FOR
AGENDA

SM/86/98

CONTAINS CONFIDENTIAL
INFORMATION

May 9, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Comoros - Staff Report for the 1986 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1986 Article IV consultation with Comoros, which will be brought to the agenda for discussion on a date to be announced. A draft decision appears on page 21.

Mr. Kimaro (ext. 8517) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

COMOROS

Staff Report for the 1986 Article IV Consultation

Prepared by the Staff Representatives for the 1986 Consultation with the Comoros

Approved by G. E. Gondwe and Edward Brau

May 9, 1986

I. Introduction

The 1986 Article IV consultation discussions with the Comoros were held in Moroni during February 22-March 8, 1986. The representatives of the Comoros included Mr. Said Ahmed Said Ali, the Minister of Finance, and other ministers; Mr. Mohamed Halifa, Director General of the Central Bank of the Comoros; and senior government officials. The staff representatives were Messrs. S. Kimaro (head), Buu Hoan, M. Dairi, R. Nord (all AFR), and Ms. B. Livsey-Coates (secretary-PAR). Missions from the French Ministry of Cooperation and the World Bank, which were in Moroni at the same time, provided opportunity for useful exchange of views on economic policies.

The Comoros continues to avail itself of the transitional arrangements of Article XIV. Summaries of the Comoros' relations with the Fund and with the World Bank Group, the basic data, and statistical issues are contained in the appendices. The Chairman's Summing Up of the Board's discussion on the last Article IV consultation with the Comoros called attention to the excessively large fiscal and external current account deficits, the escalation in the debt service burden, and the resurgence of domestic and external arrears. It also stressed the need for improving resource mobilization in the public and private sectors. As described below, there has been further deterioration on a number of these fronts, and the staff suggests corrective actions.

II. Background and Economic Developments (1984-85)

In recent years, the Comoros, 1/ with present GDP per capita of about SDR 265, has experienced modest economic expansion. The growth

1/ Officially known as the Federal Islamic Republic of the Comoros, the country comprises three islands: Grande Comore, Anjouan, and Moheli, which together, have a population of about 395,000, growing at a rate of 3.3 percent per annum. A fourth island of the Comoros archipelago, Mayotte, with a population of about 60,000, is still a French territory.

and diversification of export and other productive sectors have, however, been slow, and major structural imbalances, including large fiscal and external deficits, have persisted, with external debt service payments escalating.

1. Production and investment

Real GDP growth, which over the past years has mainly been induced by high levels of externally financed investment, slowed down from 5.5 percent in 1981 to about 3 percent in 1984-85 (Table 1). The bulk of the investment has been directed at improving the country's international and inter-island transport links; at creating institutional and other infrastructure needed to raise the extremely low levels of productivity in the productive sectors; at lowering the high illiteracy rate; and at raising health and sanitation standards. Reflecting the emphasis on infrastructure, the realized growth was largely concentrated in construction, government, and other service sectors, which provided rising but limited employment opportunities. Meanwhile, activity in the productive sectors has remained sluggish, because of the long gestation period of the implemented projects and other problems. Specifically, the agricultural sector, employing about 80 percent of the population, has expanded slowly, reflecting a shortage of arable land and deteriorating soil conditions owing to erosion and poor crop husbandry. A land tenure system, which does not provide ownership rights to many tenants, has also discouraged investment in land improvements. In the face of these constraints, a moderate increase in the production of maize, root crops, and other foodstuffs has been achieved partly through diversion of acreage from the traditional agricultural exports (vanilla, cloves, and perfume essence); accordingly, output of the latter has tended to stagnate. There has been no appreciable expansion in fishing, which holds substantial growth potential. Also, performance in the tourism sector, where bed capacity has doubled following the opening of a new international hotel in 1983, has been weak, and the occupancy rate is estimated at 25 percent, well below the break-even point.

Gross investment, which, in relation to GDP, averaged about 26 percent in 1981-83, surged to 40 percent in 1984, as road and port construction and the implementation of other projects under the Interim Plan (1983-86) peaked. Since then, activity on these projects has tapered off, resulting in a decline of investment to 27 percent of GDP in 1985. The bulk of investment was undertaken by the public sector (which accounts for about one fifth of GDP), the savings rate of which has been negative, and was financed through foreign grants and highly concessional loans. Since 1981, private savings have averaged about 15 percent of GDP, and have been the primary source of financing for residential construction and small-scale investments in the service sector and light manufacturing. To bolster incentives for private savings and investment, the investment code was revised in 1984, to enable enterprises of all sizes to qualify readily for fiscal concessions. Thus far, 14 projects, with planned investment equivalent

Table 1. Comoros: Selected Economic and Financial Indicators, 1981-86

	1981	1982	1983	1984	1 E
	(Annual percentage change, unless otherwise s				
National income					
GDP at constant prices	5.5	4.1	3.5	3.1	
GDP at current prices	12.3	19.7	12.3	9.3	
Prices					
Consumer prices (low income)	19	34	6	5	
GDP deflator	6.5	15.0	8.4	6.1	
Government finance					
Total revenue	34.4	12.6	51.0	3.2	-
Total expenditure 1/	10.4	28.7	21.5	49.3	-
Grants	23.3	-2.0	20.7	78.7	-
Money and credit					
Domestic credit 2/	7.3	-9.3	18.6	29.5	-2
Government (net)	(6.8)	(-6.6)	(-0.8)	(3.9)	(
Private sector	(0.5)	(-2.7)	(19.4)	(25.6)	(-1
Money and quasi-money	14.8	19.8	42.7	-13.9	1
External sector (on SDR basis)					
Exports, f.o.b.	61.9	27.4	2.7	-58.9	10
Imports, f.o.b.	22.8	7.7	10.0	27.3	-
Real effective exchange rate (index 1980 = 100)	101.8	120.3	115.8	112.2	1
	(In percent of GDP)				
Investment	26	22	29	40	
Consumption	103	103	98	119	
Resource gap	29	25	26	59	
Total government revenue	12	12	15	15	
Total government expenditure 1/	45	49	52	72	
Grants	22	18	19	31	
Overall government deficit 1/					
Including grants	11	19	18	26	
Excluding grants	33	37	37	57	
External current account deficit					
Including official transfers	7	10	10	31	
Excluding official transfers	29	28	29	63	
External public debt (disbursed)	44	62	81	106	
	(In millions of SDRs, unless otherwise spec				
Overall balance of payments surplus or deficit (-)	2.1	3.1	1.5	-7.1	
Gross foreign reserves (months of imports)	3.1	4.0	3.6	1.1	
External debt service as percent of exports of goods	3.0	3.9	5.7	33.3	

Sources: Data provided by the Comorian authorities; and staff estimates.

1/ Payment order basis.
2/ As a percent of money and quasi-money at the beginning of period.

of arrears (Table 2). Despite a substantial decline in export duties, total revenue rose by over 3 percent in 1984, owing mainly to higher receipts from import duties. Meanwhile, budgetary expenditure increased by about 9 percent, reflecting an expansion of almost 17 percent in wages and salaries because of new hiring, and a general increase (the first since 1971) in salaries of about 10 percent awarded to all government employees in October 1984. Meanwhile, investment financed out of foreign loans also increased by nearly three fourths, resulting in a sharp widening of the overall deficit.

In 1985 the overall budgetary deficit declined but remained large, as total budgetary revenue fell by about 7 percent, and budgetary expenditure rose by nearly 15 percent, leading to a continued buildup of arrears. The fall in revenue is partly attributable to a decline in the value of taxable imports, including petroleum products and rice, but an equally important factor was the loss of revenue owing to increased smuggling, tax evasion, and the non-surrender to the Treasury of substantial amounts of withheld taxes. Budgetary expenditure was boosted by a rise in the wage bill of 21 percent, owing to the full-year impact of the preceding year's wage award, a reclassification of government employees, and new hirings (about 850 persons). Meanwhile, expenditure on goods and services rose by about 26 percent, mostly reflecting increased outlays for electricity, housing allowances, and foreign travel. However, as foreign-financed extrabudgetary outlays declined, the overall deficit fell.

Virtually all the public enterprises (13) have experienced low or negative financial returns, serious problems of liquidity, and cross debts among themselves and vis-à-vis the Treasury. In more recent years, some corrective measures have been implemented, including price adjustments (for meat, rice, petroleum products, and electricity); utilization of technical assistance to strengthen management (Electricity Corporation); and some attempt to limit employment. More realistic budgetary provisions, now under the direct supervision of the Ministry of Finance, have also permitted prompt settlement for utilities, thus improving the liquidity position of the respective enterprises. Even so, the economic and financial performance of the enterprises remains troublesome. Inadequate procurement and pricing policies have resulted in high domestic prices of petroleum products. Tax exemptions granted to the Electricity Corporation, partly to offset the high cost of fuel oil, distort the pricing of energy. Problems of the cross debts continue to be a serious problem for some of the enterprises. Recently established entities, notably COMOTEL, which owns a chain of hotels, and the National Office for Port Management, which is to manage the newly developed port of Mutsamudu, have started off with substantial operating losses. Moreover, a significant number of enterprises cannot meet their external debt service obligations, and financial accounts of most enterprises are neither audited nor presented systematically.

Table 2. Comoros: Government Operations, 1981-86 1/

	1981	1982	1983	1984	1985 Prov.	1986 Est. 2/
	(In millions of Comorian francs)					
Total revenue and grants	10,215	10,541	13,967	20,273	19,018	18,160
Total revenue	3,650	4,109	6,205	6,401	5,968	6,437
Tax revenue	3,160	3,799	5,150	5,503	5,481	5,940
Nontax revenue	490	311	1,055	898	487	497
External grants	6,565	6,432	7,762	13,872	13,050	11,723
Budgetary grants	863	680	1,020	1,667	2,552	1,735
Extrabudgetary grants	5,702	5,752	6,742	12,205	10,498	9,988
Total expenditure and net lending (payment order basis)	13,527	17,410	21,147	31,573	28,652	26,962
Current expenditure	4,009	5,751	7,206	7,671	9,136	9,494
Capital expenditure	502	358	830	1,007	625	415
Net lending	349	124	--	91	305	208
Extrabudgetary expenditure 3/	8,667	11,177	13,111	22,804	18,587	16,845
Financed by grants	(5,702)	(5,752)	(6,742)	(12,205)	(10,498)	(9,988)
Financed by loans	(2,965)	(5,425)	(6,369)	(10,599)	(8,089)	(6,857)
Overall deficit (payment order basis) 4/	-3,311	-6,869	-7,180	-11,300	-9,634	-8,801
Adjustment 5/	-123	-24	15	388	309	--
Overall deficit (cash basis)	-3,434	-6,893	-7,165	-10,912	-9,325	-8,801
Foreign financing (net)	3,088	5,462	6,571	10,554	8,383	5,810
Drawing	3,088	5,468	6,632	10,899	8,470	7,065
Amortization	--	-7	-61	-345	-87	-1,254
Domestic financing (net)	347	1,431	593	358	942	441
Banking system	285	-321	-45	321	487	441
Of which: Central Bank	(6)	(-40)	(68)	(288)	(157)	(...)
Other	62	1,752	638	37	455	--
Financing gap	--	--	--	--	--	2,550
Memorandum items:						
Change in arrears 6/	388	60	60	730	525	--
	(As percent of GDP)					
Revenues and grants	34.0	29.5	34.6	45.9	39.9	35.6
Total expenditure and net lending (payment order basis)	45.0	48.8	52.4	71.5	60.1	52.8
Overall government deficit (payment order basis) 4/						
Including grants	-11.0	-19.2	-17.8	-25.6	-20.2	-17.2
Excluding grants	-32.9	-37.3	-37.0	-57.0	-47.6	-40.2
Domestic financing	1.2	4.0	1.5	0.8	2.0	0.9
Net foreign financing	10.3	15.3	16.3	23.9	17.6	11.4

Sources: Data provided by the Comorian authorities; and staff estimates.

1/ Includes the Federal Government, the annexed budgets, the Governorates, and extrabudgetary operations.
2/ Staff estimates.
3/ Consists primarily of foreign-financed investment expenditure, technical assistance, and other project-related recurrent expenditure. In 1986 the investment expenditure was integrated into the budgetary process for the first time.
4/ Does not include budgetary expenditure due but for which payment orders have not been issued. Includes accumulated arrears of CF 466 million on debt service; arrears on postal debt amounting to CF 626 million; and unpaid contributions to international organizations totaling about CF 1.3 billion at end-1985.
5/ Corresponds to the change in outstanding payment orders.
6/ Excluding unpaid contributions to international organizations.

3. Monetary and credit developments

The establishment in 1982 of a new commercial bank, Banque Internationale des Comores (BIC), 1/ contributed to a resumption of orderly monetary and credit expansion. In 1984 and 1985 the monetary aggregates fluctuated sharply because of various developments in the export sector. Specifically, in 1984 the sharp decline in vanilla exports, for reasons cited below, was accompanied by large financing requirements for stocks of vanilla in the private sector. Thus, with statutory central bank advances to Government also rising, total domestic credit that year expanded by 47 percent (Table 3). Meanwhile, net foreign assets of the banking system fell by nearly 70 percent, while broad money also declined by 14 percent. In 1985 there was a slow unwinding of the credit that had been tied up in vanilla stocks in 1984. This, coupled with the BIC's decision not to finance the 1985 vanilla crop 2/ until the preceding year's stock had been exported, resulted in net domestic credit at end-1985 being 27 percent below the year-end level in 1984. Thus, as exports rebounded in 1985, the banking system's net foreign assets position improved. Moreover, broad money rose at a much faster pace (14.6 percent) than GDP, with quasi-money and sight deposits registering a stronger recovery.

Deposit and lending interest rates are set freely by the BIC and the Development Bank; nevertheless, the Central Bank fixes the rediscount rates and the spread on lending rates for rediscountable credit. Since 1982, domestic interest rates have generally been positive in real terms. The BIC, whose monopoly position has been guaranteed by the Government until 1987, extends mainly short-term trade credit; there is no institution to provide consumer credit.

4. The external sector

Although external grants have been substantial, averaging over 20 percent of GDP, large current account deficits have been registered over the past years, owing to a generally slow expansion of exports, rapid growth of food and other imports, and increasing debt service obligations. However, increasing levels of foreign borrowing have generally more than financed the current account deficits, resulting in overall surpluses in all but one of the last five years. Even so, arrears on debt service payments and other overdue external obligations accumulated over the same period, owing to the nonavailability of local currency funds at the treasury level.

The external current account deficit, which, in relation to GDP, had averaged 9 percent (29 percent, excluding grants) between 1981 and 1983, widened to 31 percent (62 percent) in 1984 (Table 4). The marked

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1/ The BIC, the Comoros' only commercial bank, succeeded another bank, the Banque Commerciale des Comores, which failed in 1981.
2/ It seems that the crop was auto-financed by the farmers and the marketing agents.

Table 3. Comoros: Monetary Survey, 1981-86

	1981	1982	1983	1984	1985 Prov.	1986 Proj.
	(In millions of Comorian francs; end of period)					
Net foreign assets	2,350	4,224	4,794	1,621	5,313	3,692
Central Bank	2,255	3,471	4,262	1,598	4,350	...
Commercial banks	95	753	532	23	963	...
Net domestic credit	4,598	4,149	5,224	7,662	5,589	7,773
Net credit to the Government	869	548	503	824	1,311	1,752
Credit to the private sector	3,729	3,601	4,721	6,838	4,278	6,021
Of which: rediscounted	(1,203)	(471)	(174)	(2,499)	(3)	(...)
Money and quasi-money	4,830	5,786	8,259	7,111	8,150	8,965
Money	4,255	4,768	7,164	6,145	6,929	...
Currency in circulation	(1,988)	(2,434)	(3,427)	(3,142)	(3,484)	(...)
Demand deposits	(2,267)	(2,334)	(3,737)	(3,003)	(3,445)	(...)
Quasi-money	575	1,018	1,095	966	1,221	...
Other items (net)	2,118	2,587	1,759	2,172	2,752	2,500
	(Annual percentage change)					
Net foreign assets	58.1	97.7	13.5	-66.2	327.8	-31.5
Net domestic credit	7.2	-9.8	25.9	46.7	-27.1	39.1
Net credit to the Government	48.8	-36.9	-8.2	63.8	59.1	33.6
Credit to the private sector	0.7	-3.4	31.1	44.8	-37.4	40.7
Money and quasi-money	14.8	19.8	42.7	-13.9	14.6	10.0
	(Percentage change relative to money stock at the beginning of the period)					
Net foreign assets	20.5	38.8	9.9	-38.4	51.9	-19.9
Domestic credit	7.3	-9.3	18.6	29.5	-29.2	26.8
Net credit to the Government	(6.8)	(-6.6)	(-0.8)	(3.9)	(6.8)	(5.4)
Credit to the private sector	(0.5)	(-2.7)	(19.4)	(25.6)	(-36.0)	(21.4)
Money and quasi-money	14.8	19.8	42.7	-13.9	14.6	10.0
Other items (net)	13.1	9.7	-14.3	5.0	8.2	-3.1

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

Table 4. Comoros: Balance of Payments, 1981-86

(In thousands of SDRs)

	1981	1982	1983	1984	1985 Prov.	1986 1/ Proj.
Exports, f.o.b.	13,923	17,737	18,212	7,480	15,438	16,337
Imports, f.o.b.	-19,207	-20,692	-22,766	-28,983	-25,271	-28,140
Trade balance	-5,284	-2,955	-4,554	-21,503	-9,833	-11,802
Services (net)	-22,206	-22,246	-22,572	-37,578	-35,040	-34,783
Of which:						
freight and insurance	(-8,230)	(-8,867)	(-12,257)	(-12,420)	(-10,830)	(-12,060)
interest on external debt	(-421)	(-700)	(-1,041)	(-1,572)	(-1,934)	(-2,190)
Private transfers (net)	406	-2,178	-2,018	-1,920	-668	--
Current account balance (excluding grants)	-27,084	-27,379	-29,144	-61,002	-45,541	-46,585
Grants	20,177	17,453	18,809	30,673	28,230	28,248
Current account balance (including grants)	-6,907	-9,926	-10,335	-30,329	-17,311	-18,337
Direct investment	-265	-367	--	558	22	--
Medium and long-term borrowing	9,254	17,712	17,557	26,118	19,950	16,841
Gross borrowing	9,254	17,712	17,557	27,038	21,514	20,157
Amortization	--	--	--	-920	-1,564	-3,316
Suppliers' credits	2,531	-1,397	-2,582	-860	-241	-1,205
Errors and omissions (including short-term capital)	-2,544	-2,958	-3,110	-2,574	2,504	--
Overall balance	2,069	3,065	1,529	-7,087	4,924	-2,701
Financing	-2,069	-3,065	-1,529	7,087	-4,924	2,701
Monetary authorities	-3,277	-3,352	-1,942	5,948	-6,039	2,701
Foreign assets	-3,605	-3,396	-2,344	6,301	-6,028	--
Foreign liabilities	328	44	403	-353	-11	--
Accumulation of arrears	1,208	287	412	1,139	1,115	--
Contracted debt	--	--	--	860	984	--
Postal debt	1,208	287	412	279	131	--
Memorandum items:						
Current account balance including grants (in percent of GDP)	-7.4	-10.0	-10.4	-30.8	-16.6	-14.9
Current account balance excluding grants (in percent of GDP)	-28.9	-27.6	-29.4	-61.9	-43.6	-37.9
Stock of arrears (end of period)	1,157	1,324	1,508	2,487	4,041	4,195
Debt service ratio (In percent of exports of goods)	-3.0	-3.9	-5.7	-33.3	-22.7	-33.7
Exchange rate - CF/SDR (period average)	320.41	362.80	407.36	447.89	456.53	415.00
Gross official international reserves	7,204	9,819	10,520	3,776	10,890	...

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

1/ The impact of possible rescheduling of external debt in 1986 is not taken into account.

deterioration reflected a large increase in investment-related imports and payments for technical services, and a fall of 59 percent in export earnings, owing in part to a decline of 40 percent in the export price for cloves. Moreover, the shipment of vanilla declined by 85 percent, apparently because Comorian exporters decided to build up stocks in anticipation of a further rise in the value of the U.S. dollar, in which export prices for the crop are fixed. 1/ Thus, despite much higher drawings on foreign loans, the overall balance recorded a deficit of SDR 7 million (7.3 percent of GDP), mainly financed through a drawdown of nearly two thirds of gross official international reserves, to SDR 3.8 million at end-1984.

In 1985 the external position strengthened as vanilla exports picked up toward the end of the year, resulting in a normal shipment for the year as a whole, and export prices for the crop increased. Thus, notwithstanding a decline of 28 percent in the export price for cloves, export receipts in 1985 more than doubled. Import payments, however, fell by 13 percent, reflecting lower import volumes for rice, petroleum products, and investment-related goods. These developments, coupled with continued large inflows of grants, notably under STABEX, resulted in a substantial decline of the current account deficit to about 17 percent of GDP (44 percent, excluding grants). Thus, despite lower drawings on foreign loans, there was an overall balance of payments surplus of nearly SDR 5 million, permitting a buildup of gross international reserves to SDR 10.9 million at end-1985, equivalent to about 3.5 months of that year's imports (c.i.f).

Total disbursed external debt, which at end-1981 amounted to about SDR 41 million (44 percent of GDP), increased rapidly, reaching SDR 118 million (113 percent) at end-1985. About four fifths of the debt outstanding on the latter date was on highly concessional terms, with an average interest rate of 1.9 percent, grace period of nearly 8 years, and repayment period of over 30 years. The remainder of the debt, acquired mostly since 1981 to finance the Mutsamudu port project, was contracted on less favorable terms: an average interest rate of 3 percent, grace period of 6 years, and repayment period of 21 years. With the commencement of amortization payments on the debts acquired soon after independence, in 1975, debt service obligations in relation to merchandise exports have also increased rapidly, from about 4 percent in 1981-83, to about 23 percent in 1985.

Since the early 1980s, the Comoros has accumulated a variety of overdue external obligations. Specifically, the Comoros has built up unsettled postal transfers to France, estimated at over SDR 2 million, and unmet contributions to international organizations, valued at some

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1/ The three-year agreement negotiated for 1984-87 fixed a price of US$69.50 per kilogram for the Comoros and US$70 per kilogram for Madagascar.

SDR 3 million by end-1985. Starting in 1984, arrears on official external debt service payments, mostly amortization payments to the Saudi Fund, have also accumulated, reaching SDR 1.8 million at end-1985.

The Comorian franc (CF) is pegged to the French franc, the intervention currency, at CF 50 = F 1. During the five-year period ended in 1985, the real effective exchange rate is roughly estimated to have appreciated by about 13 percent. Certain imports are subject to licensing. Except for some restrictions on travel allocations, the exchange system is free of restrictions on payments and transfers for current international transactions. Capital transfers to all but a few countries require exchange control approval.

III. Economic Prospects and Policy Discussions

1. Economic prospects in 1986

Real GDP growth and employment prospects in 1986 are expected to be weaker than in the preceding years, owing to the winding down of major investment projects. Meanwhile, domestic inflation is anticipated to abate further, aided by effective appreciation of the exchange rate for the Comorian franc and lower world-wide inflation. The financial weaknesses in the fiscal and external fields are expected to persist, notwithstanding adjustment introduced in the context of the 1986 budget. Specifically, the budget envisages rate increases of 50-67 percent in the turnover tax on nonessential goods, 50 percent in the tax on net income and profits, and approximately 30 percent in the tax on business licenses. The staff estimates that, together with underlying growth in the tax base, all revenue measures, including some intended to strengthen collection, will yield an increase of about 8 percent in revenue. Foreign grants, however, are projected to decline by 10 percent.

On the expenditure side, employment in certain ministries has been reduced by about 350 persons (5 percent of total government employment); approximately 100 housing allowances were to be canceled by end-March 1986; no new scholarships are to be awarded for studies abroad until 1987; and steps have been taken to trim appropriations for fuel and foreign travel. Meanwhile, ministerial appropriations for telephone, electricity, and other utilities were increased to more realistic levels, and debt service payments were budgeted to rise further. Thus, budgetary expenditure, excluding foreign-financed outlays, is projected to increase slightly. Including these outlays, which have been integrated into the budgetary process for the first time in 1986, total expenditure is, however, likely to decline by 6 percent, resulting in a fall in the overall budgetary deficit, to the equivalent of approximately 17 percent of GDP (40 percent, excluding grants). Presently identified foreign and domestic sources of financing imply an unfinanced gap equivalent to about 5 percent of GDP.

External performance is also likely to weaken in 1986. Despite a fall in the price of vanilla and a cyclical decline in the output of cloves, exports are projected to rise by 6 percent in SDR terms, due to a modest expansion in exports of perfume essence and the minor exports, and to a projected weakening of the SDR vis-à-vis the Comorian franc. Imports, however, are likely to rise by over 11 percent, with rice and other food items and petroleum products, which were unusually low in 1985, regaining their normal levels. These developments, together with some improvement in the service accounts, should result in a slight decline in the current account deficit to 15 percent of GDP (38 percent, excluding grants). However, net capital inflow is expected to decline because of substantial amortization payments and lower capital inflows, resulting in an overall deficit, estimated at nearly SDR 3 million.

2. Policy discussions

The discussions focused on needed policy responses in the face of continued large fiscal and external imbalances. Particular emphasis was placed on the reorientation of the overall strategy of investment and development required to strengthen the prospects for growth, employment, and the balance of payments, and on demand management policies that would permit a substantial reduction of the financial imbalances.

a. Strategy for investment and development

The escalation of the external debt burden to an unsustainable level underscores the need to scale down the excessively high level of investment and to accelerate the growth of the productive sectors, including export and import-substituting industries. In particular, the staff pointed out that there was a need to reduce the fiscal deficit and recourse to foreign borrowing; to raise overall productivity of investment; and to strengthen mobilization of domestic savings and foreign private investment. These views are shared by the staff of the World Bank.

The Comorian representatives were in broad agreement with the views of the staff, but stressed that the country's development still required investment in basic infrastructure, the financing of which would inevitably entail continued, though reduced, borrowing. The scaled-down investment program for 1986, for instance, includes loan-financed provision of storage and loading facilities for the port of Mutsamudu, construction of a storage shed at the country's only international airport, improvements in telephone links, and various projects (largely grant-financed) aimed at raising agricultural output. The authorities also indicated that, in due course, additional investment would be needed to improve the ports on the other islands, thus enabling the Comoros to benefit fully from the port of Mutsamudu. The mission acknowledged that further investments in infrastructure would be unavoidable, but stressed that in the present circumstances, such investment should be undertaken only after thorough technical and financial studies, including a careful assessment of the impact of the projects on the country's internal and external economic position.

The authorities affirmed their intention to continue to encourage private investment. In their view, the revised investment code, coupled with attractive interest rates and the maintenance of a fairly liberal system of trade and payments, including unrestricted transfer of profits, should provide strong incentives for private savings and investment. In this context, they were also examining financial and other incentives to encourage Comorians working abroad to invest at home. Nonetheless, the authorities stressed that an expanding role for the private sector would need to be supported by government investment in strategic infrastructure, the financing of which would require substantial improvement in public finances and strong international support in the form of grants, to reduce reliance on loans.

Commenting specifically on agricultural prospects, the Comorian representatives expressed satisfaction that the federal agricultural promotion agency (CEFADER) and its regional counterparts (CADERs) were proving effective in providing extension services. In particular, progress was being made in encouraging the use of improved seed varieties, implements, crop rotation, and terracing; emphasis was being placed on quality control, especially during the harvesting and processing of export crops; and efforts in applied research were expected to pave the way for greater use of fertilizers and possible changes in the cropping patterns. To bolster investment in land improvement, the Comorian representatives also foresaw a need for a land reform that would bestow ownership titles on a larger number of those cultivating the land. However, it was emphasized that such a reform was likely to take a long time; to this end, a land use survey was being planned.

The Comorian representatives noted that some projects in the fishing sector which had not yielded the intended results had been scrapped, and that they were in the initial stages of evolving new development projects that would expand the use of motorized fishing boats and improve landing and conservation facilities. Concerning tourism, the authorities believed that the Comoros had substantial potential, and explained that the low occupancy rates for the hotels was largely due to prohibitively high transport fares from Europe. The Comorian representatives intended to renegotiate these fares with the concerned airline, and to explore alternative options with charter airlines. Moreover, they were also in the process of establishing a tour operating company in the Comoros. Technical assistance had also been obtained through the United Nations Development Program (UNDP), to help develop promotional material on tourism in the country.

b. Public finances

The authorities stated that their immediate aim in the budgetary field was to reduce the unfinanced gap (5 percent of GDP) in 1986 and to eliminate all overdue obligations, which at end-1985 were estimated at about CF 2.3 billion (4.8 percent of GDP). In pursuit of their budgetary aim, the authorities stated that they would examine the scope for a further cutback in redundant employment in certain ministries. In an attempt to reduce subscriptions to international organizations, they intended to review the need for membership in such entities. They also said that they would be reviewing the country's relatively large technical assistance program, especially since the obligation to provide matching budgetary funding for housing had become onerous. Moreover, the authorities indicated that they would approach their principal bilateral donors for debt relief. On the revenue side, the authorities were planning to restructure the revenue collecting agencies, namely, the Inland Revenue Office (AGI), the Treasury, and the Customs Department, to ensure effective supervision by the Ministry of Finance. This would involve, as a minimum, reviewing the status of the AGI, which thus far has had an autonomous budget, permitting an inflated payroll without a corresponding impact on revenue collection. Moreover, the Government was pursuing discussions with French customs authorities on the exchange of information that would assist in checking revenue loss resulting from fraudulent practices of key importers.

The staff noted that the attainment of the authorities' budgetary aim, which would require a further reduction of 10 percentage points in the overall deficit (17 percent, including grants) estimated by the staff for 1986, would require more far-reaching measures than those currently being contemplated. In particular, the staff proposed that the authorities strengthen enforcement of tax collection through legal actions and stiffer penalties, and that tax assessment be improved through technical assistance, if necessary. The staff also recommended that the authorities curtail tax exemptions on government contracts. Moreover, increases in certain tax rates, including upward adjustments in the consumption duty on rice and finished consumer products, were proposed; but it was pointed out that this should be accompanied by serious efforts to discourage tax evasion, so as to avoid increasing the regressivity of the tax system and to foster tax compliance. On the expenditure side, the staff recommended (1) intensified efforts to reduce waste and redundant employment; (2) an across-the-board reduction of 10 percent in budgetary appropriation for all ministries in 1986; and (3) a reinforcement of budgetary expenditure control. The staff urged that all the additional measures, including those recommended by the staff, be implemented promptly in order to avoid substantial slippage in budgetary performance in 1986. The authorities stated that they would seriously re-examine the scope for further action along the lines proposed by the staff.

Concerning the public enterprises, the authorities pointed out that, as a result of measures taken thus far, the performance of some of the enterprises, especially the Electricity Corporation and the meat- and petroleum-importing agencies, had improved in 1985. Further progress was anticipated in 1986 because of additional steps taken recently. Specifically, salaries and fringe benefits of certain high-ranking officials were cut by up to 50 percent, and nearly one fifth of the 480 persons employed by the postal system were fired in March 1986. Also, discussions on the rescheduling of the overdue debt of the postal system were in progress. Moreover, in February 1986 a colloquium on public enterprises culminated in the adoption of a charter defining responsibilities and obligations between the enterprises and the Government, and calling on individual entities to elaborate rehabilitation programs. The staff supported these steps, and suggested that the preparation of the programs be reinforced by comprehensive audits and reviews of the operations of each entity, possibly with technical assistance from the World Bank, the UNDP, and France. The staff also stressed the need for prompt development of a uniform accounting system for the enterprises.

c. Monetary and credit policies

The Comorian representatives explained that the monopoly position granted to the country's only commercial bank (valid until 1987) had enabled it to consolidate its position and to contribute to the restoration of confidence in the financial system. They noted, however, that the bank had concentrated almost exclusively on short-term trade financing, and that there was no institution providing consumer credit. Moreover, interest rates on certain trade credits, notably those for petroleum imports (15 percent), were rather high. The Comorian representatives stated that over the coming years efforts would be made to strengthen competition in the banking sector by encouraging other private banks to locate in the Comoros.

The authorities agreed with the staff that there is a need to redirect the domestic financial system toward the financing of investment and other nontrade activities. In this connection, they were of the view that stronger competition in the banking sector would play a major role, but they stated that they would also be exploring other steps.

d. The external sector

Concerning the fundamental weakness of the external position, the Comorian representatives were hopeful that ongoing efforts in the agricultural sector would result in increased production of the traditional exports and declining reliance on food imports. They noted, however, that export earnings were not expected to grow substantially because of a secular weakening in prices due to stiffer competition from synthetic vanilla and perfume essences and a global oversupply of cloves. Given the high rate of population growth (3.3 percent) and the acute scarcity of arable land, they also did not anticipate a rapid reduction in food imports. According to the Comorian representatives, these circumstances underscored the need to harness the potential of the tourism sector and to intensify efforts in the fishing sector, so as to supply domestic requirements and generate an export surplus.

The Comorian representatives were of the view that the investments in port facilities would strengthen the balance of payments. In particular, they explained that payments for freight and insurance, which account for about 44 percent of the cost of imports (f.o.b.) because of substantial pilferage and losses associated with unloading on the high seas and in third countries, should decline in the years ahead. They were also optimistic that their outward-looking policies, coupled with planned improvement in basic infrastructure, would result in larger private capital inflows.

The authorities were quite aware of the past policy mistakes that led to escalation of debt service payments to an unsustainable level. They agreed with the staff that given the prospect of a continued increase in the debt service burden, described below, and of likely slow responses on the supply side, tighter demand management, through continuing improvement in the public finances and reduced external borrowing, would constitute necessary initial steps toward the restoration of external balance. Pending the full impact of the adjustment efforts being envisaged in the various fields, the authorities hoped that they would be able to benefit from bilateral debt relief and other international assistance, on terms suitable to the Comoros' circumstances.

IV. Medium-Term Prospects

The staff prepared a balance of payments scenario (Table 5), the principal implications of which were discussed with the authorities. The scenario is based on the assumption that the adjustment measures that the authorities have just initiated will be reinforced over the coming months and continued. In particular, the overall budgetary deficit is assumed to decline by about 10 percentage points, to 7 percent of GDP (30 percent, excluding grants) by 1987, and to fall further by about 3 percentage points over the remainder of the projection period. Moreover, increasing effectiveness of the CEFADER and CADERs in providing extension services is expected to bolster yields in agriculture. In the scenario, the growth of real GDP during 1986-91 averages 3 percent a year, which is comparable to that achieved in 1984-85 and lower than the projected population growth. The ratio of investment over the forecast period is, however, expected to decline by about 10 percentage points to 18 percent of GDP in 1991, implying increasing productivity of existing plants and infrastructure due to the above-described reorientation of investment priorities. Domestic savings in relation to GDP are expected to increase over the same time horizon, because of improvement in public finances. Moreover, domestic savings, together with a generally flat nominal inflow of foreign grants, are assumed to finance a rising share of investment.

Table 5. Comoros: Medium-Term Scenario, 1985-91

	1985	1986	1987	1988	1989	1990	1991
			(In thousands of SDRs)				
Exports, f.o.b.	15,438	16,337	16,827	17,332	17,852	18,388	18,939
Imports, f.o.b.	-25,271	-28,140	-27,055	-27,579	-28,054	-28,539	-29,037
Food	-10,150	-12,244	-12,550	-12,864	-13,121	-13,384	-13,651
Finished products	-5,790	-6,816	-7,020	-7,231	-7,448	-7,671	-7,901
Other	-9,331	-9,080	-7,484	-7,484	-7,484	-7,484	-7,484
Trade balance	-9,833	-11,802	-10,227	-10,247	-10,201	-10,152	-10,098
Net services and private transfers	-35,708	-34,783	-31,624	-32,159	-32,058	-31,612	-31,505
Of which: freight and insurance	(-10,830)	(-12,060)	(-11,607)	(-11,832)	(-12,035)	(-11,416)	(-11,615)
interest on external debt	(-1,934)	(-2,190)	(-2,503)	(-2,794)	(-3,004)	(-3,189)	(-3,380)
Current account balance (excluding grants)	-45,541	-46,585	-41,851	-42,406	-42,259	-41,763	-41,603
Grants	28,230	28,248	30,857	30,857	30,857	30,857	30,857
Current account balance (including grants)	-17,311	-18,337	-10,994	-11,549	-11,402	-10,906	-10,745
Capital inflows, including errors and omissions (net)	22,235	15,636	9,046	8,856	8,167	7,823	7,682
Of which: gross borrowing	(21,514)	(20,157)	(14,357)	(14,357)	(14,357)	(14,357)	(14,357)
amortization	(-1,564)	(-3,316)	(-5,311)	(-5,502)	(-6,191)	(-6,534)	(-6,675)
Overall balance	4,924	-2,701	-1,948	-2,693	-3,235	-3,083	-3,063
Memorandum items:							
			(In percent of GDP)				
Current account, excluding grants	-43.6	-37.9	-33.1	-32.5	-31.5	-30.2	-29.2
Current account, including grants	-16.6	-14.9	-8.7	-8.9	-8.5	-7.9	-7.5
Disbursed debt outstanding	112.5	109.3	113.2	116.7	119.4	121.6	123.4
			(In percent of merchandise exports)				
Debt service ratio	-22.7	-33.7	-46.4	-47.9	-51.5	-52.9	-53.1
			(In thousands of SDRs)				
Bilateral debt service	1,925	2,867	3,561	3,701	4,246	4,499	4,533
Interest	807	846	839	901	865	800	737
Of which: Kuwait	(222)	(190)	(195)	(193)	(186)	(176)	(169)
Saudi Arabia	(465)	(354)	(347)	(328)	(308)	(282)	(255)
Amortization	1,118	2,022	2,723	2,800	3,381	3,699	3,795
Of which: Kuwait	(--)	(166)	(735)	(735)	(872)	(872)	(920)
Saudi Arabia	(1,024)	(1,116)	(1,200)	(1,282)	(1,605)	(1,605)	(1,605)

Sources: Data provided by the Comorian authorities; and staff estimates.

These assumptions, coupled with a continuation of the policies mentioned above, result in a decline of roughly 7 percentage points in the external current account deficit to 7.5 percent (29 percent, excluding grants) by 1991. This is largely due to a gradual increase (3 percent a year) in export volumes for vanilla, cloves, and perfume essence in the context of stable or slight declines in prices; continued progress in domestic food production; and restrained demand for nonfood imports. Despite the substantial investment, thus far, in port facilities, the beneficial impact will remain small, pending further investments in storage, cranes, and other structures at Mutsamudu (in Anjouan), and at the ports in the islands of Grande Comore and Mohéli. Accordingly, payments for freight and insurance, in relation to imports (f.o.b.) are projected to decline from about 44 percent in 1986 to only 40 percent toward the end of the projection period. Sizable gains are also forecast for tourism.

In contrast to the improving current account, the capital account is expected to deteriorate, mainly because of rising scheduled principal repayments and decreasing loan disbursements. Altogether, debt service payments (including interest) are likely to increase further in relation to merchandise exports from the already unsustainable level of 35 percent in 1986, to 53 percent in 1991. Over the time horizon of the projections, the overall balance of payments gaps, including liquidation of accumulated arrears, average about 20 percent of export receipts.

The projections, which are perhaps on the optimistic side, are particularly sensitive to the assumed improvement in productivity of capital, and the attendant gains in exports, import substitution, and tourism. Failure to reorient investment into the productive sectors and to implement the much-needed projects in agriculture, fishing, and tourism could result in much larger balance of payments gaps over the medium term. Wider gaps should also be expected in the absence of much tighter demand management, mainly hinged on substantial improvement in the public finances. The overall external deficits projected in the above scenario, on the assumption of continued generous inflow of official grants and highly concessional, but sharply reduced, foreign borrowing, are still large for the Comoros, and point to a need for much stronger adjustment measures, especially in the fiscal field, including a sharper reduction of external borrowing. The gaps also point to a need for international assistance in the form of debt relief.

V. Staff Appraisal

In recent years, the Comoros has experienced modest and declining economic growth in a context of extremely large imbalances in the fiscal and external fields. The growth, which was mainly induced by a high level of externally financed investment, especially in infrastructure, was concentrated in the service sectors. Food production increased moderately, but exports have largely stagnated. Expansion in fishing and tourism, sectors with growth potential, was minimal, but corrective steps are being considered. Recently, domestic inflation has abated, aided by favorable developments in import prices. The general increase in wages and salaries that was granted in 1984 partly offset the substantial decline in real wages experienced in the preceding years. Open and disguised unemployment are probably rising, because of rapid population growth, the tapering off of major investment projects, and the retrenchment in the public sector.

A troublesome development has been the escalation of debt service payments to an unsustainable level owing to the extremely large fiscal deficits, inadequate growth of the export and import-substituting sectors, and unsuitable terms for the financing of the large port project of Mutsamudu. In these circumstances, it is imperative that the authorities embark promptly on strong and comprehensive adjustment measures to scale down the fiscal deficits and external borrowing, while stressing the growth of the productive sectors, including tradable goods.

The rapid increase and high levels of government expenditure have clearly overburdened public sector finances. The deterioration in the fiscal position has also been accentuated by the erosion in tax effort, especially in 1985; the rise in the debt service payments; weaknesses in expenditure control; and continuing poor performance of the public enterprises. As a result, the treasury has accumulated substantial arrears; the problem of cross debts among entities in the public sector has increased; and delayed wage payments in a context of considerable declines in real wages may have seriously undermined morale in the public service. In order to cope with these problems, the authorities have initiated a number of revenue measures, and expenditure-reducing steps, including much-needed cutbacks in redundant employment and in certain types of budgetary expenditure. They are also planning to renegotiate some bilateral debts and the overdue transfers of the postal system.

These measures need to be reinforced substantially in order to reduce the budgetary deficit and permit a liquidation of the accumulated arrears. In particular, the authorities should be prepared to enforce tax collection with legal, administrative, and other means at their disposal. A major improvement in tax assessment is also needed. Provided adequate progress can be made on these fronts, the authorities should also consider bolstering revenue through additional adjustments in tax rates. Moreover, there is a need for further curtailment of expenditure, including substantial across-the-board adjustments for all ministries; for an accelerated preparation of rehabilitation programs for individual public enterprises; and for such programs to be designed in the light of comprehensive audits and studies of each enterprise, drawing on technical assistance from the World Bank and other sources. The authorities should ensure prompt adoption of the programs and of a uniform accounting system for all enterprises.

The general direction of monetary and credit policy, including more recent increases in inflation-adjusted interest rates on deposits, has been appropriate. Competition in the banking sector through the establishment of other banks would strengthen the mobilization of financial savings and promote efficiency in the credit markets.

The external position is fundamentally weak and will probably remain under pressure in the foreseeable future, even under optimistic assumptions regarding the expansion of exports and tourism and the reduction of food and other imports and of freight and insurance. Sizable balance of payments gaps are projected over the medium term. These underscore the importance of embarking promptly on strong adjustment measures, directed at reducing financial imbalances, especially through major improvement in the public finances, and at promoting rapid expansion of export and other productive sectors. The staff believes that much remains to be done in this context; the authorities' adjustment efforts, which until now have consisted of initiatives and intentions in specific areas, could be reinforced through the adoption of a program that addresses the structural and financial imbalances of the Comorian economy in a comprehensive framework. Even with such a program, it is clear that for many years to come the Comoros will need substantial international assistance, including debt relief.

The Comoros maintains an exchange system that is free of restrictions on payments and transfers from current international transactions, except for some limits on travel allocation. These limits were in existence at the time that the Comoros became a member of the Fund and are not subject to Fund approval under Article VIII. Since the early 1980s the postal system has accumulated overdue transfers to France, and, starting in 1984, arrears in external debt service have accumulated. These developments were the result, however, of the non-availability to the Treasury of domestic currency with which to purchase foreign exchange from the Central Bank, and were not due to direct government limitation on the availability and use of foreign exchange. As such, the external payments arrears do not constitute exchange restrictions subject to Fund approval. The staff, however, would urge the authorities to adopt comprehensive measures to eliminate all overdue payments as soon as possible.

The staff recommends that the next Article IV consultation with the Comoros be held on a 12-month cycle.

VI. Proposed Decision

In view of the foregoing, the following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision in concluding the 1986 Article XIV consultation with the Comoros, in the light of the 1986 Article IV consultation conducted under Decision No. 5392-(77/63) adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes that the Comoros continues to maintain an exchange system that is free of restrictions on the making of payments and transfers for current international transactions other than the restrictions on travel allocations as described in SM/86/99.

COMOROS - Fund Relations
(As of March 31, 1986)

I. Membership status

Date of membership:	September 26, 1976
Status:	Article XIV

A. Financial Relations

II. General Department (General Resources Account)

Quota:	SDR 4.5 million
Total Fund holdings of the Comoros currency:	SDR 4.5 million or 100.00 percent of quota
Fund credit:	--
Reserve tranche position:	--
Current operational budget:	Not applicable
Lending to the Fund:	--

III. Current Stand-By Arrangement, Extended Arrangement, or Special Facilities

None

IV. SDR Department

Net cumulative allocation:	SDR 0.72 million
Holdings:	SDR 0.21 million
Current designation plan:	Not applicable

V. Administered Accounts

None

VI. Overdue Obligations to the Fund

None

VII. The Comoros has not used Fund resources to date other than the reserve tranche.

B. Nonfinancial Relations

VIII. Exchange Rate Arrangement

The currency of the Comoros is the Comorian franc, which is pegged to the French franc, the intervention currency, at the fixed rate of CF 1 = F 0.02.

IX. The Last Article IV Consultation

The last Article IV consultation discussions were held during October 27-November 10, 1984; Executive Board discussions of the staff reports (SM/85/37 and SM/85/46) took place on February 25, 1985 and the following decision was adopted:

1. The Fund takes this decision in concluding the 1984 Article XIV consultation with the Comoros, in the light of the 1984 Article IV consultation conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes that the Comoros continues to maintain an exchange system that is free of restrictions on payments and transfers for current international transactions.

The Comoros is now on the standard 12-month cycle with regard to Article IV consultations.

X. Technical Assistance

(i) An expert from the Fiscal Affairs Department served as tax advisor from April 1981 to June 1983, assisting the authorities in implementing the recommendations of an FAD technical assistance mission that visited the Comoros in 1980. He has been replaced by another tax administration advisor assigned to the Ministry of Finance since February 1984, and whose contract has been extended until July 1986.

(ii) Several Central Banking Department experts have served as statistical advisors in the Ministry of Finance since January 1980. Since the last contract expired in August 1985, the authorities have not requested a replacement.

Financial Relations of the World Bank Group with the Comoros

Date of membership - IBRD: October 1976

Capital subscription - IBRD: SDR 1.6 million

IDA lending operations 1/	Committed	Disbursed
	(In millions of SDRs)	
Agriculture and development	9.56	3.66
Education	5.30	2.95
Health and population	2.70	0.55
Transportation	5.60	4.90
Other 2/	2.20	1.14
Total	25.36	13.20
Repayments	--	
Debt outstanding (including undisbursed)	25.36	

Source: World Bank.

1/ Through the end of March 31, 1986.
2/ Loan to the Banque de Dēveloppement des Comores, for on-lending purposes, including a small amount of technical assistance.

Comoros - Statistical Issues

There is no country page in the International Finance Statist (IFS). While there have been IFS correspondents to whom IFS montt letters and reports were sent, no data have been reported. New cc spondents have recently been named.

1. Real sector

There has been no official price index. The Central Bank ha collected price data for its own use, and the Statistical Office compiled a rough consumer price index for Comorians living in Mor The method of compiling data needs to be improved.

2. Government finance

There are no data in the Government Finance Statistics Yearb technical assistance mission on government finance is planned to place shortly, subject to the concurrence of the authorities.

3. Monetary accounts

A technical assistance mission visited Moroni on May 3-11, 1 help improve the monetary accounts. A follow-up visit is under consideration. The last consultation mission (February/March 198 obtained quarterly data for 1984 and 1985. The authorities inte provide monthly data in the future for publication in the IFS.

4. Merchandise trade

Complete export data are published in the Annual Report of Central Bank with a delay of one year. Incomplete data on import published in the same Report. Complete data on imports can be o with two or three years' delay.

5. Balance of payments

Estimates of the balance of payments are published in the A Report of the Central Bank, but the methods of collecting the da to be improved. Balance of payments data for 1980 through 1984 recently provided by the authorities to the Bureau of Statistics Preparations are under way to publish these data in the Balance Payments Statistics.

COMOROS--Basic Data (concluded)

	1981	1982	1983	1984	1985 Prov.	1986 Proj.
Money and credit (end of period)	In millions of Comorian francs)					
Foreign assets (net)	2,350	4,224	4,794	1,621	5,313	3,692
Domestic credit	4,598	4,149	5,224	7,662	5,589	7,773
Claims on Government (net)	869	548	503	824	1,311	1,752
Claims on private sector	3,729	3,601	4,721	6,838	4,278	6,021
Money and quasi-money	4,830	5,786	8,259	7,111	8,150	8,965
Money	4,255	4,768	7,164	6,145	6,929	...
Quasi-money	575	1,018	1,095	966	1,221	...
Other items (net)	2,118	2,587	1,759	2,172	2,752	2,500
Balance of payments	(In millions of SDRs)					
Goods and services (net)	-27.49	-25.20	-27.13	-59.08	-44.87	-46.59
Exports, f.o.b.	13.92	17.74	18.21	7.48	15.44	16.34
Imports, f.o.b.	-19.21	-20.69	-22.77	-28.98	-25.27	-28.14
Trade balance	-5.28	-2.96	-4.56	-21.50	-9.83	-11.80
Services (net)	-22.21	-22.25	-22.57	-37.58	-35.04	-34.78
Unrequited transfers (net)	20.59	15.27	16.79	28.75	27.56	28.25
Of which: official	(20.18)	(17.45)	(18.81)	(30.67)	(28.23)	(28.25)
Current account	-6.91	-9.93	-10.34	-30.33	-17.31	-18.34
Capital account (net)	8.98	13.00	11.87	23.24	22.23	15.64
Official	9.25	17.71	17.56	26.12	19.95	16.84
Suppliers' credits	2.53	-1.40	-2.58 1/	-0.86	-0.24	-1.21
Other (including errors and omissions)	-2.80	-3.31	-3.11	-2.01	2.52	—
Overall balance	2.07	3.07	1.53	-7.09	4.92	-2.70
Changes in official net foreign assets	-3.28	-3.35	-1.94	5.95	-6.04	2.70
Accumulation of arrears	1.21	0.29	0.41	1.14	1.12	--
Gross official reserves (end of period)						
Total	7.20	9.82	10.52	3.78	10.89	...
In months' imports (c.i.f.)	3.1	4.0	3.6	1.1	3.6	...
External public debt						
Total disbursed and outstanding	41.16	61.37	80.60	103.22	117.50	133.96
Debt service payments						
As percent of GDP	0.42	0.70	1.04	2.49	3.50	5.70
As percent of exports of goods	3.0	3.9	5.7	33.3	22.7	33.7

1/ Includes payments of arrears.