to revenue ratio from 8 percent to peak at 21 percent in 2025. The contingent liabilities shock may have a similar impact on PV of external debt-to-GDP ratio and debt service to revenue ratio.

## B. Total Public Debt Sustainability

**14. Overall public debt is projected to rise under the passive policy scenario but remain well below its indicative benchmark under both the macroeconomic assumptions underlying this exercise and the stress tests (Figure 2).** The incorporation in domestic debt of statutory advances, SDR on-lending to the government and higher level of publicly guaranteed domestic debt of SOEs, result in deterioration of domestic debt dynamics, relative to the last DSA, under a less active policy scenario currently assumed in the baseline. The stress tests suggest that export and growth shocks have the largest negative impact on the debt trajectory. The growth shock may increase the debt service to revenue ratio from 7 percent to peak at 63 percent in 2029. The export shock may have similar impact on PV of debt-to-GDP ratio and PV of debt-to-revenue ratio.

## C. Risk Assessment and Vulnerabilities

**15. Comoros external and overall debt are sustainable but remains at a high risk of external and overall debt distress.** The external debt and overall debt continue to be assessed as sustainable, given the limited magnitude of the breaches of the external debt sustainability thresholds and the projected improvement of debt service \*metrics over the forecast horizon. Additional considerations that mitigate the mechanical risk signals in support of the analysis include the authorities' plans for an economic reform program to be supported by the prospective IMF's Extended Credit Facility, and the consistently strong performance of remittances, which supports external sustainability.

**16. Mitigating risks to public debt requires several policy actions:** Building on the successful completion of the SMP, the authorities have requested an ECF program that will help mitigate risks to public debt via (i) making faster progress on domestic resource mobilization and ensuring gradual but sustained fiscal consolidation over the medium term, (ii) avoiding additional non-concessional borrowing, (iii) enhancing financial oversight of SOEs, and (iv) implementing reforms to boost growth.

## AUTHORITIES' VIEWS

**17. The authorities broadly shared Fund staff's assessment, emphasizing that reducing debt vulnerabilities is a key priority for their development agenda.** They emphasized the significant impact of recent successive shocks on the macroeconomic picture and agreed that fiscal reforms will be needed to gradually reduce risks over the medium term. They reiterated their commitment to engaging with staff in the context of a follow-on program from the SMP to push forward planned fiscal and other structural reforms.

**Figure 1. Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2022-2032**



Customization of Default Settings		
	Size	Interactions
<b>Tailored Stress</b>		
Combined CL	Yes	
Natural disaster	Yes	No
Commodity price 2/	n.a.	n.a.
Market financing	n.a.	n.a.

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
<b>Shares of marginal debt</b>		
External PPG MLT debt	100%	
<b>Terms of marginal debt</b>		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	37	37
Avg. grace period	9	9

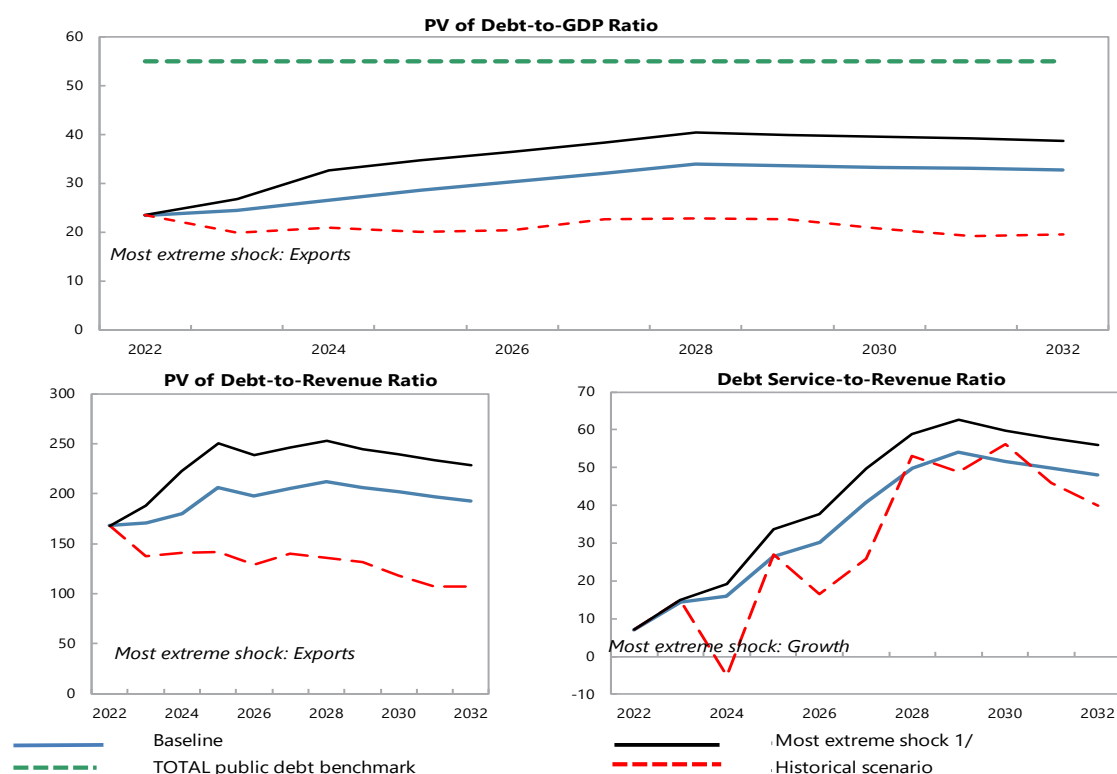
\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

**Figure 2. Indicators of Public Debt Under Alternative Scenarios, 2022-2032**



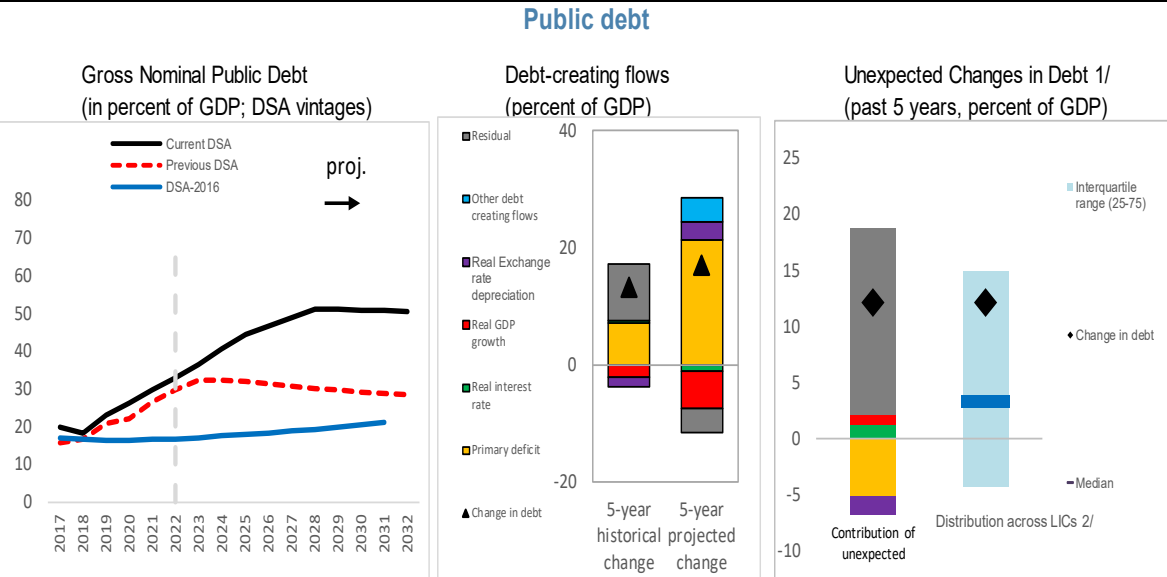
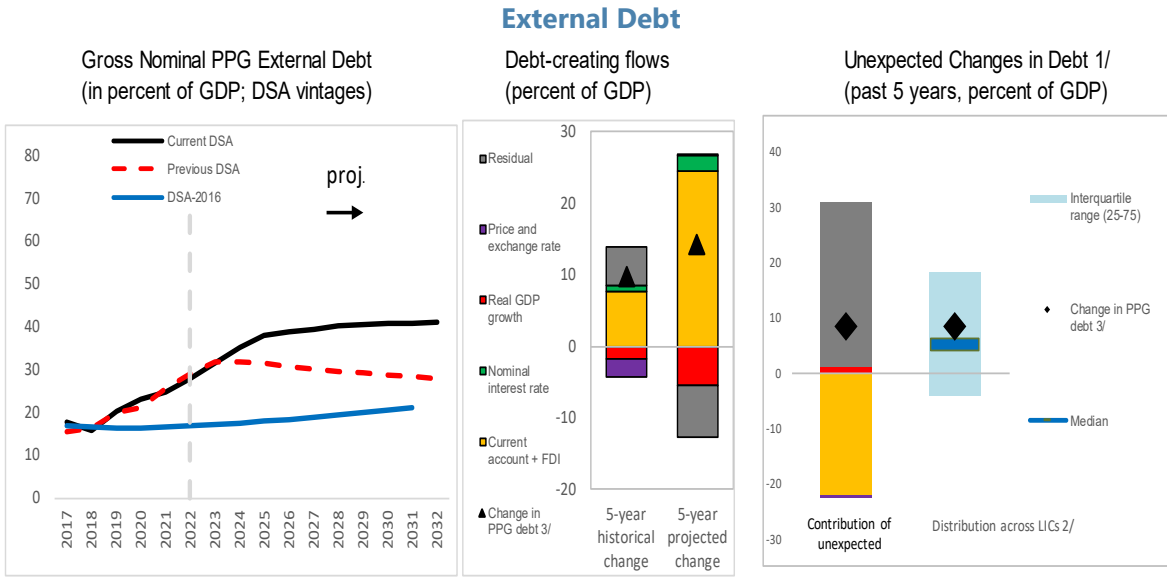
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
<b>Shares of marginal debt</b>		
External PPG medium and long-term	49%	49%
Domestic medium and long-term	0%	0%
Domestic short-term	51%	51%
<b>Terms of marginal debt</b>		
<b>External MLT debt</b>		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	37	37
Avg. grace period	9	9
<b>Domestic MLT debt</b>		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
<b>Domestic short-term debt</b>		
Avg. real interest rate	0.5%	0.5%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Figure 3. Drivers of Debt Dynamics - Baseline Scenario**



Sources: Country authorities; and staff estimates and projections.

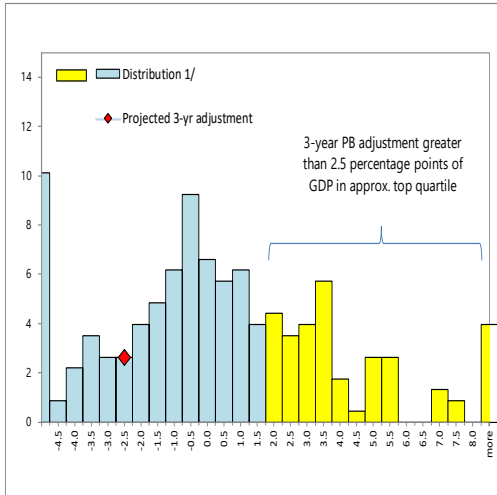
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

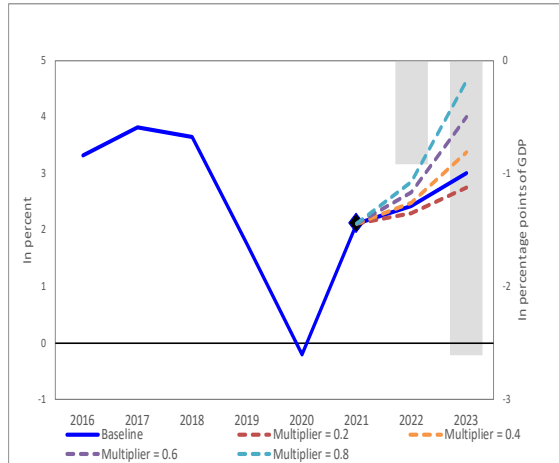
Figure 4. Realism Tools

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



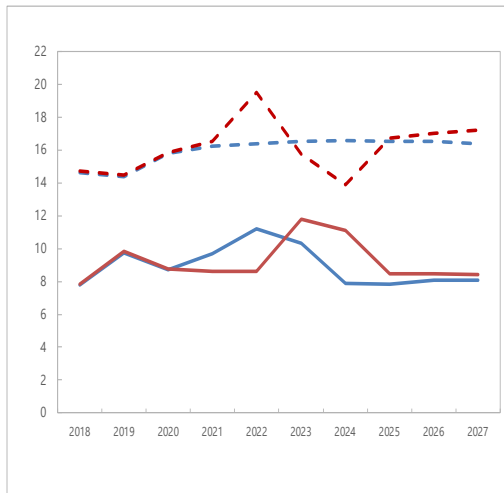
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



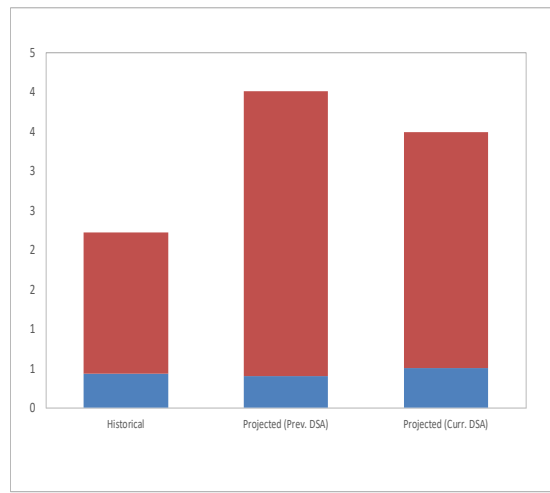
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates  
(percent of GDP)



Gov. Invest. - Prev. DSA      Gov. Invest. - Curr. DSA  
Priv. Invest. - Prev. DSA      Priv. Invest. - Curr. DSA

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



Contribution of other factors  
Contribution of government capital

Sources: Country authorities; and staff estimates and projections.

The significant difference between 'Prev. DSA' and 'Curr. DSA' lines in the 'Public and Private Investment Rates' chart is predominantly due to a calculation error in the previous DSA. Specifically, foreign financed public investment was erroneously included in private investment rather than public investment, hence artificially inflating the former and deflating the latter. The sum of private and public investment in the two DSA versions is broadly similar.

**Table 1. Comoros: External Debt Sustainability Framework**  
(In percent of GDP, unless otherwise indicated)

	Actual			Projections										Average 8/			
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2042	Historical	Projections
<b>External debt (nominal) 1/</b>	20.3	23.2	24.7	27.9	31.5	35.1	38.0	38.7	39.5	40.3	40.5	40.7	40.8	41.0	43.5	17.5	37.6
<i>of which: public and publicly guaranteed (PPG)</i>	20.3	23.2	24.7	27.9	31.5	35.1	38.0	38.7	39.5	40.3	40.5	40.7	40.8	41.0	43.5	17.5	37.6
<b>Change in external debt</b>	4.5	2.9	1.4	3.2	3.7	3.6	2.9	0.7	0.8	0.8	0.2	0.2	0.2	0.1	1.6	1.6	3.5
<b>Identified net debt-creating flows</b>	3.0	1.1	-1.9	3.6	5.0	4.2	4.1	4.2	3.2	2.5	2.6	2.9	2.9	2.8	2.6	1.6	3.5
<b>Non-interest current account deficit</b>	3.3	1.7	-0.6	4.3	6.8	5.9	5.7	6.0	4.9	4.3	4.3	4.6	4.6	4.6	4.4	2.5	5.1
Deficit in balance of goods and services	17.9	22.7	21.0	23.2	25.1	23.7	21.8	21.1	20.1	19.5	19.5	19.9	19.9	19.9	19.7	19.0	21.3
Exports	11.9	5.5	11.5	12.4	11.7	11.8	12.0	12.3	12.6	13.0	13.5	13.4	13.7	13.9	15.6		
Imports	29.8	28.2	32.5	35.5	36.8	35.5	33.8	33.4	32.7	32.5	33.0	33.3	33.6	33.8	35.3		
Net current transfers (negative = inflow)	-14.0	-20.2	-20.8	-18.1	-17.7	-17.1	-15.5	-14.7	-14.7	-14.8	-14.8	-14.9	-15.0	-15.0	-15.0	-16.1	-15.7
<i>of which: official</i>	-1.8	-3.4	-1.8	-1.2	-2.2	-2.2	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-0.5	-0.5
Other current account flows (negative = net inflow)	-0.7	-0.7	-0.7	-0.8	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3	-0.4	-0.5	-0.7
<b>Net FDI (negative = inflow)</b>	-0.4	-0.3	-0.3	-0.4	-1.5	-1.1	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5	-0.7
<b>Endogenous debt dynamics 2/</b>	0.1	-0.3	-1.0	-0.3	-0.3	-0.6	-0.9	-1.1	-1.2	-1.2	-1.1	-1.1	-1.2	-1.1	-1.2	-0.5	-0.7
Contribution from nominal interest rate	0.2	0.2	0.3	0.3	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3		
Contribution from real GDP growth	-0.3	0.0	-0.5	-0.6	-0.8	-1.1	-1.4	-1.4	-1.6	-1.6	-1.5	-1.5	-1.5	-1.5	-1.5		
Contribution from price and exchange rate changes	0.2	-0.5	-0.8	...	...	...	...	...	...	...	...	...	...	...	...		
<b>Residual 3/</b>	1.5	1.8	3.3	-0.3	-1.4	-0.7	-1.2	-3.5	-2.4	-1.7	-2.4	-2.8	-2.7	-2.7	-1.0	-1.8	-2.0
<i>of which: exceptional financing</i>	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Sustainability indicators</b>																	
<b>PV of PPG external debt-to-GDP ratio</b>	...	...	16.2	18.3	19.6	20.9	22.0	22.3	22.6	23.0	23.0	23.0	23.1	23.2	23.5		
<b>PV of PPG external debt-to-exports ratio</b>	...	...	140.7	148.1	167.6	176.6	183.7	181.6	179.8	177.2	170.9	171.5	169.3	166.9	150.7		
<b>PPG debt service-to-exports ratio</b>	5.4	11.8	6.1	6.3	12.2	14.0	16.8	15.7	15.5	14.8	8.4	7.8	7.6	7.7	7.8		
<b>PPG debt service-to-revenue ratio</b>	6.6	5.5	6.9	8.1	15.1	17.1	20.1	18.9	18.8	18.2	10.5	9.5	9.3	9.4	9.0		
Gross external financing need (Million of U.S. dollars)	42.0	25.1	-2.5	57.6	91.1	91.6	103.9	110.3	97.5	89.1	80.6	89.1	95.5	100.2	175.5		
<b>Key macroeconomic assumptions</b>																	
Real GDP growth (in percent)	1.8	-0.2	2.1	2.4	3.0	3.6	4.1	4.3	4.3	4.2	3.8	3.8	3.8	3.8	3.8	2.5	3.7
GDP deflator in US dollar terms (change in percent)	-1.0	2.7	3.4	-6.3	6.2	0.8	-0.3	-0.9	-1.6	-2.3	2.0	2.0	2.0	2.0	2.0	0.0	0.3
Effective interest rate (percent) 4/	1.2	1.0	1.2	1.1	1.8	1.6	1.4	1.2	1.1	1.1	1.0	1.0	0.8	0.8	0.8	0.7	1.2
Growth of exports of G&S (US dollar terms, in percent)	-4.9	-52.1	119.2	3.1	3.2	5.9	5.3	5.6	5.1	5.1	9.9	5.8	7.7	7.7	7.7	11.1	5.8
Growth of imports of G&S (US dollar terms, in percent)	-0.7	-2.9	21.6	5.0	13.3	0.7	-1.2	2.2	0.5	1.2	7.3	7.0	6.9	6.5	5.7	3.4	4.5
Grant element of new public sector borrowing (in percent)	...	...	...	48.8	38.8	52.8	55.8	58.6	58.4	58.1	58.2	58.1	58.0	58.0	57.9	...	54.9
Government revenues (excluding grants, in percent of GDP)	9.6	12.0	10.3	9.6	9.5	9.7	10.0	10.2	10.4	10.6	10.8	11.0	11.2	11.4	13.5	14.2	10.4
Aid flows (in Million of US dollars) 5/	73.7	75.8	86.8	78.0	134.3	134.8	109.6	119.5	122.1	122.7	145.7	152.5	163.5	173.0	366.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.6	8.8	8.2	6.7	6.7	6.8	6.8	7.4	7.3	7.4	7.4	8.4	...	7.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	80.5	58.4	74.1	74.7	85.3	85.9	87.2	84.6	85.1	84.8	84.8	80.6	...	80.5
Nominal GDP (Million of US dollars)	1,188	1,218	1,285	1,233	1,349	1,409	1,463	1,512	1,552	1,580	1,673	1,772	1,876	1,986	3,518		
Nominal dollar GDP growth	0.8	2.5	5.5	-4.0	9.4	4.4	3.8	3.4	2.6	1.8	5.9	5.9	5.9	5.9	5.9	2.6	4.1
<b>Memorandum items:</b>																	
<b>PV of external debt 7/</b>	...	...	16.2	18.3	19.6	20.9	22.0	22.3	22.6	23.0	23.0	23.0	23.1	23.2	23.5		
In percent of exports	...	...	140.7	148.1	167.6	176.6	183.7	181.6	179.8	177.2	170.9	171.5	169.3	166.9	150.7		
Total external debt service-to-exports ratio	5.4	11.8	6.1	6.3	12.2	14.0	16.8	15.7	15.5	14.8	8.4	7.8	7.6	7.7	7.8		
PV of PPG external debt (in Million of US dollars)	...	...	208.3	226.0	263.9	294.4	322.5	336.7	350.4	362.9	384.5	408.1	433.9	460.7	825.7		
(Pvt-Pvt-1)/GDPt-1 (in percent)	...	...	...	1.4	3.1	2.3	2.0	1.0	0.9	0.8	1.4	1.4	1.5	1.4	2.0		
Non-interest current account deficit that stabilizes debt ratio	-1.2	-1.2	-2.0	1.0	3.1	2.4	2.8	5.2	4.2	3.5	4.1	4.4	4.5	4.4	2.8		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $(r - g - \rho(1+g) + E\alpha(1+r)/(1+g+\rho+g))$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate;  $\rho$  = growth rate of GDP deflator in U.S. dollar terms;  $E$  = nominal appreciation of the local currency; and  $\alpha$  = share of local currency-denominated external debt in total external debt.

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

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

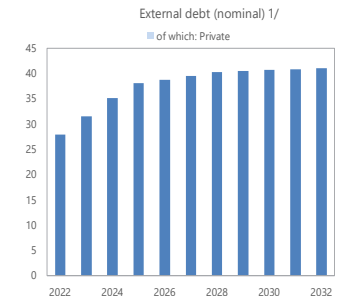
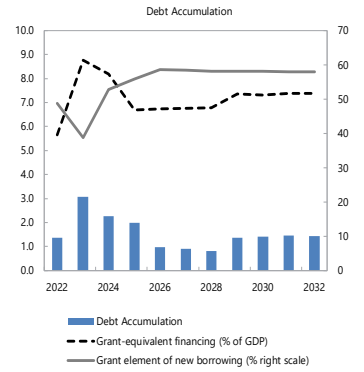
5/ Defined as grants, concessional loans, and debt relief.

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

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

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

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

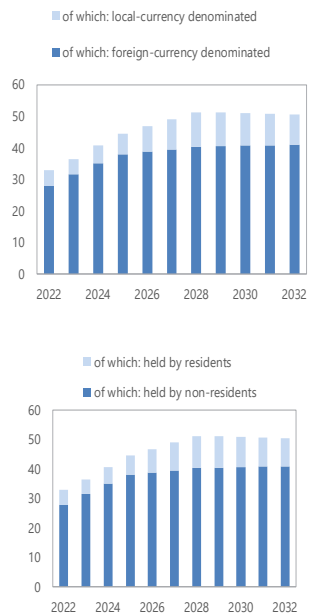


**Table 2. Comoros: Public Sector Debt Sustainability Framework**  
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
<b>Public sector debt 1/</b>	23.0	26.1	29.8	33.0	36.4	40.7	44.5	46.7	49.0	50.5	47.9	19.4	45.9
of which: external debt	20.3	23.2	24.7	27.9	31.5	35.1	38.0	38.7	39.5	41.0	43.5	17.5	37.6
<b>Change in public sector debt</b>	4.8	3.2	3.7	3.2	3.4	4.3	3.8	2.3	2.3	-0.2	-0.4		
<b>Identified debt-creating flows</b>	3.6	-0.3	1.6	3.8	5.8	4.6	2.6	1.1	0.6	-0.2	0.4	-0.9	1.6
<b>Primary deficit</b>	3.6	0.0	2.5	3.4	6.0	5.2	4.0	2.7	2.5	2.1	1.8	-0.5	3.1
Revenue and grants	15.8	18.3	17.0	13.9	14.3	14.7	13.8	15.3	15.6	16.9	19.1	17.9	15.5
of which: grants	6.2	6.2	6.8	4.3	4.8	5.0	3.8	5.1	5.2	5.6	5.6		
Primary (noninterest) expenditure	19.5	18.2	19.5	17.3	20.3	19.9	17.9	18.0	18.1	19.0	20.9	17.4	18.6
<b>Automatic debt dynamics</b>	0.0	-0.2	-0.9	-1.0	-1.1	-1.4	-1.9	-2.1	-2.2	-2.2	-1.4		
Contribution from interest rate/growth differential	-0.1	0.2	-0.7	-1.0	-1.1	-1.4	-1.9	-2.1	-2.2	-2.2	-1.4		
of which: contribution from average real interest rate	0.3	0.1	-0.2	-0.3	-0.1	-0.2	-0.3	-0.3	-0.3	-0.4	0.4		
of which: contribution from real GDP growth	-0.3	0.0	-0.5	-0.7	-1.0	-1.3	-1.6	-1.8	-1.9	-1.9	-1.8		
Contribution from real exchange rate depreciation	0.1	-0.4	-0.2	...	...	...	...	...	...	...	...		
<b>Other identified debt-creating flows</b>	0.0	0.0	0.0	1.4	0.9	0.8	0.5	0.5	0.2	0.0	0.0	0.0	0.4
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	-0.4	-0.6	-0.3	-0.3	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	1.8	1.4	1.1	0.8	0.5	0.2	0.0	0.0		
<b>Residual</b>	1.2	3.4	2.1	-0.6	-2.4	-0.2	1.2	1.2	1.7	-0.1	-0.8	1.2	0.2
<b>Sustainability indicators</b>													
<b>PV of public debt-to-GDP ratio 2/</b>	...	...	21.4	23.4	24.4	26.5	28.5	30.3	32.1	32.7	27.9		
<b>PV of public debt-to-revenue and grants ratio</b>	...	...	125.4	168.2	170.9	180.3	206.0	197.9	205.6	192.9	146.3		
<b>Debt service-to-revenue and grants ratio 3/</b>	4.6	4.1	5.5	7.1	14.5	16.0	26.4	30.3	40.8	48.2	32.2		
Gross financing need 4/	4.4	0.7	3.4	4.8	8.6	7.7	7.9	7.3	8.9	10.2	7.9		
<b>Key macroeconomic and fiscal assumptions</b>													
Real GDP growth (in percent)	1.8	-0.2	2.1	2.4	3.0	3.6	4.1	4.3	4.3	3.8	3.8	2.5	3.7
Average nominal interest rate on external debt (in percent)	1.2	1.0	1.2	1.1	1.8	1.6	1.4	1.2	1.1	0.8	0.8	0.7	1.2
Average real interest rate on domestic debt (in percent)	-1.6	1.7	3.4	-3.5	-2.8	0.0	-0.6	-0.2	0.2	0.5	0.6	0.6	-0.4
Real exchange rate depreciation (in percent, + indicates depreciation)	0.3	-1.9	-0.9	...	...	...	...	...	...	...	...	1.5	...
Inflation rate (GDP deflator, in percent)	4.5	0.8	-0.3	5.2	4.4	1.5	2.3	2.1	2.0	2.0	2.0	1.4	2.5
Growth of real primary spending (deflated by GDP deflator, in percent)	3.3	-6.6	9.4	-9.1	20.6	1.4	-6.3	5.3	5.0	4.6	4.4	7.2	3.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.2	-3.2	-1.2	0.3	2.6	0.8	0.2	0.5	0.3	2.3	2.2	-1.9	1.3
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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



**Table 3. Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022-2032**  
(In percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>PV of debt-to GDP ratio</b>											
<b>Baseline</b>	18	20	21	22	22	23	23	23	23	23	23
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2022-2032 2/	18	19	19	19	18	17	16	16	16	15	15
<b>B. Bound Tests</b>											
B1. Real GDP growth	18	20	22	24	24	24	25	25	25	25	25
B2. Primary balance	18	21	24	26	27	27	28	28	28	28	28
B3. Exports	18	23	29	30	30	31	31	31	31	31	31
B4. Other flows 3/	18	22	26	27	28	28	29	28	28	28	28
B5. Depreciation	18	24	22	23	24	24	24	25	25	25	25
B6. Combination of B1-B5	18	25	27	29	29	29	30	30	30	30	30
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	18	23	26	28	29	29	30	30	30	30	30
C2. Natural disaster	18	23	25	27	28	29	29	30	30	30	30
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	40	40	40	40	40	40	40	40	40	40	40
<b>PV of debt-to-exports ratio</b>											
<b>Baseline</b>	148	168	177	<b>184</b>	<b>182</b>	180	177	171	171	169	167
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2022-2032 2/	148	164	164	160	146	135	125	119	116	112	107
<b>B. Bound Tests</b>											
B1. Real GDP growth	148	168	177	<b>184</b>	<b>182</b>	180	177	171	171	169	167
B2. Primary balance	148	179	<b>202</b>	<b>217</b>	<b>219</b>	<b>219</b>	<b>217</b>	<b>210</b>	<b>210</b>	<b>207</b>	<b>203</b>
B3. Exports	148	<b>331</b>	<b>693</b>	<b>713</b>	<b>704</b>	<b>697</b>	<b>687</b>	<b>660</b>	<b>660</b>	<b>648</b>	<b>636</b>
B4. Other flows 3/	148	<b>192</b>	<b>222</b>	<b>228</b>	<b>226</b>	<b>223</b>	<b>220</b>	<b>212</b>	<b>211</b>	<b>208</b>	<b>204</b>
B5. Depreciation	148	168	150	157	155	154	152	147	148	146	145
B6. Combination of B1-B5	148	<b>254</b>	<b>214</b>	<b>357</b>	<b>352</b>	<b>349</b>	<b>344</b>	<b>331</b>	<b>331</b>	<b>325</b>	<b>320</b>
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	148	<b>195</b>	<b>217</b>	<b>231</b>	<b>232</b>	<b>233</b>	<b>231</b>	<b>222</b>	<b>223</b>	<b>219</b>	<b>215</b>
C2. Natural disaster	148	<b>197</b>	<b>218</b>	<b>231</b>	<b>233</b>	<b>233</b>	<b>232</b>	<b>224</b>	<b>225</b>	<b>222</b>	<b>218</b>
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	180	180	180	180	180	180	180	180	180	180	180
<b>Debt service-to-exports ratio</b>											
<b>Baseline</b>	6	12	14	<b>17</b>	<b>16</b>	<b>16</b>	15	8	8	8	8
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2022-2032 2/	6	13	15	<b>18</b>	<b>17</b>	<b>16</b>	<b>15</b>	8	8	8	8
<b>B. Bound Tests</b>											
B1. Real GDP growth	6	12	14	<b>17</b>	<b>16</b>	<b>16</b>	15	8	8	8	8
B2. Primary balance	6	12	14	<b>17</b>	<b>16</b>	<b>16</b>	<b>16</b>	9	8	8	8
B3. Exports	6	<b>21</b>	<b>44</b>	<b>54</b>	<b>51</b>	<b>50</b>	<b>48</b>	<b>28</b>	<b>26</b>	<b>25</b>	<b>25</b>
B4. Other flows 3/	6	12	15	<b>18</b>	<b>17</b>	<b>16</b>	<b>16</b>	9	8	8	8
B5. Depreciation	6	12	14	<b>16</b>	<b>15</b>	<b>15</b>	14	8	7	7	7
B6. Combination of B1-B5	6	<b>16</b>	<b>24</b>	<b>28</b>	<b>27</b>	<b>26</b>	<b>25</b>	15	13	13	13
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	6	12	15	<b>18</b>	<b>17</b>	<b>17</b>	<b>16</b>	9	9	8	9
C2. Natural disaster	6	13	15	<b>18</b>	<b>17</b>	<b>17</b>	<b>16</b>	10	9	9	9
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	15	15	15	15	15	15	15	15	15	15	15
<b>Debt service-to-revenue ratio</b>											
<b>Baseline</b>	8	15	17	<b>20</b>	<b>19</b>	<b>19</b>	<b>18</b>	11	10	9	9
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2022-2032 2/	8	16	<b>18</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>18</b>	10	9	9	10
<b>B. Bound Tests</b>											
B1. Real GDP growth	8	16	<b>18</b>	<b>22</b>	<b>20</b>	<b>20</b>	<b>19</b>	11	10	10	10
B2. Primary balance	8	15	17	<b>21</b>	<b>20</b>	<b>20</b>	<b>19</b>	11	10	10	10
B3. Exports	8	16	<b>19</b>	<b>23</b>	<b>21</b>	<b>21</b>	<b>21</b>	12	11	11	11
B4. Other flows 3/	8	15	18	<b>21</b>	<b>20</b>	<b>20</b>	<b>19</b>	11	10	10	10
B5. Depreciation	8	<b>19</b>	<b>21</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	12	11	11	11
B6. Combination of B1-B5	8	16	<b>19</b>	<b>23</b>	<b>21</b>	<b>21</b>	<b>21</b>	12	11	11	11
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	8	15	18	<b>21</b>	<b>20</b>	<b>20</b>	<b>19</b>	12	11	10	10
C2. Natural disaster	8	15	18	<b>21</b>	<b>20</b>	<b>20</b>	<b>19</b>	12	11	10	10
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

**Table 4. Comoros: Sensitivity Analysis for Key Indicators of Public Debt, 2022-2032**

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>PV of Debt-to-GDP Ratio</b>											
<b>Baseline</b>	23	24	27	29	30	32	34	34	33	33	33
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2022-2032 2/	23	20	21	20	20	23	23	23	21	19	20
<b>B. Bound Tests</b>											
B1. Real GDP growth	23	25	29	31	33	35	38	38	38	38	38
B2. Primary balance	23	27	32	33	34	36	38	37	37	36	36
B3. Exports	23	27	33	35	36	38	40	40	39	39	39
B4. Other flows 3/	23	27	32	34	36	38	39	39	39	38	38
B5. Depreciation	23	27	27	28	28	29	30	29	28	27	26
B6. Combination of B1-B5	23	26	28	28	29	30	32	31	31	31	30
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	23	33	34	35	36	37	39	39	38	38	38
C2. Natural disaster	23	32	33	34	35	37	39	39	38	38	38
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>TOTAL public debt benchmark</b>	55	55	55	55	55	55	55	55	55	55	55
<b>PV of Debt-to-Revenue Ratio</b>											
<b>Baseline</b>	168	171	180	206	198	206	212	206	202	197	193
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2022-2032 2/	168	138	141	142	129	140	136	131	118	107	107
<b>B. Bound Tests</b>											
B1. Real GDP growth	168	174	190	220	212	222	231	226	224	221	219
B2. Primary balance	168	192	218	238	223	229	235	228	223	217	213
B3. Exports	168	188	222	251	238	246	253	245	239	233	228
B4. Other flows 3/	168	191	217	245	233	241	247	240	234	228	224
B5. Depreciation	168	198	191	203	188	190	193	181	173	164	157
B6. Combination of B1-B5	168	181	189	202	190	194	199	192	187	183	180
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	168	234	229	250	234	240	246	238	233	227	223
C2. Natural disaster	168	223	221	244	230	237	243	236	232	227	223
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Debt Service-to-Revenue Ratio</b>											
<b>Baseline</b>	7	14	16	26	30	41	50	54	52	50	48
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2022-2032 2/	7	15	(5)	27	17	26	53	49	56	46	40
<b>B. Bound Tests</b>											
B1. Real GDP growth	7	15	19	34	38	50	59	63	60	58	56
B2. Primary balance	7	15	33	54	44	50	56	58	54	52	50
B3. Exports	7	14	16	27	31	42	51	55	52	51	49
B4. Other flows 3/	7	14	16	27	31	41	51	55	52	50	49
B5. Depreciation	7	16	20	33	36	46	54	55	52	50	48
B6. Combination of B1-B5	7	14	16	35	34	44	51	54	51	49	48
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	7	15	60	52	44	50	56	58	55	52	50
C2. Natural disaster	7	15	52	49	43	50	57	59	56	53	51
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.