

## **Union of the Comoros: Selected Issues and Statistical Appendix**

This Selected Issues paper and Statistical Appendix for the Union of the Comoros was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on April 19, 2004. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of the Union of the Comoros or the Executive Board of the IMF.

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**International Monetary Fund  
Washington, D.C.**



INTERNATIONAL MONETARY FUND

UNION OF THE COMOROS

**Selected Issues and Statistical Appendix**

Prepared by a Staff Team consisting of Mr. Riechel (head), Ms. Sancak, Mr. Camard, and Mr. Mikhael (all AFR), and Mr. Puig (SEC)

Approved by the African Department

April 19, 2004

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## Comoros: Basic Data

Area: 2,230 square kilometers  
 Population, 2003 estimate: 571,890  
 Population, 1997-2001 average annual growth: 2.7 percent  
 GNI per capita, *World Bank Atlas* method, 2001 estimate: US\$380

	1998	1999	2000	2001	2002	2003 Est. 1/
National accounts						
(In millions of Comorian francs, unless otherwise specified)						
GDP at current market prices	95,303	102,782	108,850	121,003	128,980	140,887
GDP at constant (1990) market prices	73,488	74,902	76,696	78,485	80,310	81,993
(annual percentage change)	1.2	1.9	2.4	2.3	2.3	2.1
(In percent of GDP at current market prices)						
Gross domestic expenditure	125.9	123.7	117.3	115.7	115.5	114.5
Consumption	107.9	108.8	104.2	103.9	103.3	102.9
Investment	18.0	15.0	13.1	11.8	12.2	11.6
Net exports 2/	-22.7	-20.7	-14.5	-13.2	-13.6	-12.7
Gross national savings	9.5	8.5	11.4	13.6	9.9	7.2
Prices						
(Annual percentage change)						
Consumer price index (annual average)	1.2	1.1	4.6	5.9	3.3	4.5
Terms of trade (- deterioration)	-15.3	91.0	71.6	-10.6	61.4	1.4
Exchange rates						
Exchange rate (in Comorian francs per U.S. dollar; period average)	442.5	461.8	534.0	549.3	521.1	437.6
Nominal effective exchange rate (-depreciation; end of period)	1.6	-3.4	-1.4	1.4	3.2	0.9
Real effective exchange rate (-depreciation; end of period)	3.5	-1.7	-5.7	6.8	1.8	10.5
Central government finance						
(In millions of Comorian francs, unless otherwise specified)						
Total revenue	10,865	12,079	11,017	16,904	21,521	22,335
Grants	6,947	6,806	4,539	5,332	5,408	3,147
Total expenditure and net lending	24,229	19,174	17,220	26,592	33,473	31,161
Current expenditure	13,648	14,138	13,493	21,256	24,172	22,769
Capital expenditure and net lending	7,390	5,531	4,121	5,337	7,528	7,578
Overall balance on a commitment basis						
Excluding grants	-13,364	-7,095	-6,202	-9,689	-11,952	-8,826
Including grants	-6,417	-289	-1,663	-4,357	-6,544	-5,679
Overall balance on a cash basis						
Excluding grants	-10,687	-6,471	-4,238	-7,946	-10,983	-6,600
Including grants	-3,740	336	301	-2,614	-5,575	-3,453
Overall balance on a commitment basis (in percent of GDP)						
Excluding grants	-14.0	-6.9	-5.7	-8.0	-9.3	-6.3
Including grants	-6.7	-0.3	-1.5	-3.6	-5.1	-4.0
Money and credit						
(Annual change in percent of beginning of period broad money stock)						
Domestic credit	11.2	-2.6	3.1	-3.3	4.5	2.2
Government (net)	8.8	-0.1	-1.8	-2.6	1.3	-1.3
Private sector	3.8	-3.4	6.4	-0.8	3.1	3.5
Broad money (including foreign currency deposits)	-6.6	7.0	14.5	47.4	9.4	-0.4

Comoros: Basic Data (continued)

	1998	1999	2000	2001	2002	2003 Est. 1/
Balance of payments	(In millions of U.S. dollars, unless otherwise specified)					
Current account balance (excluding official transfers)	-22.2	-17.6	-5.5	-0.5	-12.4	-17.5
Current account balance (including official transfers)	-18.2	-14.3	-3.5	4.0	-5.7	-14.1
Exports, f.o.b.	5.9	9.1	13.6	16.6	22.4	31.6
Imports, f.o.b.	-42.3	-43.3	-37.3	-39.8	-49.1	-58.4
Trade balance	-36.4	-34.3	-23.7	-23.2	-26.7	-26.8
Services (net)	-12.4	-11.8	-5.9	-5.8	-7.0	-14.1
Income (net)	-0.4	0.2	0.3	2.2	0.0	-0.8
Current transfers (net)	31.0	31.6	25.7	30.7	28.0	27.5
Capital and financial account (net)	5.0	8.7	6.3	12.8	12.0	7.3
Capital account (net)	11.7	11.4	6.5	5.2	3.7	3.8
Financial account (net)	-7.0	-9.9	-2.6	2.6	11.9	7.3
Overall balance	-13.2	-5.6	2.8	16.8	6.3	-6.8
Current account balance (in percent of GDP)						
Excluding official transfers	-10.3	-7.9	-2.7	-0.2	-5.0	-5.4
Including official transfers	-2.5	-0.9	1.5	4.2	-0.8	-3.2
Gross official international reserves (end of period)						
In millions of U.S. dollars	37.5	39.6	43.1	63.5	74.4	86.5
In months of imports of goods and services	6.0	6.3	8.6	11.9	11.8	11.1
External debt						
Stock of external debt (end of period) 3/ (in percent of GDP)	126.3	117.3	111.7	100.5	91.9	77.8
Scheduled external debt service 3/ (in percent of exports of goods and services) 4/	45.5	38.0	30.6	27.5	13.8	13.5

Sources: Comorian authorities; and IMF and World Bank staff estimates.

1/ Actual data for prices and exchange rates.

2/ Goods and services.

3/ Public and publicly guaranteed debt.

4/ Three-year average of exports of goods and services used.

## I. INTRODUCTION

1. This selected issues paper provides additional information on four topics of importance in the context of the 2004 Article IV consultation with the Comoros: (i) the decentralization of government and its economic management functions foreseen under the constitution; (ii) civil service reform in the context of decentralization; (ii) financial sector developments, including prudential issues; and (iv) external sector developments and policies.
2. Section II on “Decentralization in the Comoros: Striking a Balance” provides background information and analysis for the issue that has emerged as the most important, and at times highly contentious, issue in the Comoros since the approval of the new constitution in December 2001. The constitution gives wide-ranging but ill-defined powers to the islands, including financial autonomy. Specific arrangements on decentralization were expected to be defined in by-laws to the constitution; however, despite numerous attempts to define them the Union and island governments have so far failed to reach agreements. The difficult relationship between governments has significantly weakened economic management and the pursuit of coherent macroeconomic policies and structural reforms. A solution to these issues is critical for the restoration of confidence and the needed improvement of the economic outlook, including on poverty reduction, for the country. Considering the limited human and financial resources of the country and its low level of development, decisions on decentralization issues need to strike an appropriate balance between the political decision to grant more autonomy to the island governments, and the need for coherent and financially sound macroeconomic policies. Decisions should also aim at establishing management structures that are operationally effective and economically efficient. The discussion in Section II addresses a number of these issues in the light of the literature.
3. Section III examines the special challenge of combining a civil service reform needed to increase the efficiency of the civil service with the decentralization of the civil service foreseen under the new constitution. The paper discusses developments in a number of civil service indicators that are often used to analyze the government wage bill and employment in relation to economic and fiscal objectives. It then contrasts developments in some of these indicators between the different islands. In addition, the paper includes a presentation of the evaluation of the Comorian situation by a World Bank consultant and a mission of the IMF’s Fiscal Affairs Department. Finally, the paper reports the results of two Paris meetings on these issues, in which the representatives of the Union and island governments reached preliminary agreements on the delineation of competencies of the two levels of government.
4. Section IV gives additional background information on developments in the Comorian financial sector, including its changing structure. It begins with an examination of general indicators of financial sector development such as size, degree of monetization, degree of financial intermediation, and the savings ratio. It then describes the operations of the various types of financial institutions, including developments in their market shares. In discussing the central bank, special attention is given to its legal framework, including in

particular the articles that define its statutory objectives and independence. In this discussion, the arrangements in the Comoros are compared with best international practice. In the concluding sections, the paper examines the monetary policy instruments and the bank's responsibilities in the area of prudential regulation and supervision.

5. In section V, a comprehensive overview is provided on external sector developments and policies. These are of particular importance because for a small and open island economy like the Comoros, the external sector performance has a critical effect on the country's growth and development. The paper begins with an examination of developments in the balance of payments and its components, and seeks to identify the key determinants that have affected their behavior during the past. The analysis includes an assessment of principal export prices and of international competitiveness under the peg of the Comorian franc to the euro. The paper then examines in some depth the importance of remittances. It also discusses the degree of aid dependency of the country, as well as the Comoros' external vulnerability and the scope for diversification. Finally, the paper examines the importance of external debt and its sustainability and discusses developments in the exchange and trade regimes of the Comoros.

## II. DECENTRALIZATION IN THE COMOROS—STRIKING A BALANCE<sup>1</sup>

### A. Introduction

6. **In December 2001, Comorians overwhelmingly voted in favor of a new constitution.** Its principal feature was a radical devolution of authority from the central government to island governments led by their own elected presidents. With this vote, the country moved from a unitary state, with local administrations overseen by island governors appointed by the central government, to a federal structure. At the same time, however, the name of the country was changed from “Federal Islamic Republic of Comoros” to “Union of Comoros.” This apparent paradox can be readily understood by drawing a parallel with the European Union, which, though it has an increasing number of supranational features, remains so far primarily a union of independent states. It is clear from the events leading up to the new constitution’s adoption that framers and citizens alike shared this vision of decentralized government.

7. **The three islands that make up the Comoros are home to only 630,000 people, and their per capita income is only around US\$500 per year.**<sup>2</sup> The small size and low level of income sharply circumscribe the degree of decentralization that can be considered efficient, at the same time that the country’s pelagic nature creates a degree of natural independence of aspects of public administration on the three islands.

8. **There are tensions between the constitutional call for decentralization and far-reaching autonomy of the islands on the one hand, and the small size and limited resources of the country, on the other.** They are not simple to resolve, and have lain at the heart of much of the political tumult in the country’s fewer than 30 years of independence. Nevertheless, a great deal of progress has been made toward defining a governmental structure that can command a popular consensus. The first serious test of whether these conceptual solutions can be successfully implemented is the agreement on transitional arrangements that was reached in December 2003.<sup>3</sup>

9. **This paper seeks to document the path that the country has followed in defining its approach to intergovernmental relations.** It will focus on fiscal relations under the new constitution and draw upon both the existing literature on decentralization and previous Fund

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<sup>1</sup> Prepared by Wayne Camard.

<sup>2</sup> The country is made up of the islands of Ngazidja (known also as Grande Comore), with a population of 350,000; Anjouan, with a population of 240,000; and Mohéli, with a population of 40,000. A fourth island in the archipelago, Mayotte, is still held by France.

<sup>3</sup> *Accord sur les dispositions transitoires aux Comores*, Moroni, January 20, 2003. The agreement was brokered by the African Union, through the personal involvement of President Thabo Mbeki of South Africa.

technical assistance (many of the issues raised and observations made reiterate advice given by earlier technical assistance missions) to contribute to the internal debate and to establish reference points for the road ahead.

## **B. Toward New Intergovernmental Fiscal Relations**

### **Establishment of a new constitution**

10. **Since the time of independence in 1975, Comoros has been afflicted with what has come to look like chronic instability, with frequent changes of government.** In August 1997, the situation took a turn for the worse. In response to perceived mismanagement by the central government and inadequate provision of public services, the island of Anjouan declared its independence from the Comoros. The years since have been dominated by the search for a formula, at times in a climate of intense mistrust, under which the Anjouanese would be prepared to return to the Comorian state, with issues of autonomy and decentralization at the forefront (Box II.1).

11. **The international community, led by the Organization of African Unity (OAU; now the African Union), reacted negatively to the secession.** A trade embargo was declared, and numerous attempts were made at mediation. In August 2000, an end to the Anjouanese secession was agreed between the government of Colonel Azali Assoumani, who had seized power in the capital Moroni (on the island of Ngazidja) the previous year, and the government of Anjouan (Fomboni I). In the face of opposition to the agreement by groups excluded from the negotiations and the agreement's consequent rejection by the international community, this agreement was followed a few months later by a second, all-party agreement (Fomboni II). The new agreement received the endorsement of the international community and opened the way to national reconciliation. It outlined (i) a schedule for constitutional reform; (ii) the formation of a transitional government of national unity following a referendum on a new constitution; and (iii) elections and the final transition to democratic institutions, under a new structure with broader autonomy for the islands. A broad-based tripartite commission was charged with implementing the agreement, with financial and technical assistance provided mainly by the European Union (EU) and the United Nations Development Program (UNDP). In parallel, the federal government was to help Anjouan rebuild its administration, which had been affected by the trade embargo imposed on the island by the OAU in early 2000 and the suspension of federal government transfers.

12. **As part of that process, a new constitution was drawn up.** It is the first of the country's constitutions to have been prepared with broad participation (Box II.2). In December 2001, the resulting text was submitted to the voters on all islands, who approved it with a 77 percent majority. Island constitutions were approved soon after. In April-May 2002, elections were held for the presidencies of the Union and of the islands. However, legislative elections—which were to have followed—were postponed following the conflict that developed between, in particular, Union President Azali and President Abdou Soule Elbak of Ngazidja.

### **Drafting by-laws to the constitution**

13. **The rapid preparation and approval of the new constitution were made possible by deferring decisions on key issues on which agreement could not be reached.** This applies in particular to by-laws that would be enacted by the Union Assembly, once installed. Even amid the political tension surrounding the repeated postponement of legislative elections, progress continued to be made on the by-laws at the technical level. Particular progress was made during two workshops hosted by the Organisation Internationale de la Francophonie (OIF) in Paris, in November 2002 and May 2003.

14. **These workshops included participation by the four governments.** They made substantial progress in preparing drafts, or frameworks for drafts, of the by-laws called for by the constitution with respect to the allocation of responsibilities between the levels of government. The Fund assisted the deliberations in the areas of revenue sharing, customs and budget questions. Fund staff also prepared a consolidated budget for 2003 that was initially agreed among the governments during a December 2002 staff visit, but was never implemented because the implied transfer of responsibility and staff was not considered acceptable by the Union government.

15. **A subsequent meeting among representatives of the four governments took place in Pretoria, South Africa, in August 2003.** The meeting attempted to reach agreement on transitional arrangements (including provision for legislative elections) for the allocation of responsibility—and budget entitlements to take these up—until the required by-laws could be adopted. The agreements reached in Pretoria quickly broke down when the Union President questioned the revenue-sharing formula that had been agreed.

16. **In December 2003, another attempt was made, this time in Moroni, to reach an agreement on elections, power sharing, and joint economic management during a transition period.** Present to mediate were a delegation from the African Union led by South African President Mbeki, Malagasy Prime Minister Sylla, and Mauritian Prime Minister Berenger, Abdou Diouf (Secretary-General of the OIF and former President of Senegal), the French Minister of Cooperation, the Secretary-General of the Indian Ocean Commission, and other representatives of the international community also participated. The result was an Agreement on Transitional Arrangements in the Comoros (ATAC) signed by all four Comorian presidents and the above representatives of the international community. In parallel, a group of donors, including the World Bank, UNDP, France, the EU, South Africa, and Mauritius, established a multidonor trust fund in support of the successful implementation of the transition agreement.

### **The transition agreement**

17. **The ATAC broadly follows the provisions of previous agreements.** The text is quite similar to that of the Pretoria agreement, for example, and builds on technical agreements reached in the Paris workshops and elsewhere. The key differences lie with some of the implementation provisions, which empower key committees to resolve outstanding

issues and in some cases to modify provisions of the ATAC itself. The signature of the agreement by the various Comorian heads of government, rather than their representatives, also distinguishes the ATAC from previous agreements and adds to its significance and commitment. The main provisions include the following:

*Political and security provisions*

- **Legislative elections** to be held by end-April 2004.
- The **National Police** to be placed at the disposition of the island governments.

*Fiscal provisions*

- Union government to issue **2004 budgets** for the Union and the islands by decree by the end of 2003.
- A unified and independent **customs authority**, comprising four Comorians and three international experts, to oversee the work of customs.
- **Tax and nontax revenues** from most sources (the remaining 10 percent being directly earmarked for the use of the island governments) to be deposited in a central bank account, to be divided among the governments in the previously-agreed shares.
- A onetime transfer to be made to Ngazidja to finance its hitherto arrears-funded 2003 budget.
- A special donor trust fund to be established to channel aid resources for the transition.

*Implementation provisions*

- Both **civilian and military observers** from the African Union to be deployed throughout the transition period.
- An **Implementation Committee** chaired by the AU (delegated to South Africa) to oversee implementation of the agreement. Designated members include the Union and three island governments, other countries in the region, and a number of international organizations, including the IMF.<sup>4</sup>
- A **Harmonization Committee** to oversee the budget process and the macroeconomic data on which it is based, as well as the implementation of the agreement on customs. Moreover, the committee was given the authority to adjust the revenue shares assigned to each of the four governments in line with agreed spending authority.<sup>5</sup>

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<sup>4</sup> Although explicitly named to the committee in the ATAC, both the Fund and the World Bank staffs have, given the essentially political nature of the deliberations, declined to participate in its meetings. The staff has, however, participated as an observer in meetings of the Harmonization Committee.

<sup>5</sup> The original shares under the transition agreement reflected structural indicators of population and economic development, as well as a rough assignment of tasks to the Union government in line with the constitution. However, in the absence of concrete agreements on

(continued)

Named to the Harmonization Committee were the Union and island governments, the UNDP, the World Bank, the AU, the EU, the OIF (chosen to chair the committee), and the IMF.

The agreement also calls on the international community to provide technical assistance in relevant areas and to disburse promised funds; on the latter, the World Bank and the Fund were explicitly mentioned.

### **Implementing the agreement on transitional arrangements**

18. **As has been the case since the approval of the 2001 constitution, decisions on a significant number of key issues were deferred under the ATAC.** Deferral was either to the two committees or to final resolution by the Union Assembly to be installed following the April elections.

19. **The Implementation Committee was initially mandated by the ATAC to meet every two weeks but has met somewhat less often.** Its principal contribution to the transition process has been threefold: to interpret the ATAC text, to recognize measures taken by the parties—and by the external partners—in accordance with the ATAC, and to encourage, sometimes through the delegation of individual members, required measures to be taken in a timely manner.

20. **The operationalization of the ATAC has been principally the task of the Harmonization Committee.** It met under the chairmanship of the former Prime Minister and Minister of Finance of Senegal, Mr. A. L. Loum, and focused on the time-consuming task of seeking agreement on the ATAC's provisions for fiscal management during the transition. Meeting in almost continuous session from January 26 until March 2 (and with the attendance of Fund staff until February 4), the Harmonization Committee submitted agreements for endorsement by the Implementation Committee in seven key areas:

- Promulgation of a revised **budget for the first half** of 2004 for the Union and island governments (Table II.1). This budget incorporated revised shares for the allocation of revenue based on the centralization of salary administration for the Union, Ngazidja, and Mohéli governments during the transition. The dispute over competencies and revenue was resolved by further adjusting the revised revenue shares agreed for Ngazidja and Mohéli by a fixed percentage of revenues to cover salary payments effected on their behalf by the Union government.
- Establishment of a system of seven bank accounts for **shared revenue** sources, and daily procedures for directing the flow of revenues to meet the agreement's provision

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power sharing in the form of by-laws to the constitution, adjustments in line with actual spending authority became necessary.

for an “automatic” transfer of funds: a central account, one for each government, and separate accounts for wages and debt service.

- The establishment of procedures and guidelines for budget execution across governments, to ensure that **budget execution** conforms to the agreed budgets. This includes the circulation of detailed budgets and monthly cash plans based on the framework below, and commitments not to incur new arrears, to engage new staff, or to raise salaries. Improved monitoring mechanisms were also agreed.
- Both the principles for calculation and the amount of the Agreement’s **special allocation for Ngazidja** to cover 2003 arrears. Some donor funding has been pledged toward the €1.5 million agreed (against the €2.4 million that had been requested), and the balance is being sought.
- Supervision of the establishment of the **unified customs authority**, including the harmonization between the Union and Anjouan of customs procedures, which has been completed, and of tariff rates, planned for end-April.
- Delegation to a technical committee of work to strengthen the collection and transparent dissemination of **statistics** among the parties to the agreement, with a view both to monitoring the transition and to preparing for an eventual staff-monitored program with the Fund. Fund and Bank staff contributed to the initial stages of this work.
- **Harmonized staffing** levels and salaries for the senior levels of the new island administrations and establishment of terms of reference for a study of the civil service called for by the transition agreement. The study will focus on how to divide staff between union and island governments.

21. **Successful implementation of these agreements, while often concerning narrow technical issues, would represent substantial progress.** This is particularly so, given the complexity of the issues involved, the high level of mistrust among the various governments, and the lack of confidence expressed by many participants that the transition process would proceed to the envisaged installation of a smoothly functioning national legislature.

Table II.1. Comoros: Agreed Budget Framework, January-June 2004 <sup>1/</sup>  
(In billions of Comorian francs)

	Union	Ngazidja	Anjouan	Mohéli	Total
Total revenue	3.6	2.0	2.7	0.6	9.6
Earmarked for debt service	0.0	0.0	0.0	0.0	0.8
Shared sources	3.6	1.5	2.4	0.6	8.0
Dedicated sources	0.0	0.5	0.3	0.03	0.8
Total expenditure	3.6	2.0	2.6	0.6	9.6
Wages and salaries	2.1	1.3	1.9	0.4	5.7
Goods, services, and transfers	1.5	0.7	0.7	0.2	3.1
External debt service	0.8	0.0	0.0	0.0	0.8

Source: Harmonization Committee.

<sup>1</sup> Each budget is a priori balanced, as no domestic financing is envisaged, and foreign assistance channeled through the multidonor trust fund has been excluded from the budget framework.

### C. Key Issues in Decentralization in the Comoros

22. **Despite the significant progress achieved on a number of issues, critical questions remain unresolved.** While the constitution is clear regarding certain key competencies of the central government, most functions, including the provision of basic services (which represent the dominant share of public expenditure and employment), remain for final resolution. Some progress has been made, in principle, among representatives of the various governments: in education, for example, primary and secondary education was designated as an island competency, whereas higher education was designated a national function (the country's first university was formally inaugurated in February 2004).

23. **It is expected that these tentative agreements, for the most part embodied in draft organic laws to be considered by the Union Assembly once it is in place, will indeed come into effect in time.** However, there is likely to remain some uncertainty on the ground for some time to come. In addition, there remain issues on which a common understanding over competencies has not yet been reached. Finally, some of the issues that have been resolved for the transition, such as a unified customs administration between the Union and Anjouan and a unified salary administration between the Union and Grande Comore, are likely to be reopened after the transition is completed.

24. **It is, therefore, useful to revisit the basic issues that the country is confronting in the design of its intergovernmental fiscal relations.** As decentralization has been pursued by an increasing number of countries both in Africa and elsewhere, a growing literature has developed to analyze and assess the issues involved (see, for example, [www.decentralization.org](http://www.decentralization.org)). Indeed, a Fund-sponsored conference on the subject in November 2000 brought together many of the leading specialists in this area. Certain conclusions of relevance to the Comoros emerge quite clearly from the literature.

25. **The economics of decentralization dates to the seminal texts on public economics of the 1950s.** They emphasize that decentralization can be beneficial by improving the efficiency of public good provision through competition among jurisdictions and through better matching the mix of public goods to the desires of local residents. Tiebout (1956), who argued that jurisdictional competition disciplines governments, wrote that, when firms and citizens can move freely, this should pressure local governments to provide local public goods efficiently. Stigler (1957) made the point that fiscal decentralization brings government closer to the people, and representative government works best when it is closer to the people. Musgrave (1959) argued that local governments should be permitted to tailor their policies to reflect the preferences of their residents. This suggests that the Comorian constitution, which centralizes public goods (like national defense) that cannot be provided differentially at the island level and decentralizes public services which can, begins from a sound conceptual base. However, while the modern literature largely retains these arguments in favor of decentralization (see, for example, Breton (2002)), it adds important nuance to the arguments, most often in the form of cautionary qualifications, as well as looking at the empirical evidence.

26. **One question that arises concerns the potential loss of scale efficiencies from decentralization.** Tanzi (2002), for example, argues that, if local governments are so much better able to meet the needs of citizens as to outweigh the loss of scale efficiencies in the provision of public services, then maybe they should be separate countries (and that, if not, then decentralization may not provide net benefits). Indeed, Easterley and Kraay (1999) show that, for a sample of 153 countries, poverty and welfare indicators are significantly better in small countries. But their definition of small is less than 1 million people; at the scale of the Comorian islands, the question of lost scale economies remains open, at best. Treisman (2002), for example, might argue against decentralization in the Comoros, as he suggests that the best governments tend to occur in small countries with only limited decentralization.

27. **The so-called fiscal illusion problem raised in the recent literature by Ahmed, Hewitt, and Ruggiero (1997) appears highly relevant to the Comoros.** Reliance on grants and transfers from the central government to finance sub national government spending creates an incentive for sub national governments to over provide services, inflate expenditures, and engage in perennial negotiations with the central government to attract more grants and transfers.

28. **Much of the recent research examines whether decentralization improves public accountability or whether it makes it easier for local elites to effectively control government.** While Brosio's (2002) view of the evidence permits no conclusions either way, papers by von Braun and Grote (2002) and by Gurgur and Shah (2002) conclude that the evidence shows that decentralization is beneficial. They say it supports greater public sector accountability, reduces corruption, and is generally good for the poor. However, von Braun and Grote also note that most of the observed benefits come from political decentralization, while the evidence for fiscal decentralization remains more ambiguous. In the context of the Comoros, with political decentralization already well advanced, this would argue for caution in the design of fiscal mechanisms to support the decentralization. Indeed, de Mello (2000) looks at 30 countries and concludes that coordination failures in intergovernmental fiscal relations are likely to result in a deficit bias in decentralized decision making. Given the tensions between Union and island governments, this is a warning that should be taken seriously in the Comoros.

29. **The practical problems that have tended to occur in the implementation of decentralization efforts are looked at by many writers.** Ter-Minassian (1997) agrees that decentralizing government operations can improve economic welfare but requires close coordination among levels of government. There are potential efficiency gains, she believes, but they can be easily dissipated in waste. In particular, arrangements that assign most or all taxes to the center are undesirable: own revenue should match expenditure for accountability. While this may not be practical in the case of the Comoros, it does argue for close attention to the revenue-sharing apparatus.

30. **Other problems are also flagged in the literature.** Unfortunately, as noted by Ebel and Yilmaz (2002), local governments generally don't have adequate own revenue; local revenues are not responsive enough to changing needs; and local governments lack the legal authority to levy enough taxes to meet their needs. Although these are not immediate issues but medium-term problems, they will nevertheless need to be addressed by the Comoros in the coming years.

31. **Ebel and Yilmaz also note that there are large variations in the size and capacity of local governments.** Even in the central government, there is little depth in the civil service, with well-trained staff spread thinly around the administration. Indeed, the need to conserve talent is so great that one may find former ministers running departments in their former ministries. To the extent that new administrations are created in the islands, this problem is likely to be even more acute. Attention will need to be focused, in this context, on whether the Mohéli government in particular has the financial and human resources to fulfill its responsibilities, and on how appropriate assistance can be provided to remedy any shortcomings.

32. **For Africa, implementation problems have been looked at by Brosio (2002) and by Smoke (2000).** They conclude that there are certain prerequisites for successful decentralization, a theme that runs all through the literature. For Smoke, for example, the minimum elements of a decentralized fiscal system include an adequate legislative and institutional enabling environment; assignment of an appropriate set of functions to sub national governments; assignment of an appropriate set of own-resource revenues to sub national governments; establishment of an effective intergovernmental transfer system; and establishment of adequate access to development capital. These are the precisely the questions with which the Comorian authorities are grappling—with mixed success so far—and which will need to be resolved in a satisfactory manner by the incoming Union Assembly.

#### **D. Ensuring Effective and Efficient Economic Management**

33. **Political instability has been a major factor in the decline in the Comoros' per capita income from over US\$600 in the early 1990s to around US\$500 at present.** The new constitution with its high degree of political devolution, offers an opportunity for the country to make a new beginning and focus on the economic challenges posed by rising poverty.

34. **In order to be able to make the best use of this opportunity, however, it will be important that the country's scarce resources not be dissipated in the establishment of additional levels of administration with redundant functions.** There is no reason why political devolution must be accompanied by the duplication of administrative structures at the island level of functions already performed at the Union level. The civil service in the Comoros is already large, yet it is short of appropriately trained staff.

35. **The small size of the country and the even smaller size of the islands imposes restrictions on decentralization.** What appears to be needed, to the extent practical, is for

island governments to delegate the administration of their policies to a central service not necessarily controlled by the central government, in order to exploit economies of scale, minimize duplication and overlap, and make efficient use of scarce skills.

36. **The most obvious domain for the application of this principle is in the area of tax collection.** Under the transition, a unified customs administration is collecting customs revenue for the benefit of all, with participation on the Customs Management Board of all three islands and the Union government. This is an approach that could be extended to the entire tax system. It appears to be particularly needed because the administration and collection of taxes earmarked for the islands and those destined to be shared are inextricably intertwined. Indeed, there has been a working agreement between the Tax Department of the Union and that of Ngazidja to work together on the collection of taxes during the transition, whereby each officer will be allowed to pursue his or her duties without regard to where the moneys collected eventually go.

37. **The expenditure side of the fiscal administration is also well-suited to collective administration.** The Civil Service Administration (*fonction publique*) is paying salaries to civil servants of the Union, Ngazidja, and Mohéli governments during the transition—mainly through computerized transfers to staff bank accounts—with the information on payments made shared with each government. This is another area in which the compelling logic that has pushed the different entities to work together during the transition should be made a permanent feature of the fiscal system; indeed, it is possibly that economies could be made by integrating Anjouanese staff into the same system.<sup>6</sup>

38. **It must be recognized, however, that for such a system to be acceptable to all of the parties, there will need to be changes in macroeconomic policy formulation.** It has been not uncommon in the past for the Union government to respond to fiscal pressures by delaying salary payments. It is believed that, in these circumstances, the payments that do get made are made on a discriminatory basis, for example, civil servants on Grande Comore get paid first, and those on the other islands only later.

39. **The constitution clearly provides for monetary affairs to be managed at the central level.** One issue that arises is the provision for statutory advances to the government from the central bank, ostensibly to smooth intrayear fluctuations in revenue. The limit on these advances is determined as a function of average annual revenue. Over the medium term, the government should return to compliance with the loan condition that stipulates that all such loans be repaid by the end of each year. This measure will be helpful in avoiding new arrears on government payments as a financing item.

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<sup>6</sup> A related feature of a central civil service would be the right of all Comorians to work in whichever administration could make best use of their skills.

40. **Finally, it is essential that the line ministries be made to function as efficiently as possible.** This will require very clear delineation of competencies. While the issue is to be taken up by the Union Assembly, it is likely that upcoming legislation will not be sufficiently detailed to cover all the questions that might arise. In this event, it will be critical that the various governments work together. The experience over the past few months has demonstrated an enormous capacity to work together when necessary; it is to be hoped that this spirit of cooperation will carry forward, as it must, to the implementation of the new constitution and its new laws.

### Box II.1. Key Dates

August 1997	Anjouan declaration of independence.
December 1997	Addis Ababa International Conference on national reconciliation framework to restore unity (sponsored by the OAU).
April 1999	Antananarivo Agreement on reunification. Anjouan declines to ratify it, prompting violent demonstrations in Moroni.
April 1999	Col. Azali Assoumani takes power in Moroni in a coup d'état, citing a need to restore order.
August 2000	Fomboni I agreement on reunification reached by Comorian and Anjouanese governments.
February 2001	Fomboni II (all-party) agreement signed (see main text); sanctions against Anjouan lifted.
December 2001	New constitution adopted by plebiscite.
April 2002	Col. Azali elected Union President.
May 2002	Island presidents elected.
November 2002	Paris I workshops to prepare drafts of by-laws to the new constitution.
May 2003	Paris II workshops to continue work on draft by-laws.
August 2003	Pretoria Memorandum on Transitional Arrangements is signed by representatives of all four governments (subsequently renounced by the Union President).
October 2003	Paris Declaration by "Partners of Comoros" calls for renewed dialogue and proposes trust fund to support a transition agreement.
December 2003	Moroni Agreement on Transition Arrangements is signed by the Union and island presidents.

## **Box II.2. The Constitution of the Union of Comoros**

The 2001 constitution is relatively short, with some 40 articles. Its brevity comes in part from the fact that, on many issues, it calls for decisions to be made in subsequent legislation. Key decisions are delegated to “organic laws” requiring a two-thirds majority in the Union Assembly.

### **The executive**

The President is the head of state, of government, and of the armed forces. The presidency rotates among the three islands, with a first-round election held only on the island whose turn it is. The three candidates with the highest vote tallies then compete in a nationwide election at the second round. The President and two Vice-Presidents (one from each of the other two islands) are elected for four-year terms.

### **The legislature**

The constitution provides for a unicameral Union Assembly of 33 members elected for five-year terms. Five members each are selected by the island Assemblies, and eighteen are elected by district in a two-round national election. Each island must have at least two of the elected seats. The Union Assembly is to meet in two sessions per year lasting not more than six months combined. Two-thirds majorities are needed for organic laws and the annual budget law.

### **The judiciary**

The Supreme Court is the highest judicial organ, with authority in all judicial and administrative matters, and its decisions are binding on the executive and the legislature. There is also, however, an independent Constitutional Court, composed of judges appointed to renewable six-year terms, one each by the Union president and vice-presidents, island presidents, and the president of the Union Assembly. The court may judge the constitutionality of both Union and island laws, has jurisdiction over election disputes, and may rule on disputes among government bodies, including between the Union and island governments.

### **Decentralization provisions**

Union law takes precedence over island law. The Union government has exclusive authority over questions of religion, nationality, monetary affairs, foreign relations, and national defense. The Union government may share jurisdiction with the islands in areas to be defined by legislation, with the Union’s role limited to functions that it can perform more effectively than can the islands.

Island governments enjoy exclusive jurisdiction in all other matters. Each island may establish its own “basic law”, or constitution. It has the right to administer its own affairs, and is granted financial autonomy within the context of the annual budget law.

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### III. CIVIL SERVICE REFORM UNDER DECENTRALIZATION<sup>7</sup>

#### A. Introduction

41. **The Comoros faces the challenge of combining a civil service reform needed to increase the efficiency of the civil service with decentralization requirements under the new constitution.** The purpose of this paper is to evaluate proposals for simultaneously reforming the civil service and moving to its decentralization, while maintaining a fiscally sustainable wage bill.

42. **During discussions on a staff-monitored program (SMP) in March-April 2001, the authorities expressed their interest in preparing a comprehensive civil service reform program.** As a first step, a World Bank consultant assisted the authorities with an assessment of the civil service legal and institutional framework and identified the need for a number of civil service reforms, including streamlining the civil service to make it more efficient. In addition, more general options for decentralization of government were discussed in a comprehensive report prepared in 2002 by a mission of the IMF's Fiscal Affairs Department (FAD). In this report, considerable attention was given to the scope for, and format of, a decentralization of the civil service in conformity with the constitution.

43. **As the authorities proceed with the implementation of decentralization under the constitution and the establishment of a consolidated budget, it will be important to move toward an efficient civil service on the basis of a consolidated wage bill that can be financed on a sustainable level.**<sup>8</sup> Some progress toward these objectives was made during the two Paris meetings organized by the International Organization of the Francophonie (OIF) in October-November 2002 and May 2003 on the delineation of competencies of the two levels of government. However, the Union and island governments have yet to agree on the number of civil servants that would be assigned to each government under decentralization. In addition, in contrast to the recommendation of the World Bank consultant to streamline the civil service, the 2001 constitution could lead to the hiring of additional civil servants and result in an overlap and duplication of functions, as it delegates wide-ranging autonomy to the islands.

44. **The organization of the paper is as follows:** Section B presents the background and discusses some key issues. The subsections of Section B, respectively, evaluate public sector wages and employment in the Comoros, present the structure of civil service in 2001, outline the proposals for civil service reform in the Comoros independent of decentralization, and discuss the proposals for civil service management under decentralization made by the World Bank consultant and the FAD reports on decentralization. Section C summarizes the

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<sup>7</sup> Prepared by Cemile Sancak.

<sup>8</sup> A background on the actual decentralization plans is provided in an earlier section "Decentralization in Comoros—Striking a Balance."

proposals of the two Paris meetings on the delineation of competencies of the two levels of government, and Section D presents some tentative conclusions.

## **B. Discussion of Issues**

### **Evaluating wages and employment in the civil service**

45. **In the Comoros, as in several sub-Saharan African countries, the need for civil service reform is in large measure a governance issue affecting economic performance.** In this context, an IMF African Department (AFR) report on governance in sub-Saharan African countries highlights problems in the area of civil service reform, such as excessive staffing, “ghost workers” on civil service payrolls, non-merit-based compensation practices, and poorly trained, underpaid, and demoralized civil service workers.

46. **In a separate conceptual study on the civil service, FAD provides a range of indicators to evaluate the size of the wage bill and public sector employment.** These indicators are grouped into three categories: (i) the wage bill, (ii) public employment, and (iii) wage levels, as presented in Box III.1. An evaluation of these indicators is expected to yield insights into the effectiveness and sustainability of civil service structures and policies.

#### **Box III.1. Civil Service Indicators**

**Wage bill indicators are as follows:**

- wage bill as a share of GDP;
- wage bill as a share of total spending;
- wage bill compared with spending on operations and maintenance for a given sector; and
- wage bill as a share of domestic revenue.

**The following employment indicators are suggested:**

- public employment as a percentage of the population;
- public employment as a percentage of total employment;
- public employment as a percentage of private sector employment; and
- share of low-skilled employees.

**Wage level indicators are as follows:**

- average public sector wages as a share of comparator private sector wages;
- average public sector wage as a share of GDP per capita; and
- compression ratios.

47. **The public sector wage bill, employment, and wage level in the Comoros relative to other low-income countries are assessed in Table III.1 using available indicators.**

	Comoros		Low-Income Countries	
Wage bill				
As a percent of GDP	8.3		5.7	
As a percent of total government spending	30.0		22.6	
As a percent of domestic revenue	46.9		...	
Public employment				
As a percent of the population	1.1		6.1 <sup>1</sup>	
Average public sector wage				
As a percent of GDP per capita	716		570	
Sources: For the Comoros, data provided by the authorities, and Fund staff estimates for 2002. For low-income countries, estimates for 1990-2001 are provided in "Guidance Note on Wages and Employment in the Civil Service," FAD, November 24, 2003.				
1/ Middle-income countries.				

48. **At 8.3 percent of GDP, the wage bill in the Comoros is relatively large compared with other low-income countries (5.7 percent) even before decentralization (Table III.1).** Furthermore, the central government wage bill is estimated to constitute 30 percent of government expenditures, more than seven percentage points higher than in other low-income countries. The wage bill accounts for almost one-half of domestic revenues, even though public sector employees represent only 1.1 percent of the population. In addition, a comparison of the average public sector wage with GDP per capita suggests that, relative to the average citizen, civil servants in the Comoros enjoy a much higher standard of living than is the case in other low-income countries.

### **The structure of the civil service in 2001<sup>9</sup>**

#### *Ngazidja and Mohéli*

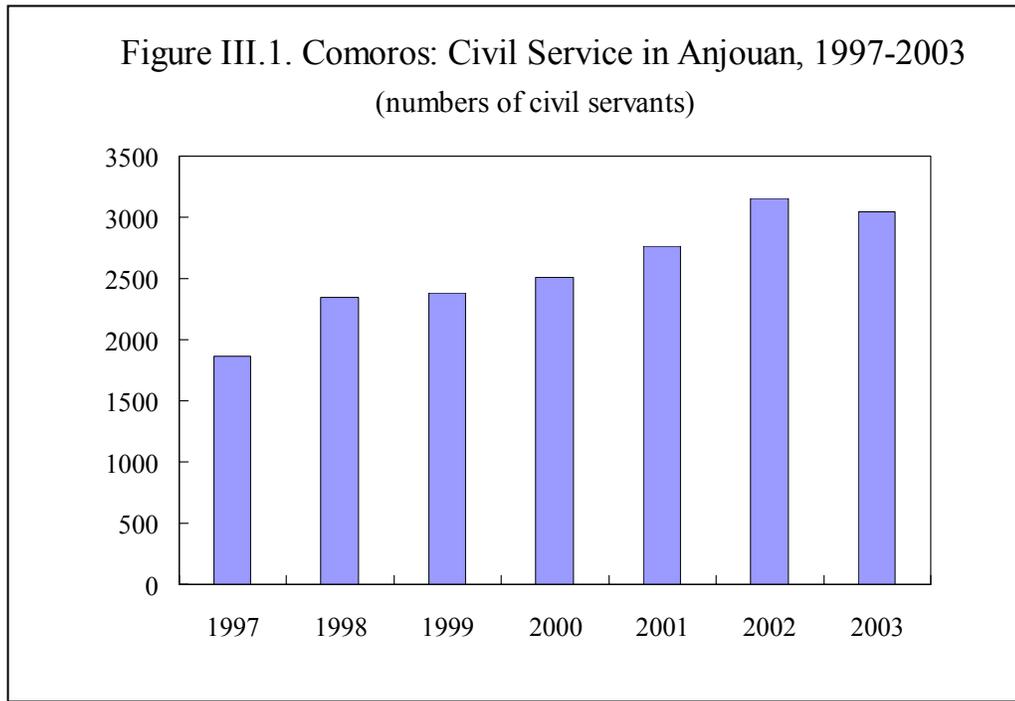
49. **In August 2001, there were 3,643 paid civil servants on the islands of Ngazidja and Mohéli.** Of these 3,097 worked on Ngazidja (equivalent to 1.1 percent of its population) and 488 on Mohéli (equivalent to 1.5 percent of its population). The distribution of civil servants by ministry was as follows for the two islands combined:

- over 49 percent in Education,
- about 11.5 percent in Health,
- 7.5 percent in Finance, and
- the remaining one-third in other ministries.

<sup>9</sup> According to the study by the World Bank consultant cited above.

*Anjouan*

50. **Since its secession attempt in 1997, the number of civil servants on Anjouan increased by about 50 percent, from 1,864 in 1997 to a peak of 3,156 in 2002.** (Figure III.1). A considerable part of this increase was due to civil servants who left the main island of Ngazidja after 1997 on their own will as they felt discriminated or threatened. As a result, the share of civil servants in the total population of Anjouan increased from 0.8 percent to 1.1 percent.



Source: Anjouan authorities.

The distribution of civil servants by ministry in 2001 presented a pattern that was substantially different from that on the other two islands:

- 63 percent in Education,
- 6 percent in Health,
- 5 percent in Finance, and
- the remaining one-fourth in other ministries.

In 2003, the number of civil servants in Anjouan declined to 3046 as a result of the elimination of “ghost employees.”

### *Recent developments*

51. **While the data on the number of civil servants cited above are informative, it will be important to establish with precision their current number.** In particular, more detailed information is needed on employees working for the Union and island governments before a judgment on reform is made and a decentralized system put in place. Since the publication of the report of the World Bank consultant on civil service in the Comoros, more civil servants have been hired by the various island governments. At this stage, their number is not known.

### **General proposals for civil service reform in the Comoros**

52. **Based on the situation of the civil service in 2001, the report of the World Bank consultant identified the need for the following civil service reforms in the Comoros.** The proposals for civil service reform were made independently of decentralization objectives as the constitution with its stipulation on decentralization was adopted only in December 2001.

### *Reform of administrative and financial management*

53. **Under the World Bank proposals, the responsibility for paying civil servant salaries would be turned over from the Ministry of Civil Service to the treasury, with a view to improving the control of treasury over the payment of salaries.** To assist with this process, a unique computerized database for civil servants would be established. Any administrative monitoring and control would be maintained based on the information entered into this database.

### *Implementation of budgetary administration of civil service*

54. **The proposal to base budgetary administration on positions rather than organizational structure aims to match the civil servants with the available budgetary positions.** It would also improve budgetary management of the civil service. To this end, all civil servants would be classified by their positions and qualifications, and all budgetary positions would be listed as available, reserved, or allocated. An integrated computerized system would assist in matching the vacant positions with the qualifications of civil servants. Efficiency under this approach, of course, assumes that budgetary positions have been defined in a way that takes into account their priority needs and skills profiles. Basing human resource management on positions rather than organizational structure would have the additional advantage of avoiding the inadaptability of organizational structure in human resource and budgetary management. Instead, the organizational structure would evolve based on clearly identified needs.

### *Rehabilitation of administration of civil service*

55. **It is essential to have an automated and simplified administration system allowing administrative, budgetary, and financial management of civil servants.** In

Anjouan, the system could be a copy of the rehabilitated system in Ngazidja. In addition, the authorities should first take a census of civil servants in Anjouan, and then take measures to consolidate the civil service, starting with the departure of contractuels hired since 1997.<sup>10</sup> Furthermore, the authorities should evaluate the amount of salary arrears to civil servants who were already employed in July 1997 and have remained in the civil service.

## **Proposals for civil service management under decentralization**

### *Recommendations of the World Bank consultant*

56. **The recommendations of the World Bank consultant on the management of civil service in a decentralized system accept the premise of greater autonomy for the islands under the new constitution for the Comoros.** However, these recommendations also point to Article 7 of the Union constitution, which implies that, despite the move toward greater autonomy of the islands, all civil servants in the Union should be subject to the same civil service law and should be compensated based on the same regulation in all parts of the Union. Article 7 states that all Comorians have the same rights, the same freedoms and the same obligations in any part of the Union. No authority can adopt measures which, directly or indirectly, impede the freedom of movement and settling of people as well as free movement of goods in any part of the Union. Given the shortage of qualified personnel in the country, it is feared that, in the absence of a common regulation, competition between different governments would lead to disequilibrium in human resources and an increase in wages to attract scarce qualified personnel.

57. **The World Bank report suggests that, despite a high degree of autonomy in their administration under the constitution, it is in the interest of the islands to assign some civil service management functions to a national committee.** These would include, for example, the authentication of academic degrees, organization of national examinations, and maintenance regulations. These functions could be performed by a personnel management structure comprising, at the Union level, a Federal Civil Service Commission (Conseil Supérieur de la Fonction Publique) with no administrative power and, at the level of each island, a Ministry of Civil Service with autonomous administrative power. Specifically, the following recommendations are made:

58. **Federal Civil Service Commission.** The Federal Civil Service Commission would include experienced high-level civil servants, nominated by the island governments, and technicians in human resource management coming from the civil service ministries of the islands. The responsibilities of the commission would include.

- organization of national examinations to select the most qualified people,
- maintenance of regulations to ensure their homogeneous application, and

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<sup>10</sup> In 2003, the Anjouan authorities introduced some measures to consolidate the civil service.

- authentication of academic degrees to ensure their legality

59. **Ministry of Civil Service.** The Ministry of Civil Service of each island would be responsible for proposing to its government policies for the civil service, and for implementing the laws and regulations for human resource management. The main responsibilities of the ministry would include.

- administration of civil servants,
- definition and monitoring of the professional training policy for civil servants, and
- implementation and monitoring of the budget for the civil service.

#### ***Recommendations of FAD technical assistance report***

60. **The 2002 FAD technical assistance report on options for decentralization recommends a single body of civil service for the country.** The report identifies the following key issues to help determine the appropriate degree of decentralization in a small, resource-constrained country like the Comoros:

- people's right to free movement,
- efficient allocation of civil servants between the islands and the Union, and
- administration of surpluses and shortages of civil servants.

61. **The right to free movement implies a right for civil servants to work for any government regardless of which island they come from.** Free movement of people is important for the efficient use of human resources. Since the number of qualified personnel is limited in the country, the absence of free mobility of labor could introduce the risk of having a shortage of qualified labor on one island in spite of a surplus on another.

62. **Inefficient allocation of civil servants between the Union and the islands could substantially increase the costs of decentralization.** This could be a particular problem on the island of Ngazidja, where responsibilities would be shared by the Union and Ngazidja governments in the same geographical space. The allocation is likely to be simpler on the islands of Anjouan and Mohéli, where nearly all civil servants would work for the island governments. To prevent a possible confusion in the allocation of civil servants between the Union and island governments, the following requirements would appear to be important: (i) the tasks of the Union government should be clearly separated from those of the island governments, based on well-defined competencies; (ii) civil servants who would execute these specific tasks should be employed in line with their skills; and (iii) civil servants should be firmly associated with the appropriate Union or island administration.

63. **The decentralization process could be used to help identify surpluses and shortages of civil servants within each administration.** Each island would first take an inventory of the number of existing civil servants. A comparison of the identified need for civil servants in each administration after decentralization with the current number and skills

of civil servants on each island could indicate the surpluses and shortages of civil servants within each administration. The report suggests that any surplus of civil servants in any administration would first be identified on a list describing their qualifications, and could then be passed on to other administrations in an attempt to match them with the observed shortage of civil servants in their administration. The surplus civil servants would be given a certain period of time (e.g., two months) to find another employer outside of government. Those civil servants who are unable to find employment in this period would need to leave their jobs and, in return, would receive a small compensation in the form of redundancy payments.

64. **In summary:** the 2002 FAD technical assistance report argues that abandoning the concept of a centralized civil service would be premature, and probably inopportune, because of the complexity of the above three main issues that would need to be addressed under decentralization, namely, respecting people's right to free movement, achieving an effective allocation of civil servants between the Union and the islands, and identifying surpluses and shortages of civil servants within each administration. In addition, the report argues that a greater degree of island autonomy may also complicate personnel management decisions.

### C. Proposals of Paris Meetings

65. **During the two Paris meetings, the representatives of the Union and island governments agreed broadly to the delineation of competencies of the two levels of government.** However, they have not yet chosen the number and characteristics of civil servants to execute the specific tasks for each government. Instead, the parties agreed on two areas of competency; the first covering exclusive competencies of the Union, and the second defining shared competencies between the Union and the islands.

#### **Exclusive competencies of the Union would include:**

- Citizenship.
- Monetary policy, including the management of international reserves, and determination of the bank rate and exchange rate.
- International relations. The Union would be in charge of international relations. However, it should consult the islands in the preparation of texts related to the competencies of the islands.

#### **Shared competencies would include:**

- **Primary and secondary education** would be the principal competency of the islands, with the exception of the Union competency for defining a national primary and secondary education policy, evaluating that policy, and establishing the related programs.
- **Health services** would be the primary competency of the islands. However, health policies would be defined by the Union in collaboration with the islands.

- **Energy policy, postal services and telecommunication, transportation, and environmental policy** would be shared competencies of the Union and the islands.

In general, a shared competency would involve the formation of a national policy in a sector by the Union government, while the implementation and daily management of the sector would be the competency of the island governments.

66. **The above recommendations of the World Bank consultant and the FAD mission could assist the authorities in the selection of civil servants in line with the delineation of competencies, such that overlap and duplication of functions are minimized.** In addition, they suggest that, despite their high degree of autonomy foreseen under the Constitution, it is in the interest of the islands to assign some of the functions related to policies to a national process. However, while this may be intuitive and rational, the challenge will be to effectively implement an allocation of civil servants who will execute the specific tasks for each government. In this context, the authorities would benefit from FAD's recommendation that civil servants be part of a single body of civil service and be allocated according to the needs of each administration. An efficient allocation would identify surpluses and shortages within each administration and prevent competition between the Union and island governments.

#### **D. Conclusion**

67. As the Comoros moves to a decentralized system of government, the authorities face the challenge of combining a civil service reform aimed at increasing the efficiency of the civil service with the decentralization objectives of the constitution, while simultaneously maintaining a fiscally sustainable wage bill. The recommendations of the World Bank consultant and FAD mission could assist the authorities with the delineation of competencies while minimizing overlap and duplication of functions. Design and administration of policies by a coordinated national process would be important for establishing an efficient civil service under a decentralized system.

## IV. FINANCIAL SECTOR DEVELOPMENTS<sup>11</sup>

### A. Background

68. **The financial sector of the Comoros is small and has made only a limited contribution to the economic development of the country.** At the time of independence in 1975 it consisted of the central bank, one commercial bank and one credit agency, operating on the basis of a single law related to exchange relations with foreign countries.<sup>12</sup> Between 1975 and 1980, a number of laws and regulations were introduced to provide a legal foundation for financial sector activities in the country. A law defining the statutes of the central Bank of Comoros was established in 1979. It included the participation of the Comorian Franc in the “Franc Zone” at a fixed exchange rate on the basis of a cooperation contract between France and the Comoros. In 1980, the authorities passed a law giving the central bank the power to supervise banks and regulating the activities of banks and financial institutions.

69. **Economic and financial sector developments in the Comoros have been substantially influenced by the fixed exchange rate regime for the Comorian franc related to its membership in the Franc zone.** Since the move to full monetary union in Europe in 2002, the Comorian franc has been linked to the euro. The European Union has accepted the earlier agreement between the French and Comorian governments and will have to be consulted regarding any change to the existing agreement, including in particular of any change in exchange rate parity. Membership in the Franc zone has provided a firm monetary anchor to the country, enhanced the credibility of monetary policy, removed exchange rate uncertainty, and imposed a certain degree of fiscal discipline.

70. **Another important factor for the economic and financial development of the country is the large private transfers from Comorians living abroad.** Comoros is one of the countries with the highest per capita levels of remittances from a large Diaspora concentrated in France. People of Comorian origin living abroad number between 150,000 to 200,000 and have over the last couple of years, remitted more than US\$30 million annually, or some 15 percent of GDP in 2001. Remittances take many forms, including in particular cash carried by visiting Comorians and wire transfers through Western Union.<sup>13</sup>

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<sup>11</sup> Prepared by Marwan Mikhael

<sup>12</sup> Law n°69-1161 of 1966

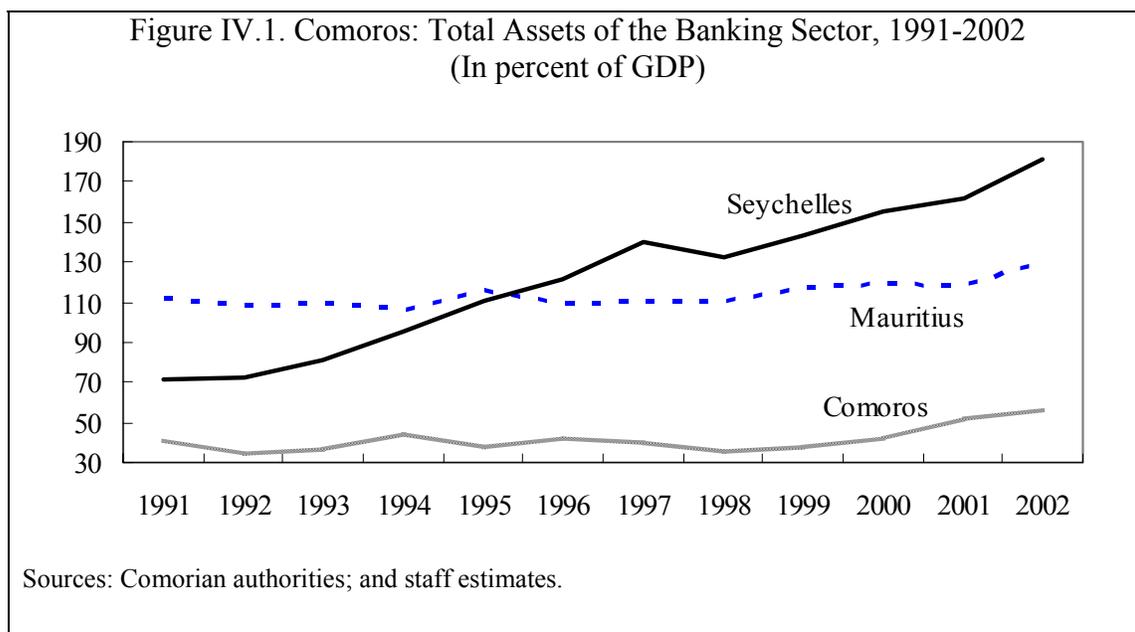
<sup>13</sup> For a more extensive discussion of remittances, see the companion paper on external sector developments.

## B. Structure of the Financial Sector

71. **The Comorian financial sector consists of only a few institutions.** The Sector presently comprises the central bank, the Banque Centrale des Comores (BCC); a single commercial bank, the Banque pour l'Industrie et le Commerce—Comores (BIC-C); a development bank, the Banque de Développement des Comores (BDC), and two networks of micro-finance institutions, the Mecks and the Sanduks. In addition, there is the National Savings Fund, the Caisse Nationale d'Épargne, affiliated with the government-owned Postal and Telecommunication Company (SNPT).

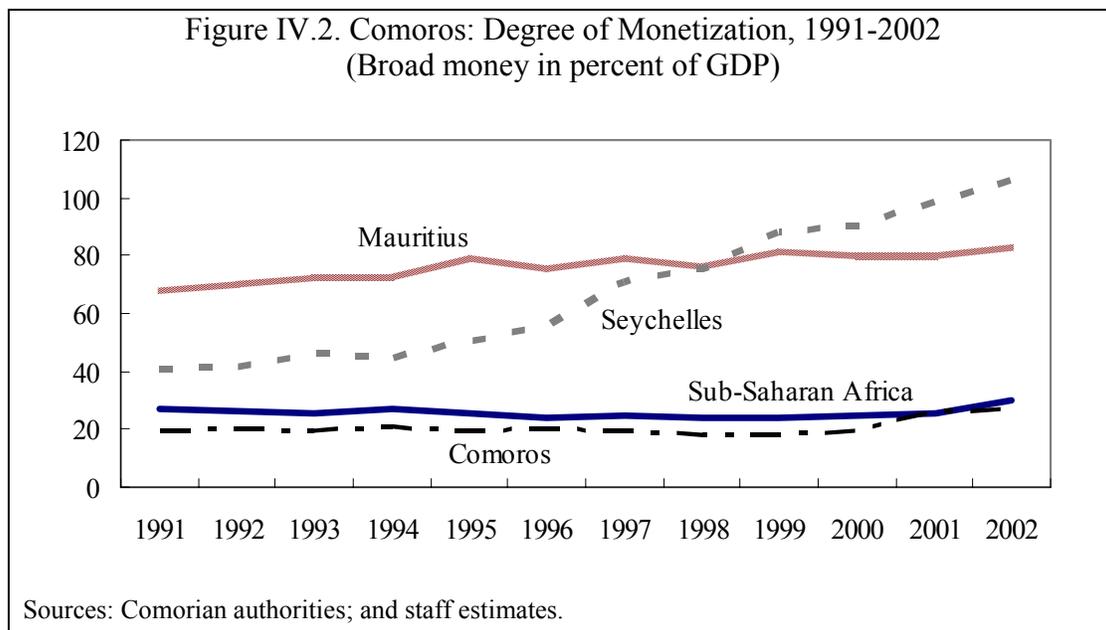
## C. General Indicators

72. **Measured by the total assets, the size of the financial sector in Comoros is very small.** Including the central bank, assets amounted to CF 74,000 million or US\$142 million in 2002. By comparison, in its Indian Ocean partner Mauritius, assets reached a level of US\$6.4 billions, and in the Seychelles US\$1.4 billions. In percent of GDP, the same picture emerges, with the Comoros lagging far behind its neighboring countries (Figure IV.1).



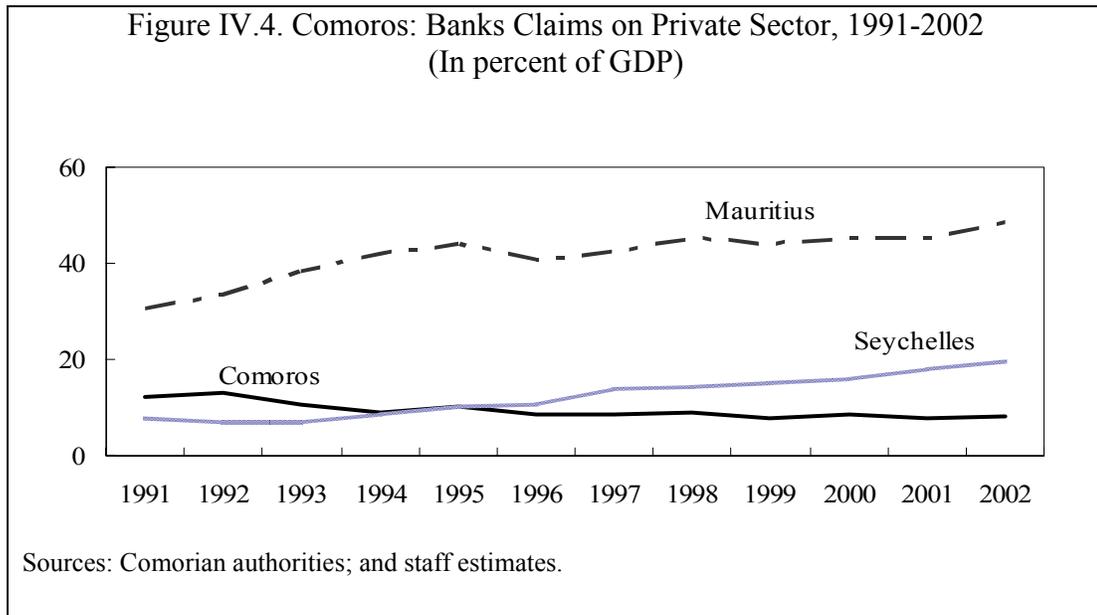
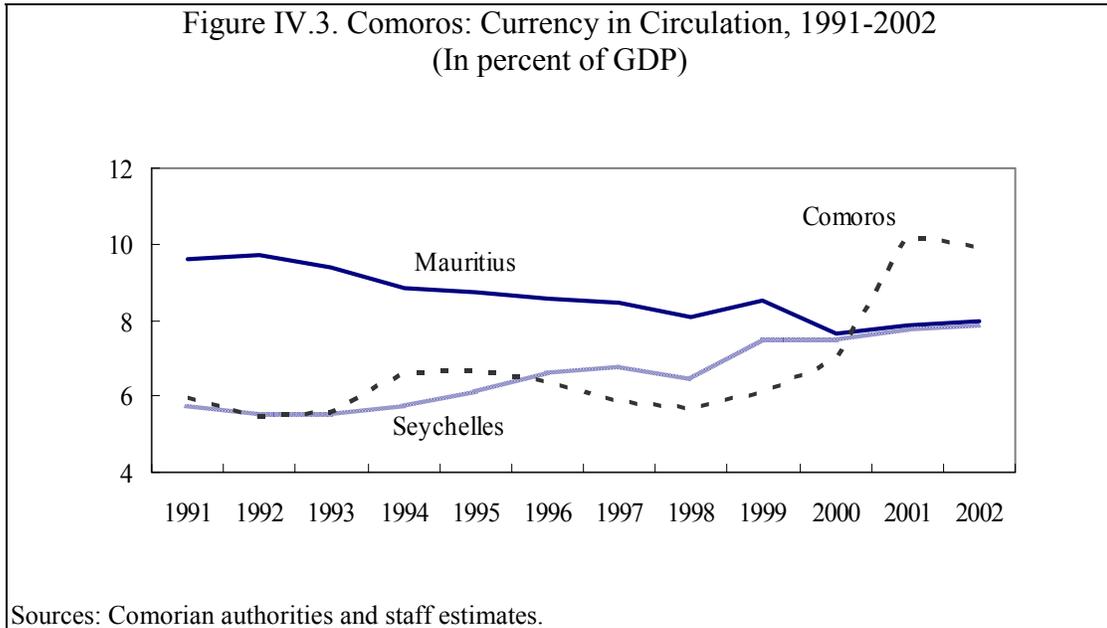
73. **The degree of monetization in the Comorian economy is comparatively low.** Measured by the ratio of broad money to GDP it has consistently been substantially lower than in Mauritius and the Seychelles (Figure IV.2). In 2001, the monetization ratio registered a strong increase to 27 percent from an average of 20 percent during 1991–2000, and thereby reached broadly the same level as in the average of sub-Saharan Africa (SSA). However, this

development was due to exceptional circumstances and is likely to be reversed over the next couple of years.<sup>14</sup>



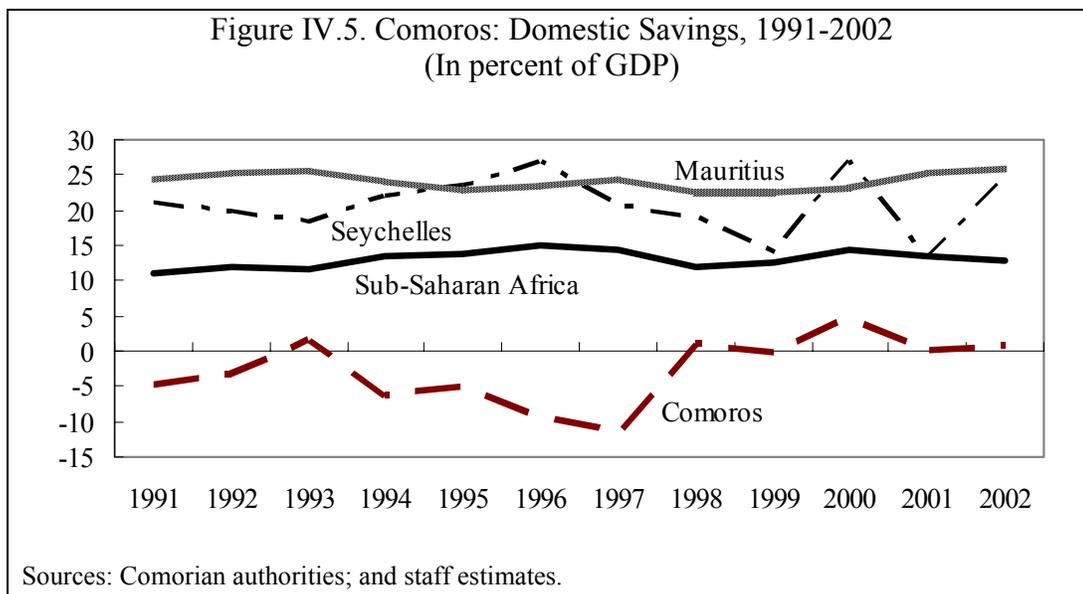
74. **Financial intermediation in the Comoros has generally lagged behind other countries in the region.** Currency in circulation is still the most important form of payment and constituted a significant part of financial assets in Comoros. Its correct level in terms of GDP is probably better measured by the data since 2001, following the conversion of French franc savings into Comorian francs, than during earlier years (Figure IV.3). Another indicator of financial intermediation, bank claims on the private sector, has also been lower in the Comoros than in Sub-Saharan Africa and neighboring countries. In 2002, these claims stood at about 8 percent of GDP in the Comoros, compared with 20 percent in Sub-Saharan Africa and the Seychelles, and more than 45 percent in Mauritius (Figure IV.4).

<sup>14</sup> The sharp increase in broad money in 2001 was mainly the result of a large amount of conversion of formerly uncounted cash holdings of French francs ahead of the introduction of the Euro at the beginning of 2002.



75. **The domestic savings ratio has traditionally been low in Comoros compared with Sub-Saharan Africa (SSA) and neighboring countries.** For a large part of the period 1991-2002 the domestic savings ratio was negative in the Comoros and displayed a considerably higher degree of volatility than in partner countries (Figure IV.5). The low savings ratio is explained by the high level of remittances the country receives from the Comorian diaspora, while its swings may be due to uncertainties about economic growth and

political stability. The increase during 1998–2002, is also likely to have been influenced by the creation of the microfinance institutions which channeled savings of rural areas into the official financial sector.



76. **There are no primary or secondary markets for government or private commercial debt in the Comoros.** Government financing has mostly taken the form of direct credit from the BCC and BIC-C, or consisted of an accumulation of foreign and domestic arrears rather than the issuance of treasury bills or bonds. In addition, the central bank does not issue any certificates of deposits or bills; instead it has imposed required reserves to reduce active liquidity.

### Key Financial Institutions

77. **Financial transactions in the Comoros are highly concentrated in the BIC-C despite the recent emergence of microfinance institutions.** The BIC-C's market share in deposits has declined during the past five years from 80 percent to 73 percent, and its share for the credits to the economy has remained broadly unchanged, following the decline in lending by the BDC (Table IV.1). The microfinance institutions grew dynamically since their establishment and now have market shares of close to 20 percent of deposits and loans.

#### *Banque pour l'Industrie et le Commerce— Comores (BIC-C)*

78. **The BIC-C is the only full-fledged commercial bank in the Comoros.** It was created in 1982 and has only five branches in the country, three in Ngazidjia, one in Moheli, and one in Anjouan. Since 1990, the BIC-C is part of the BNP-Paribas group.

Table IV.1. Comoros: Market Shares of Financial Institutions, 1998-2002  
(In percent)

	1998	1999	2000	2001	2002
Collected resources					
BIC-C	80	79	77	75	73
BDC	11	9	9	5	3
National Savings Fund	...	...	...	5	5
Meck	...	...	...	8	11
Sanduk	...	...	...	7	8
Credits to the economy					
BIC-C	70	74	72	71	71
BDC	22	19	17	14	9
National Savings Fund	...	...	...	3	2
Meck	...	...	...	5	10
Sanduk	...	...	...	7	8

Sources: Comorian authorities; and staff estimates.

79. **The BIC-C generally conducted sound banking operations and has not experienced financial difficulties.** Despite its large excess reserves, its lending has decreased by 5 percent during the last five years (Table IV.2). One possible cause for this decrease in lending is the rise in political tensions and uncertainties in the country which has weakened economic performance. Another reason, probably linked to it, is the adoption of more stringent lending criteria in light of an increase in the level of non-performing loans (NPLs) in its balance sheet from 13.3 percent of total credits in 1998 to 25 percent in 2002 (Table IV.2 and Figure IV.6). However, over the same period, the bank improved its provisioning, so that the coverage of NPLs by loan loss provisions increased from 61.6 percent in 1998 to 72.3 percent in 2002. Although there are no indications of any serious problems with the BIC-C, a Fund/MFD expert has recently recommended that the central bank conduct a full audit of its accounts.

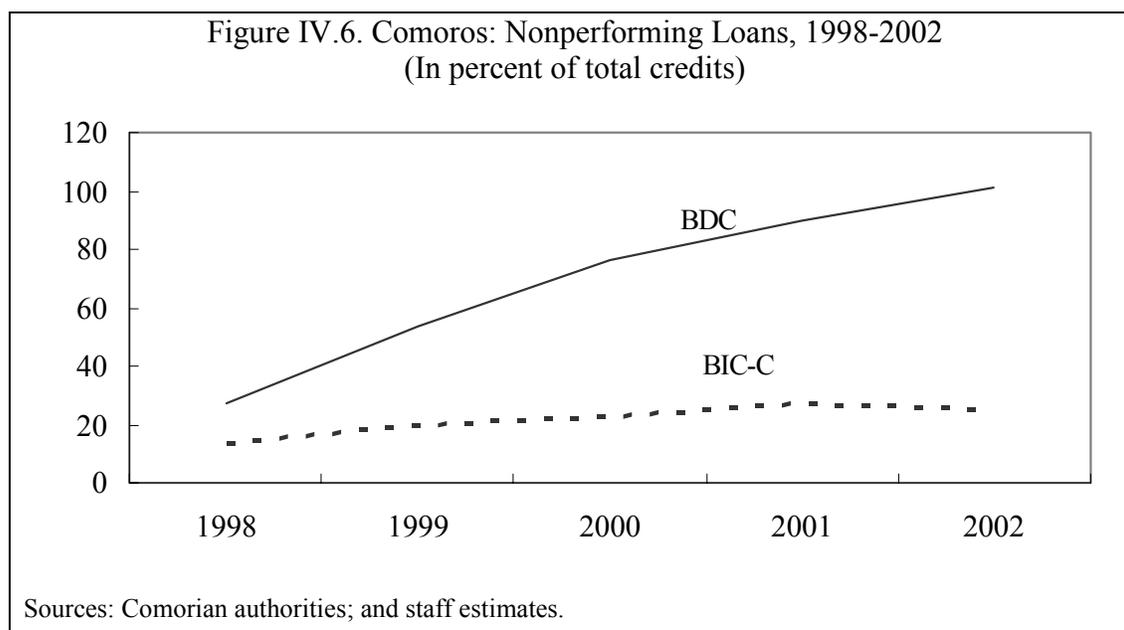
#### *The Development Bank of the Comoros (BDC)*

80. **The BDC was created in 1981 to replace the Société de Crédit pour le Développement des Comores.** The latter was liquidated because of its bad financial situation. The resources of the BDC derive from credit lines made available by international institutions and donors. The capital of the BDC is now held by the BCC and the Agence Française de Développement (AFD). Although the share of the BDC in overall lending has declined significantly over recent years, its share in long term credit has generally exceeded 90 percent. The BDC's loans cover a wide range of sectors of the economy, including notably industry, tourism, agriculture and handicraft.

Table IV. 2. Comoros: Financial Situation of the BIC-C, 1998-2002  
(In millions of Comorian francs unless otherwise indicated)

	1998	1999	2000	2001	2002
Assets	14,435	15,705	17,529	22,730	25,665
<i>Of which: foreign assets</i>	2,374	3,966	3,009	4,864	3,182
Treasury and interbank deposits	5,656	7,255	7,997	13,440	15,644
Credits	8,404	7,987	7,879	7,255	8,071
Nonperforming loans (NPLs)	1,117	1588	1,798	1,954	2,029
NPLs / credits (In percent)	13.3	19.9	22.8	26.9	25.1
Provisions	688	945	1,185	1,400	1,466
Provisions / NPLs (In percent)	61.6	59.5	65.9	71.6	72.2
Net NPLs	429	643	613	554	563
Deposits of clients	11,319	11,783	12,406	16,757	19,311
Capital	2,395	2,113	2,246	2,225	2,234
Net profit	0	310	74	279	247
Credits / deposits (in percent)	74	68	64	43	42

Sources: Comorian authorities; and staff estimates.



81. **The financial situation of the BDC deteriorated sharply during the 1990s.** Since 1997, the BDC stopped lending and concentrated its activity on the recovery of outstanding loans. The financial situation of the BDC deteriorated further in 1998 with the attempted secession of Anjouan from the rest of the country. Several portfolios related to tourism and hotel projects became unrecoverable. In addition, many loans to civil servants of Anjouan origin defaulted when the central government stopped paying their salaries in 1998. The difficult political and economic situation in the Comoros has made it very difficult for

the BDC to recover its loans. Other causes for the poor financial situation of the BDC include in particular the financial mismanagement of the bank owing to poor skills levels and governance problems. Reflecting the recent efforts at loan recovery by the BDC and increases in provisions, NPLs decreased between 2000 and 2002 and the ratio of provisions to NPLs increased (Table IV.3).

Table IV. 3. Comoros: Financial Situation of the BDC, 1998-2002  
(In millions of Comorian francs)

	1998	1999	2000	2001	2002
Assets	4,021	3,206	3,210	3,171	3,038
<i>Of which:</i> Cash and interbanking deposits	325	522	630	848	1,067
Credits	2,923	1,997	1,736	1,431	1,065
Non-performing loans (NPLs)	790	1,072	1,324	1,284	1,078
Provisions	294	777	726	697	665
Net NPLs	496	295	598	587	413
Foreign liabilities	1,696	1,437	1,278	1,051	884
Capital	1,491	1,186	1,254	1,274	1,278

Sources: Comorian authorities; and staff estimates.

82. **Recent attempts to privatize the BDC failed because foreign investors showed no interest in buying a bank in bad financial shape and with no audited accounts.** In response, the BDC asked its shareholders to allow for a restart of lending operations on the basis of its capital. In the event, a trial license for one year was granted. However, an in depth analysis and auditing of the BDC accounts were considered necessary before launching new activities.

#### *The National Savings Fund*

83. **The Caisse Nationale d'Epargne (CNE) is the financial arm of the government-owned postal and telecommunication company, the Société Nationale du Poste et des Télécommunications (SNPT).**<sup>15</sup> It was created in 1992 in connection with the establishment of the legal status for the SNPT. The principal objective of the CNE is to mobilize domestic savings. The CNE is also allowed to lend to its clients. However, due to the high rate of nonperforming loans, it has essentially suspended lending activities.

84. **In order to eliminate the quasi-monopoly of the BIC-C, the authorities advanced plans to transform the CNE into a commercial bank.** The authorities believe that this will attract more savings and introduce more competition in the market. They argue that costs for clients could be reduced, banking services be broadened and modernized, and new services introduced. The authorities plan to rely on the existing network of the SNPT and have

<sup>15</sup> Law number 92-004/PR

proposed several measures to protect depositors, and to guarantee good financial management. Nevertheless, there are a number of serious concerns about the feasibility and soundness of this proposal, including notably the poor level of skills at the CNE, especially regarding new financial activities.

85. **For a thorough assessment of the government's proposal, the BCC requested technical assistance from the Fund.** An expert (of the IMF's Monetary and Financial Systems Department (MFD)) recommended the imposition of obligatory reserves of 30 percent, a liquidity ratio of 65 percent, and a solvability ratio of 10 percent.<sup>16</sup> In addition to these recommendations on prudential issues, the expert urges to ensure the strict separation of accounts and activities of the proposed new institution from those of the SNPT because there is a concern that the SNPT could use the resources of the CNE to finance its investments in the telecommunication sector at non-market conditions and irrespective of the soundness of these investments. The BCC has so far not approved the government's plans.

### *Microfinance Institutions*

86. **Microfinance institutions were introduced in 1997 with the assistance from the French government and international organizations.** The Caisse Française de Développement (CFD) financed the Sanduk, while the Mecks were financed by the Comorian government and the International Fund for Agricultural Development. The Mecks and the Sanduks accept deposits and specialize in credits to small—and medium—sized enterprises. By the end of the first year of operations, the two networks had created 39 funds on the different islands, collected more than FC 360 millions in savings, and distributed FC 320 millions in credits.

87. **The microfinance networks are not yet covered by formal prudential regulations and supervision of the central bank.** A law draft for their inclusion is ready but has not yet been issued by the government. Once that is the case, the central bank will need technical assistance, and increase its human resources to effectively supervise the institutions. Given their strong growth, the Mecks and Sanduks will also need to modernize their operations and accounting practices. In particular, they need to have access to up-to-date information through better and broader computerization of operations. There is also a need to reinforce internal audits and to strengthen loan evaluation.

## **D. Central Bank Role and Activities**

88. **The role and activities of the Central Bank are defined by the central bank law which was established in 1978 and amended in 1987<sup>17</sup>.** The law describes the central bank

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<sup>16</sup> Report by Raymond Bernard of July 10, 2003.

<sup>17</sup> Statuts de la Banque Centrale des Comores et l'accord de coopération monétaire. In the discussion below, these sets of laws for the BCC will be referred to as the "BCC law".

as a public institution with a capital of CF500 million detained in equal shares by the French and the Comorian governments. The law briefly describes the objectives of the BCC, establishes the nature of its operations and instruments, and specifies fundamental arrangements for its administration (Table IV.4).

Table IV.4. Comoros: Financial Situation of the BCC, 1998-2002  
(In millions of Comorian francs)

	1998	1999	2000	2001	2002
Assets	20,782	22,364	27,104	39,730	43,444
<i>Of which:</i> Foreign Assets	16,581	18,294	22,956	35,833	38,796
Credit to government	3,806	3,814	3,858	3,654	3,930
Credit to commercial banks	0	0	0	0	0
Liabilities					
Banks' deposits	3,744	4,667	6,116	11,287	0
Government deposits	542	518	508	712	582
Foreign liabilities	1,184	1,171	957	1,394	397
Foreign liabilities/total assets (in percent)	5.7	5.2	3.5	3.5	0.9

Sources: Comorian authorities; and staff estimates.

## Objectives

89. **The objectives of the central bank are defined in a rather broad way in Article 4 of the BCC law which leaves the primary objective of the BCC unclear.** Article 4 states that the central bank has the mission to formulate monetary and credit policies, supervise and control banking activities, and monitor the implementation of exchange regulations. The vagueness of the BCC's objectives entails the risk of a pursuit of multiple objectives, without apparent prioritization. This could severely undermine the credibility of the central bank and hamper its effectiveness. It could also dilute its accountability and complicate the coordination of monetary policy with fiscal policies of the government.

90. **In view of these risks, best practices call for the establishment of a single objective for central banks.** Typically, this objective is the control of inflation or, more broadly, the safeguarding of the value of the national currency, which would also include the stability of the external value of the currency. Regarding domestic economic policies, a single objective would help avoid the time-consistency problem to which government fiscal policies are often subject. It would also provide a more precise basis for holding the central bank accountable for its policies and its financial condition. If the central bank were nevertheless, to pursue more than one objective, they should be clearly prioritized. In that case, the bank would pursue one objective as its main operational target and the others as subsidiary targets.

## Independence

91. **The independence of the Central Bank of the Comoros is curtailed under the BCC law in a number of respects.** This applies both to the bank's statutory autonomy and its scope for pursuing its statutory objectives without government interference. In both cases, international best practices would call for a strengthening of legislation for the BCC.
92. **Statutory autonomy is typically defined by the practices regarding the election of Board members and the central bank governors.** In Comoros, the Board of Directors of the central bank is composed of eight members, four of which are designated by the Comorian government and the other four by the French government (Article 34). Board members are appointed for a renewable period of four years (Article 35). They can be dismissed by the authority which has nominated them. There is no provision in the law requiring a justification for the dismissal. Nor is there any clarification of the procedure for such a case. This is clearly in contradiction with best international practice.
93. **The Governor of the BCC is appointed by the President of the Comoros for a renewable period of five years.** The appointment follows the recommendation of the Finance Minister on the proposal by the Board of Directors (Article 40). The Vice-Governor is nominated by the Board for a period of four years, his term can be renewed. The position of Vice-Governor has typically been held by a French national. There are no clarifications in the BCC law regarding the possible dismissal of the Governor and Vice-Governor. Also, while their duties are broadly defined, nothing is said about their accountability. Nor are there provisions regarding their protection from political influence. On both accounts, the law is not in line with best international practice.
94. **The operational autonomy of the BCC is curtailed with respect to both the pursuit of its general objectives and the implementation of individual policy decision.** In Article 4 on the objectives of the central bank, the BCC law stipulates that their pursuit must take place within the framework of the government's economic policies. While this stipulation leaves room for interpretation, it could still imply in the case of a conflict a complete subordination of central bank policies to the objectives and policies of government. In contrast, best international practices call for a fairly formal separation of the central bank from the government and its fiscal policy objectives. Best practices also advocate the establishment of clearly defined provisions for the resolution of conflicts with the government. Neither of these practices exist in the Comoros.
95. **The independence of the BCC is further weakened by the scope of the Finance Minister to demand a review of any Board decision.** While the review permitted by Article 34 will not necessarily lead to a new, or even opposite, decision, its invocation can exercise substantial pressure on the Board. However, because Article 16 of the BCC law limits the central bank's ability to finance government deficit such pressure can not affect credit to the government. In particular, Article 17 states that the sum of all loans to the Treasury (direct loans or government bonds) must not exceed 20 percent of the average annual revenues of the government during the last three budget years. This stipulation

sharply curtails the scope of government to seek continued and large of deficit financing from the BCC.

96. **Membership of the Comoros in the Franc zone provides additional assurances of prudent monetary policies and limits government interference.** As part of the agreement on monetary cooperation between the Comorian and the French governments, exchange rate policy is firmly determined and thereby puts narrow constraints on the BCC's monetary policy.<sup>18</sup> The presence of members of the French administration on the Board, and the nomination of a French Vice-Governor have also curtailed government interference at the BCC.

97. **The monetary policy instruments of the BCC are limited and have hereby been used.** Under the BCC, the Bank may discount or repo to banks against eligible commercial paper (Article 11), bank certificates (Article 12), or other guaranteed debt certificates (Article 13) as well as publicly guaranteed debentures and obligations subscribed by the Comorian treasury running for a period of a maximum of four years. In addition, the bank has established required reserves ratios and may set minimum interest rates on deposits and lending of financial institutions. Official interest rates have been modified only rarely. Interest rates set by the central bank are typically indexed to the interbank rates of the Euro zone, as are debit rates applied by the BCC. The discount rate of the BCC is serving as a penalty rate whenever the required reserves ratio is not respected.

#### *Prudential Regulation and Supervision*

98. **Giving the high level of liquidity in the economy, the BCC's monetary policy instruments have been blunt for most of the time.** Usually, the commercial bank did not need to refinance itself at the central bank. Excess liquidity appears to be a structural phenomenon in the Comoros (as in many other developing countries) that is not likely to change soon.

99. **Prudential regulation and supervision were introduced in 1880 with the issuance of banking law n°80-07.** The law was amended in 2000 by three circulars dealing with: (i) the instruction to provide regular information on the accounting situations to the BCC (Circular n°12/2000/COB); (ii) the definition of equity in the balance sheets of banks and

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<sup>18</sup> The agreement stipulates the establishment of a foreign exchange account called "compte d'opérations" at the French Treasury similar to the accounts opened by the countries in the CFA zone. Under the agreement, the BCC is also obliged to hold at least 65 percent of its foreign reserves at the French Treasury. The account is supervised and managed by the French Treasury and France guarantees the convertibility of the Comorian franc at the agreed fixed exchange rate.

financial institutions (Circular n°13/2000/COB); and (iii) the definition of the solvability ratio of the banks and financial institutions (Circular n°14/2000/COB).<sup>19</sup>

**100. Prudential regulation and supervision needs to be upgraded in light of recent developments in the domestic financial sector and in response to the needs of a globalized environment.** On the domestic side, especially the development of microfinance institutions requires attention. However, more regulation and supervision resources will also have to be devoted to the Development Bank and the examination of proposals by the Government to create a Postal Bank on the basis of the network of the SNPT. On the international level, significant developments have taken place in prudential regulation, some of which are important for the Comoros and its cooperation with other countries.

**101. There is an urgent need to bring the microfinance institutions under the supervisory authority of the central bank.** These institutions have grown significantly since their introduction in 1997, and it is unclear whether this dynamic growth has been accompanied by appropriate management policies and the necessary broadening of skills. In addition, there are indications that some institutions have begun offering financial services outside of their normal range of activities. Some are even said to experience financial problems. To obtain clarity on these questions and prepare needed action, the draft law on supervision of microfinance institutions that is before the government should be promulgated on as soon as possible. Giving supervisory authority to the Central Bank it would provide a sound and enforceable legal framework for the operations of these institutions and thereby diminish the risks to depositors and the likelihood of a general failure. Given the limited human and financial resources in the supervision department of the central bank, it will be particularly important to strengthen internal control and governance of these institutions. In addition, assurances are needed on strong and skilled management, and on transparent accounting systems that meet international standards.

**102. The resumption of activities by the Development Bank requires ongoing supervisory attention.** Substantial concerns about the soundness of the financial situation of the BDC and the quality and integrity of its management were voiced before the resumption of its activities. These concerns remain valid despite the fact that the bank obtained only a limited license for a trial period of one year. Developments should be monitored closely, and any non-traditional financial activity remain prohibited.

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<sup>19</sup> In addition, a draft circular on non performing loans has recently been issued in line with international standards defines nonperforming loan as: (i) loans for which more than three months have passed since the last debt service payment; (ii) loans for which the financial situation of the borrower leads to the conclusion of a high risk of default; and (iii) loans for which a judicial conflict exists between the financial institution and the borrower.

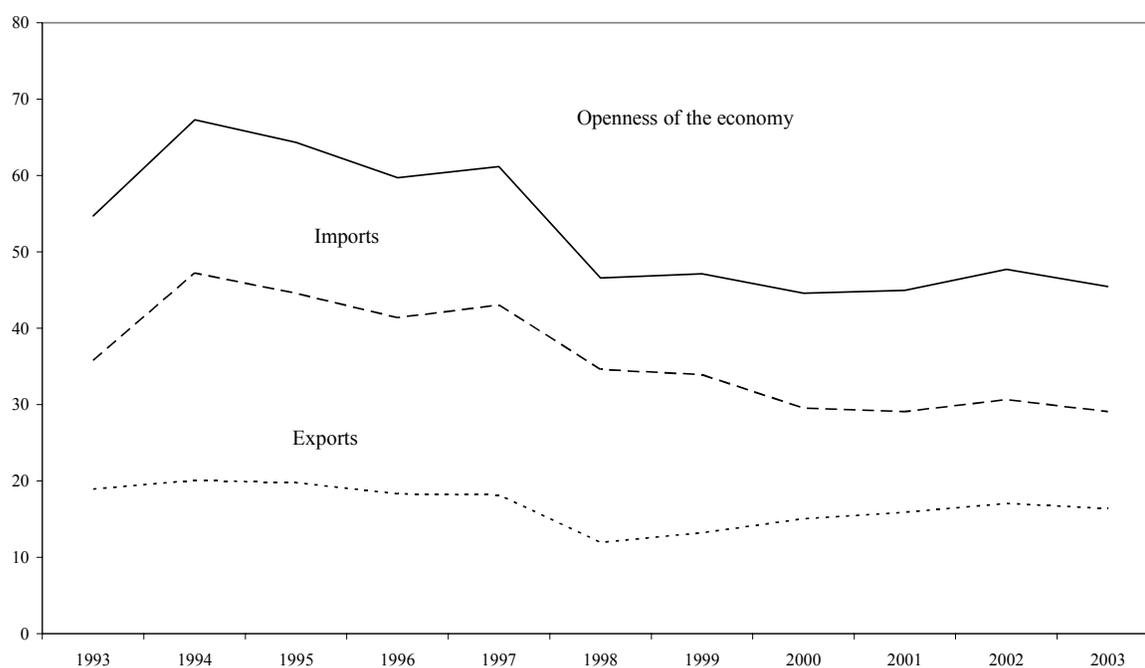
103. **The plan of the government to create a Postal Bank, or to combine and broaden the financial activities of the CNE and SNPT networks, requires substantial further study.** The main objective of the government appears to be the strengthening of competition in the financial sector. This would, indeed, be desirable. However, concerns exist about the broadening of financial services of the new Postal Bank or the CNE to those of a commercial bank, and the possible involvement of the SNPT in the provision of such services. Such a move could entail significant risks because of the low level of skills in both institutions. In addition, there is a need to ensure the strict separation of financial transactions between the CNE (or the envisaged Postal Bank) and the SNPT. As long as these issues have not been resolved and an appropriate regulatory system, that gives an unreserved responsibility for supervision to the BCC not been installed, it would be imprudent to advance with the government's plans.

## V. EXTERNAL SECTOR DEVELOPMENTS AND POLICIES<sup>20</sup>

### A. Introduction

104. **The Comoros is a small open island economy, with a ratio of exports and imports-to-GDP of almost 50 percent (see Figure V.1).** Exports are dominated by three commodities—vanilla, cloves, and ylang-ylang<sup>21</sup>—which accounted for over 95 percent of total exports in 2003. With a limited manufacturing base and high dependence on imported food, the country has consistently run a substantial trade deficit.

Figure V.1. Comoros: Trade in Goods and Services, 1993-2003  
(as percent of GDP)



Source: IMF, *International Financial Statistics*.

105. **The Comoros is a member of the French franc zone.** Since the introduction of a common currency in the European Union in 2002, it has maintained a fixed exchange rate vis-à-vis the euro at the rate of EUR 1 = CF 492. The peg provides an anchor for financial stability as the country builds its new institutions. While the competitiveness gains achieved from the devaluation in 1994 have been largely maintained, limited progress has been made in achieving macroeconomic stability and improving basic infrastructures and the business climate. Together with political uncertainty and the small size of the domestic market, this has limited financial development and affected competitiveness and private foreign

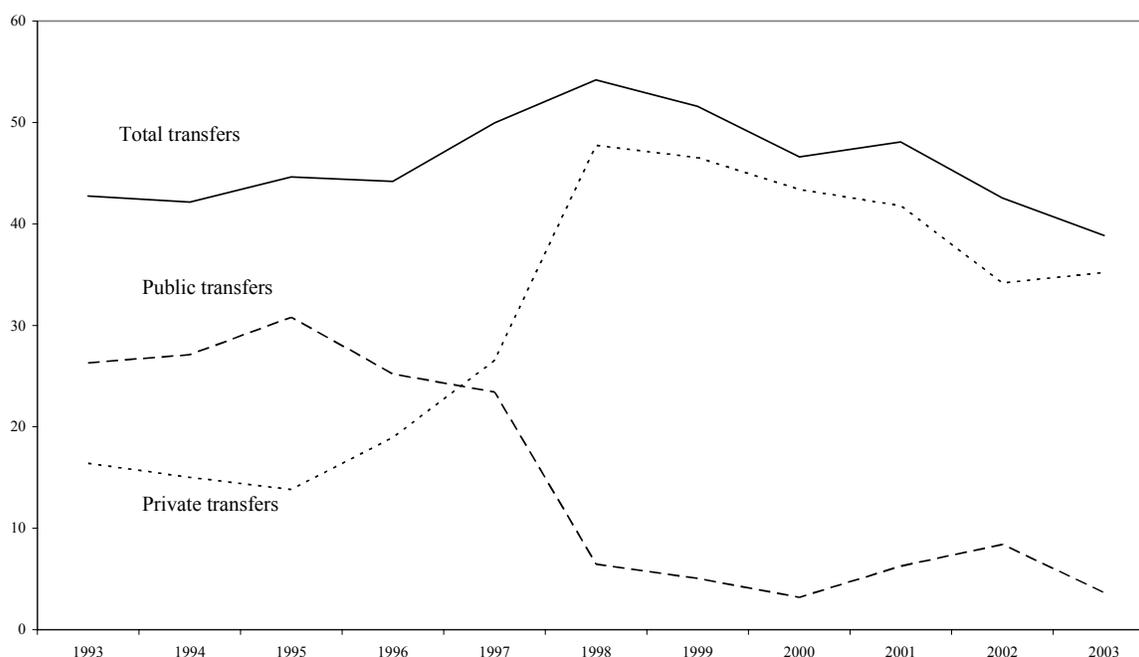
<sup>20</sup> Prepared by Jaume Puig.

<sup>21</sup> Ylang-ylang is an essence used to produce perfumes, of which the Comoros is the world's largest producer.

investment—the latter is virtually nonexistent. Trade policy remains highly restrictive as a result of high tariffs and duties on imports, which are the main source of public revenue.

106. **The vulnerability of the Comoros is reflected in the dependence on external transfers in its current account transactions.** Official and private transfers accounted for almost 50 percent of total external receipts over the last decade (Figure V.2). By 2003, official and private transfers still accounted for almost 40 percent of total external receipts, despite the strong growth of export values as a result of sharp increases in their prices.<sup>22</sup> Another indication of the country's vulnerability is the large external debt and external payments arrears accumulated. Notwithstanding the reversal of the current account deficit in the last few years, the economy of the Comoros in general—and the balance of payments in particular—remains highly fragile, given its dependence on transfers and the high concentration of exports in a few commodities with international prices subject to considerable volatility. This highlights the importance of diversifying the sources of production and foreign exchange earnings.

Figure V.2. Comoros: Transfers as a Percentage of Total External Receipts, 1993-2003



Source: IMF, *International Financial Statistics*.

<sup>22</sup> While official transfers were the dominant component of exogenous flows prior to 1997, the situation has reversed since then. A substantial increase in recorded remittances from Comorians living abroad has offset the decline in official transfers in the period of political instability following the onset of the secessionist crisis in 1997, when the island of Anjouan tried to gain independence.

## B. Balance of Payments Developments<sup>23</sup>

107. **The most notable development in the balance of payments in the last decade has been the significant improvement in the current account balance.** It has been driven by improvements in the trade balance and the increase in recorded private transfers. The current account balance, including official transfers, moved from a deficit of almost 16 percent of GDP in 1997 to a surplus of 2 percent in 2001 despite a significant reduction in official transfers (Figure V.3). However, since 2002, the current account balance has turned negative again, as a result mainly of the increase in imports and reduction in net private transfers.<sup>24</sup>

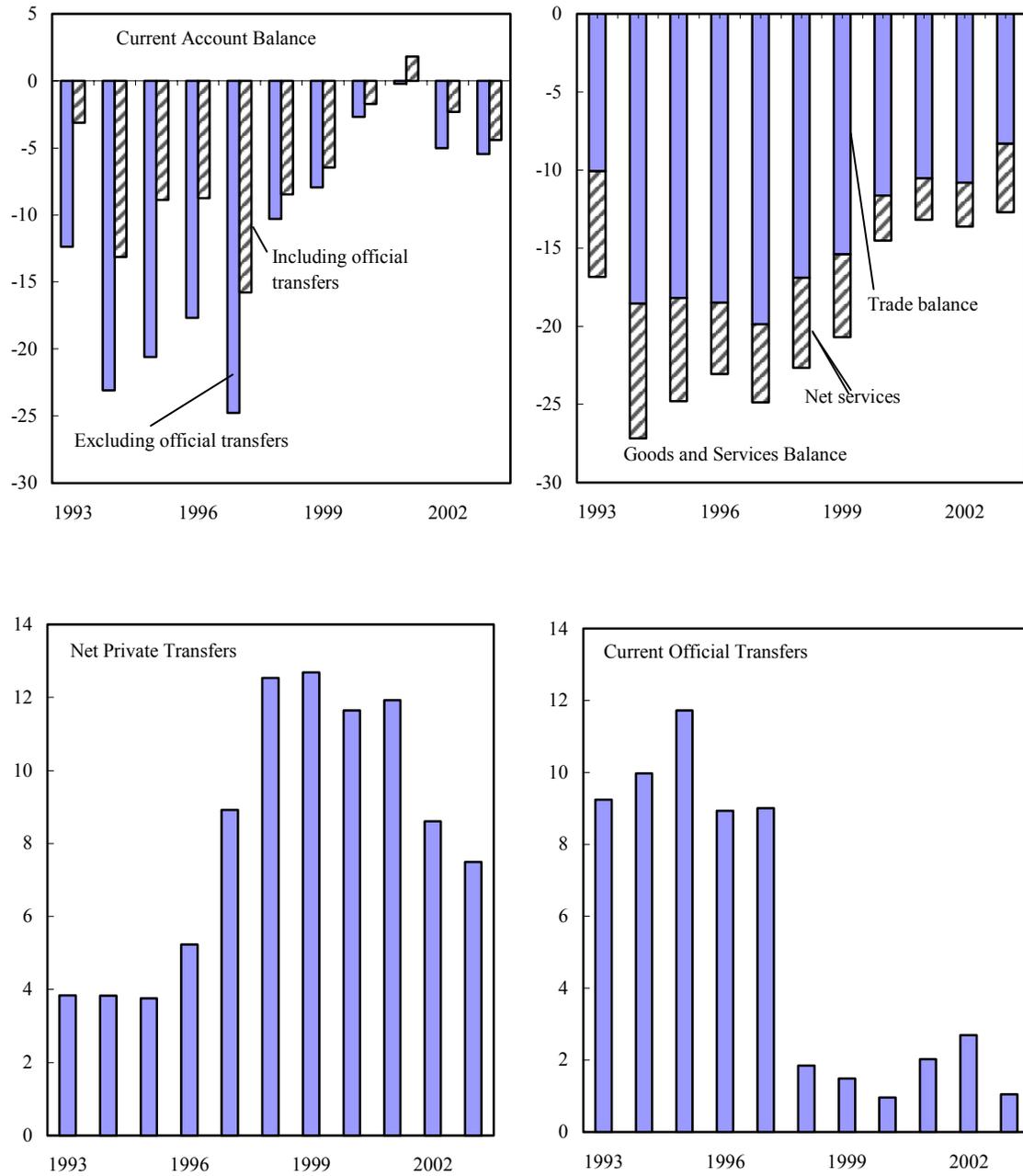
108. **The key factors behind the improvement in the trade balance were the increase in the terms of trade and the sluggish growth of imports.** The improvement in the terms of trade (Figure V.4) was a result mainly of large increases in the country's main commodity export prices while the low growth of imports was related to the slow real GDP growth since the outbreak of political instability in 1997. The services balance was in deficit throughout the period covered, as receipts from tourism were more than offset by freight, insurance, and other imported services associated with the country's dependence on imports and technical assistance.

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<sup>23</sup> The high and volatile level of errors and omissions (9 percent of GDP in 1997) indicates that significant data problems hinder the economic analysis of the balance of payments. Balance of payments data have been particularly unreliable in the period since 1997 due to a lack of actual data for the island of Anjouan.

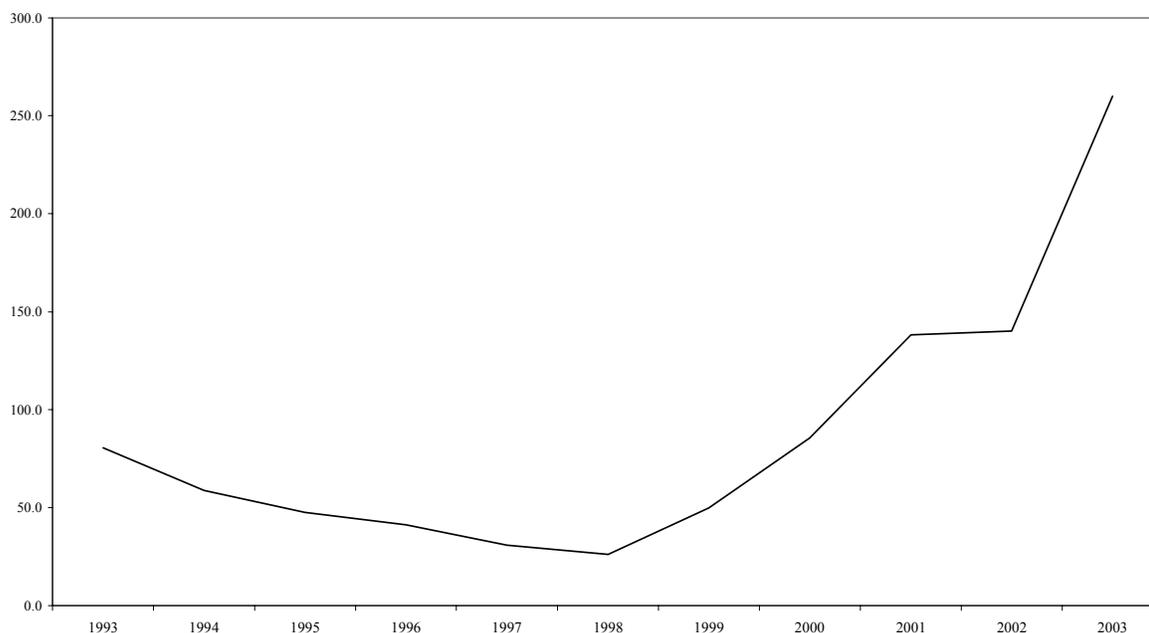
<sup>24</sup> The analysis of net private transfers during 2001-03 is complicated by the effects of the switch from the French franc to the euro on January 1, 2002 on over-the-counter transactions in foreign currency. Over-the-counter transactions provide the basis for estimating remittances received through informal channels. Part of these transactions—related to the need at the time of this switch to convert French francs accumulated over earlier years outside the banking system into domestic currency—could have artificially inflated the recorded amount of private transfers received in 2001. In turn, after 2001, purchases of euros intended to restore the desired level of foreign currency holdings outside the banking system may have resulted in an underestimation of net transfers received.

Figure V.3. Comoros: Current Account Developments, 1993–2003  
(as percent of GDP)



Sources: Comorian authorities; and staff estimates.

Figure V.4. Comoros: Terms of Trade, 1993-2003  
(1990=100)



Source: IMF, *International Financial Statistics*.

109. **The capital and financial account made a positive contribution to the balance of payments in the last decade, driven mainly by official capital transfers and concessional borrowing (Figure V.5).** However, foreign direct investment (FDI) was very low and portfolio flows were virtually nonexistent. The continued positive contribution of the capital and financial account, together with the improvement in the current account balance after 1997, resulted in a positive overall balance of payments between 2000 and 2002. It also contributed substantially to the increase in the level of international reserves from 6 months of imports in 1998 to over 11 months in 2003 (Figure V.6). Despite the increase in reserves, the authorities continued to accumulate external payments arrears, as the increase mainly reflected private transactions, including remittances, while the fiscal situation remained tight (Figure V.7).

Figure V.5. Comoros: Evolution of Balance of Payments, 1993-2003  
(as percent of GDP)

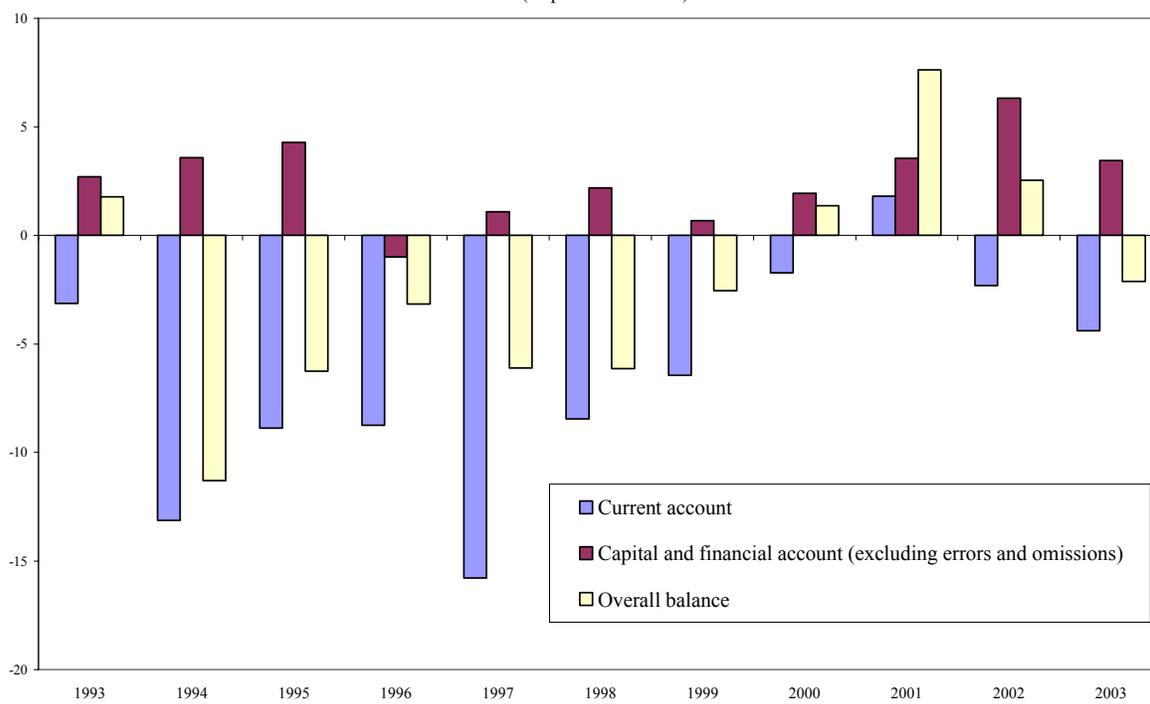


Figure V.6. Comoros: Reserves in Months of Imports, 1993-2003

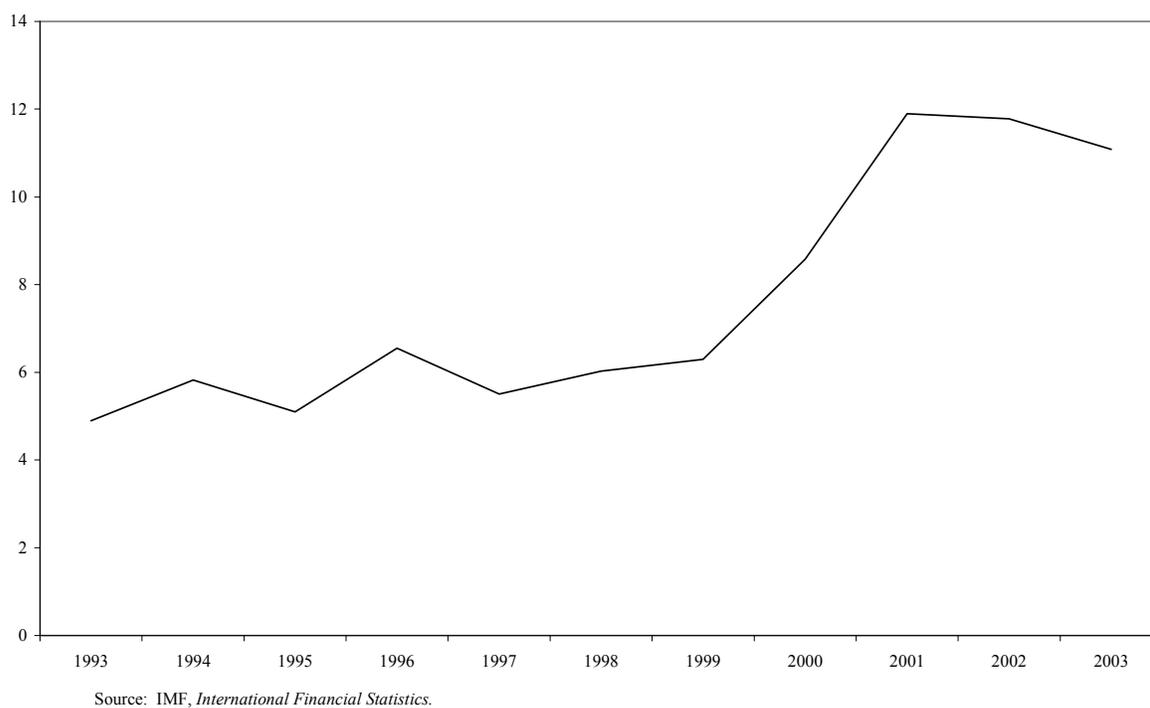
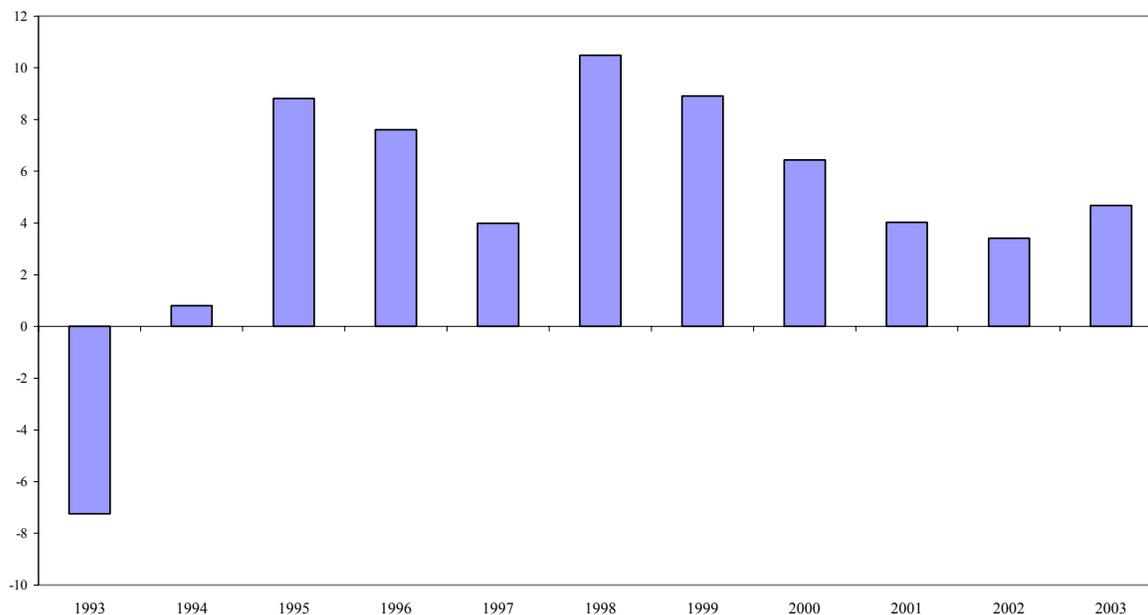


Figure V.7. Comoros: Change in External Arrears, 1993-2003  
(In millions of U.S. dollars)



Source: IMF, *International Financial Statistics*.

### C. Key Determinants of the Balance of Payments

#### Trade

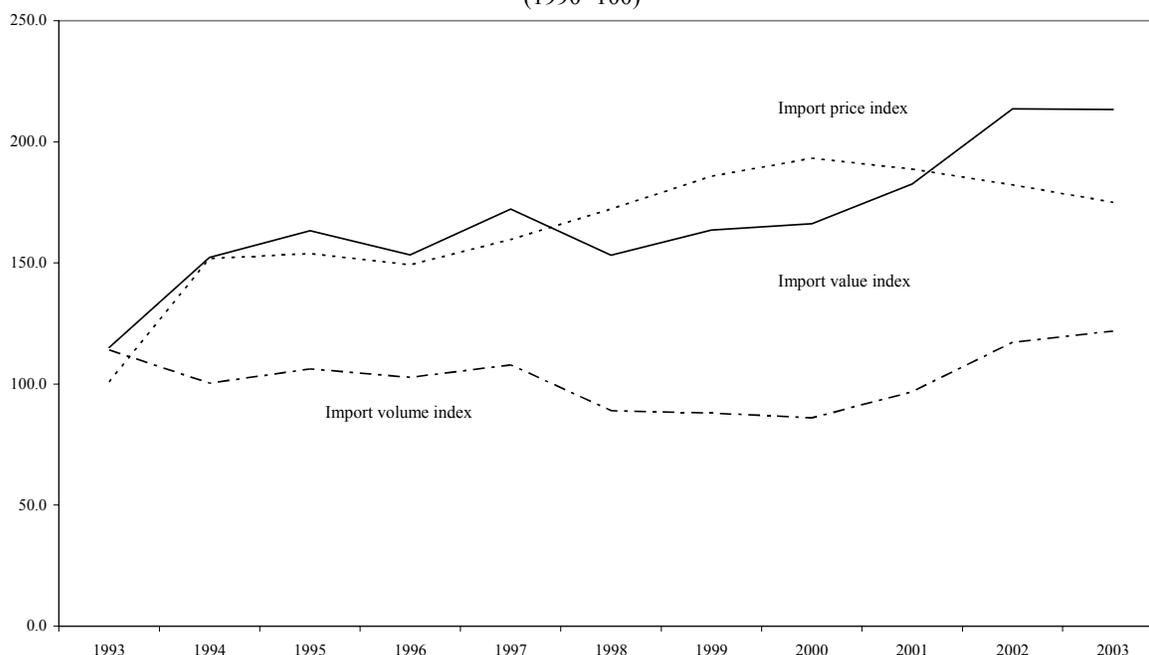
##### *Imports*

110. **Imports are dominated by basic food products, key commodities, and investment goods in support of economic activity.** Rice, meat, petroleum, cement, iron, and steel represent approximately half of total imports. France, South Africa, Pakistan, and Kenya are the main suppliers to the Comoros.

111. **The value of imports increased only moderately, so that their share in GDP declined during the last decade (Figure V.8).** In 1994, import prices and values reached their highest level following the devaluation of the Comorian franc at the beginning of the year. This outcome is in line with the expected “J-curve” effect of devaluations, which predicts an initial increase in import values caused by the rise in import prices, followed by a reduction in import volumes as price increases start to reduce demand. However, in the Comoros, this demand effect was muted because of the limited price elasticity of import demand, given the narrow local resource base and the small manufacturing sector.<sup>25</sup>

<sup>25</sup> The reduction in import volumes recorded after 1997 could be related to the lack of reliable data for the island of Anjouan and the international embargo imposed on that island following its implementation of secessionist policies.

Figure V.8. Comoros: Imports, 1993-2003  
(1990=100)



Source: IMF, *International Financial Statistics*.

## Exports

112. **Exports are highly concentrated in vanilla, cloves, and ylang-ylang.**<sup>26</sup> Vanilla represents almost 80 percent of total exports, and the three products together account for almost 98 percent of exports in 2003 (Figure V.9). While the dominance of these commodities in total exports appeared to fall in the period of low international commodity prices in the mid-1990s, the increase in nontraditional exports was very limited in absolute terms. As soon as prices recovered in the late 1990s, the shares of the key export products returned to their earlier levels despite a reduction in export volumes (Figure V.10).

113. **The Comoros failed to gain market share in world markets (Table V.1) despite high international prices of its key commodity exports as a result of problems in the countries that are the biggest producers of these products.**<sup>27</sup> The fact that volumes of

<sup>26</sup> The analysis of the evolution of export volumes of cloves and ylang-ylang is hindered by the lack of reliable data from the island of Anjouan, where most of these export commodities are produced.

<sup>27</sup> Prices of vanilla and cloves have multiplied by a factor of almost ten in the last few years. The increase in the international price of vanilla is related to a reduction in the export capacity of Madagascar, owing to the destruction caused by a cyclone in 2000. The rise in the international price of cloves since 1999 is related to falling production in Indonesia because of droughts.

Figure V.9. Comoros: Export Concentration, 1993-2003  
(Exports of key commodities as a percent of total value of exports)

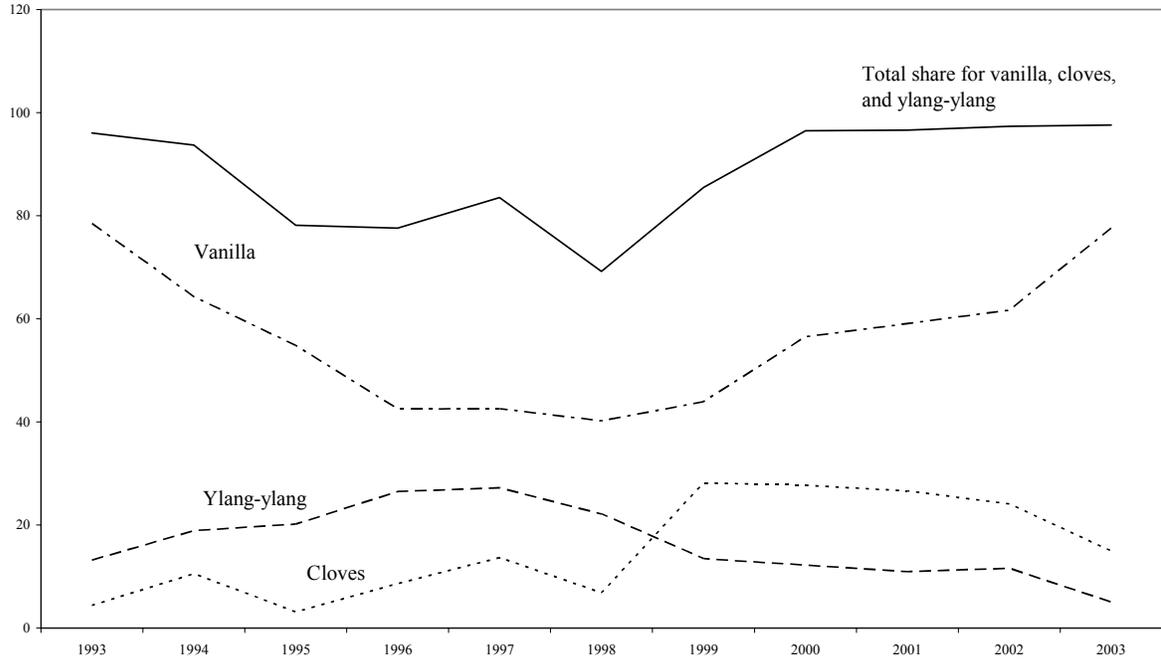
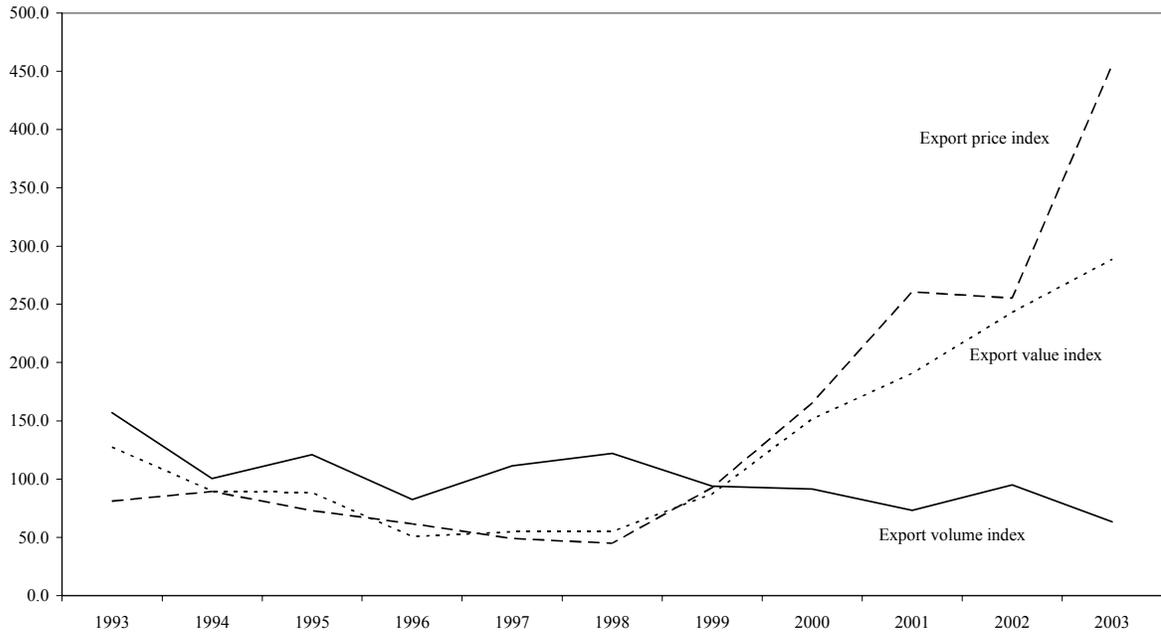


Figure V.10. Comoros: Exports, 1993-2003  
(1990=100)



exports of key commodities from the Comoros have remained stagnant—and even decreased in the case of vanilla—during the recent period of high international prices (Table V.2) raises concerns about factors constraining the supply of these commodities. The draft Interim Poverty Reduction Strategy Paper (I-PRSP) identifies poor access to technology and the absence of credit facilities appropriately adapted to the specific needs of producers of these crops, as well as the volatility of international prices, as key constraints on faster growth. The latter may have been particularly important because all of the Comoros’s major export products have a long gestation period before production comes onstream—about two years for vanilla and five years for cloves and ylang-ylang. In addition, the slow reaction of the authorities in adjusting producer prices for vanilla in a context of rapidly increasing world market prices could have distorted incentives. If prices remain relatively high for an extended period<sup>28</sup> and if these structural rigidities are addressed, a more forceful supply response should be expected.

Table V.1. Market Shares of the Comoros in World Markets and in Main Destination Countries, 1995-2002  
(In percent of total imports into the market)

	1995	1996	1997	1998	1999	2000	2001 <sup>1</sup>	2002 <sup>1</sup>
Vanilla								
World <sup>2</sup>	4.1	3.1	3.4	3.0	5.7	8.2	4.1	4.1
France <sup>3</sup>	11.8	9.8	6.4	12.0	7.7	10.8	...	...
United States <sup>3</sup>	5.7	1.8	2.3	0.2	4.9	2.5	...	...
Great Britain <sup>3</sup>	0.0	0.0	1.1	7.0	3.2	9.4	...	...
Germany <sup>2</sup>	6.1	9.8	7.6	6.4	8.6	3.4	...	...
Cloves								
World <sup>2</sup>	3.4	4.8	1.2	5.2	5.1	1.7	2.2	3.2

Source: IMF, *International Financial Statistics*; United Nations Comtrade database.

1/ Data on market shares by country were not available for 2001 and 2002.

2/ Based on data on total world imports in the United Nations’ Comtrade database and data on total exports of key commodities from the Comoros reported by the authorities to the Fund.

3/ Based on data in Comtrade. There are some discrepancies between the detail of exports from the Comoros by country of destination in the UN database and total exports reported to the Fund.

<sup>28</sup> Prices are expected to come down from their current historical highs but will still remain considerably higher than their average level during the last decade.

Table V.2. Comoros: Exports of Key Commodities, 1993-2003

(Values in millions of U.S. dollars; prices in Comorian francs per kilogram; volumes in metric tons)

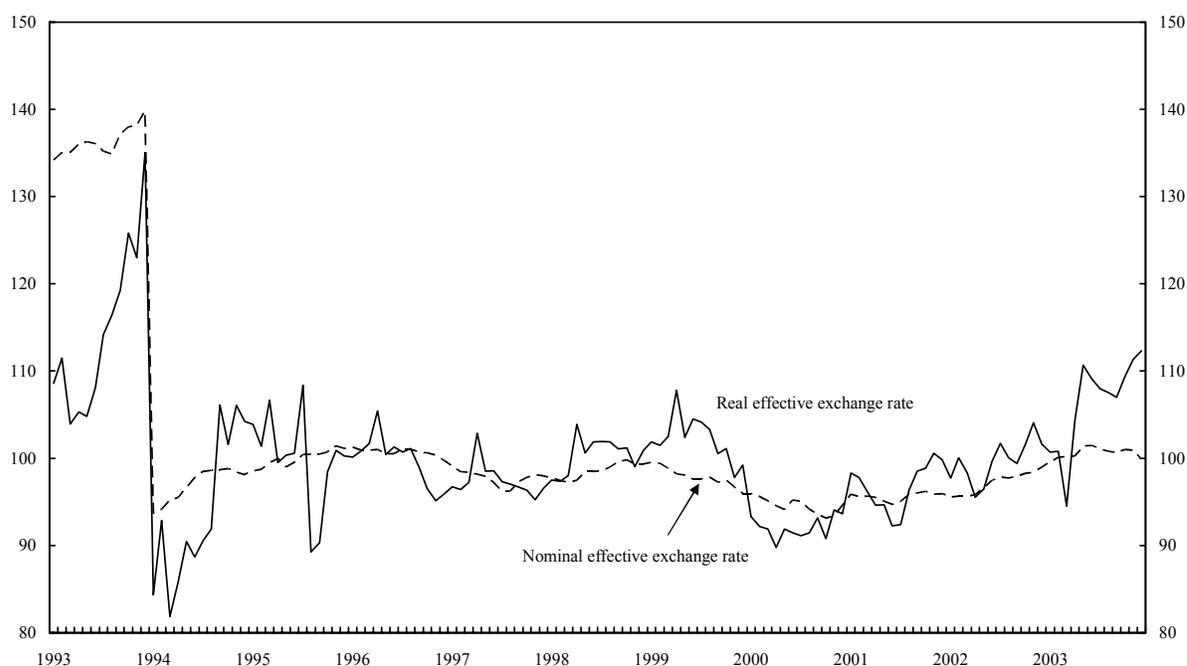
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Vanilla</b>											
Value	16.9	6.6	6.2	2.7	2.6	2.4	4.0	7.7	9.8	13.8	24.5
Price	16,667	21,179	15,085	11,325	6,819	8,015	9,973	25,818	45,000	58,929	110,000
Volume	288	131	154	91	164	132	184	159	120	122	98
<b>Cloves</b>											
Value	0.9	1.1	0.4	0.5	0.8	0.4	2.5	3.8	4.4	5.4	4.7
Price	171	164	276	255	227	249	1,130	1,293	2,200	1,307	800
Volume	1,566	2,755	483	822	1,583	722	1,042	1,556	1,106	2,149	2,579
<b>Ylang-ylang</b>											
Value	2.8	2.0	2.3	1.7	1.6	1.3	1.2	1.7	1.8	2.6	1.6
Price	21,044	18,107	19,700	18,160	16,884	14,195	14,075	22,175	24,975	19,305	12,500
Volume	38	45	43	36	42	41	40	40	40	70	56

Source: IMF, *International Financial Statistics*.

### Competitiveness

114. **The competitiveness gains achieved with the devaluation of the Comorian franc in 1994 were largely maintained throughout the 1990s.** However, since 2000 the tendency has been toward real appreciation—by end-2003 the real effective exchange rate (REER) was almost 20 percent higher than at end-2000—reflecting both the nominal appreciation of the euro and an increase in the consumer price index in the Comoros relative to its trading partners (Figure V.11). Nevertheless, with a high concentration of exports on a few key commodities, the REER and external demand have not been key determining factors for export volumes,<sup>29</sup> as other factors, such as supply constraints and natural conditions affecting crops, have been more important.

Figure V.11. Comoros: Real and Nominal Effective Exchange Rates, 1993 - 2003  
(Index, 1995=100)



Source: IMF, Information Notice System.

<sup>29</sup> A regression of export volumes on logs of the REER and a trade-weighted real GDP growth index of the main trading partners of the Comoros shows that external demand is not a key factor determining export volumes, as the index of GDP growth is not statistically significant. The regression shows a statistically significant positive relationship between increases in the REER and export volumes (at the .05 confidence level), rather than the expected negative relationship between a higher REER and export volumes, but this conclusion should be taken with caution, given the short period for which data are available and the lack of higher-frequency data.

115. **Production costs, and in particular labor costs, are relatively high in the Comoros.** This may explain why exports outside the three key commodities are very limited. Salaries in the Comoros are higher relative to GDP per capita—Purchasing Power Parity (PPP) adjusted to reflect differences in cost of living—than in its neighboring competitor countries (Table V.3). Utilities like water and electricity are also produced at comparatively high cost,<sup>30</sup> and frequent power outages result in an important disruption of production and trade. Structural factors that negatively affect the competitiveness of the Comoros also arise from its geographic location and characteristics befitting a small island country. In particular, its remoteness and insularity result in high transportation costs.<sup>31</sup> Limited institutional capacity is another common feature of small states. Indivisibilities in the provision of public services with fixed costs that need to be supported by a small population result in higher per capita costs of public services. A narrow resource base and small domestic market also hinder economic diversification and limit capacity in the private sector.<sup>32</sup>

Table V.3. Labor Costs in the Comoros and Neighboring Countries  
(Annual 2000 data in U.S. dollars, unless otherwise indicated)

	Average Salary		GDP per capita (PPP adjusted)	Ratio of Average Salary to GDP per capita (in percent)	
	Public sector <sup>1</sup>	Manufacturing sector <sup>2</sup>		Public sector	Manufacturing sector
Comoros	2,950	1,600	1,588	186	101
Madagascar	1,172	696	840	140	83
Mauritius	4,800	3,252	10,017	48	32

1/ IMF staff, based on wage bill and number of civil servants.

2/ UN Industrial Development Organization, and IMF staff calculations.

116. **A specific factor affecting the competitiveness of exports is the introduction of a 5 percent export tax on vanilla, cloves, and ylang-ylang.** The tax was introduced in 2000 as a temporary measure following the sharp increase in international prices of these commodities. In addition, a specific duty of CF 3,232 per kilogram is charged on exports of vanilla. While the rise in international prices should allow for a significant increase in profitability for the sector despite the introduction of export taxes, it would be preferable to

<sup>30</sup> The price of electricity is about US\$0.20 per kilowatt-hour, compared with US\$0.08 in Mauritius.

<sup>31</sup> The Comoros has a ratio of insurance and freight to merchandise imports of 22 percent, compared with a median value of 14 percent for all developing countries.

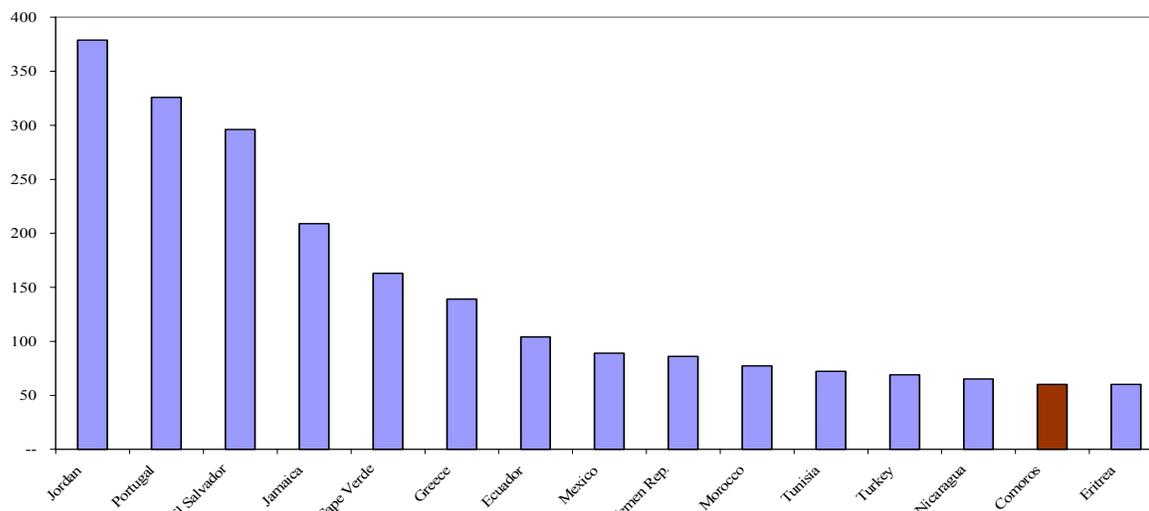
<sup>32</sup> Commonwealth Secretariat/World Bank Joint Task Force on Small States (2000).

replace this tax by domestic taxes, so as to achieve the fiscal objectives without discriminating against trade. This would be especially advisable because of the slow reaction of production to prices and the prospect of a reversal at some point of the current historically high international prices.

## Remittances

117. **With an estimated 150,000 to 200,000 people of Comorian origin living abroad, the Comoros is a particularly striking example of the more general trend in developing countries toward greater reliance on remittances as a key source of foreign exchange.** This trend has been the result of the increase in emigration from developing to industrial countries during the last two decades.<sup>33</sup> It has also been fostered by the elimination of exchange restrictions as part of the financial liberalization process of the 1990s. In 2001, remittances were, next to FDI, the second-largest source of external funding for developing countries as a whole, and the principal source for low-income developing countries, ahead of official transfers. The Comoros ranks high in international comparisons of remittances. It is in the top fifteen countries in terms of remittances received per capita (Figure V.12), and in the top four in terms of remittances in relation to GDP, exports, and growth of remittances (Figure V.13).<sup>34</sup>

Figure V.12. Comoros and Other Countries: Remittances per capita, 2001  
(In U.S. dollars)

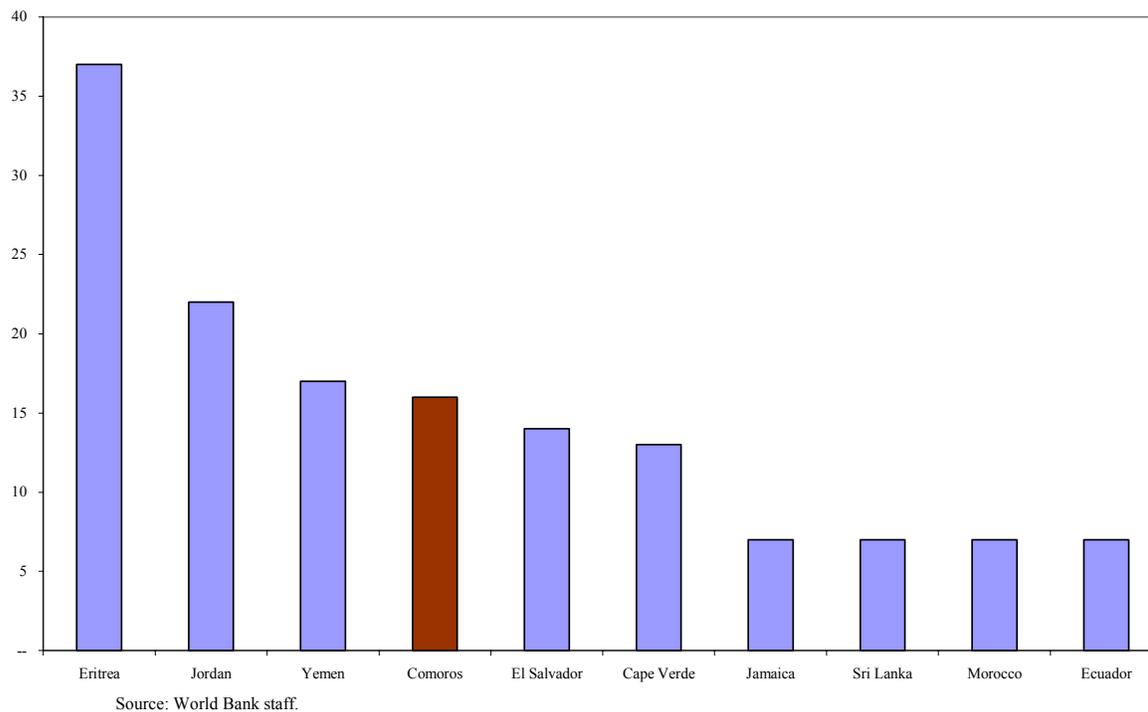


Source: World Bank staff.

<sup>33</sup> Kapur and McHale (2003).

<sup>34</sup> Da Cruz, Fengler, and Schwartzman (2004).

Figure V.13. Comoros and Other Countries: Remittances in Relation to GDP, 2001



118. **A key feature of remittances is that they tend to be the most stable source of development finance.** Contrary to private capital flows, which often have a procyclical nature, remittances intended for consumption tend to increase in times of economic hardship in the recipient country, and even those transfers destined for investment are less likely to follow the sharp withdrawals of private capital because of the inherent home bias in these investment flows. Remittances augment the recipients' income and expenditure and have a positive impact on demand in the recipient economy through the multiplier effect. They also increase the recipient country's foreign exchange reserves, providing the hard currency required to import products, including inputs into production, that are not available domestically. This is particularly important in small states, like the Comoros, with limited domestic production bases.

119. **The supply-side effect of remittances on longer-term economic growth depends on the extent to which these resources are destined to finance productive investments.** While in middle-income countries remittances are often invested by their recipients, especially in countries with sound economic policies, the literature on remittances shows that an overwhelming proportion of remittances to low-income countries are spent on consumption, and that most remittances destined for investment in these countries are spent on housing. A recent IMF working paper<sup>35</sup> finds that remittances have a countercyclical

<sup>35</sup> Chami, Fullenkamp, and Jahjah (2003).

nature and help mitigate periods of economic hardship. At the same time, however, they have a negative impact on GDP growth over the longer term as a result of moral hazard problems, as recipients of transfers use remittances as a substitute for labor income and reduce their work effort. The moral hazard effect can also operate at the government level, as the availability of remittances reduces demand for effective government services, and the foreign exchange provided by the diaspora prevents exchange rates and domestic economic policies from adjusting to appropriate levels and emphasis. Other studies<sup>36</sup> focus on Dutch disease-type effects of inflows of remittances, with the increased domestic demand produced by remittances leading to a revaluation of the real exchange rate as a result of increases in prices of nontradables and a reduction in competitiveness.<sup>37</sup> A counterargument could claim that, especially in low-income countries, the positive effects of remittances on consumption and human capital improve welfare, health, and education levels.

**120. The Comoros is a typical case of remittances being mostly spent on consumption and housing.** A cultural particularity is that a considerable part of these expenditures are undertaken in connection with *grand mariage* ceremonies,<sup>38</sup> which are an important sign of social status. These expenditures have been an important element of domestic demand and growth in recent years, representing at times more than 10 percent of GDP. Remittances also play an important role in poverty reduction by meeting basic needs for food, shelter, health, and education in the poorest families; the difference in the incidence of poverty between islands can to some extent be explained by differences in the volumes of remittances received, with Grande Comore receiving 91 percent of the total in 1991. As regards the effects on longer-term growth, while moral hazard and Dutch-disease type effects of remittances could help perpetuate the relatively high-cost production structure in the economy, remittances could have a positive effect on the economy's growth potential if a larger proportion of these were used for investment purposes, including to enhance human capital. This is already happening to a certain extent at the village level, where community-run projects to build schools, health posts, and other physical infrastructure are partly financed by remittances. An additional challenge going forward will be to ensure that the availability of remittances does not slow the needed improvement in public services and investment in infrastructures. At the same time, there is some uncertainty about the extent to which the current high levels of remittances can be maintained as the third generation of immigrants, with weaker ties to their country of origin, gradually becomes the largest income-earning group in the Comorian diaspora.

### **Official transfers and aid dependency**

**121. As in most small, low-income countries, foreign aid is an important component of the external sector in the Comoros.** In the second half of the 1990s, official transfers fell significantly in the context of domestic political instability and greater international

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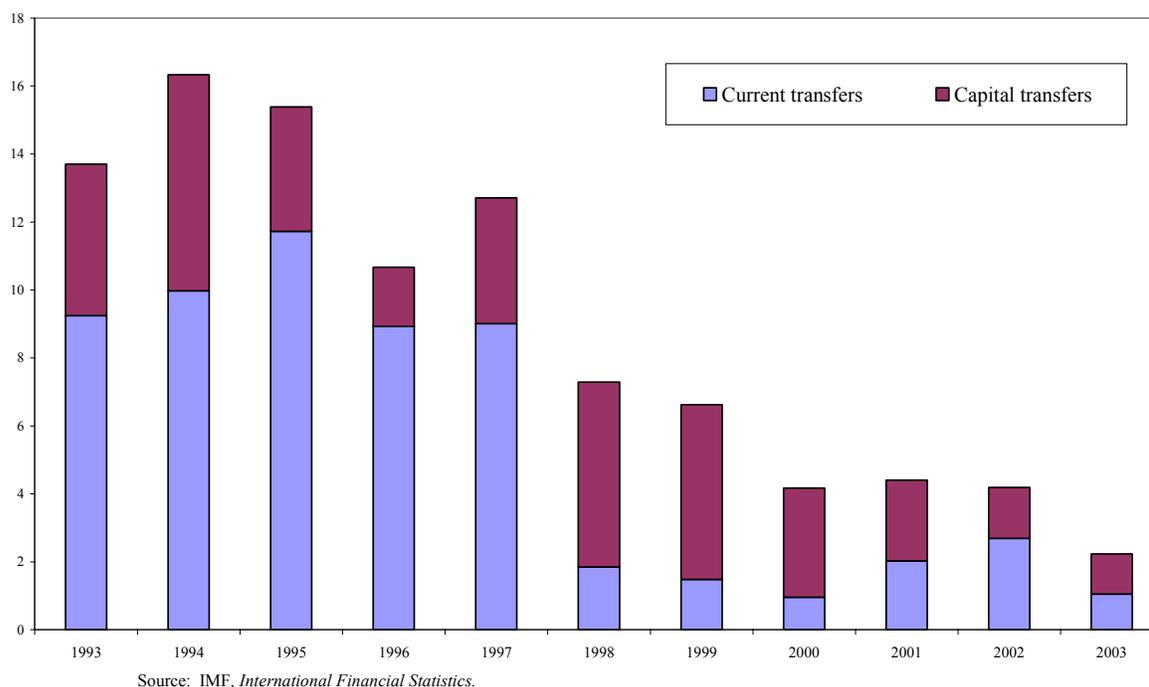
<sup>36</sup> E.g. Bourdet and Falck (2003).

<sup>37</sup> Under perfect factor mobility and accumulation, these effects should disappear in the longer run.

<sup>38</sup> Large clan- and community-based weddings.

selectivity in choosing aid recipients.<sup>39</sup> It is expected that foreign aid will resume once the political situation and macroeconomic management have improved in the context of the power-sharing agreement reached by Comorian political parties in December 2003 under the auspices of the African Union.

Figure V.14. Comoros: Official Transfers, 1993-2003  
(as percent of GDP)



<sup>39</sup> In the mid-1990s, official transfers represented 16 percent of GDP, and aid per capita to the Comoros was US\$49, compared with an average of US\$31 for small states, US\$28 for sub-Saharan Africa, and US\$11 for all low-income countries. By 2001, official transfers to the Comoros were representing no more than 4 percent of GDP, and in per capita terms aid had fallen to US\$20—slightly below the average of US\$21 for sub-Saharan African countries, but still above the average for low-income countries as a whole (Figure V.14 and Table V.4).

Table V.4. Aid Dependency Indicators, 1996 and 2001

	Comoros <sup>1</sup>		The Gambia <sup>2,3</sup>		Sub-Saharan Africa <sup>3</sup>		Low Income Countries <sup>3</sup>	
	1996	2001	1996	2001	1996	2001	1996	2001
Aid per capita (in U.S. dollars)	49	20	32	38	28	21	11	10
Aid as percent of GNI	12	7	10	13	5	5	3	2
Aid as percent of gross capital formation	88	72	44	73	27	23	10	
Aid as percent of imports of goods and services	26	18	12	14	14	11	9	11 8

1/ IMF staff estimates based on balance of payments data. Data may underestimate aid dependency for the Comoros as BOP data may not include all technical assistance, whereas data from *World Development Indicators*, based on information received from donors include technical assistance.

2/ The Gambia, a small state with a per capita income similar to the Comoros, provides a more meaningful comparison than the average of sub-Saharan and low-income countries.

3/ World Bank, *World Development Indicators*, 2003. Data include grants by official agencies and multilateral institutions, and loans made on concessional terms.

### Diversification and vulnerability

122. **Diversification away from commodity-based export specialization remains a difficult challenge for most of sub-Saharan Africa.**<sup>40</sup> Poor infrastructures, lack of skills, and incomplete reforms to reduce transaction costs and improve local business conditions have generally hindered the development of nontraditional exports. Even with the trend toward macroeconomic and trade reforms in the last few years, getting ports and other utilities to work efficiently and reducing corruption requires behavioral changes that will take time.

123. **The limited success in diversifying toward nontraditional exports in Africa raises questions about the desirability of dedicating resources to diversification efforts in sectors where the economy does not have a comparative advantage in the medium term.** A more desirable course of action could be to build on the sectors that already exist in the economy and pursue what can be termed vertical diversification. Another alternative is market diversification, which entails expanding the number of markets in which a country's products or services are offered to reduce the vulnerability associated with a high geographical concentration of exports.<sup>41</sup>

<sup>40</sup> The average share of primary products in total exports of the region fell only from 97 percent in the 1966-70 period to 86 percent in 1996-2000. In manufacturing, only 9 out of 41 African countries for which data are available had a share of total exports exceeding 25 percent (Bonaglia and Fukasaku, 2003).

<sup>41</sup> Berezin, Salehizadeh, and Santana (2002).

124. **In the case of the Comoros, the World Bank has identified the country's potential to exploit its agricultural potential with nearby export markets.** It is planning to undertake a rural sector review to evaluate structural constraints—including fiscal/tariff regimes, agricultural services delivery systems, and land tenure arrangements—and develop alternative financing mechanisms to increase agricultural production. In addition, the Comoros, like other small island economies, has access to large ocean areas within its exclusive economic zones and is in principle able to develop its own fishing industry. However, fishing remains an underdeveloped sector in the Comoros because the lack of modern equipment and financing for investment prevents the establishment of this sector as an industrial undertaking with modern processing and storage facilities. Instead, there is only local fishing, and the country remains a net importer of fish despite the large fish resources in its territorial waters.<sup>42</sup>

125. **Tourism is another option for diversification of island economies like the Comoros.** However, recent developments in this sector have not been encouraging.<sup>43</sup> Occupation rates dropped to 50 percent in 2000 from 70 percent in 1998 and 1999, suggesting that structural factors need to be addressed to make the Comoros a more attractive tourist destination before expanding tourist facilities. These structural factors include the need to achieve political stability; improve infrastructures and public services, including in the electricity and health sectors; and establish more regular transportation links.<sup>44</sup>

126. **Diversification of asset ownership through investments abroad is also an option for countries with large export earnings from a few key commodities.** The high level of foreign reserves and of reserves in the banking system suggests that some scope would exist for this approach to diversify the income stream to the island when the possibility of domestic diversification of production appears to be limited. However, to pursue this option as a structural policy would require some assurances that the needed imports can be financed on a sustainable basis. As the current account balance has only registered small surpluses in the last few years of exceptionally high international prices for its key export commodities, and as the fiscal situation remains dire, with large fiscal deficits and the continued accumulation of important payments arrears, these assurances are not yet forthcoming.

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<sup>42</sup> Economist Intelligence Unit (2003).

<sup>43</sup> The only resort hotel of international standard, which opened in 1989 and accounted for more than half of the available accommodation capacity, closed in 2001 because, for a number of reasons, the facility was not profitable.

<sup>44</sup> Although a few regional carriers connect the Comoros to its neighbors in the region, access from main potential markets in Europe and other parts of the industrial world requires flying through other hubs in the region. Direct connections with South Africa and Dubai were suspended after the country's international airport failed to meet tightened international security regulations.

#### D. External Debt

127. **The external debt of the Comoros is not sustainable and has resulted in a continued accumulation of external payments arrears.** The nominal stock of debt increased by almost US\$45 million after the 2002 Article IV consultation—from US\$234.9 million at end-2001<sup>45</sup> to US\$281.2 million at end-2003—and the stock of arrears rose from US\$91 million to US\$100.8 million over the same period. The main drivers behind the increase were the disbursement of new loans, mainly from the International Development Agency (IDA), and the revaluation effect caused by the depreciation of the U.S. dollar vis-à-vis the SDR, which is the main currency of denomination of the country's external debt.<sup>46</sup>

128. **The Comoros is current on debt service payments to the International Monetary Fund, the IDA, and the International Fund for Agricultural Development.** However, the country has accumulated large arrears to regional institutions—the African Development Bank and Fund (AfDB/F), the Arab Bank for Economic Development in Africa (BADEA), the Organization of Petroleum Exporting Countries (OPEC), and the Islamic Development Bank (IsDB)—and with its bilateral creditors (Kuwait, Saudi Arabia, the United Arab Emirates, China, and France) (Table V.5). Most recently, the Comoros has serviced debt owed to the OPEC and the IsDB, but it continues to accumulate arrears to other regional and bilateral creditors.

129. **A preliminary and limited update of the debt sustainability analysis (DSA) carried out in 2001 with end-2000 data shows that the net present value (NPV) of external debt in U.S. dollar terms increased from US\$169.6 million at end-2000<sup>47</sup> to US\$214.6 million at end-2003.** This reflects mainly reflecting the disbursement of new loans, the depreciation of the U.S. dollar, and the decline in the discount rate. This caused a substantial increase in the NPV of debt-to-exports ratio from a projected 305 percent at the time of the DSA in 2001 to 503.1 percent in the latest update for end-2003. On the other hand, the ratio of NPV of debt to revenue was lower than projected—420 percent, compared with a 545 percent projection—owing to the appreciation of the Comorian franc vis-à-vis the U.S. dollar and the SDR. Going forward, the NPV of debt-to-exports ratio is expected to remain well above the 150 percent threshold commonly used to define the upper limit of debt

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<sup>45</sup> Information received since the last Article IV consultation has led to an upward revision of US\$7.7 million in the stock of nominal debt and arrears at end-2001, where the former represents postal debt to France that was not included earlier.

<sup>46</sup> Despite the increase in external debt in U.S. dollar terms, the exchange rate effect has benefited the country, as debt service has fallen in terms of the domestic currency with the appreciation of the euro—to which the Comorian franc is pegged—vis-à-vis the U.S. dollar and the SDR over the same period.

<sup>47</sup> Information received since the last Article IV consultation has led to an upward revision of US\$7.7 million in the NPV of debt at end-2000.

sustainability. The NPV of debt-to-revenue ratio, however, is expected to continue to improve and fall below the 250 percent ratio commonly used to define sustainability under the fiscal criterion.<sup>48</sup>

Table V.5. Comoros: Debt by Creditor at End-2003

	Nominal Debt Stock			NPV of Debt	
	Millions of U.S. dollars	<i>Of which:</i> arrears	Percent of total	Millions of U.S. dollars	Percent of total
Total	281.2	100.8	100.0	214.6	100.0
Multilateral	227.1	57.1	80.7	162.3	75.6
IMF	0.2	0.0	0.1	0.2	0.1
IDA	110.1	0.0	39.2	64.8	30.2
AfDB Group	65.1	27.9	23.2	52.1	24.3
<i>Of which:</i> AfDB	45.7	8.4	16.2	32.6	15.2
Other multilaterals	51.6	29.2	18.3	45.3	21.1
BADEA	25.6	25.6	9.1	25.6	11.9
OPEC	3.5	3.5	1.3	3.5	1.6
EU/EIB	1.9	0.0	0.7	1.4	0.6
IFAD	8.5	0.0	3.0	4.4	2.0
IsDB	12.0	0.0	4.3	10.4	4.8
Bilateral	54.2	43.7	19.3	52.3	24.4
Paris Club	4.6	1.9	1.6	4.3	2.0
France	4.6	1.9	1.6	4.3	2.0
Other official bilateral	41.9	34.1	14.9	40.3	18.8
Kuwait	21.1	14.4	7.5	19.7	9.2
Saudi Arabia	15.6	15.6	5.5	15.6	7.3
United Arab Emirates	1.1	1.1	0.4	1.1	0.5
China	4.0	3.0	1.4	3.8	1.8
Commercial:	7.7	7.7	2.7	7.7	3.6

<sup>48</sup> The fiscal criterion is used to assess eligibility for assistance under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) for very open economies (with an exports-to-GDP ratio above 30 percent) that have heavy fiscal burdens despite strong efforts to generate revenue (with a fiscal revenue-to-GDP ratio above 15 percent). These countries' debt can be declared unsustainable even if the NPV of debt-to-exports ratio is below the 150 percent threshold required to qualify for HIPC Initiative assistance, as long as their NPV of debt-to-revenue ratio is above 250 percent. In the Comoros, the situation is projected to be just the opposite, as the country's NPV of debt-to-exports ratio is expected to remain well above 150 percent in the foreseeable future, while the NPV of debt-to-revenue ratio may fall below 250 percent.

## **E. Exchange and Trade Regimes and Policies**

### **Exchange regime**

130. **The Comoros is a member of the French franc zone.** After a 33 percent devaluation in January 1994 in connection with the devaluation of the CFA franc, the Comorian franc was pegged to the French franc at the rate of FF 1 = CF 75.<sup>49</sup> Since January 1999, the date of the introduction of the euro, the Comorian franc has been pegged to this currency at the rate of EUR 1 = CF 492. Exchange rates between the Comorian franc and other currencies are derived from the rate for each currency vis-à-vis the euro in the Paris exchange market.

131. **On June 1, 1996, the Comoros accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement.** The exchange system has generally remained free of restrictions on current payments. Transactions with countries in the franc zone—France, Monaco, and member states of the West African Economic and Monetary Union and of the Central African Economic and Monetary Community, whose central banks are linked to the French Treasury by an operations account—are free of capital controls, with the exception of transactions relating to gold.

132. **The Minister of Finance and Budget has sole authority in exchange control matters but has delegated certain of these powers to the Central Bank of the Comoros (BCC) and to authorized banks.** The ministry supervises borrowing and lending abroad, inward direct investment, and all outward investment. Capital transfers to countries outside the French franc zone require exchange control approval, but capital receipts from these countries are permitted freely. Repatriation of dividends and other earnings from nonresidents' direct investments is authorized and guaranteed under the investment code. There are controls on export and imports of banknotes in excess of CF 500,000. Foreign exchange accounts can be held by residents and nonresidents, but prior approval is required. All import and export transactions in excess of CF 500,000 are subject to a domiciliation requirement with authorized banks. Proceeds from exports to foreign countries must be repatriated within 30 days of the expiration of the commercial contract, and they must be sold immediately after repatriation to an authorized bank.

### **Trade regime and participation in regional organizations**

133. **The Comoros is not a member of the World Trade Organization (WTO).** In 2001, the last date of the assessment, it scored an 8 on the Fund's 10-point trade restrictiveness index (with 10 being the most restrictive). A single ad valorem import tax with three nonzero bands of 20, 30, and 40 percent was introduced in 1997 to simplify the prior multiple tariff system.

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<sup>49</sup> The Comoros chose not to follow the devaluation of the CFA franc in full when the franc rose from CFAF 50 per FF 1 to CFAF 100 per FF 1.

134. **In addition to the three tariff bands, there are high special rates for imports of tobacco and alcohol.** In January 2002, the coverage of the existing tariff bands was expanded with the conversion of most remaining specific import duties to ad valorem rates—specific duties were maintained for cattle, meat, rice, cars, and petroleum products (Table V.6). In addition, there are a few other small fees and charges: an administrative fee of 5 percent,<sup>50</sup> a statistical fee of 1 percent, a withholding tax of 1 percent that serves as a prepayment of domestic income taxes and professional licenses due from importers, and a surcharge of 1 percent to finance the Chamber of Commerce. The ratio of total taxes on international trade to the value of imports provides an indication of the total tax burden on imports. This ratio fell from 35 percent in 1997 to 27 percent in 1998 after the introduction of the three-tariff-band system. While the ratio fell further to 24.6 percent in 2000, it increased again to almost 27 percent in 2002.<sup>51</sup>

135. **The country's key commodity exports have also been taxed in periods of high international prices.** Since 2000, exports of vanilla, cloves, and ylang-ylang have been subject to an export tax of 5 percent, and an additional surcharge of 1 percent was introduced in 2003. Exports of vanilla attract an additional specific duty of CF 3,232 per kilogram. Before 2000, there was only a tax on exports of ylang-ylang, at a rate of 11.6 percent—a tax of 20 percent on exports of vanilla had been eliminated in 1997 when international prices reached their minimum level of the last decade.

136. **No quantitative restrictions or licensing requirements for imports or other nontariff barriers are reported.** State monopolies exist for imports of petroleum and low-grade rice.

137. **At the time of the mission, tariff regimes in Anjouan and the other islands were different.** Anjouan did not follow the introduction of surtaxes on commodity exports and on imports of rice, tobacco, alcohol, and automobiles, effective July 2003. Discussions are under way to harmonize the system again for all islands of the Comoros.

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<sup>50</sup> This fee has been increased by 2 percentage points since the 2002 Article IV consultation.

<sup>51</sup> Variations in the ratio reflect not only changes in trade policy but also changes in the effectiveness of tax collections. In addition, data difficulties hinder the analysis of the tax burden on imports, given in particular the lack of cooperation and data sharing between Anjouan and the Union in the recent period of political instability.

Table V.6. Comoros: Taxes on International Trade

Rates and Specific Duties Applied	Products Covered Including
Single import tax (three bands)	
20 percent	Milk, sugar, cattle, pharmaceutical products, and automobiles for public transport
30 percent	Iron, steel, cement, and cars
40 percent	Fish, vegetables, fruit, coffee, grains, chemicals, plastics, textiles, clothes, wood and furniture, aluminum, lead, zinc, perfumes, jewelry, art, and arms
Special rates	
180 percent + 20 percent surtax introduced in July 2003	Tobacco
200 percent + 20 percent surtax introduced in July 2003	Wine and beer
250 percent + 20 percent surtax introduced in July 2003	Spirits
Specific duties	
CF 8,250, CF 2,500 per unit	Cattle
CF 50, CF 70 per kg.	Meat
CF 60, CF 100 per kg + CF 50 surtax introduced in July 2003	Rice
CF 750,000 - CF 1,000,000 per unit (increased in July 2003)	Automobiles
CF 230 per liter (CF 211 reduced rate for ships, planes and diplomats)	Petrol
CF 115 per liter (CF 95 reduced rate for ships, planes and diplomats)	Fuel
Export taxes	
5 percent + 1 percent surtax introduced in July 2003	Vanilla, cloves, and ylang-ylang
CF 3,232 per kg.	Vanilla

Source: Comorian authorities.

138. **The Comoros is a member of the Common Market for Eastern and Southern Africa (COMESA).**<sup>52</sup> The country is not a participating member of COMESA's Free Trade Area (FTA) which was launched in October 2000 by nine of COMESA's member countries. Although it has indicated its intention to follow trade policies that are in line with the FTA—starting with the application of an 80 percent tariff reduction on imports from these countries—the Comoros does not currently provide any preferential access to the FTA's member countries. Accession to the FTA will require the complete elimination of tariffs on intraregional trade, but the authorities have indicated that they need to carefully review the feasibility of reducing tariffs—even on regional trade, which is of only limited importance—as these currently account for about 60 percent of all government revenues. The COMESA Treaty also provides for the establishment of a customs union by end-2004. This will require the establishment of a common tariff nomenclature (CTN), a common customs valuation system, common external tariffs, a harmonized trade policy, and a common administrative structure with common customs procedures and legislation. The Comoros has also indicated its intention to join the customs union. The envisaged common external tariffs for the customs union—0 percent for capital goods and raw materials, 10 percent on semiprocessed goods, and 25 percent on finished goods—would represent a further considerable reduction from the current three tariff bands of 20, 30, and 40 percent in the Comoros, and additional studies to assess the feasibility of these reductions will likely be necessary.<sup>53</sup>

139. **The Comoros also participates in the Regional Integration Facilitation Forum (RIFF).** The Riff which is a framework for harmonizing policies to facilitate a market-driven concept of regional integration in eastern and southern Africa and Indian Ocean countries. The RIFF comprises 14 participating countries<sup>54</sup> in the region, and its development was supported by four cosponsors: the Fund, the World Bank, the European Union, and the AfDB. The key elements of the initiative are liberalizing foreign exchange systems and trade, strengthening domestic financial markets, and liberalizing investment procedures. As envisaged under the RIFF, the Comoros has set up a Technical Working Group comprising representatives of the public and private sectors, to identify and report on the main impediments to cross-border activities and suggest a program of action at the national level.

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<sup>52</sup> Member countries are Angola, Burundi, the Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

<sup>53</sup> As part of preparations toward a regional customs union, the Comoros would also need to implement a number of other changes, including moving from the Harmonized System (HS) 1992 to HS 1996 or HS 2002 as a step toward the adoption of a CTN, and migrating the customs valuation method from a Brussels definition of value system to the General Agreement on Tariffs and Trade (GATT) valuation code.

<sup>54</sup> Member countries are Burundi, the Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

140. **The Comoros is also a member of the Indian Ocean Commission (IOC).** The IOC's primary objective is to promote trade between member states<sup>55</sup> and to develop cooperation in fishing, tourism, and environmental matters. The role of the IOC has been overshadowed in recent years by the growing importance of COMESA. A proposal to provide IOC member countries with preferential access through an 80 percent tariff reduction on imports from these countries was recently turned down.

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<sup>55</sup> Madagascar, Mauritius, Seychelles, and France (representing Réunion) are the other members of the organization.

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Table 1. Comoros: Gross Domestic Product by Sector at Current Market Prices, 1997-2002  
(In millions of Comorian francs)

Economic Activity	1997	1998	1999	2000	2001	2002
Agriculture, livestock, fishing, and forestry	37,962	38,971	42,029	44,511	49,480	53,000
Manufacturing	3,865	3,968	4,279	4,531	5,037	5,400
Electricity, gas, and water	1,424	1,462	1,577	1,670	1,857	2,000
Construction and public works	5,798	5,952	6,419	6,798	7,557	7,837
Trade, hotels, bars, and restaurants 1/	23,385	24,007	25,891	27,420	30,481	33,000
Banks, insurance, REB, and STE 2/	4,003	4,109	4,432	4,693	5,217	5,800
Transportation and communications	4,921	5,052	5,449	5,770	6,415	6,652
Government departments	13,280	13,633	14,702	15,571	17,309	17,949
Other services	512	526	567	601	668	692
Less: imputed banking production	2,315	2,377	2,563	2,715	3,018	3,350
GDP at market prices	92,835	95,303	102,782	108,850	121,003	128,980

Sources: Directorate of Statistics; and Fund staff estimates.

1/ Including import duties and taxes.

2/ REB = real estate business, and STE = services to enterprises.

Table 2. Comoros: Gross Domestic Product by Sector at 1990 Constant Prices, 1997-2002

Economic Activity	1997	1998	1999	2000	2001	2002
(In millions of Comorian francs)						
Agriculture, livestock, fishing, and forestry	30,913	30,931	32,294	37,239	39,214	40,277
Manufacturing	3,163	3,076	3,076	3,477	3,620	3,600
Electricity, gas, and water	475	947	1,140	1,237	1,237	1,200
Construction and public works	4,605	4,567	4,622	4,122	4,650	5,150
Trade, hotels, bars, and restaurants 1/	19,142	19,116	18,945	15,526	14,827	14,950
Banks, insurance, REB, and STE 2/	3,255	3,255	3,287	4,295	4,550	4,700
Transportation and communications	3,038	2,993	3,023	3,200	2,986	3,047
Government departments	9,090	9,454	9,209	8,817	8,818	8,999
Other services	398	336	339	134	134	137
Less: imputed banking production	1,428	1,187	1,033	1,350	1,550	1,750
GDP at market prices	72,651	73,488	74,902	76,696	78,485	80,310
(Annual percentage change)						
Agriculture, livestock, fishing, and forestry	7.9	0.1	4.4	15.3	5.3	2.7
Manufacturing	0.7	-2.8	0.0	13.0	4.1	-0.6
Electricity, gas, and water	-48.8	99.4	20.4	8.5	0.0	-3.0
Construction and public works	0.0	-0.8	1.2	-10.8	12.8	10.8
Trade, hotels, bars, and restaurants 1/	4.4	-0.1	-0.9	-18.0	-4.5	0.8
Banks, insurance, REB, and STE 2/	-0.4	0.0	1.0	30.7	5.9	3.3
Transportation and communications	1.5	-1.5	1.0	5.9	-6.7	2.1
Government departments	-0.5	4.0	-2.6	-4.3	0.0	2.1
Other services	18.4	-15.5	0.9	-60.4	0.0	2.1
Imputed banking production	-15.0	-16.9	-13.0	30.7	14.8	12.9
GDP at market prices	4.2	1.2	1.9	2.4	2.3	2.3

Sources: Directorate of Statistics; and Fund staff estimates.

1/ Including import duties and taxes.

2/ REB = real estate business, and STE = services to enterprises.

Table 3. Comoros: Source and Use of Resources at Current Market Prices, 1997-2002  
(In millions of Comorian francs)

	1997	1998	1999	2000	2001	2002
Public consumption	16,360	14,971	15,072	14,495	19,719	20,538
Private consumption	84,862	84,817	93,615	95,891	102,963	110,195
Gross fixed capital formation	12,414	14,048	12,256	11,257	11,263	13,300
Change in stocks	2,300	3,063	3,120	3,000	3,000	2,500
Exports of goods and services	16,845	11,394	13,576	16,382	19,236	21,983
Imports of goods and services	-39,946	-32,990	-34,857	-32,175	-35,179	-39,536
GDP at market prices	92,835	95,303	102,782	108,850	121,003	128,980
Factor income	102	-163	93	178	1,235	-10
Gross national product	92,937	95,140	102,875	109,028	122,238	128,970

Sources: Directorate of Statistics; and Fund staff estimates.

Table 4. Comoros: Source and Use of Resources at 1990 Constant Prices, 1997-2002  
(In millions of Comorian francs)

	1997	1998	1999	2000	2001	2002
Public consumption	16,418	15,568	15,168	15,212	16,056	17,546
Private consumption	83,605	71,662	75,213	75,699	80,273	83,212
Gross fixed capital formation	12,110	13,511	10,870	9,853	10,453	10,807
Change in stocks	2,229	2,979	2,839	2,656	2,406	1,918
Exports of goods and services	16,321	11,933	13,257	12,973	11,495	12,805
Imports of goods and services	-41,424	-25,363	-25,320	-22,163	-24,255	-27,619
GDP at market prices	89,259	90,288	92,025	94,229	96,427	98,669
Factor income	101	-142	77	146	970	-8
Gross national product	89,360	90,145	92,103	94,375	97,397	98,661

Sources: Directorate of Statistics; and Fund staff estimates.

Table 5. Comoros: Food Crop Production, 1997-2002  
(In metric tons, unless otherwise indicated)

	1997	1998	1999	2000	2001	2002
<b>Cereals</b>						
Paddy	2,965	2,960	2,960	2,955	2,945	2,934
Maize	2,695	2,690	2,690	2,685	3,812	3,835
<b>Tubers</b>						
Cassava	50,396	51,100	51,820	52,540	54,128	54,876
Taro	8,499	8,700	8,910	9,125	8,982	9,137
Yams	3,567	3,635	3,700	3,770	3,813	1,434
Sweet potatoes	1,426	1,460	1,495	1,530	1,524	4,000
<b>Legumes</b>						
<i>Ambrevade</i> beans	7,820	8,045	8,275	8,515	8,374	8,535
<i>Ambérique</i> beans	284	288	290	295	315	321
Tomatoes	437	445	455	465	491	502
Potatoes	308	315	325	335	343	352
Peanuts	811	835	860	885	840	851
Onions	158	165	175	185	190	300
Miscellaneous	1,269	1,340	1,430	1,525	1,284	1,112
<b>Fruits</b>						
Bananas	58,026	59,070	60,130	61,210	60,003	60,891
Coconuts (thousands)	74,385	76,320	78,304	80,340	75,451	76,823
Miscellaneous	3,150	3,200	3,250	3,300	3,354	3,409

Source: Directorate of Agriculture, Ministry of Agricultural Production, Marine Resources, and Environment.

Table 6. Comoros: Livestock, 1997-2002  
(In numbers of head)

	1997	1998	1999	2000	2001	2002
Cattle	48,200	49,500	50,000	50,000	50,000	...
Sheep	18,900	19,100	20,000	20,000	20,000	...
Goats	119,110	140,600	170,000	170,000	170,000	...
Poultry	184,600	184,600	207,700	207,700	235,050	...
Semi-industrial aviculture						
Meat	18,000	18,000	41,000	41,000	60,000	...
Eggs	6,500	6,500	6,600	6,600	15,000	...

Source: Directorate of Breeding, Ministry of Agricultural Production, Marine Resources, and Environment.

Table 7. Comoros: Production of Meat, Fish, and Dairy Products, 1997-2002

	1997	1998	1999	2000	2001	2002
Meat and fish (in metric tons)						
Cattle	846	1,053	1,260	1,660	1,660	1,059
Sheep and goats	219	253	314	314	340	23
Poultry	189	190	190	192	191	191
Fresh fish	12,956	13,330	13,430	13,730	14,809	15,387
Miscellaneous						
Milk (in thousands of liters)	990	995	1,005	1,015	1,002	1,004
Eggs (in thousands)	8,450	8,450	8,580	13,000	4,411	4,413

Source: Directorate of Breeding, Ministry of Agricultural Production, Marine Resources, and Environment.

Table 8. Comoros: Export Crop Production, 1997-2002  
(In metric tons, unless otherwise indicated)

	1997	1998	1999	2000	2001	2002
Vanilla (green)	815	943	600	685	700	540
Cloves 1/	1,965	2,010	3,210	3,884	2,725	2,869
Clove buds 1/	1,707	1,700	2,500	714	...	...
Ylang-ylang 2/						
Flowers (units) 1/	2,491	3,551	2,650	525	1,974	1,827
Essence 1/	47	67	50	10	21	16

Sources: Comorian Office of Vanilla; and Directorate of Projects, Ministry of Agricultural Production, Marine Resources, and Environment.

1/ In 2000, includes only the production of Grande Comore and Mohéli.

2/ Conversion rate for ylang-ylang: 1:53 essence-to-flowers ratio.

Table 9. Comoros: Prices of Export Crops, 1997-2002  
(In Comorian francs per kilogram)

	1997	1998	1999	2000	2001	2002
<b>Vanilla 1/</b>						
Producer price (green vanilla) 2/	750	1,000	1,250	2,000-2,500	...	5,500
Export price, f.o.b. (dried vanilla)	6,819	8,015	9,973	25,818	45,000	58,929
<b>Ylang-ylang</b>						
Producer price (flowers)	75-100	100-125	150	217	264	...
Export price, f.o.b. (essence)	16,884	14,195	14,075	22,175	24,975	19,305
<b>Cloves</b>						
Producer price	150-200	225-275	1,000-1,250	900-1,200	1,089	...
Export price, f.o.b.	227	249	1,130	1,293	2,200	1,307

Sources: Comorian Office of Vanilla; and General Directorate of Customs.

1/ The yield from 5 kilograms of green vanilla is about 1 kilogram of dried vanilla.

2/ Floor prices.

Table 10. Comoros: Cost Structure of Vanilla Exports, 1997-2002  
(In Comorian francs per kilogram of dried vanilla) 1/

Cost Elements	1997	1998	1999	2000	2001	2002
Producer price 2/	...	...	6,250	18,750	...	...
Collection fees 2/	...	...	500	500	400	500
Preparation of green vanilla	...	...	2,200	2,250	1,000	1,000
Financial and miscellaneous costs	...	...	1,377	1,889	1,815	2,370
Total ex-warehouse costs	...	...	10,327	23,389	39,900	43,168
Customs duties and other taxes 3/	...	...	...	1,291	2,295	2,550
Transportation and insurance	...	...	105	168	...	...
Total f.o.b. cost at Moroni port	...	...	10,432	24,848	...	...

Sources: Comorian Office of Vanilla; and General Directorate of Customs.

1/ The yield from 5 kilograms of green vanilla is about 1 kilogram of dried vanilla.

2/ Equivalent dried vanilla.

3/ From 1992 on, includes contributions to the Fonds de Solidarité Vanille.

Table 11. Comoros: Production and Consumption of Electricity, 1997-2002

	1997	1998	1999	2000	2001	2002
Production (in millions of kilowatt/hours) 1/	12.3	29.0	34.9	35.0	32.0	33.5
Consumption (in millions of kilowatt/hours) 1/	...	18.0	22.0	18.0	30.0	31.0
Installed capacity (in megawatts)	...	12.7	12.7	12.7	12.7	13.0
Anjouan	...	1.3	1.3	1.3	1.3	1.6
Ntrenani 2/	...	1.3	1.3	1.3	1.3	1.6
Domoni	0.0	0.0	0.0	0.0	0.0	0.0
Dima	...	0.0	0.0	0.0	0.0	0.0
Mohéli	...	0.0	0.0	0.0	0.0	0.5
Grande Comore	...	12.7	12.7	12.7	12.7	14.0
Foumbouni et M'Beni	...	2.4	2.4	2.4	2.4	2.5
Voidjou	...	0.6	0.6	0.6	0.6	11.0
Ouzioini	...	9.4	9.4	9.4	9.4	0.2
Dembéni	...	0.3	0.3	0.3	0.3	0.3

Source: Electricity and Water Company (CEE).

1/ The difference between production and consumption reflects power losses and fraud.

2/ In 1997, strong disruptions at establishment level (long and frequent power cuts) prevented the production of data on consumption.

Table 12. Comoros: Indicators of Tourism Activity, 1997-2002

	1997	1998	1999	2000	2001	2002
Tourist accommodation available 1/ (number of beds)	766.0	766.0	780.0	820.0	...	...
Number of visitors	26,219	27,474	24,479	23,893	19,356	18,936
By origin (in percent of total)						
Europe	52.0	51.3	49.0	39.9	35.8	50.1
<i>Of which:</i> France	30.0	22.6	30.8	29.4	30.0	47.9
Africa and Indian Ocean	41.0	39.0	44.0	66.2	61.0	46.0
<i>Of which:</i> South Africa	36.0	24.8	33.0	62.6	25.0	...
Other countries	7.0	9.7	7.0	3.2	3.1	3.8
<i>Of which:</i> Gulf states 2/	2.0	3.5	4.0	1.6	1.5	2.9
Visitor overnights (in days)	209,752	219,792	195,832	161,251	135,492	132,552
COMOTEL 3/	....	....	....	....	...	...
Galawa 4/	167,801	176,833	156,665	133,801	...	...
Other 5/	41,951	43,959	39,167	33,450	...	...
Average length of stay (in days)	7.0	7.0	7.0	7.0	7.0	7.0
COMOTEL 3/	7.0	7.0	7.0	7.0	7.0	7.0
Galawa 4/	7.0	7.0	7.0	7.0	7.0	7.0
Average room occupancy rate (in percent)	60.0	71.0	70.0	50.0	55.0	50.0
COMOTEL 3/	15.0	23.0	17.0	20.0	...	...
Galawa 4/	65.0	48.0	53.0	30.0	...	...
Turnover (in billions of Comorian francs)	9.5	8.3	11.4	3.5	2.8	2.7
COMOTEL 3/	1.9	1.7	2.3	0.7	...	...
Galawa 4/	7.6	6.6	9.1	2.8	...	...

Source: General Directorate of Tourism, Ministry of Transportation and Tourism.

1/ No official data have been provided by the Galawa Hotel.

2/ Bahrain, Kuwait, Qatar, Saudi Arabie, and the United Arab Emirates.

3/ Includes the Ylang-Ylang, Coelacanth, and Al Amal hotels.

4/ The Sun Resorts Group includes the Galawa, Maloudja, and Itsandra hotels.

5/ Includes the Kartala, and, since 1986, the Relais de Singali hotels.

Table 13. Comoros: Indicators of Population, Employment, and Education, 1997-2002

	1997	1998	1999	2000	2001	2002
Population and employment						
Total population (in thousands)	517.3	527.9	538.5	549.3	560.0	572.0
Labor force (in thousands)	146.9	149.9	152.9	156.0	159.0	162.4
<i>Of which: wage earners</i>	...	...	...	...	...	...
Unemployed (in thousands)	30.0	30.0	31.0	31.2	31.4	32.0
Unemployed (in percent of labor force)	20.4	20.0	20.3	20.0	19.7	19.7
Education (number of pupils)						
Primary enrollment	...	...	82,789	91,553	94,249	94,405
Public	...	...	72,522	84,468	83,875	86,906
Private	...	...	10,267	7,085	10,374	10,499
Secondary enrollment	...	...	28,718	29,125	33,049	35,193
Vocational schools 1/	...	...	232	...	...	...
Higher education 2/	...	...	649	...	...	...

Source: Directorate of Statistics; Ministry of Health, Social Affairs, and Education.

1/ For education, the 1999 data correspond to school-year 1998/99. The data for 1999/2000 and 2000/01 are not available.

2/ Includes the training school for teachers.

Table 14. Comoros: Consumer Price Index, 1995-99 1/

	Weight	1995	1996	1997	1998	1999
(Index, 1993=100)						
Foodstuffs and tobacco	71.4	133.2	135.1	139.2	139.1	147.5
Cereals and starches	21.2	150.8	139.6	145.7	145.4	146.9
Fruits and vegetables	12.0	133.9	121.1	136.9	128.8	159.2
Milk and fats 2/	7.7	95.2	122.8	126.5	133.5	143.2
Meat and fish	17.9	110.3	132.8	129.2	130.8	137.8
Groceries 3/	8.5	173.6	160.0	145.7	145.6	142.9
Tobacco and cigarettes	4.1	127.9	134.2	167.1	170.4	175.9
Other products	28.6	129.6	136.2	132.7	138.8	123.0
Clothing	11.6	146.3	162.2	163.1	159.0	124.0
Energy	3.8	116.4	115.0	111.0	121.9	122.7
Household capital goods	3.0	150.9	143.2	110.4	141.6	130.8
Health care 4/	3.2	53.8	58.2	50.6	81.3	82.7
Transportation	2.2	143.2	129.6	141.3	163.0	140.7
Education and leisure	2.5	147.2	144.6	135.9	109.0	137.4
Rent	2.3	121.7	136.3	147.5	151.4	131.7
Total	100.0	132.2	135.4	137.4	139.0	140.5
(Annual change in percent)						
Memorandum item:						
Consumer price index	...	...	2.4	1.5	1.2	1.1

Sources: Directorate of Statistics; and Fund staff estimates.

1/ For Moroni only.

2/ Imports from the members of the Cooperation Council for the Arab States of the Gulf in 1995.

3/ Sharp increase in spice prices in 1995.

4/ Introduction of generic medicines in 1995.

Table 15. Comoros: Consumer Price Index, 1999-2002 1/

	Weight	1999	2000	2001	2002
		(Index, 1999=100)			
Foodstuffs, drinks and tobacco	6,803	100.0	102.7	110.5	116.9
<i>Of which</i>					
Unprocessed cereals	11	100.0	103.5	103.8	106.8
Flours, and semolina	1	100.0	101.2	111.8	114.6
Meat	9	100.0	95.2	99.8	104.2
Fish	10	100.0	102.5	105.4	104.4
Milk and dairy products	5	100.0	104.7	104.9	118.7
Edible oils	3	100.0	98.5	86.9	92.6
Fruits	3	100.0	86.2	77.3	105.5
Vegetables	6	100.0	107.0	123.3	128.3
Potatoes, manioc, other tubercules	8	100.0	99.2	129.1	174.1
Clothing and footwear	470	100.0	103.6	95.5	104.2
Rent, water, electricity, gas and other combustibles	1552	100.0	110.9	122.3	116.2
<i>Of which</i>					
Other combustibles	264	100.0	130.4	163.5	169.4
Furniture, and electric appliances	208	100.0	129.3	120.9	116.8
Health care	135	100.0	94.1	116.5	117.2
Transportation	246	100.0	94.8	122.5	120.4
Entertainment	14	100.0	98.5	95.1	97.2
Education	423	100.0	105.3	110.5	110.7
Hotels, coffee shops and restaurants	6	100.0	124.4	152.4	154.1
Other good and services	143	100.0	115.3	106.4	104.7
 Total	 10,000	 100.0	 104.6	 112.1	 115.8
		(Annual percentage change)			
Memorandum item:					
Consumer price index	...	...	4.6	5.9	3.3

Source: Directorate of Statistics.

1/ Consumer price index prior to 2000 non different basis because of change in the consumption basket in 2000.

Table 16. Comoros: Prices of Essential Goods, 1997-2002 1/  
(In Comorian francs per unit, unless otherwise indicated)

	1997	1998	1999	2000	2001	2002
<b>Rice (kilogram)</b>						
Unit value of imports	115	120	110	122	120	121
Retail price	235	250	250	250	250	260
Annual change (in percent)	-7.5	6.4	0.0	0.0	0.0	4.0
Retail/import price	2.0	2.1	2.3	2.0	2.1	2.2
<b>Sugar (kilogram)</b>						
Unit value of imports	...	235	215	270	279	217
Retail price	...	400	400	500	450	353
Annual change (in percent)	...	...	0.0	25.0	-10.0	-21.6
Retail/import price	...	...	1.9	1.9	1.6	1.6
<b>Flour (kilogram)</b>						
Retail price	...	250	250	300	300	300
Annual change (in percent)	...	...	0.0	20.0	0.0	0.0
<b>Salt (kilogram)</b>						
Retail price	150	150	150	150	150	196
<b>Cement (metric tons)</b>						
Unit value of imports	35,000	34,000	35,000	36,000	35,000	36,750
Retail price	70,100	70,000	75,000	70,000	75,000	79,500
Annual change (in percent)	-1.2	-0.1	7.1	-6.7	7.1	6.0
Retail/import price	2.0	2.1	2.1	1.9	2.1	2.2
<b>Petroleum products (liters) 2/</b>						
Regular gasoline	360	360	390	390-450	450	450
Diesel 3/	205	230	230	230-250	250	300
Kerosene 4/	100	130	130	130-200	...	...
<b>Electricity (kilowatt-hours) 5/</b>						
Retail price	...	110	110	120	120	120
<b>Water (cubic meters)</b>						
Retail price	...	200-220	200-250	200-250	220	220

Source: Directorate of Statistics.

1/ Unit values of imports are calculated on the basis of imports, c.i.f.

2/ Average retail price per liter at new stations.

3/ The lower price is the tax-exempt price paid by the electricity and water company.

4/ The higher price is for jet kerosene, sold only to civil aviation.

5/ The rate imposed on households and industries.

Table 17. Comoros: Consolidated Government Financial Operations, 1997-2002  
(In millions of Comorian francs)

	1997	1998	1999	2000	2001	2002
		Est.1/	Est.2/	Est. 2/	Est. 2/	Prov. 2/
Total revenue and grants	21,011	17,812	18,885	15,557	19,913	22,433
Revenue	12,828	10,865	12,079	11,018	13,913	16,660
Tax revenue	11,968	9,277	10,509	9,724	11,711	13,575
Nontax revenue	860	1,588	1,570	1,294	2,202	3,106
Exceptional revenue	...	...	...	...	...	...
External grants	8,182	6,947	6,806	4,539	...	5,753
Budgetary assistance	250	...	...	...	...	1,130
Project and technical assistance financing	7,932	6,947	6,359	4,513	3,662	3,662
Other nonbudgetary aid	...	...	447	26	961	961
Total expenditure and net lending	23,076	21,038	19,669	17,614	20,755	29,181
Current expenditure	17,512	13,648	14,138	13,493	17,053	20,514
Budgetary	13,012	11,886	13,055	12,066	14,190	16,045
Wages and salaries	8,553	7,190	6,430	6,093	6,268	6,943
Goods and services	3,307	3,121	4,642	4,169	4,851	6,470
Transfers	265	615	1,033	844	1,466	1,028
Interest payments	887	960	950	960	1,635	1,605
Technical assistance 3/	4,500	1,762	1,083	1,427	2,138	2,909
Capital expenditure	5,564	7,390	5,531	4,157	5,250	8,736
Budgetary	400	360	192	130	624	69
Financed externally	5,164	7,030	5,339	4,027	4,115	8,667
Net lending	...	...	...	-35	-35	-69
Civil service action plan	...	...	...	...	...	...
Overall balance (payment order)	-2,065	-3,226	-784	-2,057	-6,842	-6,748
Excluding grants	-10,247	-10,173	-7,590	-6,596	-6,842	-12,501
Change in net arrears	404	2,677	624	1,965	1,463	771
Interest on external debt	122	887	534	551	1,016	771
Domestic arrears	281	1,790	90	1,413	447	...
Others (unidentified residuals)	...	-3,191	495	395	...	...
Overall balance (cash basis)	-1,661	-3,740	336	302	-3,394	-7,475
Financing	1,661	3,740	-336	-302	3,394	7,475
Foreign (net)	1,695	1,593	-504	108	3,988	7,563
Drawings, PIP (identified)	1,731	1,845	63	940	2,862	8,647
Drawings, adjustment loans	118	...	...	...	1,926	...
Amortization	-4,045	-3,782	-4,367	-3,766	-3,456	-2,026
Exceptional financing	2,220	...	...	...	285	...
Arrears (principal)	1,671	3,530	3,801	2,933	2,371	942
Domestic (net)	-34	2,147	168	-410	-594	-136
Bank financing 4/	-34	1,615	-21	-210	-1,596	...
Of which: IMF (Structural Adjustment Facility)	...	...	...	-172	-307	...
Deposits at Treasury 5/	...	532	-11	0	-102	...
Nonbank financing	...	...	200	-200	-176	-138
Financing need	...	...	...	...	...	...

Sources: Ministry of Finance; and Fund staff estimates.

1/ Excluding Anjouan for the last quarter of 1998.

2/ Excluding Anjouan.

3/ Expenditure made minus payments made.

4/ Financing with the Bank for Industry and Commerce (BIC) and central bank.

5/ Mainly claims of enterprises on the treasury.

Table 18. Comoros: Consolidated Government Revenue and Grants, 1997-2002  
(In millions of Comorian francs)

	1997	1998	1999	2000	2001	2002
Tax revenue	11,968	9,277	10,509	9,724	11,711	13,575
Taxes on income and profits	1,436	1,598	2,084	1,895	1,437	2,903
<i>Of which</i>						
Corporate (IBD)	923	1,025	1,556	1,348	919	2,346
Individual (IGR)	479	524	477	514	486	503
Taxes on property	125	62	58	65	71	44
Buildings	50	17	22	17	15	7
Registration	75	45	36	48	56	37
Taxes on goods and services	912	1,108	1,266	1,205	1,408	1,583
Turnover	605	646	736	817	893	1,149
Business and professional licenses	307	202	273	263	339	273
Other	...	260	257	125	176	161
Taxes on international trade	9,434	6,481	6,852	6,367	8,065	8,815
Consumption tax on imports	300	...	...	...	...	...
Import duties	...	...	...	...	...	...
Single administrative fee 1/	...	...	...	...	...	...
Export duties	132	123	12	...	176	79
Other	9,002	6,358	6,840	6,367	7,889	8,736
Single stage tax 2/	3,899	2,879	3,018	3,131	3,360	4,166
Petroleum products	2,376	2,225	2,225	1,772	2,376	3,135
Rice	1,523	654	793	1,359	984	1,031
Other taxes	61	28	249	192	733	230
Nontax revenue	860	1,589	1,570	1,294	2,202	3,105
Income from land	48	61	97	127	114	48
Proceeds from services	129	681	406	284	479	1,344
Other nontax revenue	684	847	1,067	883	1,609	1,713
Total revenue	12,828	10,866	12,079	11,018	13,913	16,680
Memorandum items:						
Total revenue, excluding exceptional factors 3/						
Grants	8,182	6,947	6,806	4,539	...	5,753
Budgetary	250	...	...	...	...	1,130
Project financing (including technical assistance)	7,932	6,947	6,359	4,513	...	3,662
Other nonbudgetary assistance	...	...	447	26	...	961
Total revenue and grants	21,011	17,813	18,885	15,557	13,913	22,433

Sources: Ministry of Finance and Fund staff estimates.

1/ As of October 1, 1991, represents a single 5 percent levy on the value, c.i.f., for miscellaneous taxes.

2/ Introduced in September 1991 to replace various taxes on petroleum products and rice. Ten percent of the tax proceeds from petroleum products are credited to the Road Fund, and 90 percent to the budget, which is the amount shown here.

3/ On-lending of public enterprises debt (previous fiscal years) and release of deposits.

Table 19. Comoros: Consolidated Government Expenditure, 1997-2002 1/  
(In millions of Comorian francs)

	1997	1998	1999	2000	2001	2002
Total expenditure and net lending	23,076	21,038	19,669	17,614	20,755	29,181
Current expenditure	17,512	13,648	14,138	13,493	17,053	20,514
Budget	13,012	11,886	13,055	12,066	14,190	16,045
Personnel	8,553	7,190	6,430	6,093	6,268	6,943
Goods and services	3,307	3,121	46,532	4,169	4,821	6,470
Transfers	265	615	1,033	844	1,466	1,028
Interest payments	887	960	950	960	1,635	1,605
External	887	960	950	890	1,507	1,535
Domestic	...	...	...	70	128	70
Technical assistance	4,500	1,762	1,083	1,427	2,138	2,909
Capital expenditure	5,564	7,390	5,531	4,157	3,737	8,736
Budgetary	400	360	192	130	277	69
Financed with external resources	5,164	7,030	5,339	4,027	3,460	8,667
Net lending	...	...	...	-35	-35	-69
Budget	...	...	...	-35	-35	-69
Extrabudgetary	...	...	...	...	...	...
Civil service action plan	...	...	...	...	...	...

Sources: Ministry of Finance; Technical Committee for the Surveillance of the Staff-Monitored Program; and Fund staff estimates.

1/ Includes the expenditure of central government, provinces, the Retirement Fund, the Chamber of Commerce, and the Road Fund, as well as a statement of off-budget expenditure.

Table 20. Comoros: Wage Bill Developments by Ministry, 1998-2002  
(In millions of Comorian francs)

	1998	1999	2000	2001	2002
Federal Assembly	377	189	131	...	144
Constitutional Council	120	42	15	...	21
Office of the President 1/	956	284	200	...	332
Defense	...	...	1,009	...	1,030
Office of the Prime Minister	327	177	160	...	80
Foreign Affairs 2/	418	403	286	...	346
Embassies	...	...	...	...	...
National Security	174	166	128	...	134
Finance and Budget	559	514	495	...	496
Economy, Planning, and Commerce	42	48	51	...	46
Infrastructure, Urbanism, and Housing	129	101	96	...	88
National Education	2,861	2,021	2,230	...	2,455
Rural Development	191	176	158	...	135
Social Affairs, Labor, and Employment	0	0	...	...	...
Health	596	487	511	...	487
Transportation and Tourism	156	161	102	...	94
Information, Youth, Culture, and Sport	...	...	63	...	49
Justice and Islamic Affairs 3/	...	...	184	...	233
Civil Service and Justice	278	284	85	...	72
Ngazidja province	...	...	...	....	....
Ndzouani province	...	...	...	....	....
Mohéli province	...	...	...	....	....
Provinces	...	...	132	...	118
Other ministries	7	140	56	...	417
Total	7,189	5,190	6,093	...	6,778

Sources: General Directorate of Budget/ Civil Service, Ministry of Finance; and Fund staff estimates.

1/ For 1998, defense is included in the figure for Office of the President.

2/ Includes embassies.

3/ Before 2000, figures for Justice reported together with Civil Service.

Table 21. Comoros: Staffing Levels by Ministry, 1997-2002 1/ 2/ 3/  
(In numbers of staff)

		1998	1999	2000	2001	2002
Federal Assembly	53	51	37	36	34	38
Constitutional Council	31	37	5	5	...	...
Office of the President (excludes Defense)	82	144	77	102	114	148
Foreign Affairs (excludes embassies)	95	93	84	83	80	91
National Security	185	199	172	118	108	106
Finance and Budget	467	464	445	343	310	319
Economy, Planning, and Commerce	62	68	65	35	44	47
Infrastructure, Urbanism, and Housing	130	133	122	83	78	75
National Education	3,003	2,972	2,794	1,965	1,839	2,066
Rural Development	200	201	182	0	...	...
Production	...	...	...	115	106	100
Health	725	751	695	463	435	417
Transportation and Tourism	136	129	122	84	82	78
Information, Youth, Culture, and Sport	...	43	56	40	49	49
Justice and Islamic Affairs 3/	121	125	127	107	116	115
Civil Service	64	73	77	66	59	52
Office of the Prime Minister	52	53	40	51	48	...
Ngazidja Province	124	121	114	111	105	101
Ndzouani Province	47	49	47	0	...	...
Mohéli Province	84	84	84	46	46	38
Public enterprises	...	...	...	...	...	...
Contractuals paid manually	123	338	464	...	...	...
Other ministries	...	12	...	...	...	...
Total of civil servants paid by Ministry of Civil Service	5,784	6,140	5,809	3,866	3,653	3,840
Other public employees	505	504	784	...	...	...
Total of public employees	6,289	6,644	6,593	...	...	...

Source: General Directorate of Budget/ Civil Service, Ministry of Finance.

1/ Staff paid by the treasury

2/ 1998 and 1999 figures include an estimated value for Anjouan; 2000 figures exclude Anjouan.

3/ Before 2000, figures for Justice reported together with Civil Service.

Table 22. Comoros: Government Wage Bill, 1997-2002  
(In Comorian francs)

	1997 1/	1998 2/	1999 2/	2000 2/	2001	2002
Basic salaries	5,206	4,633	3,819	3,666	....	3,683
Allowances	1,197	967	1,344	950	....	1,050
Function	96	82	136	141	....	153
Housing	654	626	798	459	....	498
Teaching (teachers)	232	156	198	166	....	200
<i>Indemnité de sujétion</i>	15	27	25	19	....	29
<i>Indemnité de remise</i>	75	70	60	63	....	83
Geographic	...	...	...	63	....	56
Other	125	211	127	39	....	30
Employer contributions	418	347	291	286	....	282
Total	6,821	5,947	5,454	4,934	....	5,014

Source: General Directorate of Budget/ Civil Service, Ministry of Finance.

1/ 1997 figures exclude embassies and defense.

2/ Including embassies.

Table 23. Comoros: Consolidated Net Statement of Public Enterprises, 1997-2002  
(In millions of Comorian francs)

	Turnover	Change in Stocks	Wages and Salaries	Purchases	Taxes	Financial Charges	Other Expenditures	Total Expenditures	Surplus or Loss 1/
<b>Import monopolies</b>									
<b>SCH</b>									
1997	7,314	431	267	2,764	82	26	4,047	7,617	-303
1998	6,739	-215	241	2,428	217	36	3,383	6,090	638
1999	7,079	-226	274	3,157	73	42	3,515	6,835	343
2000	8,106	-105	218	4,580	36	23	3,257	8,009	-79
2001	9,423	238	203	4,299	773	40	2,912	8,465	958
2002	9,267	-349	205	4,591	316	40	3,817	8,620	647
<b>ONICOR</b>									
1997	...	...	...	...	...	...	...	...	...
1998	...	...	...	...	...	...	...	...	...
1999	...	...	...	...	...	...	...	...	...
2000	4,388	0	52	4,135	2	8	126	4,327	72
2001	332	0	34	3,093	1	5	113	3,246	94
2002	3,459	0	37	3,204	3	7	180	3,431	121
<b>Airport Hahaya (AIMPSI)</b>									
1997	776	9	192	150	7	40	114	515	261
1998	755	-8	190	159	6	41	161	551	204
1999	855	12	210	167	5	41	225	661	195
2000	742	2	210	171	5	40	135	562	180
2001	733	0	227	157	6	38	130	557	175
2002	613	-7	217	126	2	36	103	477	136
<b>Public utilities</b>									
<b>SNPT</b>									
1997	3,330	29	466	428	438	118	504	1,982	1,348
1998	3,383	-133	536	603	371	119	512	2,008	1,375
1999	4,057	22	595	549	373	236	479	2,254	1,803
2000	4,754	21	550	869	497	328	386	2,652	2,102
2001	4,679	...	...	...	...	...	...	...	...
2002	5305	...	...	...	...	...	...	...	...
<b>SOCOPOTRAM</b>									
1997	...	...	...	...	...	...	...	...	...
1998	543	...	545	34	37	5	50	671	-87
1999	899	...	728	53	1	2	90	873	25
2000	985	...	628	61	18	9	248	957	28
2001	...	...	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...	...	...

Sources: Public enterprises listed below; and Fund staff estimates.

Notes: SCH (Comorian Hydrocarbons Company); ONICOR (National Rice Imports and Marketing Office); SNPT (Post and Tele-communications Office); SOCOPOTRAM (Comorian Ports Establishment); and IBD taxes on miscellaneous profits. Data on CEE (Compagnie d'Eau et d'Electricité) not available.

1/ Before provision for amortization.

Table 24. Comoros: Consolidated Financial Statement of Public Enterprises, 1997-2002  
(In millions of Comorian francs, unless otherwise indicated)

	Share Capital	Total Long-Term Debt	Turnover	Net Profit Before IBD	IBD	Net Profit After IBD	Accumulated Losses	Long-Term External Debt	Interest on Gross Debt	Gross Fixed Investment	Government Arrears 1/	Profit Rate (in percent) 2/	Profit Rate (in percent) 3/
<b>Import monopolies</b>													
<b>SCH</b>													
1997	650	0	7,314	165	82	83	0	0	...	32	1,625	...	...
1998	650	0	6,728	434	217	217	0	0	...	89	1,463	...	...
1999	650	0	7,178	146	73	74	0	0	...	351	1,029	...	...
2000	650	...	7,930	72	36	36	0	0	...	62	957	...	...
2001	650	732	9,423	1,545	773	772	0	732	...	1,284	0	...	6.8
2002	650	732	9,267	633	316	317	0	732	...	73	0	97.4	...
<b>ONICOR</b>													
1997	...	...	...	...	...	...	...	...	...	...	...	...	...
1998	...	...	...	...	...	...	...	...	...	...	...	...	...
1999	...	...	...	...	...	...	...	...	...	...	...	...	...
2000	360	0	4,388	72	36	36	0	0	0	0	0	20.0	2.0
2001	360	0	3,332	90	45	45	0	0	0	0	0	25.0	3.0
2002	360	0	3,459	117	59	59	0	0	0	0	0	33.0	4.0
<b>AEROPORT HAHAYA (AIMPSI)</b>													
1997	4,186	1,350	776	-158	0	-158	2,738	1,350	41	261	...	-3.8	-20.3
1998	4,186	1,350	755	-227	0	-227	2,965	1,350	41	118	...	-5.4	-30.1
1999	4,186	1,316	855	-176	0	-176	3,141	1,316	41	127	...	-4.2	-20.6
2000	4,186	1,249	742	-96	5	-92	3,233	1,249	40	119	...	-2.3	-12.4
2001	4,186	1,181	733	-80	2	-79	3,312	1,181	38	57	...	-1.9	-10.7
2002	4,186	1,114	613	-86	2	-85	3,396	1,114	35	8	...	-2.1	-13.8
<b>Public services</b>													
<b>SNPT</b>													
1997	1,257	3,033	3,330	768	384	384	1,270	1,542	...	11,206	988	...	...
1998	1,257	3,029	3,383	577	288	288	1,270	1,562	...	12,449	1,228	...	...
1999	1,257	4,356	4,057	601	300	300	1,270	2,889	...	14,373	1,501	...	...
2000	1,257	4,281	4,754	800	400	400	1,270	2,814	...	14,935	1,760	...	...
2001	1,257	4,257	4,679	852	426	426	1,270	2,790	...	18,228	2,012	...	...
2002	1,257	2,789	5,305	1,121	561	561	1,270	2,789	...	20,420	2,280	...	...

Sources: Public enterprises listed below; and Fund staff estimates.

Notes: SCH (Comorian Hydrocarbons Company); ONICOR (National Rice Imports and Marketing Office); SNPT (Post and Telecommunications Office); and IBD = (taxes on miscellaneous profits). Data on CEE (Compagnie d'Eau et d'Electricite) and Comorian Ports Establishment (SOCOPOTRAM) not available.

1/ At year's end.

2/ Net profits before IBD over social capital.

3/ Net profit before IBD over turnover.

Table 25. Comoros: Monetary Survey, 1997-2002  
(In millions of Comorian francs; end of period)

	1997	1998	1999	2000	2001	2002
Net foreign assets	18,765	17,737	19,890	22,813	36,019	39,324
Central bank	16,838	15,398	17,124	22,102	33,486	38,399
Assets	18,298	16,581	18,295	23,017	34,879	38,796
Liabilities	-1,460	-1,183	-1,171	-915	-1,393	-397
Commercial bank	1,927	2,339	2,766	711	2,533	925
Assets	1,927	2,373	3,966	3,009	4,864	3,182
Liabilities	...	-34	-1,200	-2,298	-2,331	-2,257
Net domestic assets	-391	-579	-1,529	-1,794	-5,036	-5,431
Domestic credit	10,474	12,528	12,087	12,661	11,957	13,348
Net credit to government	2,016	3,631	3,610	3,272	2,733	3,148
Bank financing	2,016	3,631	3,610	3,272	2,733	3,148
Credit to government	3,740	4,307	4,368	4,158	3,955	4,231
Government deposits	-1,724	-676	-758	-886	-1,221	-1,083
Deposits to treasury 1/	...	...	...	...	...	...
Claims on public enterprises	426	165	335	74	73	86
Credit to private sector	8,032	8,732	8,142	9,315	9,151	10,114
<i>Of which: bankers' acceptances</i>	...	...	...	...	...	...
Other items (net)	-10,865	-13,107	-13,616	-14,455	-16,993	-18,780
Broad money	18,374	17,158	18,361	21,019	30,983	33,893
Money	10,603	10,175	11,662	14,115	22,937	25,305
Currency in circulation	5,433	5,418	6,310	7,564	12,355	12,503
Demand deposits	5,170	4,757	5,352	6,551	10,582	12,803
Public enterprise deposits	...	...	...	...	...	...
Private sector deposits	...	...	...	...	...	...
Quasi money	7,771	6,983	6,699	6,904	8,046	8,587
Public enterprise deposits	...	...	...	...	...	...
Private sector deposits	...	...	...	...	...	...
<i>Of which: blocked accounts 2/</i>	...	...	...	...	...	...

Sources: Central Bank of the Comoros; and Fund staff estimates.

1/ Includes *Fonds particuliers* (special funds).

2/ Deposits required by the Bank for Industry and Commerce (BIC) for imports under letter of credit.

Table 26. Comoros: Summary Statement of the Central Bank, 1997-2002  
(In millions of Comorian francs; end of period)

	1997	1998	1999	2000	2001	2002
Foreign assets	18,298	16,581	18,295	23,017	34,879	38,796
Operations account with French						
Treasury	16,410	14,847	16,382	20,568	33,354	34,658
Banknotes (CFA franc area)	1,383	1,334	1,367	1,819	1,664	2,481
Gold	79	70	82	83	83	94
SDR holdings	52	2	80	87	13	17
Correspondents	46	6	7	76	0	1,096
Reserve position with IMF	327	320	363	372	379	344
Claims on government	3,646	3,806	3,814	3,858	3,654	3,930
Statutory advances	2,034	2,226	2,234	2,278	2,074	2,350
Other claims on treasury	0	0	0	0	0	0
Treasury (IMF account)	1,612	1,580	1,580	1,580	1,580	1,580
Claims on deposit money bank	0	50	50	50	50	50
Other assets	860	632	474	435	512	906
Assets=liabilities	22,804	21,126	22,682	27,424	39,165	43,763
Reserve money	10,454	9,323	11,104	13,980	23,851	28,340
Currency in circulation	5,433	5,418	6,310	7,564	12,355	12,503
Cash in banks	137	129	99	263	147	297
Bank for Industry and Commerce deposits	4,232	3,432	3,729	5,228	9,722	13,393
Development Bank deposits	17	309	938	888	1,565	2,097
Public enterprise deposits	635	35	28	37	62	68
Government deposits	1,515	542	518	508	712	582
Treasury account	38	30	61	37	225	11
Government bodies	663	386	365	399	434	426
Food aid services	147	...	...	...	...	...
STABEX account 1/	107	81	47	27	8	100
Cash at treasury	560	45	45	45	45	45
Counterpart fund for Chinese aid	0	0	0	0	0	...
Foreign liabilities	131	61	112	128	920	139
Other correspondents	118	56	74	128	918	139
Transactions under way	13	5	38	0	2	...
IMF credit	0	0	0	0	0	0
Other liabilities	9,375	9,914	9,749	11,607	12,508	13,467

Sources: Central Bank of the Comoros; and Fund staff estimates.

1/ Stabilization System for Export Earnings (Lomé Convention).

Table 27. Comoros: Summary Statement of the Bank for Industry and Commerce, 1997-2002  
(In millions of Comorian francs; end of period)

	1997	1998	1999	2000	2001	2002
Reserves	4,024	3,511	3,796	5,257	8,806	12,547
Cash	137	152	99	263	147	297
Deposits at the central bank	3,887	3,359	3,697	4,994	8,659	12,250
Foreign assets	1,927	2,373	3,966	3,009	4,864	3,182
Claims on government	94	501	554	300	301	301
Claims on private sector	8,032	8,682	8,142	9,315	9,151	10,114
Unclassified assets	923	490	743	1,675	2,106	1,949
<i>Of which</i>						
Bills to be collected	...	...	...	1,189	1,633	...
Assets=liabilities	15,000	15,557	17,201	19,556	25,228	28,179
Demand deposits	4,518	4,413	4,386	5,626	8,955	10,655
Time and savings deposits	7,771	6,983	6,699	6,904	8,046	8,587
Time deposits	305	...	...	...	...	...
Savings deposits	5,975	5,625	6,469	6,612	7,808	8,110
Blocked accounts 1/	1,491	112	230	292	238	1,348
Government deposits 2/	209	134	240	378	509	501
Foreign liabilities	...	34	1,200	2,298	2,331	2,257
Unclassified liabilities	2,502	3,993	4,676	4,350	5,270	4,520

Source: Central Bank of the Comoros.

1/ Deposits required by the Bank for Industry and Commerce for imports under letter of credit.

2/ Principally the Stabilization Fund for Export Earnings.

Table 28. Comoros: Structure of Interest Rates, 1997-2002 1/  
(In percent)

	1997	1998	1999	2000	2001	2002
Central bank rates						
Claims on government	4.8	4.8	3.7	3.7	3.7	4.6
Deposits from treasury	4.5	4.5	2.9	2.9	2.9	3.1
Discount rate	7.0	7.0	5.9	5.9	5.9	4.6
Commercial bank lending rate	11.0/18.0	11.0/18.0	9.0/15.0	9.0/15.0	9.0/15.0	9.0/15.0
Depositor rates						
Demand deposits	0.0	0.0	0.0	0.0	0.0	0.0
Time deposits	3.0/4.0	3.0/4.0	3.0	3.0	3.0	3.5
Savings deposits	3.0	3.0	3.0	3.0	3.0	3.5

Source: Central Bank of the Comoros.

1/ End of period.

Table 29. Comoros: Balance of Payments, 1997-2002  
(In millions of Comorian francs; unless otherwise indicated)

	1997	1998	1999	2000	2001	2002
Trade balance	-18,446	-16,099	-15,823	-12,647	-12,731	-13,920
Exports, f.o.b.	2,630	2,632	4,181	7,263	9,144	11,662
Vanilla	1,119	1,058	1,835	4,105	5,400	7,189
Cloves	360	180	1,177	2,012	2,433	2,809
Ylang-ylang	716	582	563	887	999	1,351
Other	435	812	606	259	312	312
Imports, f.o.b.	-21,077	-18,731	-20,004	-19,910	-21,875	-25,582
Services balance (net)	-4,553	-5,660	-5,365	-2,968	-1,976	-3,646
Freight and insurance	-5,699	-5,100	-5,447	-5,947	-6,534	-7,641
Other transportation	-2,056	-69	-183	-59	-62	-905
Travel	7,010	3,000	3,500	3,680	4,368	3,615
Investment income	989	815	1,057	1,068	1,664	1,255
Interest payments	-887	-978	-964	-890	-429	-1,265
Other services	-3,909	-3,328	-3,328	-819	-983	1,296
Private transfers (net)	0	11,946	13,039	12,680	14,430	11,098
Current account (excluding official transfers)	-22,999	-9,813	-8,149	-2,935	-277	-6,467
Official transfers	8,362	7,405	7,216	4,539	5,332	5,408
Current account (including official transfers)	-14,637	-2,408	-934	1,604	5,054	-1,059
Direct investment	100	170	125	50	630	225
Medium- and long-term borrowing	-2,115	-1,698	-2,796	-2,826	3,081	5,434
Gross borrowing	1,930	2,272	1,571	940	5,321	7,036
Amortization	-4,045	-3,970	-4,367	-3,766	-2,240	-1,603
Trade-related credits	683	-737	18	-669	-481	-1,059
Commercial banks	-1,087	-412	-427	2,055	-1,822	1,608
Foreign assets	-1,079	-446	-1,593	2,055	-1,855	1,682
Foreign liabilities	-8	34	1,166	0	33	-74
Short-term capital (including errors and omissions)	11,382	-772	1,305	926	2,770	-1,872
Capital account	8,963	-3,449	-1,775	-464	4,177	4,335
Overall balance	-5,674	-5,857	-2,708	1,141	9,231	3,276
Financing	5,674	5,857	2,708	-1,141	-9,231	-3,276
Central bank	1,661	1,440	-1,727	-4,978	-11,384	-4,913
Gross foreign assets of central bank	1,652	1,717	-1,714	-4,722	-11,863	-3,916
Net use of Fund credit	-108	-108	-199	-172	-315	-164
Others (net)	117	-169	186	-84	793	...
Valuation change	0	0	0	0	0	...
Change in arrears	1,793	4,417	4,435	3,837	2,153	1,637
Exceptional financing	2,220	0	0	0	0	...
Financing gap	0	0	0	0	0	...
Memorandum items:						
Gross foreign assets of the central bank	18,298	16,581	18,295	23,017	34,879	38,796
In months of imports of goods and nonfactor services	5.5	6.0	6.3	8.6	11.9	11.8
Nominal stock of debt (in percent of GDP) 1/	125	124	115	111	101	97
Debt service (in percent of exports of goods and nonfactor services)	30.0	45.5	38.0	30.6	18.3	13.8

Sources: Central Bank of the Comoros; Ministry of Finance; and Fund staff estimates.  
1/ Including arrears.

Table 30. Comoros: Balance of Payments, 1997-2002  
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002
Trade balance	-42.1	-36.4	-34.3	-23.7	-23.2	-26.7
Exports, f.o.b.	6.0	5.9	9.1	13.6	16.6	22.4
Vanilla	2.6	2.4	4.0	7.7	9.8	13.8
Cloves	0.8	0.4	2.5	3.8	4.4	5.4
Ylang-ylang	1.6	1.3	1.2	1.7	1.8	2.6
Other	1.0	1.8	1.3	0.5	0.6	0.6
Imports, f.o.b.	-48.1	-42.3	-43.3	-37.3	-39.8	-49.1
Services balance (net)	-10.4	-12.8	-11.6	-5.6	-3.6	-7.0
Freight and insurance	-13.0	-11.5	-11.8	-11.1	-11.9	-14.7
Other transportation	-4.7	-0.2	-0.4	-0.1	-0.1	-1.7
Travel	16.0	6.8	7.6	6.9	8.0	6.9
Investment income	2.3	1.8	2.3	2.0	3.0	2.4
Interest payments	-2.0	-2.2	-2.1	-1.7	-0.8	-2.4
Other services	-8.9	-7.5	-7.2	-1.5	-1.8	2.5
Private transfers (net)	0.0	27.0	28.2	23.7	26.3	21.3
Current account (excluding official transfers)	-52.5	-22.2	-17.6	-5.5	-0.5	-12.4
Official transfers	19.1	16.7	15.6	8.5	9.7	10.4
Current account (including official transfers)	-33.4	-5.4	-2.0	3.0	8.9	-2.0
Direct investment	0.2	0.4	0.3	0.1	1.1	0.4
Medium- and long-term borrowing	-4.8	-3.8	-6.1	-5.3	5.6	10.4
Gross borrowing	4.4	5.1	3.4	1.8	9.7	13.5
Amortization	-9.2	-9.0	-9.5	-7.1	-4.1	-3.1
Trade-related credits	1.6	-1.7	0.0	-1.3	-0.9	-2.0
Commercial banks	-2.5	-0.9	-0.9	3.8	-3.3	3.1
Foreign assets	-2.5	-1.0	-3.4	3.8	-3.4	3.2
Foreign liabilities	0.0	0.1	2.5	0.0	0.1	-0.1
Short-term capital (including errors and omissions)	26.0	-1.7	2.8	1.7	5.0	-3.6
Capital account	20.5	-7.8	-3.8	-0.9	7.5	8.3
Overall balance	-13.0	-13.2	-5.9	2.1	16.8	6.3
Financing	13.0	13.2	5.9	-2.1	-16.8	-6.3
Central bank	3.8	3.3	-3.7	-9.3	-20.7	-9.4
Gross foreign assets of central bank	3.8	3.9	-3.7	-8.8	-21.6	-7.5
Net use of Fund credit	-0.2	-0.2	-0.4	-0.3	-0.6	-0.3
Others (net)	0.3	-0.4	0.4	-0.2	1.4	...
Valuation change	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	4.1	10.0	9.6	7.2	3.9	3.1
Exceptional financing	5.1	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:						
Gross foreign assets of the central bank	41.8	37.5	39.6	43.1	63.5	74.4
In months of imports of goods and nonfactor services	5.5	6.0	6.3	8.6	11.9	11.8
Nominal stock of debt (in percent of GDP) 1/	125.2	124.5	115.1	111.3	100.9	96.7
Debt service (in percent of exports of goods and nonfactor services)	30.0	45.5	38.0	30.6	18.3	13.8

Sources: Central Bank of the Comoros; Ministry of Finance; and Fund staff estimates.

1/ Including arrears.

Table 31. Comoros: Volume and Value of Principal Exports, f.o.b., 1997-2002  
(Unless otherwise indicated; value in millions of Comorian francs;  
volume in metric tons; unit value in Comorian francs per kilogram)

	1997	1998	1999	2000	2001	2002
Vanilla						
Value	1,119	1,058	1,835	4,105	5,400	7,189
Volume	164	132	184	159	120	122
Unit value	6,819	8,015	9,973	25,818	45,000	58,929
Clove buds						
Value	360	180	1,177	2,012	2,433	2,809
Volume	1,583	722	1,042	1,556	1,106	2,149
Unit value	227	249	1,130	1,293	2,200	1,307
Ylang-ylang						
Value	716	582	563	887	999	1,351
Volume	42	41	40	40	40	70
Unit value	16,884	14,195	14,075	22,175	24,717	19,305
Other products						
Value	435	812	606	259	312	312
Total value	2,630	2,632	4,181	7,263	9,144	11,662
Memorandum item:						
Export price index 1/	49.2	45.0	92.7	165.3	260.7	255.2

Source: General Directorate of Customs.

1/ Index 1990=100; calculated by the Fund staff.

Table 32. Comoros: Volume and Value of Principal Imports, c.i.f., 1997-2002  
(Unless otherwise indicated; value in millions of Comorian francs;  
volume in metric tons; unit value in Comorian francs per kilogram)

	1997	1998	1999	2000	2001	2002
<b>Rice</b>						
Value	3,947	4,076	3,536	3,888	4,053	4,117
Volume	34,323	34,718	35,353	30,000	35,000	39,207
Unit value	115	117	100	130	116	105
<b>Meat</b>						
Value	2,469	2,357	2,671	2,362	2,537	2,361
Volume	3,205	3,261	3,327	3,200	3,200	3,392
Unit value	770	723	803	738	793	696
<b>Petroleum products</b>						
Value	1,384	965	1,426	4,641	5,494	5,963
Volume	16,380	16,663	17,144	33,338	45,103	48,480
Unit value	84	58	83	139	122	123
<b>Cement</b>						
Value	843	833	878	1,260	1,403	1,109
Volume	24,088	24,504	25,094	36,015	40,000	29,985
Unit value	35	34	35	35	35	37
<b>Iron and steel 1/</b>						
Value	668	711	691	601	718	1,175
Volume	3,168	3,223	3,300	2,234	2,481	4,795
Unit value	211	221	209	269	289	245
<b>Other products</b>						
Value 2/	17,464	14,889	16,249	13,106	14,204	18,496
Total value 2/	26,776	23,831	25,451	25,857	28,409	33,220
<b>Memorandum item:</b>						
Import price index 3/	159.6	172.2	185.8	193.2	188.7	182.2

Source: General Directorate of Customs.

1/ Including fabrications.

2/ Balance of payments basis, including adjustments for coverage, valuation, and recording errors.

3/ Index 1990=100; calculated by the Fund staff.

Table 33. Comoros: Geographical Distribution of Trade, 1997-2002  
(In percent)

	1997	1998	1999	2000	2001	2002
Exports	100.0	100.0	100.0	100.0	100.0	100.0
European Union	52.3	68.7	43.4	50.3	52.5	52.6
<i>Of which</i>						
France	42.5	54.7	29.1	38.6	47.6	38.7
Germany	12.0	12.6	14.0	6.6	4.9	13.8
Netherlands	1.7	0.2	1.5	0.0	0.0	0.0
Africa	16.5	18.3	6.3	8.7	0.5	1.3
United States	19.3	5.4	33.8	19.9	31.1	28.1
Rest of the world	11.9	7.7	16.5	21.1	15.9	18.1
Imports	100.0	100.0	100.0	100.0	100.0	100.0
European Union	42.4	44.8	45.8	44.3	46.5	37.7
<i>Of which</i>						
Belgium-Luxembourg	2.3	1.4	3.1	3.8	1.1	2.1
France	34.9	36.1	37.6	36.6	42.5	30.1
Germany	2.0	2.3	1.0	1.5	0.9	0.3
Netherlands	1.4	2.1	1.2	0.9	1.8	0.9
Other European countries	2.9	1.8	0.8	1.0	0.6	0.8
<i>Of which</i>						
Romania	2.1	0.3	0.0	0.0	0.0	0.0
Switzerland	0.7	0.9	0.7	0.4	0.5	0.8
Africa	23.7	22.2	31.6	26.2	20.2	25.0
<i>Of which</i>						
Kenya	6.9	7.5	7.7	10.8	4.6	1.9
Madagascar	1.4	1.7	2.4	1.8	2.2	2.1
Mauritius	0.9	1.0	1.3	1.5	2.2	2.1
Réunion	3.6	2.1	9.8	2.0	1.6	1.1
South Africa	10.6	9.0	9.7	9.0	9.4	17.6
Asia	30.8	30.7	21.4	28.0	22.8	20.1
<i>Of which</i>						
China	0.3	0.0	0.2	1.1	0.2	1.3
Japan	0.1	3.8	4.1	0.7	0.2	0.1
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0
Pakistan	10.1	12.1	0.1	13.7	0.4	0.0
Saudi Arabia	2.4	1.0	0.9	1.2	0.5	0.2
Singapore	1.2	1.9	0.3	0.6	0.6	0.6
Thailand	0.0	0.0	0.1	0.2	0.2	0.4
Vietnam	5.0	0.0	3.2	0.0	0.0	0.0
United States	0.1	0.4	0.2	0.3	0.0	0.0
Rest of the world	0.1	0.1	0.3	0.2	9.9	16.4

Source: General Directorate of Customs.

Table 34. Comoros: External Debt Outstanding by Creditors, 1997-2002  
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001 1/	2002
Multilateral loans	131.5	134.2	123.9	120.8	183.3	140.5
International Development Association	64.1	68.6	65.6	70.6	79.0	86.3
International Fund for Agricultural Development	2.7	2.6	2.4	5.8	6.0	6.0
African Development Fund	37.1	35.5	33.0	1.7	39.3	33.8
African Development Bank	7.4	6.8	5.9	34.6	13.8	4.7
Arab Bank for Economic Development in Africa	3.0	3.1	1.9	0.7	24.9	0.1
International Monetary Fund	2.9	2.7	2.6	1.5	0.8	1.6
Islamic Development Bank	8.5	8.6	8.2	4.8	10.9	6.9
Organization of Petroleum Exporting Countries Special Fund	1.9	2.0	1.5	0.2	6.4	0.2
Arab Fund for Economic and Social Development	3.9	4.2	2.8	...	...	...
European Development Fund/European Investment Bank	...	...	...	0.9	2.1	0.9
Bilateral loans	28.0	27.1	21.1	20.1	42.8	29.1
Abu Dhabi	0.6	0.7	0.6	...	...	...
China	0.5	0.7	0.5	2.7	4.0	1.2
France	...	...	...	2.4	3.1	2.1
Kuwait	18.6	18.2	14.9	13.4	20.1	18.4
Saudi Arabia	8.2	7.5	5.0	1.6	15.6	7.4
Total 2/	159.5	161.3	145.0	140.9	143.9	169.6
Arrears						
Principal	30.4	37.6	40.0	57.1	...	49.8
Interest	9.3	11.1	12.0	26.6	...	21.8
Total arrears	39.7	48.7	52.0	83.7	83.3	71.6
Stock of debt	199.1	210.0	197.0	224.6	227.2	241.2

Source: Ministry of Finance.

1/ Detail of arrears in total debt not available.

2/ Disbursed, outstanding, and not yet due.

Table 35. Comoros: External Debt Payments Arrears by Creditors, 1997-2002  
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002
Multilateral creditors	30.0	34.6	35.9	54.5	51.2	49.8
International Development Association	0.2	0.1	0.7	0.0	0.0	0.0
International Monetary Fund	0.0	0.0	0.0	0.0	0.0	0.0
African Development Bank Group	7.4	8.6	9.5	15.5	19.8	20.1
<i>Of which:</i> African Development Fund	2.4	2.9	3.2	3.9	13.8	5.9
Arab Bank for Economic Development in Africa	8.5	10.1	10.0	24.4	11.1	25.1
International Fund for Agricultural Development	0.0	0.0	0.1	0.0	0.0	0.0
OPEC Special Fund	3.1	3.4	3.2	3.4	3.6	4.6
Islamic Development Bank	0.7	0.6	0.6	11.2	2.9	0.1
Arab Fund for Economic and Social Development	7.8	9.0	8.7	....	....	....
Bilateral creditors	9.7	14.1	16.2	29.2	32.1	21.4
France	0.0	0.0	0.0	0.3	1.0	0.5
China	1.2	1.3	1.2	3.6	1.8	0.0
Kuwait	3.6	5.3	6.3	10.1	12.7	5.5
Saudi Arabia	4.9	7.5	8.7	14.1	15.5	14.1
United Arab Emirates	0.0	0.0	0.0	1.1	1.1	1.3
Total	39.7	48.7	52.0	83.7	83.3	71.2
Principal	30.4	37.6	40.0	57.1	....	49.8
Interest	9.3	11.1	12.0	26.6	....	21.5

Sources: For 1997-1999 and 2002, Ministry of Finance; for 2000 and 2001, Comorian authorities, creditor records, and Fund staff estimates.

Table 36. Comoros: External Debt-Service Payments by Creditors, 1997-2002  
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002
Principal due	9.51	8.79	9.71	5.44	4.19	4.08
<i>Of which:</i> paid	0.89	0.57	1.18	0.86	1.46	2.21
Multilateral creditors	4.21	4.04	5.00	3.36	3.47	3.36
International Development Association	0.47	0.45	0.58	0.60	0.47	0.92
International Monetary Fund	0.25	0.24	0.43	0.32	0.35	0.35
African Development Bank	0.69	0.68	1.05	1.20	1.27	0.93
<i>Of which:</i> African Development Fund	0.26	0.28	0.47	0.53	0.60	0.60
Arab Bank for Economic Development in Africa	0.72	0.70	0.78	....	0.13	....
International Fund for Agricultural Development	0.06	0.06	0.06	0.06	0.06	0.04
Organization of Petroleum Exporting Countries Special Fund	0.29	0.23	0.06	0.16	0.16	0.09
Islamic Development Bank	0.76	0.73	0.84	0.43	0.43	0.43
Arab Fund for Economic and Social Development	0.72	0.67	0.71	....	....	....
Bilateral creditors	5.30	4.75	4.71	2.08	0.72	0.72
France	0.00	0.00	0.00	....	....	....
Belgium	0.00	0.00	0.00	....	....	....
China	0.03	0.03	0.03	....	....	....
Kuwait	1.48	1.49	1.75	0.72	0.72	0.72
Saudi Arabia	3.71	3.23	2.93	1.36	....	....
United Arab Emirates	0.08	0.00	0.00	....	....	....
Interest due	2.26	2.18	2.12	2.29	2.08	2.14
<i>Of which:</i> paid	0.55	0.16	0.97	0.56	0.79	0.60
Multilateral creditors	1.98	1.95	1.91	2.29	2.09	2.14
International Development Association	0.51	0.52	0.56	0.58	0.47	0.54
International Monetary Fund	0.01	0.01	0.01	0.07	0.06	0.04
African Development Bank	0.68	0.67	0.52	0.86	0.82	0.82
<i>Of which:</i> African Development Fund	0.29	0.28	0.29	0.35	0.30	0.30
Arab Bank for Economic Development in Africa	0.37	0.34	0.37	0.36	0.36	0.36
International Fund for Agricultural Development	0.04	0.05	0.06	0.05	0.05	0.06
OPEC Special Fund	0.02	0.02	0.06	0.02	0.02	0.02
Islamic Development Bank	0.03	0.03	0.03	0.00	....	....
Arab Fund for Economic and Social Development	0.03	0.02	0.02	....	....	....
Bilateral creditors	0.28	0.23	0.21	0.51	0.51	0.51
France	0.00	0.00	0.00	....	....	....
China	0.01	0.01	0.01	0.01	0.01	0.01
Kuwait	0.17	0.15	0.15	0.21	0.21	0.21
Saudi Arabia	0.11	0.07	0.05	0.18	0.18	0.18
United Arab Emirates	0.00	0.00	0.00	0.02	0.02	0.02
Total debt service due	11.78	10.97	11.83	7.73	6.27	6.22
<i>Of which:</i> paid	1.44	0.74	2.15	1.42	2.25	2.81
Multilateral creditors	6.19	5.99	6.91	5.59	5.55	5.46
International Development Association	0.98	0.97	1.14	1.18	0.94	1.42
International Monetary Fund	0.26	0.26	0.44	0.39	0.41	0.39
African Development Bank	1.37	1.35	1.57	2.06	2.09	1.75
<i>Of which:</i> African Development Fund	0.55	0.57	0.76	0.88	0.90	0.90
Arab Bank for Economic Development in Africa	1.09	1.04	1.15	0.36	0.49	0.36
International Fund for Agricultural Development	0.10	0.11	0.13	0.11	0.11	0.10
OPEC Special Fund	0.31	0.24	0.13	0.18	0.18	0.11
Islamic Development Bank 1/	0.79	0.76	0.87	0.43	0.43	0.43
Arab Fund for Economic and Social Development	0.75	0.69	0.73	....	....	....
Bilateral creditors	5.59	4.98	4.91	2.50	1.14	1.14
France	0.00	0.00	0.00	....	....	....
Belgium	0.00	0.00	0.00	....	....	....
China	0.04	0.04	0.04	0.01	0.01	0.01
Kuwait	1.65	1.64	1.90	0.93	0.93	0.93
Saudi Arabia	3.82	3.31	2.98	1.54	0.18	0.18
United Arab Emirates	0.08	0.00	0.00	0.02	0.02	0.02

Source: Ministry of Finance.