EXECUTIVE BOARD MEETING

SM/20/60

March 5, 2020

To:	Members of the Executive Board
From:	The Secretary
Subject:	**Union of the Comoros—Staff Report for the 2019 Article IV Consultation**

Board Action:	Executive Directors' **consideration** (Formal)
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Questions:	Mr. Weisfeld, AFR (ext. 37482) Mr. Benlamine, AFR (ext. 38800) Mr. Melhado Orellana, AFR (ext. 29090)
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***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**

INTERNATIONAL MONETARY FUND

UNION OF THE COMOROS

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION

March 2, 2020

EXECUTIVE SUMMARY

Context. Economic developments over the past two years have been challenging due mainly to adverse impacts of political uncertainty (constitutional referendum in mid-2018 and elections in early 2019) and Cyclone Kenneth (April 2019), notwithstanding the provision of Fund emergency financial support following the cyclone.

Outlook and risks. Under baseline projections, growth is expected to rebound in 2020 but remain moderate over the medium term. The outlook comprises several downside risks. Near-term risks include risk of a growth decline (from inter-island tensions, weaker global growth, or natural disasters); fiscal stress (from volatility in revenue and credit constraints); and financial sector stress. Medium to longer terms risks include risk of external debt distress (assessed as "moderate" for now but buffers are shrinking).

Focus on fragility. Building on recent analytical work at the Fund, the report casts Comoros as suffering from pronounced fragility arising from two interlocking vicious circles. Institutional fragility manifests in tensions between the islands and weak governance resulting in a weak civil service and a weak judicial system, among other things. Economic fragility manifests in severe constraints on domestic resources and pronounced vulnerability to shocks.

Policy discussions. The authorities broadly agreed with staff advice on the key elements of a medium-term strategy to overcome fragility, boost inclusive growth, and contain risks.

Approved By
David Owen and Yan Sun

Discussions took place in Moroni during December 11–20, 2019. The IMF staff team included Mr. H. Weisfeld (head), Mr. M. Benlamine, Mr. O. Melhado, Ms. R. Randall (all AFR), Mr. I. Ahamada (local economist), Mr. T. Bayle (MCM), and Mr. Y. De Santis (FAD). Mr. J. Diaz-Sanchez (World Bank) accompanied the team, and Mr. M. Sidi Bouna (OED) participated in the final days of the mission. The team met with President Assoumani and held discussions with Minister of Finance and Budget Chayhane, Central Bank Governor Imani, Secretary General of the Ministry of Finance and Budget Ahamada, Permanent Secretary of the Economic and Financial Reform Unit Oubeidi and other senior government officials, as well as representatives of the private sector and development partners. Ms. F. Aliu and Ms. A. Waribe assisted in the preparation of this report.

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BACKGROUND

1. **The authorities have had several policy successes in recent years**. They have strengthened electricity provision; opened the telecommunications sector; reduced customs exemptions; created a Treasury Single Account (TSA); and started computerizing management of wage and customs data.

2. **Comoros also benefits from two important structural advantages**:

- **Large remittances inflows (15 percent of GDP) support external stability and boost living standards.** Using a poverty line of U.S.$3.2 per day (appropriate for Comoros as a lower middle-income country, LMIC), 38 percent of the population are poor (compared to an average 67 percent in SSA and 44 percent in LMICs).

- **Violence and crime are low.**

3. **Building on these successes and advantages, the authorities hope to transform Comoros into a dynamic emerging market over the next decade** by strengthening human capital, infrastructure, governance, and reducing the scope for corruption. The authorities have been seeking aid and foreign direct investment in support of their strategy.

4. **Pronounced fragility arising from the presence of two interlocking vicious circles puts realization of these hopes at risk, however.[1]**

- *Institutional fragility*:

    - Political instability. For many years, there have been tensions between the three islands, contributing to numerous coups or coup attempts. Tensions lessened in the early 2000s thanks to rotation of the presidency but re-intensified following a 2018 constitutional reform that allowed President Assoumani to be reelected in 2019.

    - Weak governance and institutions. Weaknesses exist in rule of law, regulatory framework, fiscal governance, and anti-corruption and AML/CFT measures. These challenges undermine inclusive growth. For example, a weak judicial system struggles to enforce contracts, deterring investment.

    - Weak policy implementation capacity, due in part to civil service hiring and promotion practices insufficiently focused on merit (another governance challenge). Results include weak outcomes in many areas of government activity, including persistently low fiscal revenue.

[1] The concept of fragility as the presence of two interlocking vicious circles was developed by Chami, Coppo, Espinoza and Montiel (forthcoming), "Macroeconomic Policy Issues in Fragile States: A Framework", in Chami, Espinoza and Montiel (eds), Macroeconomic Policy in Fragile States. Oxford: Oxford University Press.

- *Economic fragility:*

  - Severe constraints on domestic resources. Weak fiscal revenue conspires with a high public wage bill and drains from weakly supervised SOEs to constrain public investment and social spending. As a result, physical and human capital remain low, limiting growth. For example, performance on SDGs is close to the SSA average, a weak result for a LMIC (Annex I on Social Spending and Social Outcomes).

  - Pronounced vulnerability to shocks. The government budget depends to a high degree on volatile aid. Together with credit constraints, this results in recurring liquidity shortfalls and arrears. Comoros is also highly vulnerable to natural disasters, as seen most recently when Cyclone Kenneth wrought substantial damage in April 2019 and the Fund provided emergency financial support (IMF Country Report 18/189).

5. Fragility has weighed on economic performance. Notwithstanding a recent revision of the national accounts that lifted Comoros into the ranks of LMICs, growth (at 3¼ percent per year over the past decade) has exceeded population growth only by little (Annex II on Revision of the National Accounts).

6. The authorities have expressed interest in closer Fund engagement through a Staff-Monitored Program (SMP) and a potential future ECF arrangement. Staff and the authorities remain in discussions on a possible future SMP.

RECENT ECONOMIC DEVELOPMENTS

7. Economic developments over the past two years have been challenging likely due mainly to adverse impacts of political uncertainty (constitutional referendum in mid-2018 and elections in early 2019) and cyclone Kenneth, which a weak administration with very limited fiscal buffers struggled to offset.

- **Growth has slowed** (from 3.6 percent in 2018 to 1.9 percent in 2019).

- **Inflation remains contained.** The recent uptick (to 3.3 percent in 2019) reflects mainly the temporary supply constraints from the cyclone and is expected to reverse.

- **Fiscal challenges have intensified amid difficulties at SOEs and in tax revenue mobilization.**

  - In 2018, revenue performance was driven by unsustainably large contributions from SOEs to tax and non-tax revenue, while tax revenue from other sources declined due to weak administration and slowing growth. Current expenditure grew, driven by transfers and pensions, whereas capital expenditure disappointed.

  - In 2019, contributions from SOEs fell sharply as difficulties at key SOEs intensified. (These difficulties are expected to weigh on revenue into the medium term.) Non-SOE related tax revenue also fell further, in line with continued weaknesses in administration and a further decline in growth. These factors led to a large decline in revenue. As development partners offered only limited budget support, liquidity was tight and the authorities took up credit from a domestic commercial bank to remain current on wages. Domestically financed investment fell to very low levels, and the plan to clear external debt arrears was not executed. Foreign-financed investment rose substantially, thanks to rapid execution of investment in the telecom sector based on a loan from China.

- **The external accounts weakened and reserve coverage fell.** In 2018, the current account weakened due to higher energy and equipment imports, and in 2019 it weakened further as due to cyclone-related imports and the aforementioned telecoms investment. Gross foreign reserves fell to 6.6 months of imports, slightly below adequate levels (estimated at 6.8 months of imports, see Annex V on External Stability Assessment).

- **Growth of credit to the economy has remained weak as the banking sector suffers from an unfavorable operating environment**, including weaknesses in the judicial system that inhibit enforcing claims against delinquent debtors. Asset quality remains weak (with gross NPLs at 24 percent of loans) and banks' appetite for lending very limited.

- **The authorities are still considering restructuring options for the ailing state-owned postal bank.**

8. **Donors and development partners have made substantial commitments of project aid in recent months**. France has announced project aid of 13.8 percent of GDP over several years. The World Bank will complement its project-oriented IDA allocation of 6.8 percent of GDP with an additional allocation of 3.8 percent of GDP to help Comoros address the impacts of the cyclone and be better prepared for future such events. Other official partners also announced support at a donor conference in December 2019.

OUTLOOK AND RISKS

9. **Under baseline projections, growth is expected to rebound in 2020 but remain moderate over the medium and longer terms (at 3½–4 percent), only moderately higher than over the past decade (Text Table 1, and Tables 1–4b).** This reflects the expectation that policies will improve only slowly. Cyclone Kenneth entails temporary deviations around trend growth.

10. **The outlook comprises several downside risks (Annex III on Risk Assessment Matrix).**

- Near-term risks:
  - Risk of a growth decline due to political unrest and inter-island tensions, weaker global growth due to escalating trade tensions and disruptions caused by coronavirus outbreak resulting in a decline of remittances inflows and export demand, or natural disasters including those furthered by climate change.
  - Risk of fiscal stress: With weak fiscal revenue and limited access to credit, the ability of the government to effect spending remains highly dependent on volatile aid inflows. The

authorities therefore often have very limited or no fiscal space to counteract shocks (see discussion below).

- Risk of financial sector stress: Poor asset quality and the continuing troubles of SNPSF may constitute risks to financial sector stability (SIP on Solvency Stress Test).

- Medium to longer terms risks:

  - Risk of debt distress. The risk of external debt distress is "moderate" but buffers to high risk territory are shrinking (Annex IV on DSA).

  - Risks to the external position. Comoros' external stability is at only limited risk in the short term, but medium and longer-term risks are substantial. Regarding short term risks, the external position is presently assessed as broadly consistent with fundamentals and desirable policy settings, and the regular inflow of large remittances is a stabilizing element. Capital flow volatility does not present a substantial risk either as such flows remain small. However, foreign exchange coverage has fallen to slightly less than adequate levels and is projected to gradually decline further; and foreign exchange inflows depend in part on volatile foreign aid and a narrow range of exports subject to shocks. These and other elements suggest risk over the longer term (Annex V on External Stability Assessment).

Authorities' Views: *The authorities broadly agreed with staff's analysis and risk assessment but thought that longer-term growth would likely exceed staff projections thanks to quicker improvements in policies.*

Text Table 1. Comoros: Comparison of Baseline and Policy Scenarios

		Baseline Scenario						Policy Scenario					
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025
	Proj.[1]	Proj.[1]						Proj.[1]					
	(Annual percentage change, unless otherwise indicated)												
National income and prices													
Real GDP (percent change)	1.9	4.4	3.5	3.6	3.7	3.8	3.8	4.4	3.6	3.7	3.9	4.2	4.3
Consumer price index (annual average)	3.3	1.4	2.1	2.0	2.0	2.0	2.0	1.4	2.1	2.0	2.0	2.0	2.0
Real GDP per capita (percent change)	-0.8	1.7	0.8	0.9	1.0	1.2	1.3	1.7	0.9	1.0	1.3	1.6	1.7
	(In percent of GDP)												
Investment and savings													
Gross fixed capital formation	16.1	16.0	15.9	15.8	15.7	15.6	15.4	16.1	16.2	16.4	16.5	16.6	16.6
Gross national savings	13.1	13.2	12.9	12.8	12.8	12.8	12.8	14.5	14.2	14.1	14.5	15.2	15.8
Current account balance	-3.8	-5.5	-4.9	-4.4	-4.0	-3.7	-3.5	-4.5	-4.4	-3.9	-3.4	-2.7	-2.4
Excl. Official and Private Transfers	-17.3	-19.0	-18.3	-17.7	-17.3	-16.9	-16.6	-18.9	-18.6	-17.9	-17.3	-16.7	-16.5
External debt	23.8	27.0	29.3	30.0	30.7	31.3	31.7	26.1	28.2	28.8	29.2	29.5	29.7
Gross international reserves (end of period)													
In millions of U.S. dollars	196.4	197.7	201.3	208.2	217.0	227.6	238.2	198.8	203.7	214.4	231.1	260.7	295.2
In months of imports of goods & services	6.6	5.9	5.8	5.8	5.7	5.7	5.7	6.0	5.8	5.8	6	6	7
Total revenue and grants	16.1	17.5	16.7	16.7	16.7	16.4	16.3	18.7	18.0	18.1	18.0	18.1	18.3
Tax revenue	7.0	7.8	7.9	7.9	8.0	8.1	8.2	8.1	8.4	8.7	8.9	9.2	9.6
Non-tax revenue	1.7	1.3	1.4	1.5	1.5	1.5	1.6	1.4	1.5	1.5	1.5	1.5	1.6
Grants	7.5	8.5	7.4	7.3	7.2	6.8	6.6	9.2	8.2	7.9	7.6	7.3	7.2
Budgetary assistance	0.4	0.7	0.7	0.7	0.6	0.4	0.4	1.5	1.0	0.7	0.6	0.6	0.5
Total expenditure and net lending	18.4	19.7	19.1	19.1	19.1	18.8	18.6	20.0	20.1	20.1	20.0	20.0	20.1
Current expenditure	10.6	11.1	11.5	11.8	11.8	11.8	11.8	10.5	11.2	11.1	11.1	11.1	11.2
Wages and salaries	5.4	5.8	5.9	5.9	5.9	5.9	5.9	5.0	5.0	5.0	5.0	5.0	5.0
Capital expenditure	7.8	8.7	7.6	7.3	7.3	7.1	6.9	9.5	9.0	9.0	8.9	8.9	9.0
Domestically financed investment	1.5	1.7	1.6	1.4	1.5	1.5	1.5	2.5	2.6	2.6	2.7	2.9	3.1
Overall balance (cash basis)	-2.2	-2.2	-2.5	-2.4	-2.4	-2.4	-2.3	-1.3	-2.2	-2.0	-2.0	-1.9	-1.8
Domestic primary balance[2]	-2.5	-2.7	-2.8	-2.7	-2.7	-2.6	-2.4	-2.5	-2.9	-2.4	-2.3	-2.2	-2.1
Public sector debt[3]	25.3	28.4	30.7	31.4	32.1	32.7	33.2	27.5	29.6	30.2	30.7	31.1	31.3

Source: Comorian authorities and IMF staff.

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

[3] Coverage of debt: The central government-guaranteed debt. Definition of external debt is residency-based.

POLICY DISCUSSIONS

11. Discussions focused on key elements of a medium-term strategy to overcome fragility. Staff also followed up on implementation of previous staff advice and the commitments in the authorities' July 2019 Letter of Intent (Annexes VI and VII).

12. Strengthened policies under an "active policy scenario" could gradually lift Comoros out of fragility, spur inclusive growth, and limit risks. For this, the authorities would need to tackle both vicious circles of fragility.

- *To address institutional fragility*, the authorities would strengthen governance and reduce vulnerabilities to corruption, including by enhancing civil service implementation capacity and the rule of law.

- *To address economic fragility*, the authorities would relax resource constraints and boost inclusive growth by (i) raising fiscal revenue (by 0.3 percent per year through tax and customs policy and administrative measures, following a larger increase in 2020 helped by a bounce-back from cyclone impacts), (ii) enhancing public financial management (PFM); (iii) strengthening SOE oversight; (iv) strengthening the financial sector to enable greater provision of credit (and limit risks); and (iv) implementing a targeted growth strategy. The authorities would also enhance resilience by (i) implementing prudent fiscal and monetary policies; and (ii) strengthening resilience to natural disasters.

- **As a result, higher investment spending would boost export earnings of tourism and agriculture, and growth would rise to around 4½ percent per year.** Foreign exchange reserves would rise to adequate levels, also supported by higher (and more fully used) aid commitments (Text Table 1, and Tables 5–8b). Further, debt risks would recede thanks to lower fiscal deficits and stronger oversight of SOEs and the financial sector, and risks from climate change would be better managed as well.

13. Strengthening policies as described under the active policy scenario will strain the authorities' implementation capacity. Prioritizing and making use of opportunities for "quick wins", where they exist, will be key:

- **Strengthening the civil service is likely the single most important reform**. Success in this endeavor will enable better performance in all areas of government activity. Efforts in this area will take time to bear fruit and should therefore start immediately.

- **Strengthening the judicial system to ensure enforcement of contracts likely comes next**. Success in this area should go a long way towards enabling higher growth. Efforts in this area will also take time to bear fruit and should thus start immediately.

- **Enhancing fiscal revenue is the third key priority, which also holds substantial opportunities for quick wins**. Higher revenue is critical for enabling a much-needed increase in investment in physical and human capital while preserving debt sustainability. Opportunities for quick wins exist in revenue mobilization.

A. Addressing Institutional Fragility

14. Governance in Comoros has remained weak, creating elevated vulnerability to corruption (SIP on Governance). In particular, Comoros suffers from macro-critical governance weaknesses in five areas:

- **The rule of law, particularly the enforcement of contracts, suffers from a weak judicial system. Cases tend to linger in the courts and judgments are frequently not enforced.** This undermines private sector activity.
- The regulatory framework suffers from a range of issues including unclear import and export processes and state monopoly on trade in certain products, creating further drag on private sector activity.
- Fiscal management suffers from weak PFM, including weak spending controls and lack of transparency in budget execution.
- Anti-corruption efforts and AML/CFT measures are weak as well, which has, among other things, hurt correspondent banking relationships.
- The civil service suffers from hiring and promotion decisions based in part on considerations other than merit, leading to weak results in many areas of public administration.

15. Steps to strengthen the civil service and the rule of law are discussed immediately below, and steps to strengthen fiscal management and financial sector oversight in the next section.

Strengthening civil service implementation capacity

16. Comoros has received substantial Fund capacity building in recent years, focused on revenue administration, PFM, financial sector oversight, and statistical capacity.

17. However, policy implementation has improved only to a limited extent in a context of weak management of the civil service. For example, fiscal revenue remains very low and PFM weak. The reason for the only limited improvement appears to be that the civil service follows up only little on Capacity Development (CD) recommendations. This appears to be the result at least in part of weak management of the civil service. In particular, hiring and promotion decisions appear to be based in part on patronage, contributing to skills mismatch, high turnover, and weak morale and accountability.[2]

18. The authorities are undertaking initial steps to strengthen the civil service and should broaden and deepen these efforts. The authorities have made initial efforts to address

[2] World Bank Systematic Country Diagnostic 2019, paragraph 35.

absenteeism and remove "ghost workers" and recover wages paid to them. The authorities are considering strengthening hiring through an entrance exam in all parts of the civil service, as is already the case at the central bank; strengthening the training of civil servants by creating a school of administration; and enhancing performance management. These efforts should be strengthened and broadened.

19. The authorities and staff discussed the capacity building strategy for the coming years (Annex VIII on CD Strategy).

- Regarding the focus of CD efforts, it was agreed to continue giving priority to revenue administration, PFM, financial supervision and regulation, and contingency plans for responding to financial sector stress. Strengthening statistical capacity is also important as shortcomings in data provision continue to hamper policy implementation.

- Regarding the mode of CD delivery, the authorities requested emphasizing continuous, hands-on training. Staff will respond to this request as much as possible. This said, staff considers that with improved management of the civil service, the authorities should be able to accelerate implementation of CD recommendations.

Enhancing the Rule of Law

20. The rule of law (property rights protection and contract enforcement) suffers from a weak judicial system as cases tend to linger in the courts and judgments are frequently not enforced. The resulting inability of the private sector to enforce contracts constitutes a key constraint to investment and growth.

21. The mission recommended efforts to enhance the effectiveness of the judicial system in protecting property rights and enforcing contracts. Possible steps include:

- Request from a neutral outside party an analysis of judicial system challenges and reform options; enhance funding of the judicial system; and improving the quality of the judiciary and enhance its independence.

- Reinforce staffing of courts in a low-cost manner by complementing the corps of professional judges with laymen judges drawn from various areas of business, such as banking and commerce. A project along these lines has been elaborated but appears stuck at the Ministry of Justice.

- Strengthen arbitration options by training arbitrators and mediators, providing funding for the arbitration court, and making the court independent.

22. Anti-corruption and anti-money laundering measures remain weak and should be strengthened quickly (SIP on Governance). Among other things, the mission recommended strengthening the asset declaration regime for high-level officials, including by requiring publication of the declarations and re-operationalizing the anti-corruption commission or creating a similar body and bolstering its powers to promote investigations of acts of corruption.

Authorities' Views: *The authorities acknowledge governance weaknesses, including in managing the civil service and promoting the rule of law. They agree that these issues are key obstacles to development, including because they undermine prerequisites for growth such as fiscal revenue mobilization and contract enforcement. They intend to address these issues. They also acknowledge the need to strengthen anti-corruption and anti-money laundering efforts. They intend to strengthen the asset declaration regime but disagree with requiring publication of the declarations.*

B. Addressing Economic Fragility

Relaxing Resource Constraints and Boosting Inclusive Growth

Raising fiscal revenue

23. Fiscal revenue is very low. Numerous tax exemptions and persistently weak tax administration constrain domestic revenue at around 2 percent of GDP. Customs generate most revenue (6.3 percent of GDP).

24. Raising fiscal revenue is essential for creating fiscal space and accelerating inclusive growth.

- *Tax and customs policy:* The focus should be on broadening the tax base by continuing to remove exemptions and stopping the granting of new exemptions. This will also help simplify taxes and promote tax equity. Tax administration would need to improve substantially before introducing a VAT, an administratively challenging tax.
- *Domestic tax administration:* Implementation of TA recommendations of recent years is key. This includes (i) strengthening the taxpayer registry and the large taxpayers' unit and expanding its coverage to the entire country; (ii) strengthening the identification and collection of potential tax revenue from large companies; and iii) recovering issued and unpaid taxes.
- *Customs administration:* The focus should be on transferring management of oil taxes to customs from the oil-importing public utility (SCH), which the authorities are planning to do in early 2020, and on strengthening operational and value controls.

25. Strengthening tax and customs policy and administration should allow for a quick and substantial rise in revenues. Fiscal projections under the baseline scenario assume an increase in revenue in 2020 relative to 2019 of 0.4 percent of GDP, mainly due to a bounce-back to pre-cyclone levels. The active policy scenario assumes that the authorities will raise revenue by an additional 0.4 percent of GDP and continue doing so in subsequent years as well.

26. A weakness of taxpayer identification procedures has recently emerged and should be addressed quickly. Taxpayer identification currently suffers from the coexistence of two systems for assigning taxpayer identification numbers (TINs). In addition to the regular TIN generated by the domestic revenue department via the SIGIT[3] computer system, a private company tasked with providing certain operational services in direct taxation has also started generating TINs, creating risk of confusion. The reason for this duplication is unclear, and staff strongly recommends using only the TINs provided by SIGIT and ending the use of any other TINs.

Authorities' Views*:* *The authorities acknowledge that there is room for strengthening revenue mobilization in the short and medium terms and that doing so is of paramount importance for fiscal sustainability and boosting inclusive growth. They intend to accelerate implementation of existing CD recommendations in this area.*

Text Table 2. Comoros: Potential Revenue from TA Reform Implementation
(In KMF bn and percent of GDP)

Measure	Potential Revenue / Savings
Identify and collect potential tax revenue from large companies in Anjouan, recover issued and unpaid corporate tax, intensify tax inspection.	KMF 1.6 bn - 2.6 bn (0.3 - 0.5 percent of GDP)
Recover issued and unpaid corporate tax from the largest debtors.	KMF 0.7bn (0.1 percent of GDP)
Reduce customs exemptions.	KMF 4.6 bn (0.9 percent of GDP)
Total	**KMF 6.4 bn - 7.4 bn (1.3 - 1.5 percent of GDP)**

Source: IMF staff.

Strengthening Public Financial Management

27. PFM suffers from a lack of credibility and transparency. Overly-ambitious budgeting (through 2018) has undermined credibility and transparency by creating large deviations between budget forecasts on the one hand and realized revenue and spending on the other hand. Transparency has also suffered from the fact that: (i) for the past several years, the authorities have informed neither parliament nor the public about budget execution; (ii) some government accounts have remained outside the TSA; and (iii) exceptional payment procedures are used frequently. Weak oversight of SOEs further lessens transparency of PFM.

28. The authorities have made excellent progress on budget credibility, and more needs to be done on spending transparency.

- *Budget credibility:* While the budgets for 2017–19 anticipated revenue that exceeded staff projections by more than 4 percent of GDP, the 2020 budget revenue forecast is now broadly in line with staff projections under the policy scenario, a moderately ambitious and thus realistic benchmark (higher by 0.4 percent of GDP). Budgeted spending is very close to staff's projections (higher/lower by x percent of GDP). Staff recommends adopting a

[3] SIGIT: Système d'Information de Gestion des Impôts et Taxes.

supplementary budget in the course of the year should revenue or spending outturns deviate substantially from budget projections.

- *Making spending more transparent:*

  - The use of the TSA has improved by requiring that spending from the "investment account" can be made only after agreement form the Treasurer. However, some accounts still remain outside the TSA. Going forward, the authorities should (i) prepare an inventory of government bank accounts in both the central bank and commercial banks and close those outside the TSA; and (ii) ensure that all revenue and expenditure transactions pass through the TSA and sub-accounts under the control of treasurers.

  - The authorities should enhance transparency by auditing domestic arrears, preparing a strategy for clearing verified arrears, and avoiding accumulation of new arrears or payment of unverified arrears. The authorities should also enhance transparency by regularly reporting to parliament and the public on budget execution, based on progress in public accounting in line with CD recommendations.

29. Room also exists for strengthening investment execution. The authorities struggle to make full use of donor aid commitments, resulting in often disappointing investment spending. Efforts to improve civil service performance in this area would unlock substantial "free money". There is also room to better appraise, prioritize, and select investment projects.

30. The authorities should clear external arrears in a timely fashion, reversing the recent further increase in these arrears. External arrears reached US$5.7 million (0.5 percent of 2019 GDP) at end-November 2019, of which 0.2 percent of GDP to France, Kuwait, India, and Saudi Arabia and 0.3 percent of GDP to Arab Bank for Economic Development in Africa. The authorities are engaged in discussions with this bank on a rescheduling debt service and regularizing the arrears.

Authorities' Views: *The authorities largely concurred with staff analysis and recommendations. They have returned to budget realism and intend to provide realistic budgets in the coming years as well. They will aim to strengthen transparency of budget execution, including by fully implementing the TSA, commissioning an audit of domestic arrears (subject to availability of financing), and striving to avoid accumulation of new arrears, including cross-arrears between with SOEs. For this, the authorities aim to align taxation of SOEs with that of privately-owned enterprises. The authorities also intend to make progress on fiscal accounting, as a step towards improved reporting on budget execution. They hope to clear all external arrears by end-2020.*

Rethinking the Role of SOEs and Improving Control Over Them

31. SOEs make up an important part of the Comoros economy. Key SOEs include the publicly-owned telecommunication provider Comoros Telecom, the oil importer (SCH), and the electricity provider (SONELEC). SOEs contributed 31 percent to 2018 fiscal revenue.

32. Comoros Telecom and the oil importer are facing challenges that have cut in half their ability to contribute to fiscal revenue:

- Former monopolist Comoros Telecom suffers under the entry of a competitor. After only two years, the competitor has taken 40 percent of the mobile market, with a much smaller staff than Comoros Telecom. As a result, the financial situation of the company has weakened, and its contribution to fiscal revenue fell by half in 2019.

- The fuel importer suffers from the government's decision to keep fuel product prices fixed since 2016 despite volatile and at times elevated world market prices. Together with a constrained allocation of subsidies, the company's contribution to revenue fell by half in 2019.

33. The public electricity provider faces government-set tariffs that cover only a fraction of its cost, at present about one third. In combination with constrained allocation of government subsidies, the company faces chronic financial stress.

34. The authorities should rethink the role of SOEs and improve control over them to limit drains on the budget and fiscal risks:

- *Considering the rationale for SOEs:* Unless there are clear reasons for state ownership such as a market failure, the authorities should refrain from creating new SOEs and allow room for private enterprise. At the same time, privatization of SOEs can be difficult, particularly under weak governance, and would need to be considered carefully.

- *Defining goals:* The authorities should define monitorable goals such as service provision quantity and quality, and conclude performance contracts. They should also review SOE staffing and salary levels, which tend to be much higher than in the civil service.

- *Ensuring transparency of SOEs' financial situation:* The authorities should require annual preparation of balance sheets and profit and loss statements, and more frequent reporting to the government. They should also avoid cross-arrears.

- *Over the medium-term, and after creating systems to support the poor, raising prices of SOE-provided goods to cost recovery:* Increases in administered prices should avoid creating hardship to the poor. To ensure political feasibility of price adjustments, the authorities should implement a broader policy package to strengthen the economy (as proposed in this report) and explain their efforts well.

Authorities' Views: *The authorities largely concurred with these recommendations. They will consider the rationale for government intervention before creating any more SOEs and are considering opening the capital of some SOEs to private partners. They report having concluded performance contracts with some SOEs. They are also open to gradually moving to cost recovery pricing after expanding mechanisms benefiting the poor.*

Addressing Financial Sector Challenges

35. The financial sector is underdeveloped (SIP on Solvency Stress Tests). There are twelve financial institutions, including four banks, some of which are subsidiaries of foreign institutions, and four micro-finance deposit-taking institutions. Concentration is pronounced, with two institutions holding 45 percent of the system's assets and deposits. SNPSF engages in remittances transfers, lending to civil servants, and limited lending to the economy. Banking penetration remains low.

36. Longstanding weaknesses in the banking system and its environment hinder the provision of credit. Banks suffer from (i) weaknesses in the judicial system that inhibit enforcing claims even if the debtor has pledged collateral; (ii) weak underwriting and risk management, and (iii) recurring government arrears, to both banks and banks' customers (suppliers to the government). As a result, asset quality remains weak (gross NPLs stood at 24 percent of loans at end-October 2019, with a provisioning coverage close to 60 percent) and banks' appetite for engaging in lending remains limited.

37. Solvency stress tests highlight the fragility of the financial system. Beyond the already insolvent SNPSF, severe but plausible shocks would leave several medium-to-large institutions undercapitalized. Capital adequacy may be even weaker than appears in these tests, as capital requirements do not consider banks' inability to obtain the collateral pledged by delinquent borrowers or credit concentration. SNPSF aside, near-term fiscal risks from a potential need to recapitalize banks are likely limited, however, as the banking sector remains small and calls for recapitalization would first go to banks' parent companies. Risk of system-wide liquidity stress remains to be assessed when data become available.

38. The financial safety net remains underdeveloped and unsuited to addressing the banking sector's elevated vulnerabilities. Such nets typically rest on four pillars: (i) supervisory early intervention; (ii) resolution of financial institutions to ensure financial stability and continuity of systemically important financial services, protect depositors, and minimize fiscal resolution costs and losses to creditors; (iii) deposit insurance; and (iv) central bank liquidity assistance. In Comoros, pillar (i) remains weak: despite recent progress, supervision is insufficiently forward-looking and enforced. Pillars (ii)–(iv) remain to be created.

39. To strengthen the banking sector, the authorities should improve the judicial system, lower the incidence of government arrears to banks and suppliers, and enhance the financial safety net. Judicial system reform should ensure that banks can move against delinquent borrowers, including by realizing pledged collateral. To lower arrears, the government should undertake the fiscal reforms discussed in this report. Regarding the financial safety net, the authorities should accelerate the transition to risk-based supervision and create bank resolution and liquidity assistance frameworks. A law on bank resolution is under preparation.

40. The authorities should deeply restructure SNPSF to stop it from weighing on the government finances and on financial sector stability. SNPSF has been in difficulty due to apparent political interference in credit allocation, inability to enforce claims on creditors, poor governance (lack of a Board of Directors and weak internal control and risk management), and costinefficiency. Among the options considered are (i) strengthening performance of the bank under a revised business model, and/or (ii) transferring good assets and deposits to an existing or new (bridge) institution and liquidating the rest. The choice of strategy should be based on a review of SNPSF's possible business models and its asset quality. A first step to implementing either option is splitting postal and banking operations into two independent entities.

Authorities' Views: *The authorities largely concurred with staff's recommendations.*

- *The Central Bank intends to continue its efforts to promote access to financial services and reinforce financial stability. It will strengthen forward-looking risk-based supervision and efforts to address credit risk, including through provisioning and write-off policies.*

- *The authorities plan to establish a resolution regime.*

- *The authorities aim to remove impediments to the recovery of doubtful loans. They aim to resolve speedily the stalled court cases that aim to recover loans.*

- *The authorities will resolve SNPSF to minimize drains on the government budget and limit financial sector risk. As a first step, they will split the postal and banking activities into two entities, shielding the banking entity against the losses of the postal entity. To prepare for this, they will commission an audit by a reputable firm of the institution's assets and liabilities. Subsequently, they will assess the sustainability of SNPSF's business and restructure or resolve.*

Implementing a Targeted Growth Strategy

41. To enhance inclusive growth, the authorities will need to raise investment in physical and human capital while preserving debt sustainability.

- *Investing in physical capital:* Growth would benefit from relaxing infrastructure constraints in promising sectors such as tourism and agriculture. At present, public investment spending amounts to only 5 percent of GDP, substantially below SSA average. The authorities should consider which public investment projects will likely have the highest rates of return. Further enhancing electricity provision may be an investment with high returns. Some of the projects under consideration would benefit from further study of desirable size and risks and returns.

- *Investing in human capital:* Human capital remains low, holding back growth (Annex I on Social Spending and Social Outcomes). The authorities should raise social spending and enhance its efficiency.

Authorities' Views: *The authorities agreed with the importance of raising sustainably financed investment spending.*

Lowering Vulnerability to Shocks

Implementing prudent fiscal policy

42. Fiscal deficits have remained moderate and debt limited in recent years, possibly including because the government is partially credit constrained. Comoros does not issue tradable government debt. Domestic credit is constrained by a zone-franc limit on credit from the central bank and the small commercial domestic banking sector. The WB's non-concessional borrowing policy limits the taking up of non-concessional debt.

43. Credit constraints in combination with a frequent lack of cash buffers also curtail the government's ability to accommodate shocks. This contributes to recurring arrears and economic volatility, undermining public service delivery and private sector development.

44. The authorities should build a cash buffer to enhance their ability to counteract shocks. Staff advises to set aside ¼ percent of GDP per year to build a cash deposit at the central bank that can be used in case of shocks. Benefits from the cash buffer need to be weighed against other pressing spending needs, and the need for such a buffer would recede when credit constraints ease. Staff suggests starting to build the cash buffer in 2021 to allow for a full rebuilding from the cyclone in 2020. If hit by a substantial shock in the meantime, the authorities may wish to make judicious use of the limited domestic bank credit they can obtain and/or delay spending in a manner that minimizes impacts on the country's growth potential and hardships for the poor.

45. In the same vein, the authorities should adopt a fiscal anchor that balances investment needs with preserving debt sustainability. Staff recommends to calibrate fiscal policy such that it (i) preserves the debt distress rating at "moderate" and (ii) boosts the ability to absorb shocks to "some space" (from presently "limited space"). Under this orientation, the debt burden would still rise somewhat from current levels, but by less than in the baseline. It would enable the authorities to take on credit of up to U.S.$50 million per year over 2020–29 on concessional terms (grant element of at least 35 percent).

46. To implement this anchor, the authorities would need to contain the fiscal deficit and ensure that fiscal policy (and all other policies) support growth, as described in the "active policy" scenario. Concretely, the overall fiscal cash deficit should not exceed an average 1.9 percent of GDP, moderately lower than the baseline's projected deficit of 2.3 percent of GDP. The implicit fiscal consolidation relative to the baseline scenario should be achieved mainly by raising revenue and containing non-priority spending.

Authorities' Views: *The authorities largely agreed with staff's suggestions. In particular, they agreed with the desirability of building a cash buffer. They voiced some hesitation, however, regarding staff's proposed debt anchor, and wondered whether it left sufficient space for investment.*

Implementing Prudent Monetary Policy

47. Inflation remains well-anchored by the cooperation agreement with France and the peg of the Comorian Franc to the Euro, although challenges to monetary policy effectiveness persist (structural excess liquidity).

48. The conduct of monetary policy does not at present generate major risks, and the mission recommended staying the course.

Authorities' Views: *The authorities agreed with staff's suggestions.*

Building Resilience to Natural Disasters

49. Comoros is exposed and vulnerable to natural disasters, and this risk will likely grow as climate change progresses. Flooding and cyclones are likely to become more frequent. The World Bank estimates that sea level rise could displace 10 percent of the country's population from their current coastal location by 2050. Comoros also faces risks from volcanic activity.

50. Staff recommended developing a natural disaster resilience strategy comprising three pillars: (i) enhancing structural resilience, which requires infrastructure and other investments; (ii) building financial resilience, which involves notably creating fiscal buffers; and (iii) boosting post-disaster (including social) resilience, which requires contingency planning and investments to allow an effective disaster response.

51. The authorities are in very early stages of implementing such a strategy.

- Regarding enhancing structural resilience (pillar I), the WB is helping enhance resilience of infrastructure and services in areas affected by cyclone Kenneth, while UNDP is helping improve the existing cyclone early warning system.
- Regarding enhancing financial resilience (pillar II), implementing the policies recommended in this report should help making progress by building/preserving fiscal and other buffers.
- Regarding enhancing post-disaster resilience (pillar III), the authorities are receiving donor support to put in place an integrated risk management system.

Authorities' Views: *The authorities are aware of Comoros' vulnerability to natural disasters and agreed with the need to pursue a comprehensive strategy to build resilience. They believe that creating fiscal space and accelerating inclusive growth will be critical for success as it will help provide the resources for the needed investments.*

C. Other Issues

52. A safeguards assessment update is in progress. The 2020 update found that the central bank continues to face capacity constraints. Internal audit operations are constrained and financial reporting practices could be strengthened. In addition, the legal framework has remained unchanged since the 2010 assessment, and amendments are needed to enhance the central bank's autonomy. Recommendations include co-sourcing of the internal audit activities and adoption of International Financial Reporting Standards.

53. Despite some recent welcome steps to improve data accuracy and timeliness, continued efforts with external partners support to strengthen statistical capacity are important to enhance effective macroeconomic policymaking and surveillance, particularly for central government finances, balance of payments and national accounts statistics.

STAFF APPRAISAL

54. The authorities have had several policy successes in recent years, and Comoros benefits from two important structural advantages: large remittances and low crime and violence.

55. Building on these successes and advantages, the authorities hope to transform Comoros into a dynamic emerging market but pronounced fragility from the presence of two interlocking vicious circles puts realization of these hopes at risk. The institutional dimension manifests in tensions between the islands and weak governance resulting in a weak civil service and a weak judicial system, among other things. The economic dimension manifests in severe constraints on domestic resources and pronounced vulnerability to shocks.

56. Fragility has weighed on economic performance, and per-capita GDP has grown only slowly. Economic developments over the past two years have been particularly challenging, due to political uncertainty and cyclone Kenneth, which a weak administration with very limited fiscal buffers has struggled to offset. Growth has slowed, fiscal challenges have intensified amid difficulties at SOEs and weaknesses in taxation.

57. Under baseline projections, growth is expected to rebound in 2020 but remain moderate over the medium term. The outlook comprises several downside risks. Near-term risks include risk of a growth decline (from inter-island tensions, weaker global growth, or natural disasters); fiscal stress (from volatility in revenue in combination with credit constraints); and financial sector stress. Medium to longer terms risks include a risk of external debt distress (assessed as "moderate" for now but buffers are shrinking). The external position is assessed to be broadly in line with fundamentals and desirable policy settings, but longer-term risks exist nevertheless (e.g., from volatility in some inflows and a narrow export base).

58. Strengthened policies under an "active policy scenario" could gradually lift Comoros out of fragility, spur inclusive growth, and limit risks. For this, the authorities would need to tackle both vicious circles of fragility. To address institutional fragility, they would strengthen governance, including by enhancing civil service implementation capacity and the rule of law. To address economic fragility, they would relax resource constraints by raising fiscal revenue, enhancing PFM, strengthening SOE oversight, strengthening the financial sector, and implementing a targeted growth strategy. The authorities would also enhance resilience by implementing prudent fiscal and monetary policies and strengthening resilience to natural disasters. As a result, growth would likely rise to around 4½ percent per year and risks would recede, thanks for example to enhanced debt sustainability.

59. Improving policies as described under the active policy scenario will strain the authorities' limited implementation capacity, and prioritization will be key:

- **Strengthening the civil service is likely the single most important reform.** Success in this endeavor will enable better performance in all areas of government activity. As reform efforts will take time to show impacts, efforts should start right away. Efforts should focus on hiring and promoting based on merit, enhancing training of officials, and setting realistic expectations and holding public servants to them.

- **Strengthening the judicial system to ensure enforcement of property rights and contracts likely comes next.** Success in this area will go a long way towards transforming the business environment and enabling private-sector led growth. As with broader civil service reform, efforts will take time to show impact and should start immediately. They should include efforts to enhance funding of the judicial system, strengthening staffing in a low-cost manner by complementing the corps of professional judges with laymen judges, and strengthening arbitration. Refraining from exerting political interference will be key.

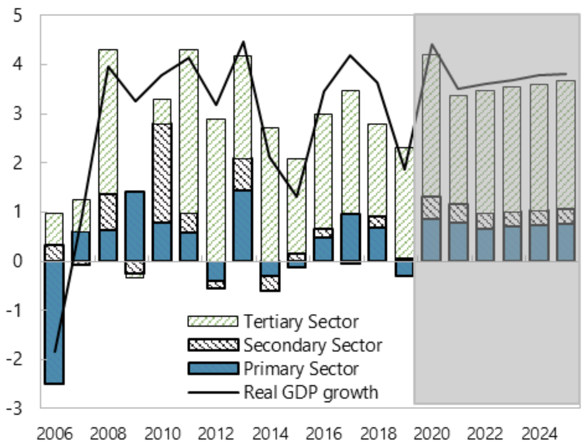
- **Enhancing fiscal revenue is the third key priority, which also holds substantial opportunities for quick wins.** Higher revenue is critical for enabling a much-needed increase in investment in physical and human capital while preserving debt sustainability. Opportunities for quick wins exist in this area, for example by broadening the tax-base to include a larger share of already known companies in the taxpayer rolls and following up more determinedly with delinquent taxpayers. Other actions to expand fiscal space, including notably the elimination of unproductive fiscal spending such as on keeping the postal bank afloat, will also be important.

60. The Fund will need to support the authorities with sustained policy advice and capacity building efforts, in collaboration with the World Bank and other development partners.

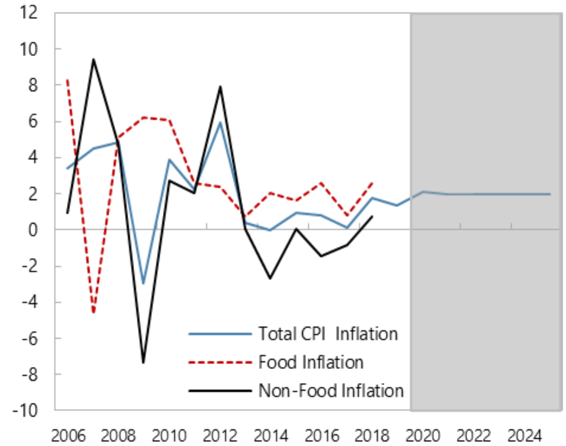
61. Staff recommends that the next Article IV consultation be held on the standard 12-month cycle.

Figure 1. Comoros: Key Indicators

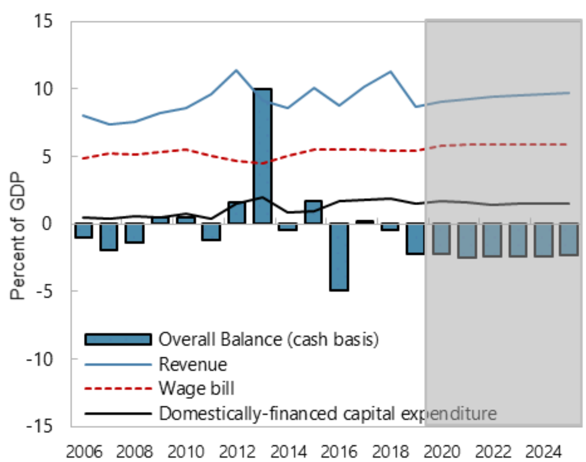
A largely V shaped growth in the aftermath of cyclone Kenneth



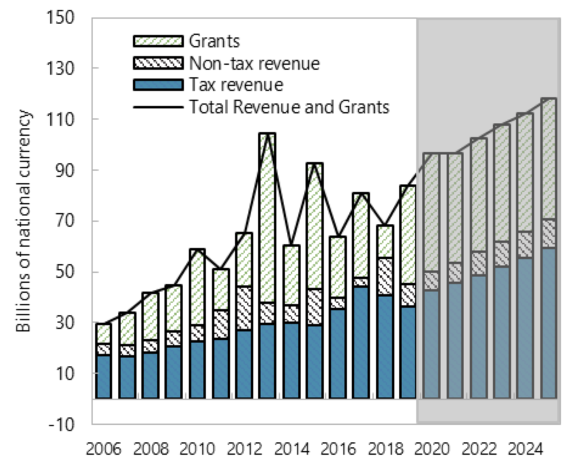
Inflation remained subdued



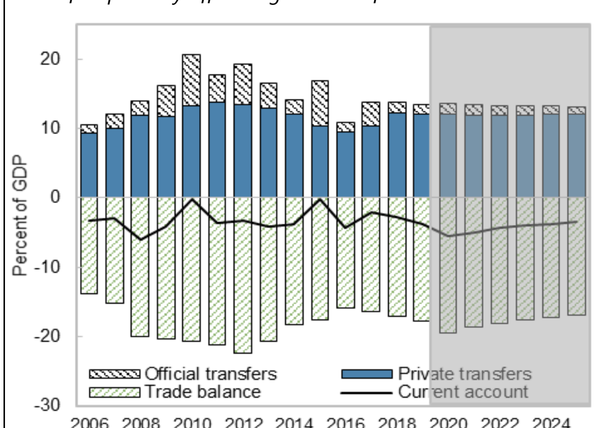
Comoros' fiscal space remains insufficient



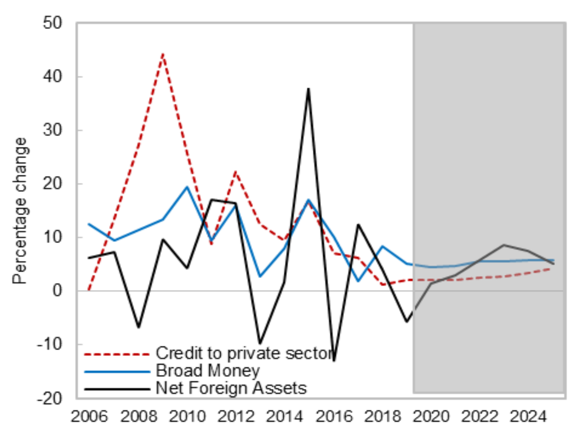
Grants remain a large part of government income



Transfers partially offset large trade deficits



Growth in credit to the private sector remains weak



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

Figure 2. Comoros: Cross-Country Comparisons

Sources: Comorian authorities, World Economic Outlook, and IMF staff estimates and projections.

Table 1. Comoros: Selected Economic and Financial Indicators, 2016–25

Baseline Scenario

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.[1]					Proj.[1]			
	(Annual percentage change, unless otherwise indicated)									
National income and prices										
Real GDP	3.5	4.2	3.6	1.9	4.4	3.5	3.6	3.7	3.8	3.8
GDP deflator	1.6	0.3	1.1	3.2	1.2	2.0	1.9	1.9	1.9	1.9
Consumer price index (annual average)	0.8	0.1	1.7	3.3	1.4	2.1	2.0	2.0	2.0	2.0
Money and credit										
Net foreign assets	-13.1	12.6	4.2	-5.6	1.6	2.9	5.8	8.7	7.6	5.2
Domestic credit	33.5	-0.4	4.9	6.9	0.5	0.7	0.9	-0.3	1.4	4.0
Credit to the private sector	7.2	6.2	1.2	2.0	2.0	2.1	2.5	2.8	3.5	4.3
Broad money	10.3	1.8	8.5	5.1	4.6	4.8	5.5	5.6	5.7	5.8
Velocity (GDP/end-year broad money)	3.6	3.7	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6
External sector										
Exports, f.o.b.	82.0	26.2	5.5	1.3	-0.9	5.8	5.8	6.1	6.3	6.3
Imports, f.o.b.	-0.4	12.1	11.1	7.2	12.7	2.4	3.4	4.1	4.2	4.2
Export volume	31.5	-1.0	2.9	5.0	-0.1	6.3	6.3	5.8	5.8	5.7
Import volume	2.0	12.4	11.1	0.1	10.3	5.9	4.9	4.5	4.0	3.9
Terms of trade	14.6	11.8	-0.3	-4.6	-2.8	2.9	1.5	1.1	0.8	0.7
	(In percent of GDP, unless otherwise indicated)									
Investment and savings										
Gross fixed capital formation	13.1	14.2	15.8	16.1	16.0	15.9	15.8	15.7	15.6	15.4
Gross national savings	8.8	12.1	13.2	13.1	13.2	12.9	12.8	12.8	12.8	12.8
Government Budget										
Total revenue and grants	14.2	17.2	13.9	16.1	17.5	16.7	16.7	16.7	16.4	16.3
Total revenue	8.8	10.2	11.3	8.7	9.1	9.2	9.4	9.5	9.6	9.7
Tax Revenue	7.9	9.4	8.3	7.0	7.8	7.9	7.9	8.0	8.1	8.2
Non-tax Revenue	0.9	0.8	3.0	1.7	1.3	1.4	1.5	1.5	1.5	1.6
Total grants	5.4	7.1	2.5	7.5	8.5	7.4	7.3	7.2	6.8	6.6
Total expenditure and net lending	18.7	16.9	14.9	18.4	19.7	19.1	19.1	19.1	18.8	18.6
Current expenditure	11.1	10.3	11.3	10.6	11.1	11.5	11.8	11.8	11.8	11.8
Capital expenditure	6.3	6.3	3.6	7.8	8.7	7.6	7.3	7.3	7.1	6.9
Domestic primary balance[2]	-3.1	-1.1	-1.2	-2.5	-2.7	-2.8	-2.7	-2.7	-2.6	-2.4
Overall balance (cash basis)	-4.9	0.2	-0.4	-2.2	-2.2	-2.5	-2.4	-2.4	-2.4	-2.3
Excluding grants	-10.3	-6.9	-2.9	-9.7	-10.7	-9.9	-9.7	-9.5	-9.2	-8.9
Net Financing	4.2	-0.1	0.7	2.2	2.2	2.5	2.4	2.4	2.4	2.3
Foreign (Including IMF)	1.2	-0.2	0.2	2.1	2.3	2.5	2.4	2.4	2.4	2.3
Domestic	3.0	0.0	0.5	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Financing gap/errors and omissions	0.7	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External sector										
Exports of goods and services	10.7	11.9	12.9	12.3	12.4	12.5	12.6	12.6	12.6	12.6
Imports of goods and services	26.5	28.4	30.0	30.1	31.8	31.1	30.6	30.2	29.9	29.5
Current account balance	-4.3	-2.1	-2.8	-3.8	-5.5	-4.9	-4.4	-4.0	-3.7	-3.5
Excl. official and private transfers	-15.2	-16.0	-16.6	-17.3	-19.0	-18.3	-17.7	-17.3	-16.9	-16.6
Private remittances, net[3]	9.4	10.3	12.3	12.1	12.1	12.0	12.0	12.0	12.0	12.0
External debt	16.4	17.0	19.6	23.8	27.0	29.3	30.0	30.7	31.3	31.7
Official grants and loans	6.8	7.1	3.1	10.5	11.6	10.4	10.2	10.2	9.8	9.5
Gross international reserves (end of period)										
In millions of U.S. dollars	160.0	209.3	198.4	196.4	197.7	201.3	208.2	217.0	227.6	238.2
In months of imports of goods & services	7.2	8.2	6.7	6.6	5.9	5.8	5.8	5.7	5.7	5.7
Exchange rate CF/US$ (period average)	444.6	435.6	416.4	439.4						
Memorandum items:										
Public sector debt (in Percent of GDP)[4]	16.5	17.1	19.6	23.8	27.1	29.4	30.1	30.8	31.3	31.8
GDP (nominal, in billions of CF)	450.2	469.2	491.0	521.1	550.4	581.1	613.3	647.7	684.8	724.3
GDP per capita (nominal, in US Dollars)	1,256	1,301	1,386	1,357	1,397	1,451	1,501	1,553	1,610	1,670

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

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

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

[4] Coverage of debt: The central government, the central bank and government-guaranteed debt. Definition of external debt is Residency-based.

Table 2a. Comoros: Consolidated Government Financial Operations, 2016–25

Baseline Scenario

(In millions of Comorian Francs; unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024	2025
			Prel.[1]	Budget	Proj.[1]	Budget	Proj.[1]			Proj.[1]		
Total revenue and grants	63,841	80,910	68,142	108,542	83,976	104,913	96,537	96,814	102,492	108,045	112,384	118,069
Revenues	39,558	47,703	55,642	64,534	45,109	54,322	49,946	53,646	57,755	61,669	65,911	70,517
Tax revenues	35,364	44,012	40,696	49,239	36,346	46,201	42,909	45,711	48,679	51,894	55,374	59,145
Direct and indirect taxes	30,999	30,992	26,318	37,420	22,890	34,382	26,972	28,730	30,595	32,617	34,806	37,183
Taxes on international trade and transactions	4,365	13,020	14,379	11,819	13,457	11,819	15,937	16,980	18,084	19,278	20,567	21,963
Nontax revenues[2]	4,194	3,691	14,946	15,295	8,763	8,121	7,037	7,936	9,076	9,775	10,537	11,372
External grants	24,283	33,207	12,500	44,008	38,867	50,591	46,591	43,168	44,737	46,376	46,473	47,553
Budgetary assistance	135	8,407	1,061	5,000	2,200	8,000	4,000	4,000	4,000	4,000	3,035	3,061
Projects (incl. techn.assist.)	24,148	24,800	11,439	39,008	36,667	42,591	42,591	39,168	40,737	42,376	43,438	44,491
Total expenditure and net lending	84,007	79,262	73,239	114,857	95,635	107,489	108,591	111,077	117,289	123,398	129,049	134,857
Current expenditure	49,743	48,272	55,700	52,050	54,997	55,771	60,958	66,812	72,332	76,144	80,580	85,126
Primary current expenditures	45,798	44,238	51,865	51,400	50,397	51,056	55,710	60,781	65,594	69,225	73,297	77,442
Wages and salaries	24,640	25,812	26,686	27,384	28,238	27,623	32,118	34,045	36,074	38,257	40,603	42,898
Goods and services	13,079	13,145	13,873	13,332	13,007	13,252	13,742	15,241	15,902	16,601	17,527	18,518
Transfers and pensions[2]	8,080	5,281	11,305	10,684	9,152	10,181	9,850	11,495	13,618	14,367	15,168	16,025
Interest payments	294	284	469	650	760	651	1,183	1,728	2,184	2,108	2,195	2,304
External debt	294	284	382		633		1,025	1,559	2,002	2,108	2,195	2,304
Domestic debt	0	0	87		127		158	169	181	0	0	0
Foreign-financed project maintenance	1,378	1,415	1,559		1,260	1,340	1,340	1,426	1,520	1,605	1,697	1,795
Technical assistance	2,273	2,334	1,808		2,579	2,725	2,725	2,877	3,036	3,206	3,390	3,585
Capital expenditure	28,148	29,490	17,538	52,643	40,639	51,718	47,633	44,265	44,956	47,254	48,470	49,732
Domestically financed investment	7,651	8,440	9,467	13,635	7,810	13,191	9,107	9,399	8,775	9,688	10,119	10,620
Foreign-financed investment	20,497	21,050	8,071	39,008	32,828	38,527	38,527	34,865	36,182	37,565	38,351	39,111
Net lending	6,116	1,500	0	7,000	0	0	0	0	0	0	0	0
Domestic primary balance[3]	-13,891	-4,975	-5,689	-501	-13,099	-9,925	-14,871	-16,534	-16,613	-17,244	-17,505	-17,545
Overall balance (commitment basis)	-20,166	1,648	-5,097	-6,315	-11,659	-2,576	-12,054	-14,262	-14,797	-15,353	-16,665	-16,788
Excluding grants	-44,449	-31,559	-17,597	-50,323	-50,526	-53,167	-58,645	-57,430	-59,534	-61,729	-63,138	-64,340
Change in net arrears (interest)	-106	-586	3,137	0	-41		-163	0	0	0	0	0
External arrears	224	142	382		-41		-163	0	0	0	0	0
Domestic arrears	-329	-728	2,755		0		0	0	0	0	0	0
Repayment	-2,208	-4,182	-1,894		0		0	0	0	0	0	0
Accumulation	1,878	3,453	4,649		0		0	0	0	0	0	0
Float	-1,737	0	0	0	0		0	0	0	0	0	0
Overall balance (cash basis)	-22,009	1,062	-1,960	-6,315	-11,699	-2,576	-12,217	-14,262	-14,797	-15,353	-16,665	-16,788
Excluding grants	-46,291	-32,145	-14,460	-50,323	-50,567	-53,167	-58,808	-57,430	-59,534	-61,729	-63,138	-64,340
Financing	18,853	-669	3,401		11,699		12,217	14,262	14,797	15,353	16,665	16,788
Foreign (net)	5,498	-834	745		11,181		12,735	14,262	14,797	15,353	16,665	16,788
Drawings, PIP (identified)	6,116	0	2,863		15,965		17,319	17,176	17,828	19,460	20,747	21,451
Amortization	-1,175	-1,261	-1,711		-4,349		-2,847	-2,913	-3,031	-4,107	-4,082	-4,664
Change in net arrears (principal)	557	428	-407		-434		-1,737	0	0	0	0	0
Domestic (net)	13,356	165	2,656		518		-518	0	0	0	0	0
Bank financing	13,356	165	2,656		518		-518	0	0	0	0	0
Central bank	13,500	-1,063	3,288		0		0	0	0	0	0	0
Commercial banks	-144	1,228	-631		518		-518	0	0	0	0	0
Errors and omissions/Financing gap (+ = underfinancing)	3,155	-394	-1,441		0		0	0	0	0	0	0
Memorandum items:												
GDP (nominal)	450,159	469,217	490,958	521,084	521,084	550,382	550,382	581,086	613,251	647,681	684,838	724,285
Wages in percentage of revenues	62.3	54.1	48.0	42.4	62.6	50.9	64.3	63.5	62.5	62.0	61.6	60.8

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Including RAU from 2018.

[3] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

Table 2b. Comoros: Consolidated Government Financial Operations, 2016–25

Baseline Scenario

(In percent of GDP; unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024	2025
		Est.[1]	Prel.[1]	Budget	Proj.[1]	Budget	Proj.[1]			Proj.[1]		
Total revenue and grants	14.2	17.2	13.9	20.8	16.1	19.1	17.5	16.7	16.7	16.7	16.4	16.3
Revenues	8.8	10.2	11.3	12.4	8.7	9.9	9.1	9.2	9.4	9.5	9.6	9.7
Tax revenues	7.9	9.4	8.3	9.4	7.0	8.4	7.8	7.9	7.9	8.0	8.1	8.2
Direct and indirect taxes	6.9	6.6	5.4	7.2	4.4	6.2	4.9	4.9	5.0	5.0	5.1	5.1
Taxes on international trade and transactions	1.0	2.8	2.9	2.3	2.6	2.1	2.9	2.9	2.9	3.0	3.0	3.0
Nontax revenues[2]	0.9	0.8	3.0	2.9	1.7	1.5	1.3	1.4	1.5	1.5	1.5	1.6
External grants	5.4	7.1	2.5	8.4	7.5	9.2	8.5	7.4	7.3	7.2	6.8	6.6
Budgetary assistance	0.0	1.8	0.2	1.0	0.4	1.5	0.7	0.7	0.7	0.6	0.4	0.4
Projects (incl. techn. assist.)	5.4	5.3	2.3	7.5	7.0	7.7	7.7	6.7	6.6	6.5	6.3	6.1
Total expenditure and net lending	18.7	16.9	14.9	22.0	18.4	19.5	19.7	19.1	19.1	19.1	18.8	18.6
Current expenditure	11.1	10.3	11.3	10.0	10.6	10.1	11.1	11.5	11.8	11.8	11.8	11.8
Primary current expenditures	10.2	9.4	10.6	9.9	9.7	9.3	10.1	10.5	10.7	10.7	10.7	10.7
Wages and salaries	5.5	5.5	5.4	5.3	5.4	5.0	5.8	5.9	5.9	5.9	5.9	5.9
Goods and services	2.9	2.8	2.8	2.6	2.5	2.4	2.5	2.6	2.6	2.6	2.6	2.6
Transfers and pensions[2]	1.8	1.1	2.3	2.1	1.8	1.8	1.8	2.0	2.2	2.2	2.2	2.2
Interest payments	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.3	0.3	0.3
External debt	0.1	0.1	0.1		0.1		0.2	0.3	0.3	0.3	0.3	0.3
Domestic debt	0.0	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Foreign-financed project maintenance	0.3	0.3	0.3		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Technical assistance	0.5	0.5	0.4		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Capital expenditure	6.3	6.3	3.6	10.1	7.8	9.4	8.7	7.6	7.3	7.3	7.1	6.9
Domestically financed investment	1.7	1.8	1.9	2.6	1.5	2.4	1.7	1.6	1.4	1.5	1.5	1.5
Foreign-financed investment	4.6	4.5	1.6	7.5	6.3	7.0	7.0	6.0	5.9	5.8	5.6	5.4
Net lending	1.4	0.3	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic primary balance[3]	-3.1	-1.1	-1.2	-0.1	-2.5	-1.8	-2.7	-2.8	-2.7	-2.7	-2.6	-2.4
Overall balance (commitment basis)	-4.5	0.4	-1.0	-1.2	-2.2	-0.5	-2.2	-2.5	-2.4	-2.4	-2.4	-2.3
Excluding grants	-9.9	-6.7	-3.6	-9.7	-9.7	-9.7	-10.7	-9.9	-9.7	-9.5	-9.2	-8.9
Change in net arrears (interest)	0.0	-0.1	0.6		0.0		0.0	0.0	0.0	0.0	0.0	0.0
External arrears	0.0	0.0	0.1		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears	-0.1	-0.2	0.6		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Repayment	-0.5	-0.9	-0.4		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Accumulation	0.4	0.7	0.9		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Float	-0.4	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-4.5	0.2	-0.4	-1.2	-2.2	-0.5	-2.2	-2.5	-2.4	-2.4	-2.4	-2.3
Excluding grants	-9.9	-6.9	-2.9	-9.7	-9.7	-9.7	-10.7	-9.9	-9.7	-9.5	-9.2	-8.9
Financing	4.2	-0.1	0.7		2.2		2.2	2.5	2.4	2.4	2.4	2.3
Foreign (net)	1.2	-0.2	0.2		2.1		2.3	2.5	2.4	2.4	2.4	2.3
Drawings, PIP (identified)	1.4	0.0	0.6		3.1		3.1	3.0	2.9	3.0	3.0	3.0
Amortization	-0.3	-0.3	-0.3		-0.8		-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
Change in net arrears (principal)	0.1	0.1	-0.1		-0.1		-0.3	0.0	0.0	0.0	0.0	0.0
Domestic (net)	3.0	0.0	0.5		0.1		-0.1	0.0	0.0	0.0	0.0	0.0
Bank financing	3.0	0.0	0.5		0.1		-0.1	0.0	0.0	0.0	0.0	0.0
Central bank	3.0	-0.2	0.7		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Of which: IMF (net)	-0.2	-0.2	-0.3		0.7		-0.2	-0.2	-0.3	-0.5	-0.3	-0.1
Commercial banks	0.0	0.3	-0.1		0.1		-0.1	0.0	0.0	0.0	0.0	0.0
Errors and Omissions/ Financing gap (+ = underfinancing)	0.7	-0.1	-0.3		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
GDP (nominal)	450,159	469,217	490,958	521,084	521,084	550,382	550,382	581,086	613,251	647,681	684,838	724,285
Wages in percentage of revenues	62.3	54.1	48.0	42.4	62.6	50.9	64.3	63.5	62.5	62.0	61.6	60.8

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

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Including RAU from 2018.

[3] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

Table 3. Comoros: Monetary Survey, 2016–25

Baseline Scenario

(In millions of Comorian Francs; unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Proj.				
Net foreign assets	69,000	77,716	80,970	76,426	77,615	79,882	84,498	91,875	98,856	104,017
Central bank assets	74,638	87,000	85,756	86,921	86,404	87,236	89,772	93,077	97,056	101,047
Central bank liabilities	-12,505	-10,802	-9,718	-14,182	-12,969	-12,048	-10,507	-7,013	-4,634	-4,126
Commercial banks assets	14,198	7,723	8,234	8,739	9,230	9,745	10,285	10,862	11,485	12,147
Commercial banks liabilities	-7,331	-6,205	-3,302	-5,052	-5,052	-5,052	-5,052	-5,052	-5,052	-5,052
Net domestic assets	56,431	49,994	57,558	69,217	74,761	79,775	83,997	86,080	89,307	94,985
Domestic credit	85,745	85,381	89,600	95,808	96,304	97,014	97,869	97,566	98,884	102,882
Net credit to government	10,241	5,946	9,535	14,170	13,029	12,042	10,836	8,164	6,384	6,520
Of which: Treasury	17,379	13,699	15,297	19,932	18,791	17,804	16,598	13,926	12,146	12,282
Bank financing	10,241	5,946	9,535	14,170	13,029	12,042	10,836	8,164	6,384	6,520
Claims on government	18,293	18,405	16,626	21,261	20,120	19,133	17,926	15,255	13,474	13,610
Deposits at Treasury	-8,051	-12,459	-7,090	-7,090	-7,090	-7,090	-7,090	-7,090	-7,090	-7,090
Claims on public enterprises	2,899	2,268	2,017	2,027	2,037	2,047	2,047	2,047	2,047	2,047
Claims on other financial institutions	-64	-77	-108	-108	-108	-108	-108	-108	-108	-108
Claims on private sector	72,669	77,167	78,123	79,719	81,346	83,032	85,094	87,462	90,561	94,423
Other items net	-29,314	-35,387	-32,041	-24,672	-19,614	-15,299	-11,933	-9,547	-7,637	-5,957
Of which: Long term liabilities	--	--	--	--	--	--	--	--	--	--
Broad money	125,431	127,710	138,528	145,643	152,376	159,657	168,495	177,955	188,164	199,002
Money	84,251	85,934	92,781	97,089	101,091	105,512	111,352	117,604	124,351	131,513
Currency in circulation	28,679	32,904	35,904	38,107	40,250	42,495	44,847	47,365	50,083	52,967
Demand deposits	55,572	53,031	56,877	58,982	60,841	63,016	66,505	70,238	74,268	78,546
Quasi-money	41,180	41,776	45,747	48,555	51,285	54,146	57,143	60,351	63,813	67,489
					(in percent of beginning period broad money)					
Net foreign assets	-9.1	6.9	2.5	-3.3	0.8	1.5	2.9	4.4	3.9	2.7
Net domestic assets	19.4	-5.1	5.9	8.4	3.8	3.3	2.6	1.2	1.8	3.0
Domestic credit	18.9	-0.3	3.3	4.5	0.3	0.5	0.5	-0.2	0.7	2.1
Net credit to government	12.8	-3.4	2.8	3.3	-0.8	-0.6	-0.8	-1.6	-1.0	0.1
Credit to public enterprises	1.8	-0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to private sector	4.3	3.6	0.7	1.2	1.1	1.1	1.3	1.4	1.7	2.1
Other items (net)	0.4	-4.8	2.6	5.3	3.5	2.8	2.1	1.4	1.1	0.9
Broad money	10.3	1.8	8.5	5.1	4.6	4.8	5.5	5.6	5.7	5.8
Money	6.9	1.3	5.4	3.1	2.7	2.9	3.7	3.7	3.8	3.8
Quasi-money	3.3	0.5	3.1	2.0	1.9	1.9	1.9	1.9	1.9	2.0
Velocity (GDP/end-year broad money)	3.6	3.7	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Credit to private sector (percent change)	7.2	6.2	1.2	2.0	2.0	2.1	2.5	2.8	3.5	4.3

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

Table 4a. Comoros: Balance of Payments, 2016–25

Baseline Scenario

(In millions of Comorian Francs; unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Prel.	Proj.							
Current account	-19,575	-10,004	-13,510	-19,776	-30,078	-28,477	-26,759	-25,909	-25,408	-25,000
Goods and services	-71,067	-77,128	-83,972	-92,441	-106,892	-108,163	-110,478	-114,203	-118,139	-122,203
Trade balance	-68,167	-74,475	-83,743	-90,843	-104,873	-106,751	-109,913	-114,027	-118,369	-122,876
Exports	13,682	17,267	18,213	18,456	18,283	19,336	20,460	21,707	23,069	24,528
Of which: Vanilla	2,009	3,609	4,521	4,116	4,134	4,151	4,167	4,334	4,534	4,745
Cloves	8,442	9,442	9,640	10,136	9,838	10,565	11,346	12,214	13,154	14,170
Ylang-ylang	479	1,776	1,724	1,756	1,756	1,848	1,948	2,055	2,172	2,296
Other	2,752	2,440	2,328	2,448	2,556	2,772	2,999	3,103	3,209	3,317
Imports (f.o.b.)	-81,849	-91,742	-101,956	-109,299	-123,157	-126,087	-130,373	-135,734	-141,437	-147,404
of which oil	-16,131	-21,199	-24,696	-24,023	-26,084	-25,095	-25,041	-25,802	-27,105	-28,735
Services (net)	-2,900	-2,653	-228	-1,597	-2,019	-1,413	-565	-176	230	673
Receipts	34,364	38,640	45,153	45,848	50,055	53,270	56,695	59,942	63,377	67,010
Payments	-37,264	-41,293	-45,381	-47,445	-52,074	-54,683	-57,259	-60,119	-63,148	-66,337
Income (net)	2,453	2,192	2,616	2,262	2,086	1,914	1,790	1,996	2,379	1,821
Of which: Interest on rescheduled obligations	-294	-284	-477	-633	-1,025	-1,559	-2,002	-2,108	-2,195	-2,304
Current transfers (net)	49,039	64,932	67,846	70,403	74,728	77,772	81,928	86,298	90,351	95,382
Government	6,560	16,495	7,291	7,296	8,064	8,303	8,555	8,811	8,122	8,441
Private [1]	42,479	48,437	60,555	63,107	66,664	69,469	73,373	77,487	82,229	86,940
Capital and financial account	24,547	10,977	12,291	21,416	31,461	29,309	29,295	29,215	29,387	28,990
Capital account	8,370	20,963	5,209	16,863	21,208	17,689	18,354	18,106	17,604	17,660
Capital transfers	8,370	20,963	5,209	16,863	21,208	17,689	18,354	18,106	17,604	17,660
Transfer of fixed assets	14,381	21,050	5,209	16,863	21,208	17,689	18,354	18,106	17,604	17,660
Financial account	16,177	-9,986	7,082	4,553	10,253	11,619	10,941	11,109	11,784	11,330
Direct investment	1,587	1,707	2,835	1,675	3,685	3,923	4,179	4,455	6,912	7,400
Net portfolio and other investment	14,591	-11,693	4,247	2,878	6,569	7,697	6,763	6,654	4,872	3,930
Government	3,765	-1,261	1,152	11,616	14,472	14,262	14,797	15,353	16,665	16,788
Drawings	6,116	0	2,863	15,965	17,319	17,176	17,828	19,460	20,747	21,451
Amortization	-2,351	-1,261	-1,711	-4,349	-2,847	-2,913	-3,031	-4,107	-4,082	-4,664
Private sector (net)	10,825	-10,431	3,095	-8,738	-7,903	-6,566	-8,034	-8,698	-11,794	-12,858
Banks, net	-5,029	5,349	-3,414	1,244	-491	-515	-539	-577	-623	-662
Other	15,855	-15,780	6,509	-9,982	-7,412	-6,051	-7,495	-8,121	-11,170	-12,196
Errors and omissions	-22,007	10,819	476	0	0	0	0	0	0	0
Overall balance	-17,036	11,792	-743	1,640	1,384	832	2,536	3,306	3,979	3,990
Financing	17,035	-11,792	743	-1,640	-1,384	-832	-2,536	-3,306	-3,979	-3,990
NFA of central bank (increase -)	16,254	-12,362	1,244	-1,165	517	-832	-2,536	-3,306	-3,979	-3,990
Foreign assets	16,254	-12,362	1,244	-1,165	517	-832	-2,536	-3,306	-3,979	-3,990
Foreign liabilities	0	0	0	0	0	0	0	0	0	0
Of which: Net IMF Credit[2]	-823	-1,018	-1,408	3,547	-1,214	-921	-1,541	-3,493	-2,379	-508
Net change in arrears	781	570	-501	-475	-1,900	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Current account (percentage of GDP)	-4.3	-2.1	-2.8	-3.8	-5.5	-4.9	-4.4	-4.0	-3.7	-3.5
Excluding transfers	-15.2	-16.0	-16.6	-17.3	-19.0	-18.3	-17.7	-17.3	-16.9	-16.6
Exports of goods and services (percentage of GDP)	10.7	11.9	12.9	12.3	12.4	12.5	12.6	12.6	12.6	12.6
Imports of goods and services (percentage of GDP)	26.5	28.4	30.0	30.1	31.8	31.1	30.6	30.2	29.9	29.5
Gross international reserves (millions of U.S. dollars)	160.0	209.3	198.4	196.4	197.7	201.3	208.2	217.0	227.6	238.2
In months of imports of goods and services	7.2	8.2	6.7	6.6	5.9	5.8	5.8	5.7	5.7	5.7
Nominal GDP (CF millions)	450,159	469,217	490,958	521,084	550,382	581,086	613,251	647,681	684,838	724,285
Nominal GDP (millions of U.S. dollars)	1,013	1,077	1,179	1,186	1,253	1,336	1,419	1,506	1,602	1,703

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

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

Table 4b. Comoros: Balance of Payments, 2016–25

Baseline Scenario

(In percent of GDP; unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Prel.				Proj.				
Current account	-4.3	-2.1	-2.8	-3.8	-5.5	-4.9	-4.4	-4.0	-3.7	-3.5
Goods and services	-15.8	-16.4	-17.1	-17.7	-19.4	-18.6	-18.0	-17.6	-17.3	-16.9
Trade balance	-15.1	-15.9	-17.1	-17.4	-19.1	-18.4	-17.9	-17.6	-17.3	-17.0
Exports	3.0	3.7	3.7	3.5	3.3	3.3	3.3	3.4	3.4	3.4
Of which: Vanilla	0.4	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Cloves	1.9	2.0	2.0	1.9	1.8	1.8	1.9	1.9	1.9	2.0
Ylang-ylang	0.1	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Imports (f.o.b.)	-18.2	-19.6	-20.8	-21.0	-22.4	-21.7	-21.3	-21.0	-20.7	-20.4
of which oil	-3.6	-4.5	-5.0	-4.6	-4.7	-4.3	-4.1	-4.0	-4.0	-4.0
Services (net)	-0.6	-0.6	0.0	-0.3	-0.4	-0.2	-0.1	0.0	0.0	0.1
Receipts	7.6	8.2	9.2	8.8	9.1	9.2	9.2	9.3	9.3	9.3
Payments	-8.3	-8.8	-9.2	-9.1	-9.5	-9.4	-9.3	-9.3	-9.2	-9.2
Income (net)	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Of which: Interest on rescheduled obligations	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3
Current transfers (net)	10.9	13.8	13.8	13.5	13.6	13.4	13.4	13.3	13.2	13.2
Government	1.5	3.5	1.5	1.4	1.5	1.4	1.4	1.4	1.2	1.2
Private [1]	9.4	10.3	12.3	12.1	12.1	12.0	12.0	12.0	12.0	12.0
Capital and financial account	5.5	2.3	2.5	4.1	5.7	5.0	4.8	4.5	4.3	4.0
Capital account	1.9	4.5	1.1	3.2	3.9	3.0	3.0	2.8	2.6	2.4
Capital transfers	1.9	4.5	1.1	3.2	3.9	3.0	3.0	2.8	2.6	2.4
Transfer of fixed assets	3.2	4.5	1.1	3.2	3.9	3.0	3.0	2.8	2.6	2.4
Financial account	3.6	-2.1	1.4	0.9	1.9	2.0	1.8	1.7	1.7	1.6
Direct investment	0.4	0.4	0.6	0.3	0.7	0.7	0.7	0.7	1.0	1.0
Net portfolio and other investment	3.2	-2.5	0.9	0.6	1.2	1.3	1.1	1.0	0.7	0.5
Government	0.8	-0.3	0.2	2.2	2.6	2.5	2.4	2.4	2.4	2.3
Drawings	1.4	0.0	0.6	3.1	3.1	3.0	2.9	3.0	3.0	3.0
Amortization	-0.5	-0.3	-0.3	-0.8	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
Private sector (net)	2.4	-2.2	0.6	-1.7	-1.4	-1.1	-1.3	-1.3	-1.7	-1.8
Banks, net	-1.1	1.1	-0.7	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other	3.5	-3.4	1.3	-1.9	-1.3	-1.0	-1.2	-1.3	-1.6	-1.7
Errors and omissions	-4.9	2.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-3.8	2.5	-0.2	0.3	0.3	0.1	0.4	0.5	0.6	0.6
Financing	3.8	-2.5	0.2	-0.3	-0.3	-0.1	-0.4	-0.5	-0.6	-0.6
NFA of central bank (increase -)	3.6	-2.6	0.3	-0.2	0.1	-0.1	-0.4	-0.5	-0.6	-0.6
Foreign assets	3.6	-2.6	0.3	-0.2	0.1	-0.1	-0.4	-0.5	-0.6	-0.6
Foreign liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Net IMF Credit[2]	-0.2	-0.2	-0.3	0.7	-0.2	-0.2	-0.3	-0.5	-0.3	-0.1
Net change in arrears	0.2	0.1	-0.1	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Current Account, excl. transfers (percentage of GDP)	-15.2	-16.0	-16.6	-17.3	-19.0	-18.3	-17.7	-17.3	-16.9	-16.6
Exports of goods and services (percentage of GDP)	10.7	11.9	12.9	12.3	12.4	12.5	12.6	12.6	12.6	12.6
Imports of goods and services (percentage of GDP)	26.5	28.4	30.0	30.1	31.8	31.1	30.6	30.2	29.9	29.5
Gross international reserves (millions of U.S. dollars)	160.0	209.3	198.4	196.4	197.7	201.3	208.2	217.0	227.6	238.2
In months of imports of goods and services	7.2	8.2	6.7	6.6	5.9	5.8	5.8	5.7	5.7	5.7
Nominal GDP (CF millions)	450,159	469,217	490,958	521,084	550,382	581,086	613,251	647,681	684,838	724,285
Nominal GDP (millions of U.S. dollars)	1,013	1,077	1,179	1,186	1,253	1,336	1,419	1,506	1,602	1,703

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

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

Table 5. Comoros: Selected Economic and Financial Indicators, 2016–25
Policy Scenario

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.[1]		Proj.[1]						
	(Annual percentage change, unless otherwise indicated)									
National income and prices										
Real GDP	3.5	4.2	3.6	1.9	4.4	3.6	3.7	3.9	4.2	4.3
GDP deflator	1.6	0.3	1.1	3.2	1.2	2.1	2.0	1.9	1.9	1.9
Consumer price index (annual average)	0.8	0.1	1.7	3.3	1.4	2.1	2.0	2.0	2.0	2.0
Money and credit										
Net foreign assets	-13.1	12.6	4.2	-5.6	2.2	3.7	7.7	12.3	15.5	13.5
Domestic credit	33.5	-0.4	4.9	6.9	2.7	3.0	2.6	1.4	2.8	5.1
Credit to the private sector	7.2	6.2	1.2	2.0	4.7	5.3	5.6	5.9	6.2	6.5
Broad money	10.3	1.8	8.5	5.1	4.6	5.0	5.7	5.9	6.2	6.3
Velocity (GDP/end-year broad money)	3.6	3.7	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6
External sector										
Exports, f.o.b.	82.0	26.2	5.5	1.3	-0.9	6.0	6.0	6.7	7.2	7.4
Imports, f.o.b.	-0.4	12.1	11.1	7.2	12.2	4.5	3.4	4.3	5.0	5.8
Export volume	31.5	-1.0	2.9	5.0	-0.1	6.0	5.9	6.4	6.7	6.7
Import volume	2.0	12.4	11.1	0.1	9.9	8.1	4.9	4.7	4.8	5.5
Terms of trade	14.6	11.8	-0.3	-4.6	-2.8	3.0	1.6	1.0	0.7	0.7
	(In percent of GDP, unless otherwise indicated)									
Investment and savings										
Gross fixed capital formation	13.1	14.2	15.8	16.1	16.1	16.2	16.4	16.5	16.6	16.6
Gross national savings	8.8	12.1	13.2	13.1	14.5	14.2	14.1	14.5	15.2	15.8
Government Budget										
Total revenue and grants	14.2	17.2	13.9	16.1	18.7	18.0	18.1	18.0	18.1	18.3
Total revenue	8.8	10.2	11.3	8.7	9.5	9.8	10.2	10.5	10.8	11.1
Tax Revenue	7.9	9.4	8.3	7.0	8.1	8.4	8.7	8.9	9.2	9.6
Non-tax Revenue	0.9	0.8	3.0	1.7	1.4	1.5	1.5	1.5	1.5	1.6
Total grants	5.4	7.1	2.5	7.5	9.2	8.2	7.9	7.6	7.3	7.2
Total expenditure and net lending	18.7	16.9	14.9	18.4	20.0	20.1	20.1	20.0	20.0	20.1
Current expenditure	11.1	10.3	11.3	10.6	10.5	11.2	11.1	11.1	11.1	11.2
Capital expenditure	6.3	6.3	3.6	7.8	9.5	9.0	9.0	8.9	8.9	9.0
Domestic primary balance[2]	-3.1	-1.1	-1.2	-2.5	-2.5	-2.9	-2.4	-2.3	-2.2	-2.1
Overall balance (cash basis)	-4.9	0.2	-0.4	-2.2	-1.3	-2.2	-2.0	-2.0	-1.9	-1.8
Excluding grants	-10.3	-6.9	-2.9	-9.7	-10.5	-10.3	-9.9	-9.5	-9.2	-9.0
Net Financing	4.2	-0.1	0.7	2.2	1.3	2.2	2.0	2.0	1.9	1.8
Foreign (Including IMF)	1.2	-0.2	0.2	2.1	1.4	2.3	2.2	2.2	2.2	2.1
Domestic	3.0	0.0	0.5	0.1	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3
Financing gap/errors and omissions	0.7	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External sector										
Exports of goods and services	10.7	11.9	12.9	12.3	12.4	12.5	12.7	12.8	13.0	13.1
Imports of goods and services	26.5	28.4	30.0	30.1	31.7	31.5	30.9	30.5	30.2	30.0
Current account balance	-4.3	-2.1	-2.8	-3.8	-4.5	-4.4	-3.9	-3.4	-2.7	-2.4
Excl. official and private transfers	-15.2	-16.0	-16.6	-17.3	-18.9	-18.6	-17.9	-17.3	-16.7	-16.5
Private remittances, net[3]	9.4	10.3	12.3	12.1	12.2	12.4	12.5	12.6	12.7	12.8
External debt	16.4	17.0	19.6	23.8	26.1	28.2	28.8	29.2	29.5	29.7
Official grants and loans	6.8	7.1	3.1	10.5	11.5	10.9	10.6	10.4	10.1	9.9
Gross international reserves (end of period)										
In millions of U.S. dollars	160.0	209.3	198.4	196.4	198.8	203.7	214.4	231.1	260.7	295.2
In months of imports of goods & services	7.2	8.2	6.7	6.6	6.0	5.8	5.8	6.0	6.4	6.8
Exchange rate CF/US$ (period average)	444.6	435.6	416.4	439.4						
Memorandum items:										
Public sector debt (in Percent of GDP)[4]	16.5	17.1	19.6	23.8	26.2	28.3	28.8	29.3	29.6	29.8
GDP (nominal, in billions of CF)	450.2	469.2	491.0	521.1	550.4	582.2	615.4	651.7	692.2	735.6
GDP per capita (nominal, in US Dollars)	1,256	1,301	1,386	1,357	1,397	1,453	1,506	1,563	1,627	1,696

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

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

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

Table 6a. Comoros: Consolidated Government Financial Operations, 2016–25

Policy Scenario

(In millions of Comorian Francs, unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024	2025
		Est.[1]	Prel.[1]	Budget	Proj.[1]	Budget	Proj.[1]			Proj.[1]		
Total revenue and grants	63,841	80,910	68,142	108,542	83,976	104,913	102,915	104,771	111,318	117,416	125,393	134,616
Revenues	39,558	47,703	55,642	64,534	45,109	54,322	52,324	57,202	62,864	68,167	74,718	81,752
Tax revenues	35,364	44,012	40,696	49,239	36,346	46,201	44,486	48,743	53,742	58,305	63,996	70,344
Direct and indirect taxes	30,999	30,992	26,318	37,420	22,890	34,382	27,718	31,405	34,991	38,362	42,240	46,583
Taxes on international trade and transactions	4,365	13,020	14,379	11,819	13,457	11,819	16,769	17,338	18,752	19,944	21,756	23,761
Nontax revenues[2]	4,194	3,691	14,946	15,295	8,763	8,121	7,837	8,459	9,122	9,862	10,722	11,407
External grants	24,283	33,207	12,500	44,008	38,867	50,591	50,591	47,569	48,454	49,249	50,674	52,865
Budgetary assistance	135	8,407	1,061	5,000	2,200	8,000	8,000	6,000	4,500	4,000	4,000	4,000
Projects (incl. techn.assist.)	24,148	24,800	11,439	39,008	36,667	42,591	42,591	41,569	43,954	45,249	46,674	48,865
Total expenditure and net lending	84,007	79,262	73,239	114,857	95,635	107,489	110,078	117,300	123,680	130,290	138,617	147,872
Current expenditure	49,743	48,272	55,700	52,050	54,997	55,771	57,733	64,999	68,598	72,348	76,923	82,032
Primary current expenditures	45,798	44,238	51,865	51,400	50,397	51,056	52,480	59,039	61,933	65,521	69,722	74,429
Wages and salaries	24,640	25,812	26,686	27,384	28,238	27,623	27,659	29,383	31,028	32,826	34,814	37,069
Goods and services	13,079	13,145	13,873	13,332	13,007	13,252	13,742	15,399	16,156	17,092	18,076	19,286
Transfers and pensions[2]	8,080	5,281	11,305	10,684	9,152	10,181	11,079	14,257	14,749	15,604	16,832	18,073
Interest payments	294	284	469	650	760	651	1,188	1,649	2,094	1,986	2,059	2,139
External debt	294	284	382		633		1,025	1,475	1,900	1,986	2,059	2,139
Domestic debt	0	0	87		127		163	174	194	0	0	0
Foreign-financed project maintenance	1,378	1,415	1,559		1,260	1,340	1,340	1,429	1,525	1,615	1,715	1,823
Technical assistance	2,273	2,334	1,808		2,579	2,725	2,725	2,882	3,046	3,226	3,427	3,641
Capital expenditure	28,148	29,490	17,538	52,643	40,639	51,718	52,345	52,301	55,083	57,942	61,694	65,839
Domestically financed investment	7,651	8,440	9,467	13,635	7,810	13,191	13,818	15,042	15,700	17,534	20,161	22,439
Foreign-financed investment	20,497	21,050	8,071	39,008	32,828	38,527	38,527	37,258	39,383	40,408	41,532	43,400
Net lending	6,116	1,500	0	7,000	0	0	0	0	0	0	0	0
Domestic primary balance[3]	-13,891	-4,975	-5,689	-501	-13,099	-9,925	-13,975	-16,879	-14,768	-14,888	-15,165	-15,116
Overall balance (commitment basis)	-20,166	1,648	-5,097	-6,315	-11,659	-2,576	-7,163	-12,529	-12,362	-12,874	-13,224	-13,256
Excluding grants	-44,449	-31,559	-17,597	-50,323	-50,526	-53,167	-57,754	-60,098	-60,816	-62,123	-63,898	-66,120
Change in net arrears (interest)	-106	-586	3,137	0	-41		-163	0	0	0	0	0
External arrears	224	142	382		-41		-163	0	0	0	0	0
Domestic arrears	-329	-728	2,755		0		0	0	0	0	0	0
Repayment	-2,208	-4,182	-1,894		0		0	0	0	0	0	0
Accumulation	1,878	3,453	4,649		0		0	0	0	0	0	0
Float	-1,737	0	0	0	0		0	0	0	0	0	0
Overall balance (cash basis)	-22,009	1,062	-1,960	-6,315	-11,699	-2,576	-7,326	-12,529	-12,362	-12,874	-13,224	-13,256
Excluding grants	-46,291	-32,145	-14,460	-50,323	-50,567	-53,167	-57,917	-60,098	-60,816	-62,123	-63,898	-66,120
Financing	18,853	-669	3,401		11,699		7,326	12,529	12,362	12,874	13,224	13,256
Foreign (net)	5,498	-834	745		11,181		7,844	13,111	13,593	14,503	14,955	15,095
Drawings, PIP (identified)	6,116	0	2,863		15,965		12,428	16,024	16,624	18,610	19,037	19,758
Amortization	-1,175	-1,261	-1,711		-4,349		-2,847	-2,913	-3,031	-4,107	-4,082	-4,664
Change in net arrears (principal)	557	428	-407		-434		-1,737	0	0	0	0	0
Domestic (net)	13,356	165	2,656		518		-518	-582	-1,231	-1,629	-1,731	-1,839
Bank financing	13,356	165	2,656		518		-518	0	0	0	0	0
Central bank	13,500	-1,063	3,288		0		0	0	0	0	0	0
Commercial banks	-144	1,228	-631		518		-518	0	0	0	0	0
Errors and omissions/Financing gap (+ = underfinancing)	3,155	-394	-1,441		0		0	0	0	0	0	0
Memorandum items:												
GDP (nominal)	450,159	469,217	490,958	521,084	521,084	550,382	550,382	582,162	615,357	651,737	692,207	735,601
Wages in percentage of revenues	62.3	54.1	48.0	42.4	62.6	50.9	52.9	51.4	49.4	48.2	46.6	45.3

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Including RAU from 2018.

[3] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

Table 6b. Comoros: Consolidated Government Financial Operations, 2016–25

Policy Scenario

(In percent of GDP, unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024	2025
		Est.[1]	Prel.[1]	Budget	Proj.[1]	Budget	Proj.[1]			Proj.[1]		
Total revenue and grants	14.2	17.2	13.9	20.8	16.1	19.1	18.7	18.0	18.1	18.0	18.1	18.3
Revenues	8.8	10.2	11.3	12.4	8.7	9.9	9.5	9.8	10.2	10.5	10.8	11.1
Tax revenues	7.9	9.4	8.3	9.4	7.0	8.4	8.1	8.4	8.7	8.9	9.2	9.6
Direct and indirect taxes	6.9	6.6	5.4	7.2	4.4	6.2	5.0	5.4	5.7	5.9	6.1	6.3
Taxes on international trade and transactions	1.0	2.8	2.9	2.3	2.6	2.1	3.0	3.0	3.0	3.1	3.1	3.2
Nontax revenues[2]	0.9	0.8	3.0	2.9	1.7	1.5	1.4	1.5	1.5	1.5	1.5	1.6
External grants	5.4	7.1	2.5	8.4	7.5	9.2	9.2	8.2	7.9	7.6	7.3	7.2
Budgetary assistance	0.0	1.8	0.2	1.0	0.4	1.5	1.5	1.0	0.7	0.6	0.6	0.5
Projects (incl. techn. assist.)	5.4	5.3	2.3	7.5	7.0	7.7	7.7	7.1	7.1	6.9	6.7	6.6
Total expenditure and net lending	18.7	16.9	14.9	22.0	18.4	19.5	20.0	20.1	20.1	20.0	20.0	20.1
Current expenditure	11.1	10.3	11.3	10.0	10.6	10.1	10.5	11.2	11.1	11.1	11.1	11.2
Primary current expenditures	10.2	9.4	10.6	9.9	9.7	9.3	9.5	10.1	10.1	10.1	10.1	10.1
Wages and salaries	5.5	5.5	5.4	5.3	5.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Goods and services	2.9	2.8	2.8	2.6	2.5	2.4	2.5	2.6	2.6	2.6	2.6	2.6
Transfers and pensions[2]	1.8	1.1	2.3	2.1	1.8	1.8	2.0	2.4	2.4	2.4	2.4	2.5
Interest payments	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3
External debt	0.1	0.1	0.1		0.1		0.2	0.3	0.3	0.3	0.3	0.3
Domestic debt	0.0	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Foreign-financed project maintenance	0.3	0.3	0.3		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Technical assistance	0.5	0.5	0.4		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Capital expenditure	6.3	6.3	3.6	10.1	7.8	9.4	9.5	9.0	9.0	8.9	8.9	9.0
Domestically financed investment	1.7	1.8	1.9	2.6	1.5	2.4	2.5	2.6	2.6	2.7	2.9	3.1
Foreign-financed investment	4.6	4.5	1.6	7.5	6.3	7.0	7.0	6.4	6.4	6.2	6.0	5.9
Net lending	1.4	0.3	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic primary balance[3]	-3.1	-1.1	-1.2	-0.1	-2.5	-1.8	-2.5	-2.9	-2.4	-2.3	-2.2	-2.1
Overall balance (commitment basis)	-4.5	0.4	-1.0	-1.2	-2.2	-0.5	-1.3	-2.2	-2.0	-2.0	-1.9	-1.8
Excluding grants	-9.9	-6.7	-3.6	-9.7	-9.7	-9.7	-10.5	-10.3	-9.9	-9.5	-9.2	-9.0
Change in net arrears (interest)	0.0	-0.1	0.6		0.0		0.0	0.0	0.0	0.0	0.0	0.0
External arrears	0.0	0.0	0.1		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears	-0.1	-0.2	0.6		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Repayment	-0.5	-0.9	-0.4		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Accumulation	0.4	0.7	0.9		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Float	-0.4	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-4.5	0.2	-0.4	-1.2	-2.2	-0.5	-1.3	-2.2	-2.0	-2.0	-1.9	-1.8
Excluding grants	-9.9	-6.9	-2.9	-9.7	-9.7	-9.7	-10.5	-10.3	-9.9	-9.5	-9.2	-9.0
Financing	4.2	-0.1	0.7		2.2		1.3	2.2	2.0	2.0	1.9	1.8
Foreign (net)	1.2	-0.2	0.2		2.1		1.4	2.3	2.2	2.2	2.2	2.1
Drawings, PIP (identified)	1.4	0.0	0.6		3.1		2.3	2.8	2.7	2.9	2.8	2.7
IMF possible RCF and RFI[4]	0.0	0.0	0.0		1.0		0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.3	-0.3	-0.3		-0.8		-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
Change in net arrears (principal)	0.1	0.1	-0.1		-0.1		-0.3	0.0	0.0	0.0	0.0	0.0
Domestic (net)	3.0	0.0	0.5		0.1		-0.1	-0.1	-0.2	-0.3	-0.3	-0.3
Bank financing	3.0	0.0	0.5		0.1		-0.1	0.0	0.0	0.0	0.0	0.0
Central bank	3.0	-0.2	0.7		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Of which: IMF (net)	-0.2	-0.2	-0.3		0.7		-0.2	-0.2	-0.3	-0.5	-0.3	-0.1
Commercial banks	0.0	0.3	-0.1		0.1		-0.1	0.0	0.0	0.0	0.0	0.0
Errors and Omissions/ Financing gap (+ = underfinancing)	0.7	-0.1	-0.3		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
GDP (nominal)	450,159	469,217	490,958	521,084	521,084	550,382	550,382	582,162	615,357	651,737	692,207	735,601
Wages in percentage of revenues	62.3	54.1	48.0	42.4	62.6	50.9	52.9	51.4	49.4	48.2	46.6	45.3

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

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Including RAU from 2018.

[3] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

Table 7. Comoros: Monetary Survey, 2016–25

Policy Scenario

(In millions of francs, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Proj.				
Net foreign assets	69,000	77,716	80,970	76,426	78,080	80,950	87,199	97,958	113,104	128,371
Central bank assets	74,638	87,000	85,756	86,921	86,870	88,286	92,437	99,093	111,180	125,212
Central bank liabilities	-12,505	-10,802	-9,718	-14,182	-12,969	-12,048	-10,507	-7,013	-4,634	-4,126
Commercial banks assets	14,198	7,723	8,234	8,739	9,230	9,763	10,320	10,930	11,609	12,337
Commercial banks liabilities	-7,331	-6,205	-3,302	-5,052	-5,052	-5,052	-5,052	-5,052	-5,052	-5,052
Net domestic assets	56,431	49,994	57,558	69,217	74,296	79,005	81,877	81,113	77,087	73,743
Domestic credit	85,745	85,381	89,600	95,808	98,430	101,372	104,040	105,501	108,435	113,912
Net credit to government	10,241	5,946	9,535	14,170	13,029	11,565	9,330	5,344	2,155	825
Of which: Treasury	17,379	13,699	15,297	19,932	18,791	17,327	15,092	11,106	7,917	6,587
Bank financing	10,241	5,946	9,535	14,170	13,029	11,565	9,330	5,344	2,155	825
Claims on government	18,293	18,405	16,626	21,261	20,120	19,238	18,233	15,876	14,418	14,927
Deposits at Treasury	-8,051	-12,459	-7,090	-7,090	-7,090	-7,673	-8,903	-10,533	-12,263	-14,102
Claims on public enterprises	2,899	2,268	2,017	2,027	2,037	2,047	2,047	2,047	2,047	2,047
Claims on other financial institutions	-64	-77	-108	-108	-108	-108	-108	-108	-108	-108
Claims on private sector	72,669	77,167	78,123	79,719	83,471	87,868	92,771	98,218	104,340	111,148
Other items net	-29,314	-35,387	-32,041	-24,672	-22,205	-20,428	-20,224	-22,449	-29,408	-38,230
Of which: Long term liabilities	--	--	--	--	--	--	--	--	--	--
Broad money	125,431	127,710	138,528	145,643	152,376	159,955	169,076	179,072	190,191	202,114
Money	84,251	85,934	92,781	97,089	101,091	105,709	111,737	118,343	125,691	133,571
Currency in circulation	28,679	32,904	35,904	38,107	40,250	42,574	45,001	47,662	50,621	53,795
Demand deposits	55,572	53,031	56,877	58,982	60,841	63,135	66,735	70,681	75,070	79,776
Quasi-money	41,180	41,776	45,747	48,555	51,285	54,246	57,339	60,729	64,500	68,543
					(in percent of beginning period broad money)					
Net foreign assets	-9.1	6.9	2.5	-3.3	1.1	1.9	3.9	6.4	8.5	8.0
Net domestic assets	19.4	-5.1	5.9	8.4	3.5	3.1	1.8	-0.5	-2.2	-1.8
Domestic credit	18.9	-0.3	3.3	4.5	1.8	1.9	1.7	0.9	1.6	2.9
Net credit to government	12.8	-3.4	2.8	3.3	-0.8	-1.0	-1.4	-2.4	-1.8	-0.7
Credit to public enterprises	1.8	-0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to private sector	4.3	3.6	0.7	1.2	2.6	2.9	3.1	3.2	3.4	3.6
Other items (net)	0.4	-4.8	2.6	5.3	1.7	1.2	0.1	-1.3	-3.9	-4.6
Broad money	10.3	1.8	8.5	5.1	4.6	5.0	5.7	5.9	6.2	6.3
Money	6.9	1.3	5.4	3.1	2.7	3.0	3.8	3.9	4.1	4.1
Quasi-money	3.3	0.5	3.1	2.0	1.9	1.9	1.9	2.0	2.1	2.1
Velocity (GDP/end-year broad money)	3.6	3.7	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Credit to private sector (percent change)	7.2	6.2	1.2	2.0	4.7	5.3	5.6	5.9	6.2	6.5

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

Table 8a. Comoros: Balance of Payments, 2016–25

Policy Scenario

(In millions of francs, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Prel.				Proj.				
Current account	-19,575	-10,004	-13,510	-19,776	-24,730	-25,865	-24,232	-21,872	-18,784	-17,748
Goods and services	-71,067	-77,128	-83,972	-92,441	-106,286	-110,151	-112,083	-115,013	-118,949	-124,486
Trade balance	-68,167	-74,475	-83,743	-90,843	-104,352	-108,770	-112,027	-116,335	-121,656	-128,325
Exports	13,682	17,267	18,213	18,456	18,283	19,375	20,536	21,920	23,505	25,233
Of which: Vanilla	2,009	3,609	4,521	4,116	4,134	4,247	4,391	4,609	4,881	5,177
Cloves	8,442	9,442	9,640	10,136	9,838	10,591	11,397	12,348	13,436	14,633
Ylang-ylang	479	1,776	1,724	1,756	1,756	1,852	1,954	2,078	2,217	2,369
Other	2,752	2,440	2,328	2,448	2,556	2,687	2,794	2,886	2,970	3,053
Imports (f.o.b.)	-81,849	-91,742	-101,956	-109,299	-122,635	-128,146	-132,563	-138,255	-145,160	-153,557
of which oil	-16,131	-21,199	-24,696	-24,023	-26,084	-25,138	-25,117	-25,977	-27,441	-29,270
Services (net)	-2,900	-2,653	-228	-1,597	-1,934	-1,381	-56	1,322	2,707	3,839
Receipts	34,364	38,640	45,153	45,848	50,055	53,631	57,544	61,826	66,432	71,147
Payments	-37,264	-41,293	-45,381	-47,445	-51,990	-55,012	-57,600	-60,505	-63,725	-67,308
Income (net)	2,453	2,192	2,616	2,262	2,109	2,047	2,020	2,405	3,210	3,176
Of which: Interest on rescheduled obligations	-294	-284	-477	-633	-1,025	-1,475	-1,900	-1,986	-2,059	-2,139
Current transfers (net)	49,039	64,932	67,846	70,403	79,447	82,240	85,831	90,737	96,955	103,562
Government	6,560	16,495	7,291	7,296	12,064	10,311	9,071	8,841	9,142	9,464
Private [1]	42,479	48,437	60,555	63,107	67,383	71,929	76,761	81,896	87,814	94,098
Capital and financial account	24,547	10,977	12,291	21,416	26,579	27,281	28,383	28,528	30,871	31,779
Capital account	8,370	20,963	5,209	16,863	26,099	21,234	22,759	21,797	22,496	23,642
Capital transfers	8,370	20,963	5,209	16,863	26,099	21,234	22,759	21,797	22,496	23,642
Transfer of fixed assets	14,381	21,050	5,209	16,863	26,099	21,234	22,759	21,797	22,496	23,642
Financial account	16,177	-9,986	7,082	4,553	480	6,047	5,624	6,731	8,375	8,137
Direct investment	1,587	1,707	2,835	1,675	3,685	3,930	4,193	4,483	6,986	7,516
Net portfolio and other investment	14,591	-11,693	4,247	2,878	-3,204	2,117	1,431	2,248	1,389	621
Government	3,765	-1,261	1,152	11,616	9,581	13,111	13,593	14,503	14,955	15,095
Drawings	6,116	0	2,863	15,965	12,428	16,024	16,624	18,610	19,037	19,758
Amortization	-2,351	-1,261	-1,711	-4,349	-2,847	-2,913	-3,031	-4,107	-4,082	-4,664
Private sector (net)	10,825	-10,431	3,095	-8,738	-12,786	-10,994	-12,162	-12,256	-13,566	-14,474
Banks, net	-5,029	5,349	-3,414	1,244	-491	-533	-557	-610	-679	-728
Other	15,855	-15,780	6,509	-9,982	-12,294	-10,461	-11,605	-11,646	-12,887	-13,746
Errors and omissions	-22,007	10,819	476	0	0	0	0	0	0	0
Overall balance	-17,036	11,792	-743	1,640	1,849	1,417	4,150	6,656	12,087	14,031
Financing	17,035	-11,792	743	-1,640	-1,849	-1,417	-4,150	-6,656	-12,087	-14,031
NFA of central bank (increase -)	16,254	-12,362	1,244	-1,165	51	-1,417	-4,150	-6,656	-12,087	-14,031
Foreign assets	16,254	-12,362	1,244	-1,165	51	-1,417	-4,150	-6,656	-12,087	-14,031
Foreign liabilities	0	0	0	0	0	0	0	0	0	0
Of which: Net IMF Credit[2]	-823	-1,018	-1,408	3,547	-1,214	-921	-1,541	-3,493	-2,379	-508
Net change in arrears	781	570	-501	-475	-1,900	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Current account (percentage of GDP)	-4.3	-2.1	-2.8	-3.8	-4.5	-4.4	-3.9	-3.4	-2.7	-2.4
Excluding transfers	-15.2	-16.0	-16.6	-17.3	-18.9	-18.6	-17.9	-17.3	-16.7	-16.5
Exports of goods and services (percentage of GDP)	10.7	11.9	12.9	12.3	12.4	12.5	12.7	12.8	13.0	13.1
Imports of goods and services (percentage of GDP)	26.5	28.4	30.0	30.1	31.7	31.5	30.9	30.5	30.2	30.0
Gross international reserves (millions of U.S. dollars)	160.0	209.3	198.4	196.4	198.8	203.7	214.4	231.1	260.7	295.2
In months of imports of goods and services	7.2	8.2	6.7	6.6	6.0	5.8	5.8	6.0	6.4	6.8
Nominal GDP (CF millions)	450,159	469,217	490,958	521,084	550,382	582,162	615,357	651,737	692,207	735,601
Nominal GDP (millions of U.S. dollars)	1,013	1,077	1,179	1,186	1,253	1,339	1,424	1,516	1,619	1,730

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

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

Table 8b. Comoros: Balance of Payments 2016–25

Policy Scenario

(In percent of GDP, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Prel.	Proj.							
Current account	-4.3	-2.1	-2.8	-3.8	-4.5	-4.4	-3.9	-3.4	-2.7	-2.4
Goods and services	-15.8	-16.4	-17.1	-17.7	-19.3	-18.9	-18.2	-17.6	-17.2	-16.9
Trade balance	-15.1	-15.9	-17.1	-17.4	-19.0	-18.7	-18.2	-17.8	-17.6	-17.4
Exports	3.0	3.7	3.7	3.5	3.3	3.3	3.3	3.4	3.4	3.4
Of which: Vanilla	0.4	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Cloves	1.9	2.0	2.0	1.9	1.8	1.8	1.9	1.9	1.9	2.0
Ylang-ylang	0.1	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4
Imports (f.o.b.)	-18.2	-19.6	-20.8	-21.0	-22.3	-22.0	-21.5	-21.2	-21.0	-20.9
of which oil	-3.6	-4.5	-5.0	-4.6	-4.7	-4.3	-4.1	-4.0	-4.0	-4.0
Services (net)	-0.6	-0.6	0.0	-0.3	-0.4	-0.2	0.0	0.2	0.4	0.5
Receipts	7.6	8.2	9.2	8.8	9.1	9.2	9.4	9.5	9.6	9.7
Payments	-8.3	-8.8	-9.2	-9.1	-9.4	-9.4	-9.4	-9.3	-9.2	-9.2
Income (net)	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.4	0.5	0.4
Of which: Interest on rescheduled obligations	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3
Current transfers (net)	10.9	13.8	13.8	13.5	14.4	14.1	13.9	13.9	14.0	14.1
Government	1.5	3.5	1.5	1.4	2.2	1.8	1.5	1.4	1.3	1.3
Private [1]	9.4	10.3	12.3	12.1	12.2	12.4	12.5	12.6	12.7	12.8
Capital and financial account	5.5	2.3	2.5	4.1	4.8	4.7	4.6	4.4	4.5	4.3
Capital account	1.9	4.5	1.1	3.2	4.7	3.6	3.7	3.3	3.2	3.2
Capital transfers	1.9	4.5	1.1	3.2	4.7	3.6	3.7	3.3	3.2	3.2
Transfer of fixed assets	3.2	4.5	1.1	3.2	4.7	3.6	3.7	3.3	3.2	3.2
Financial account	3.6	-2.1	1.4	0.9	0.1	1.0	0.9	1.0	1.2	1.1
Direct investment	0.4	0.4	0.6	0.3	0.7	0.7	0.7	0.7	1.0	1.0
Net portfolio and other investment	3.2	-2.5	0.9	0.6	-0.6	0.4	0.2	0.3	0.2	0.1
Government	0.8	-0.3	0.2	2.2	1.7	2.3	2.2	2.2	2.2	2.1
Drawings	1.4	0.0	0.6	3.1	2.3	2.8	2.7	2.9	2.8	2.7
Amortization	-0.5	-0.3	-0.3	-0.8	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
Private sector (net)	2.4	-2.2	0.6	-1.7	-2.3	-1.9	-2.0	-1.9	-2.0	-2.0
Banks, net	-1.1	1.1	-0.7	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other	3.5	-3.4	1.3	-1.9	-2.2	-1.8	-1.9	-1.8	-1.9	-1.9
Errors and omissions	-4.9	2.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-3.8	2.5	-0.2	0.3	0.3	0.2	0.7	1.0	1.7	1.9
Financing	3.8	-2.5	0.2	-0.3	-0.3	-0.2	-0.7	-1.0	-1.7	-1.9
NFA of central bank (increase -)	3.6	-2.6	0.3	-0.2	0.0	-0.2	-0.7	-1.0	-1.7	-1.9
Foreign assets	3.6	-2.6	0.3	-0.2	0.0	-0.2	-0.7	-1.0	-1.7	-1.9
Foreign liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Net IMF Credit[2]	-0.2	-0.2	-0.3	0.7	-0.2	-0.2	-0.3	-0.5	-0.3	-0.1
Net change in arrears	0.2	0.1	-0.1	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Current Account, excl. transfers (percentage of GDP)	-15.2	-16.0	-16.6	-17.3	-18.9	-18.6	-17.9	-17.3	-16.7	-16.5
Exports of goods and services (percentage of GDP)	10.7	11.9	12.9	12.3	12.4	12.5	12.7	12.8	13.0	13.1
Imports of goods and services (percentage of GDP)	26.5	28.4	30.0	30.1	31.7	31.5	30.9	30.5	30.2	30.0
Gross international reserves (millions of U.S. dollars)	160.0	209.3	198.4	196.4	198.8	203.7	214.4	231.1	260.7	295.2
In months of imports of goods and services	7.2	8.2	6.7	6.6	6.0	5.8	5.8	6.0	6.4	6.8
Nominal GDP (CF millions)	450,159	469,217	490,958	521,084	550,382	582,162	615,357	651,737	692,207	735,601
Nominal GDP (millions of U.S. dollars)	1,013	1,077	1,179	1,186	1,253	1,339	1,424	1,516	1,619	1,730

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

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

Annex I. Social Spending and Social Outcomes in Comoros

Social outcomes are mixed: poverty is broadly in line with the average of lower-middle income countries (LMICs, a group that Comoros now belongs to), while overall SDG attainment and education and health outcomes in particular are weak (close to the SSA average). The remaining poverty and the weak SDG outcomes weigh on the population's wellbeing and the economy's growth potential. Remaining poverty reflects in part very low government spending on social assistance. Weak education and health outcomes reflect in part low spending on education and health and spending inefficiencies. Staff advises to raise the volume of efficient elements of social spending while preserving debt sustainability and make spending more efficient. For the next few years, this likely means expanding transfers to the poor, enhancing efficiency of education spending; and raising spending on primary health care.

1. Comoros fares well on indicators of poverty, with poverty levels around the LMIC average. Poverty declined by 10 percentage points during 2004–13.[1] Using a poverty line of U.S.$3.2 per day (appropriate for Comoros as a lower middle-income country), 38 percent of the population are poor (compared to an average 67 percent in SSA and 44 percent in LMICs, using the same poverty line).[2] Using a poverty line of U.S.$1.9 per day (income needed to buy sufficient food to survive), 18 percent of Comorians are found to be extremely poor (compared to an average 41 percent in SSA and 14 percent in LMICs).[3] Among the extremely poor, the depth of poverty (the distance between the average income of the poor and the poverty line) is limited (6 percent).[4] The risk of poverty is higher among those who do not receive remittances and the rural population.

2. However, overall SDG attainment and education and health outcomes are weak, weighing on the populations' wellbeing and the country's growth potential.

- **Overall performance on SDGs is close to the SSA average** (index value of 53 in Comoros versus 54 in SSA and 68 in middle-income countries, Text Figures 1 and 2).[5] Progress has been achieved in recent years on access to electricity and the internet.
- **Among SDG targets, education and health outcomes are also broadly in line with the SSA average** (health a bit better than in SSA and education a bit weaker). This leaves much room for progress: for example, only 37 percent of 15–19-year-olds are able to read, infant

[1] Reduction to a poverty rate of 42 percent, using a poverty line of U.S.$3.5 per day. See World Bank Comoros Poverty Assessment and https://data.worldbank.org/indicator/SI.POV.NAHC?locations=KM. A new household survey is being prepared but results are not yet available.

[2] https://data.worldbank.org/indicator/SI.POV.LMIC?locations=KM data for Comoros.

[3] https://data.worldbank.org/indicator/SI.POV.DDAY 2013 data for Comoros.

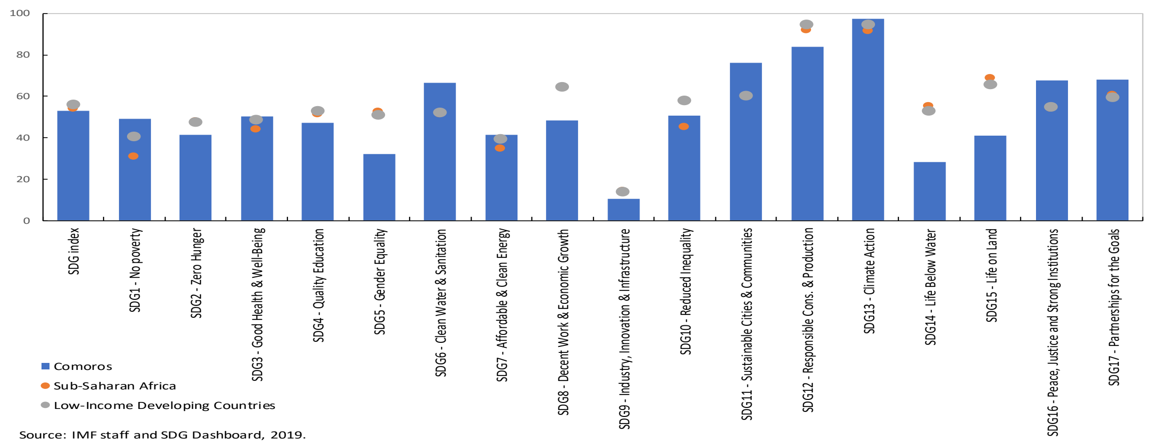
[4] https://data.worldbank.org/indicator/SI.POV.GAPS 2013 data for Comoros.

[5] IMF Fiscal Affairs Department SDG Performance template.

mortality (at 57 per 1,000 births) remains high, and childhood stunting frequent (31 percent of children are affected).[6]

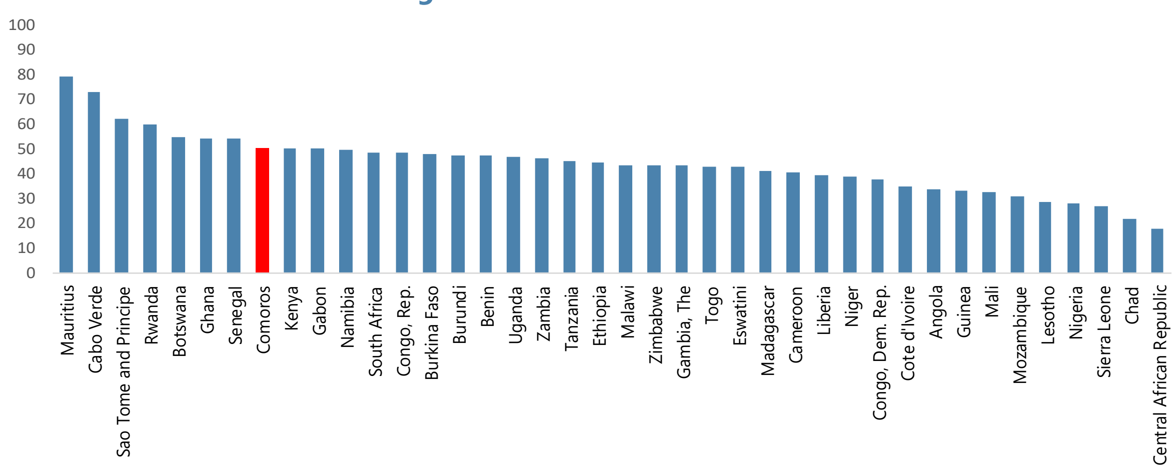
- **As a result of weak education and health outcomes, human capital remains low.** Comoros reaches an aggregate score of only 0.41 in the World Bank's recently developed Human Capital Index (compared to an average of 0.40 for SSA and 0.48 for LMICs), indicating that a child in Comoros can expect to be only 41 percent as productive as a child benefitting from ideal health and education services.[7] This limits Comoros' growth potential.

Text Figure 1. Comoros: SDG Performance Relative to SSA and LIDCs



Source: IMF staff and SDG Dashboard, 2019.

Text Figure 2. Comoros: SSA SDG3 Index



Source: IMF staff and SDG Dashboard, 2019.

[6] See World Bank Systematic Country Diagnostic 2019.

[7] https://data.worldbank.org/indicator/HD.HCI.OVRL 2017 data.

3. A key contributor to remaining poverty is very low government spending on social assistance programs financed from general revenue. The government has prepared a social assistance policy that focuses on labor-intensive public works, cash transfers to households, and measures to reduce malnutrition. Under this policy, a cash-for work program presently reaches about 5,000 families, while other elements are not being implemented, likely due mainly to insufficient funds. The World Bank and UNICEF fill this void only partially by operating two transfer programs benefiting vulnerable families. The limited depth of poverty among the extremely poor suggests that additional transfers could lower extreme poverty at low cost.[8]

4. Key contributors to weak education and health outcomes appear to be both low volume and low efficiency of public education and health spending.

- **Education:** Spending on education is in line with the SSA average (4.2 percent of GDP in Comoros vs. 4 percent of GDP in SSA). The spending appears to go almost entirely to teachers' salaries, while spending on education infrastructure and supporting services such as teacher training is very low. As a result of this, Comoros has notionally one of the highest teachers to student ratios in SSA, but teacher absenteeism appears to be substantial and the quality of teachers quite weak; while education infrastructure remains underdeveloped.

- **Health:** Spending on health is below the SSA average (1.0–1.4 percent of GDP in Comoros vs. 1.8 percent of GDP in SSA). As in education, government spending appears to go almost entirely to salaries while spending on infrastructure is very low. Among the results is the fact that there appear to be only few hospitals in the country, and they provide only limited services, which has led many Comorians to seek treatment abroad. To help address this shortcoming, the authorities have started building a large new hospital in the capital that would offer advanced treatments. The authorities have taken on a large non-concessional loan for this and are seeking further financing, while plans for the funding of the operation of the hospital are unclear.

5. Going forward, the authorities should aim to raise both the volume and the efficiency of health and education spending while preserving debt sustainability.

- On efficiency, the authorities should consult with the World Bank. In education, the Bank suggests as key goals raising the quality of education and reducing the gender gap in education outcomes. In health, the Bank recommends as key goals reducing infant and child mortality and addressing stunting. Each goal requires specific policies. High impact items for education include teachers training, provision of school materials, and school maintenance; and for health comprises improvement of primary care through co-financing of vaccination, better provision of medicines for health centers, improving health insurance for the poor,

[8] Staff will aim to understand better the state of affairs on contribution-financed social insurance. The government runs a retirement fund for civil servants and private sector employees that currently provides pensions to 10 percent of the population over 65 years old.

and maintaining facilities. As resources are very limited, for now the authorities should focus health spending on these items rather than the building of the one large hospital.

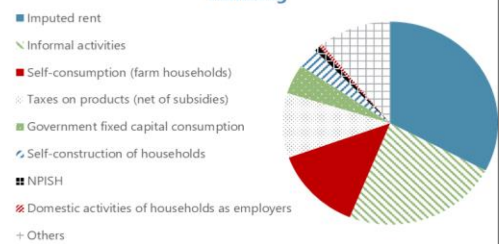
- On volume of spending, the tension between raising spending and preserving debt sustainability should be addressed mainly by raising revenue and containing unproductive spending

Annex II. Revision of the National Accounts

1. Comoros, supported by the IMF and the World Bank, recently modernized its national accounts compilation methodology, switching in 2018 to the 1993 Systems of National Accounts methodology from the 1968 standards. The more recent methodology reflects more fully the value-added of non-market and informal activities. The base year also changed, from 1990 to 2007.

2. Adoption of the new methodology resulted in a large upward revision of nominal GDP (by 71.8 percent in 2007). The main drivers of this increase are (i) imputed rent, which adds 23.5 percent to the previous GDP series; (ii) nonprimary sector informal activities (16.8 percent), (iii) household agricultural self-consumption (9.6 percent), and (iv) taxes net of subsidies on products (7.4 percent).

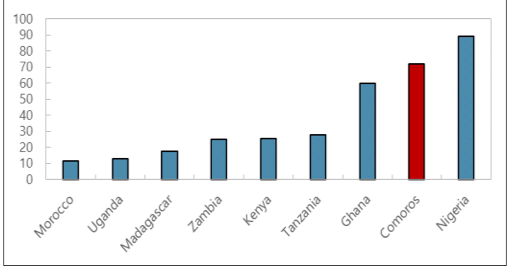
Text Figure 1. Comoros: Drivers of GDP Rebasing



3. Beside the nominal GDP increase, the revised series suggest higher GDP growth, and a different sectoral composition of GDP.

- GDP growth was revised up on average by 1.1 percentage points during 2007–17 to 3¼ percent. Therefore, with population growth of 2¾ percent per year, GDP per capita growth now appears to have been small but positive (about one half of one percent per year) rather than negative as was thought before.

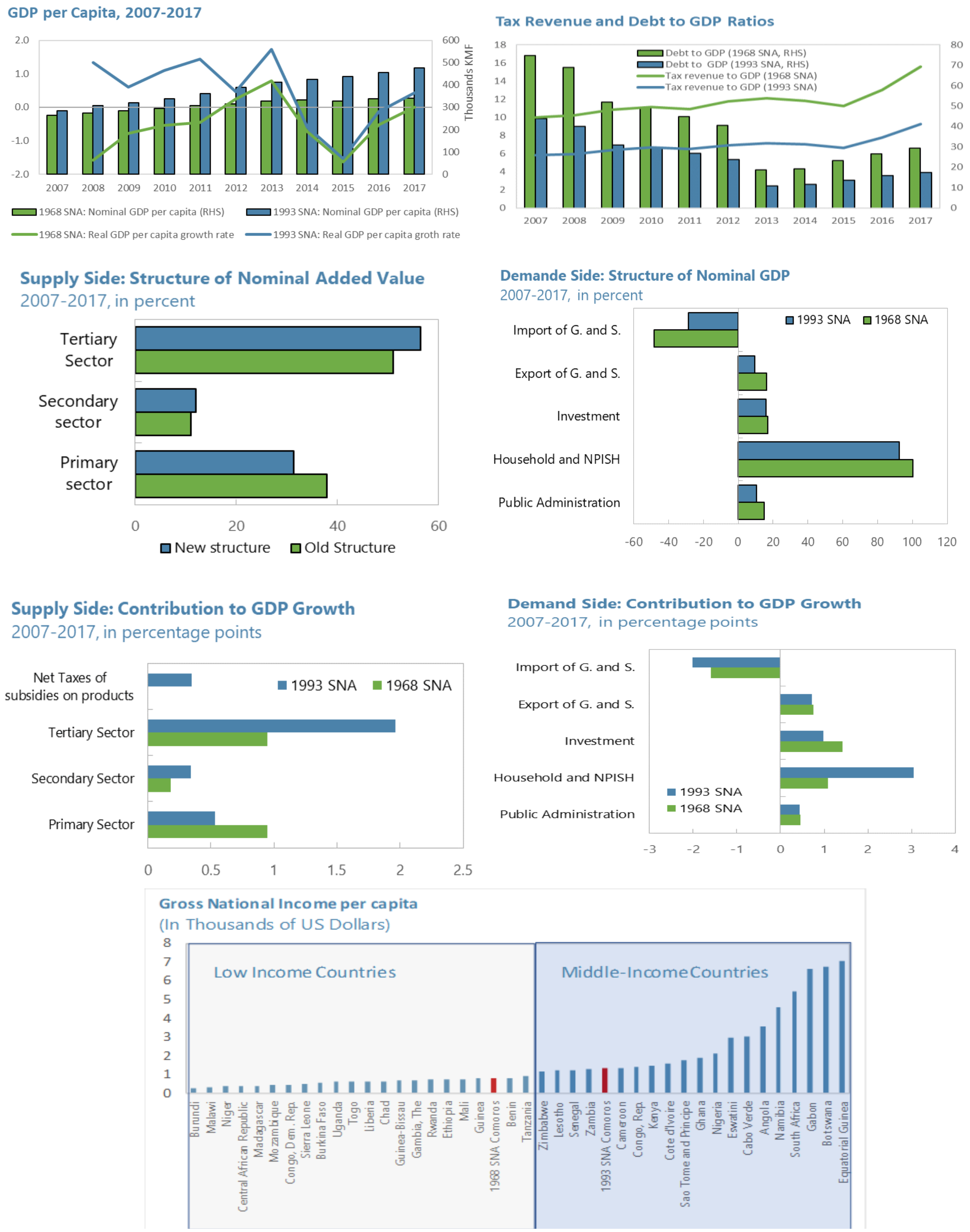
Text Figure 2. Comoros: Change in GDP by Rebasing (In Percent)



- The share of services in added value has been revised up (to 57 percent), and the share of agriculture and fishery down (to 32 percent).

The revision to GDP pushed Comoros' gross national income (GNI) to a level consistent with middle-income status in the World Bank's classification. GNI was US$ 1,329 in 2017.

Figure 1. Comoros: Revised GDP Series



Sources: World Bank, Comorian authorities, and IMF staff.

Annex III. Risk Assessment Matrix

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
		Global Risks		
Weaker-than-expected global growth. A global prolonged growth slowdown could be synchronized as weakening outlooks in the U.S., Europe and China feed off each other and impact on earnings, asset prices and credit performance.	Low/High	ST, MT	High	**Enhance economic competitiveness** and **reprioritize spending** to unlock potential new export sectors.
Intensification of geopolitical tensions and security risks in part of the Middle East, leading to socioeconomic disruptions	High	ST	High	**Limited mitigation options in the ST. To the extent possible, resolve political uncertainty as soon as possible. enhance revenue mobilization and enhance economic competitiveness**.
Sharp rise in risk premia. This causes higher debt service and refinancing difficulties; stress on leveraged firms, households, and vulnerable sovereigns; and capital outflows.	Medium	ST	Low	**Enhance economic competitiveness** and **reprioritize spending** to unlock potential new export sectors.
Large swings in energy prices. Risks to prices are broadly balanced, reflecting offsetting—but large and uncertain—supply and demand shocks.	High	ST, MT	Medium	**Ensure that subsidies to the state-owned oil importer (SCH) are budgeted in a transparent manner** to accurately reflect the impact of oil price changes in the fiscal accounts.
Coronavirus outbreak causes widespread and prolonged disruptions to economic activity and global spillovers through tourism, supply chains, and containment costs.	Medium	ST	Medium	**Limited mitigation options in the ST due to the weak health system.** Monitor international travel-related exposure.
		Domestic Risks		
Decline in remittances. A protracted economic slowdown in Europe reduces remittances from the diaspora in France.	High	ST, MT	High	**Enhance economic competitiveness** through improving the business climate.
Forced repatriation of Comorian migrants in Mayotte. Renewed tensions between the Comorian diaspora in Mayotte and the local population leads to the forced repatriation of the former.	Medium	ST	Medium	**Enhance revenue mobilization** and **enhance economic competitiveness** to provide economic opportunities for returned migrants.

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
		Global Risks		
Weak implementation of measures to address impact of cyclone Kenneth. With human and physical capital permanently weakened by substantial margins, economic performance would much below expectations.	High	ST, MT	High	**Seek sufficient financing, forcefully address the need to rebuild, and provide temporary support to affected populations, particularly the poor.**
Political Developments: Lingering political and inter-island tensions in the aftermath of the constitutional changes and Presidential elections hold back private sector activity and fiscal revenue.	High	ST	High	**Resolve political uncertainty as soon as possible** to avoid economic spillovers.
Deterioration of the SOEs' financial situation.	High	ST, MT	High	**Contain associated fiscal risks** by ensuring that the largest SOEs prepare audited annual balance sheets and profit and loss statements by end-2020.
Infrastructure: Failure to consolidate recent hard-won gains in electricity supply stability.	Medium	ST, MT	High	**Ensure that subsidies to the state-owned electricity utility (MAMWE) are budgeted for and adequate electricity distribution networks are developed**.
Poor investment quality does not yield medium-term growth benefits.	Medium	MT	High	**Improve project selection** so that only projects with net economic benefits are undertaken.
Natural disasters: Eruption of the Karthala volcano or another hurricane landfall.	Medium	ST, MT	High	**Implement the three-pronged adaptation strategy discussed in this report.**
Financial Sector: Persistently high NPL level continues to weigh on credit provision to the private sector and growth.	High	ST, MT	High	**Strengthen judicial contract enforcement** to reduce lending risk.
Failure to resolve difficulties of SNPSF in an adequate and timely manner.	High	ST, MT	High	**Speedily implement a comprehensive resolution plan for SNPSF and prepare financial crisis contingency plans**.
Further deterioration of asset bank quality, resulting in a financial sector crisis.	Moderate	ST, MT	High	**Enhance risk-based supervision and resolution framework.**

Annex IV. Debt Sustainability Assessment

Comoros Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Limited Space*
Application of judgement	*No*

Comoros remains at moderate risk of external debt distress,[1] with limited space to absorb shocks. All debt burden indicators exhibit a persistent upward trend, with one of them approaching its threshold at the end of the assessment horizon (2029). Shock scenarios indicate vulnerability to a deterioration of export performance, natural disasters, and exchange rate depreciation. Comoros' overall risk of debt distress is also moderate, given that domestic debt is expected to remain minimal. To strengthen debt sustainability, the authorities should improve macroeconomic performance including by making faster progress on domestic resource mobilization and boosting exports. The authorities should proceed cautiously on taking up any new debt and should limit any non-concessional borrowing to at most the Euro 25mn ceiling established by the World Bank. Under an "active policy" scenario, Comoros would build buffers that would expand its space to absorb shocks to "some" space.

A. Public Debt Coverage

1. The coverage of public debt comprises the entire public sector, as in the most recent DSA. It includes debt of the central government and the central bank (IMF facilities),[2] as well as government-guaranteed debt of state-owned enterprises (SOEs). SOEs cannot access the external debt market without a government guarantee. Subnational government entities cannot take up debt on their own.

Text Table 1. Public Debt Coverage Under the Baseline Scenario

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

Sources: Comorian authorities, and IMF staff.

[1] Comoros' debt carrying capacity is assessed as medium with the Composite Indicator (CI) of 2.97, which is based on the October WEO 2019 and the 2018 CPIA.

[2] IMF Country Report No. 19/272.

2. The contingent liability stress test accounts for the likely costly resolution of the insolvent state-owned postal bank (SNPSF) and associated financial market risk. Assumed contingent liabilities from financial markets account for the expected cost of SNPSF resolution (2.1 percent of GDP), which is added to the standard minimum value of 5 percent of GDP that represents the average cost to the government of a financial crisis in LICs. Contingent liabilities for SOE debt are set to 2 percent to cover fiscal risks and domestic arrears from SOEs, and contingent liabilities of other elements of the general government are set at 1.8 percent of GDP, the estimated level of domestic arrears at end-2018. Overall, Comoros' total contingent liabilities are estimated at 10.9 percent of GDP.

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

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	1.8	Estimated domestic arrears
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	7.1	Increased to include the estimate of the SNPSF resolution plan cost.
	Total (2+3+4+5) (in percent of GDP)		10.9	

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

Sources: Comorian authorities, and IMF staff.

B. Background

Recent Debt Developments

3. Comoros benefited from extensive debt relief after reaching the HIPC Completion Point in 2012. Comoros' external debt was reduced by 12.7 percentage points of GDP, to 10.9 percent of GDP at end-2013.

4. Comoros' external public and publicly guaranteed (PPG) debt is mainly held by official bilateral creditors, and most is on concessional terms. The debt held by official bilateral creditors more than doubled during 2015-18, increasing its participation in total external debt to 60.2 percent. At end-2018, all external debt is on concessional terms, with fixed interest rates, except for a loan from the French export credit insurer COFACE (EUR 3.4 million, 0.3 percent of GDP).

5. Comoros has continued to take on concessional debt. Since 2013, Comoros has contracted five new external concessional loans, totaling US$158.7 million or 13.5 percent of 2018 GDP, to construct a thermal electricity generation plant, rehabilitate the road network, and strengthen telecommunications infrastructure. The newest loan (US$82 million, 7 percent of GDP), contracted with a Chinese bank in late 2018 to strengthen telecommunication infrastructure, has a maturity of 30 years, including a 5-year grace period, and an interest rate of 1 percent, implying a grant element of 44.7 percent. The undisbursed amounts of these loans are included in the DSA based on disbursement projections provided by the authorities. Domestic borrowing is limited (to 0.1 percent of 2018 GDP) a three-year loan contracted with the local representative of India's EXIMBANK in 2017.

Text Table 3. Nominal Stock of External PPG Debt, 2018[1]
(Millions of U.S. dollars; end-of-period)

Total External Debt[2]	**224.1**
Multilateral Creditors	**30.3**
IMF	11.0
IDA	19.3
Bilateral Creditors	**145.0**
Saudi Arabia	44.9
India	38.9
China	30.9
Kuwait	25.9
France	3.4
Mauritius[3]	0.9
Others	**48.8**

[1] Following Paris Club cancellation of all its HIPC-eligible debt, rescheduling of short-term debt in arrears, and restructuring non-Paris Club debt.

[2] Excludes $2.72mn of hospital debt owed by Comoros to France that is the subject of ongoing negotiations

[3] The Mauritius loan and its arrears were canceled in early 2019.

Source: Comorian authorities.

6. **The World Bank (WB) recently provided a non-zero ceiling for non-concessional borrowing of Euro 25 million.** The loan in question was contracted in 2018 from the Eastern and Southern African Trade and Development Bank (TDB)[3] to finance the El-Maarouf hospital, US$10 million was disbursed in 2019. This DSA assumes the disbursement of the remaining amount equally in 2020 and 2021.

Macroeconomic Forecasts

7. **The medium to long-term macroeconomic assumptions underlying the present DSA incorporate some changes.** The baseline scenario includes October 2019 WEO assumptions and the latest available information on Comoros' debt.

- **Revised GDP series and projections.** Growth is expected to accelerate from 3.6 percent in 2018 and over the medium to 3.8 percent over the longer term (a rate of growth slightly higher than in the DSA prepared for the 2019 RCF-RFI, mainly due to national account revisions for the 2016–2018 period). As before, Cyclone Kenneth, which hit Comoros in late April 2019, is expected to bring some volatility around this growth path in 2019 and 2020.

- **Revised inflation numbers**. Inflation is expected to reach 3.3 percent in 2019 due to the supply shocks caused by Cyclone Kenneth, 1.4 percent in 2020, and 2 percent over the

[3] The financing terms of the loan from TDB are a 7.5 percent floating interest rate, 10 years maturity, with no grace period. The terms also include fees that raise the effective interest rate by one half of one percentage point.

medium-to long-term. Longer-term inflation projections remain similar to those on previous DSAs.

- **External sector.** The current account deficit (CAD) remains marked by a large goods and services deficit, partially balanced by public and private transfers. The CAD is projected to reach 3.8 percent of GDP in 2019 and 5.5 percent of GDP in 2020, compared to 2.8 percent of GDP in 2018, reflecting in part the impact of the cyclone. Notwithstanding an upward revision of services exports due to stronger performance of tourism in 2017–18, exports of goods will be affected for some years by the loss of part of agricultural plants as a result of the cyclone, and imports of building and food items will also be higher. The goods and services deficit will be financed through an increase of remittances, aid, and public borrowing.

- **Fiscal.** In 2019, the overall fiscal deficit on a cash basis is expected to widen to 2.2 percent of GDP (from 0.4 percent of GDP in 2018), including grants. The 2019 fiscal situation will be marked by an increase of capital spending, which will be partially balanced by an increase of external grants. Fiscal revenue is expected to decline by 2.7 percentage points to 8.7 percent of GDP in line with adverse impacts of the cyclone. Starting in 2020, the fiscal situation will gradually normalize, with the deficit averaging 2.3 percent of GDP over the long-run.

- **External borrowing.** New borrowings on concessional terms are projected to rise over the medium term. The assumption of increased external borrowing to meet development needs plays a key role in the DSA and explains to some extent the upward slope of the debt burden indicators, particularly for debt level indicators. While this assumption is not based on concrete borrowing plans, it reflects the view that under baseline assumptions, Comoros will wish to borrow into the future to finance infrastructure investment. Comoros is also expected to continue to benefit from significant grant financing, leaving the grant element of new borrowing at about 35 percent. Projections include concessional financing of US$ 82 million from a Chinese bank between 2019 and 2021 (see DSA paragraph 5 above), as well as a non-concessional financing of Euro 25 million from the TDB between 2019 and 2021 (see DSA paragraph 6 above). As before, the DSA assumes that all contracted-but-undisbursed loans will be fully disbursed over the coming years, as planned by the authorities.

- **Domestic borrowing.** As in the previous DSA, domestic borrowing is assumed to remain very limited over the medium-term. Domestic borrowing is expected to reach 4.5 percent of GDP in 2039, reflecting a gradual deepening of domestic financial markets.

Text Table 4. Comoros: Assumptions for DSA

	2019 RCF-RFI DSA			2019 Article IV DSA - Baseline		
	2019-2025	2029	2039	2019-2025	2029	2039
GDP Growth Rate (percent)	3.3	3.5	3.6	3.5	3.8	3.8
Inflation, end of period (percent)	2.1	2.0	2.0	2.2	2.0	2.0
Government Revenues and Grants (percent of GDP)	10.1	10.8	11.4	9.3	9.9	10.4
Overall Fiscal Balance (percent of GDP)	-2.4	-2.2	-2.3	-2.3	-2.2	-2.4
FDI (percent of GDP)	0.8	1.1	1.2	0.7	1.1	1.2
Current Account Deficit (Percent of GDP)	5.7	3.5	1.8	4.2	3.5	3.0
Export of Goods and Services (annual percentage growth)	5.4	6.0	6.6	5.1	6.0	6.3
Import of Goods and Services (annual percentage growth)	5.4	5.3	5.6	5.2	6.0	5.7

Source: IMF staff.

Debt Arrears

8. **The authorities' action plan to clear external arrears between April 2018 and March 2019 was not executed due to financial constraints related to reduction of revenue and Cyclone Kenneth.** However, an agreement with the Mauritius authorities to cancel the totality of the loan of US$0.9 million, for which arrears are estimated at US$0.8 million was reached in early 2019. External arrears reached US$5.7 million or 0.5 percent of 2019 GDP at end-November 2019, of which arrears of US$2.5million (0.2 percent of GDP) to bilateral creditors France, Kuwait, India, and Saudi Arabia and 0.3 percent of GDP to the Arab Bank for Economic Development in Africa. Both the baseline and the policy scenario assume the clearance of all external arrears by end-2020, in line with the authorities' commitment in the authorities' July 2019 Letter of Intent.[4] The authorities are engaged in discussions with BADEA regarding a possible rescheduling of debt service and regularization of the arrears.

9. **Comoros' domestic arrears stock remains highly uncertain and was tentatively estimated KMF 9.1 billion (1.8 percent of GDP) at end-2018.** Pending an exhaustive audit of the domestic arrears (including government suppliers' arrears and cross arrears between the government and SOEs), staff included this amount in the contingent liability test for other elements of the general government. The authorities have committed to undertaking an audit of domestic arrears, including cross-arrears between the state and SOEs, as a first step toward developing a strategy to clear these arrears, subject to receiving grant financing for such an audit.

10. **The debt sustainability framework's newly-added realism tools does not flag issues (Figures 3 and 4).** The difference between the baseline and the fiscal-growth multipliers implied growth projections can be explained by the adverse effects of the cyclone on growth during the first year and the positive spillovers of the reconstruction process over the succeeding years. Similarly, the 3-year adjustment in the fiscal primary balance does not appear unrealistic, given the temporary nature of the cyclone' adverse effects on the fiscal situation.

[4] IMF Country Report No. 19/272.

Country Classification and Determination of Stress Test Scenarios

11. Comoros' debt carrying capacity continues to be assessed as medium (Text Table 4), as strong remittances inflows and as yet solid foreign exchange reserves outweigh the country's institutional and capacity weaknesses. The CI, which is based on the 2018 CPIA and the October WEO 2019 is 2.97. Under medium debt carrying capacity, the thresholds applicable to the public and publicly guaranteed external debt are 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt is 55 percent of GDP.

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

	WEO April 2018	WEO October 2018	WEO April 2019	WEO October 2019
CPIA	1.09	1.08	1.08	1.08
Real growth rate (in percent)	0.07	0.07	0.07	0.07
Import coverage of reserves(in percent)	2.19	2.17	2.17	2.17
Import coverage of reserves^2(in percent)	-1.16	-1.14	-1.14	-1.14
Remittances(in percent)	0.31	0.31	0.31	0.31
World economic growth (in percent)	0.49	0.48	0.48	0.48
Composite Indicator Score	2.99	2.97	2.97	2.97
Debt Carrying Capacity	Medium	Medium	Medium	Medium

Sources: Comorian authorities, World Bank, and IMF staff.

12. Stress tests use standard settings. While calibration of the contingent liability stress test reflects country circumstances, as discussed above, the standardized stress tests apply the default settings. Comoros remains exposed and vulnerable to natural disaster shocks, such as flooding and cyclones, as well as eruption of the Karthala volcano. Consequently, Comoros qualifies for the natural disaster scenario. Given limited mitigating factors, the size of the shock is fixed at 10 percent of GDP.

C. Debt Sustainability

External Debt Sustainability

13. This DSA suggests that Comoros maintains its external debt distress rating at moderate (Figure 1). As in the previous DSA, all debt and debt service indicators remain below their respective thresholds under the baseline macroeconomic assumptions. However, all the debt and debt service indicators exhibit an upward trend over the long run, assuming a continuation of limited GDP growth, a narrow base of exports, and only very limited progress in creating fiscal space.

14. The stress tests and alternative scenarios demonstrate Comoros' vulnerability to natural disasters, shocks to exports, and depreciation. A shock to exports is identified as the most extreme shock for the PV of external debt-to-exports and debt service-to-exports ratios. This shock results in a sustained breach of the threshold for the PV of external debt-to-exports ratio and a large deterioration without breach of the debt service-to-exports ratios.[5] The most extreme shock for the PV of external debt-to-GDP ratio is natural disaster, and for the debt service-to-revenue ratio it is depreciation. These results highlight the importance of strengthening export performance, including by diversifying exports. They also highlight Comoros' vulnerability to natural disasters and the critical role of exchange rate stability under the peg to the Euro.

15. Comoros has limited space to absorb shocks (Figure 5). Granular analysis suggests that the PV of external debt-to-exports ratio shows limited space to absorb shocks (with a continued upward trend in this ratio, reaching 161 percent in 2029 and thus substantially exceeding the ratio of 140 percent beyond which space is assessed as limited), while the remaining indicators have substantial space.

16. The policy scenario would enhance Comoros' debt sustainability relative to baseline by raising the capacity to absorb shocks from "limited" to "some" space (Figure 6).[6] Here, thanks to improved policy implementation, the fiscal deficit would be moderately lower (1.9 percent of GDP rather than 2.3 percent of GDP), growth would benefit from relaxing infrastructure constraints in promising sectors such as tourism and agriculture and would be pulled up by more dynamic exports (reaching 4.8 percent of GDP in the long term rather than 3.8 percent), and the current account deficit would be slightly lower as well (1.8 percent of GDP in the long term rather than 3 percent of GDP). The modest fiscal consolidation relative to the baseline scenario would be achieved mainly by raising revenue and containing non-priority spending. As a result, vulnerabilities related to limited exports would lessen, raising the capacity to absorb shocks to "some" space (from "limited" space in the baseline scenario). The stress tests and alternative scenarios remain unchanged compared to the baseline scenario.

Total Public Debt Sustainability

17. Public-sector domestic debt remains small. Domestic debt is projected to rise gradually from 0.1 percent of GDP in 2019 to 4.5 percent of GDP in 2039 (see paragraph 7). Under the policy scenario, domestic debt is projected to increase at a slightly higher pace reaching 7 percent of GDP in 2039, reflecting faster domestic financial market development.

18. There are no breaches of the public debt benchmark under the baseline or adverse scenarios, signaling limited risks (Figure 2). The PV of total PPG debt-to-GDP increases gradually from 14 percent in 2019 to 29.3 percent in 2039 but remains well below the benchmark. As in the previous DSA, natural disasters are identified as the most extreme shock for both the PV of debt-to-GDP and the PV of debt-to-revenue, and a one-time depreciation is identified as the most extreme shock for the debt service-to-revenue ratio. The most extreme shocks under the policy adjustment scenario are the same as in the baseline scenario, except for the debt service to-revenue ratio for which growth is identified as the most extreme shock.

[5] The most extreme stress test is defined as the test that yields the highest level of debt on or before the tenth year of the projection period.

[6] See the 2019 Article IV Staff Report section on Policy Discussion.

Risk Rating and Vulnerabilities

19. This DSA update maintains Comoros' external debt distress rating at "moderate" with limited space to absorb shocks.

20. However, as before, under current policies, Comoros may well slide into high risk of external debt distress in the next few years as a result of a breach of the PV of external debt to exports ratio. In addition, the adverse scenarios considered continue to highlight Comoros' vulnerability to a deterioration of export performance, natural disasters and exchange rate shocks.

21. The policy adjustment scenario boosts Comoros' capacity to absorb shocks from "limited" to "some" space. In particular, it will be critical for the authorities to make faster progress on domestic resource mobilization, proceed cautiously on taking up new concessional debt, and tightly limit the taking up of new non-concessional debt.

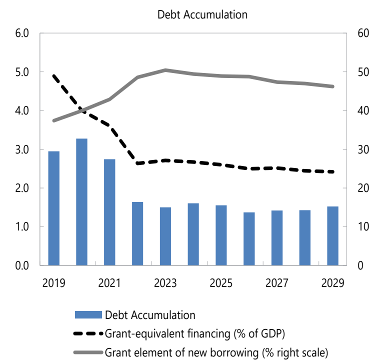
Authorities' Views: *The authorities acknowledge the importance of maintaining the risk of debt distress at "moderate" and building space to absorb shocks. The authorities understand the importance of strengthening policies as described in the policy scenario, and of seeking grants and concessional financing and avoiding, as much as possible, non-concessional financing. They reiterated their intention to clear all external arrears by end-2020, if possible. The authorities also requested technical assistance from the World Bank to improve debt management, including on debt reporting.*

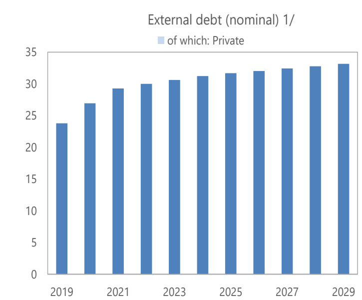
Table 1. Comoros: External Debt Sustainability Framework, Baseline Scenario, 2016-39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	**16.4**	**17.0**	**19.6**	**23.8**	**26.9**	**29.3**	**30.0**	**30.6**	**31.2**	**33.1**	**37.4**	**20.2**	**30.4**
of which: public and publicly guaranteed (PPG)	**16.4**	**17.0**	**19.6**	**23.8**	**26.9**	**29.3**	**30.0**	**30.6**	**31.2**	**33.1**	**37.4**	**20.2**	**30.4**
Change in external debt	2.5	0.5	2.7	4.1	3.2	2.3	0.7	0.6	0.6	0.4	0.4		
Identified net debt-creating flows	**3.4**	**0.8**	**0.7**	**3.1**	**3.8**	**3.3**	**2.7**	**2.3**	**1.6**	**-0.2**	**-2.0**	**1.4**	**1.7**
Non-interest current account deficit	**4.3**	**2.1**	**2.7**	**3.7**	**5.3**	**4.6**	**4.0**	**3.7**	**3.4**	**1.8**	**0.0**	**2.7**	**3.2**
Deficit in balance of goods and services	15.8	16.4	17.1	17.7	19.4	18.6	18.0	17.6	17.3	15.1	13.2	**19.0**	**17.0**
Exports	10.7	11.9	12.9	12.3	12.4	12.5	12.6	12.6	12.6	12.8	13.2		
Imports	26.5	28.4	30.0	30.1	31.8	31.1	30.6	30.2	29.9	27.9	26.4		
Net current transfers (negative = inflow)	-10.9	-13.8	-13.8	-13.5	-13.6	-13.4	-13.4	-13.3	-13.2	-12.9	-13.0	**-16.0**	**-13.2**
of which: official	-1.5	-3.5	-1.5	-1.4	-1.5	-1.4	-1.4	-1.4	-1.2	-1.1	-0.9		
Other current account flows (negative = net inflow)	-0.6	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.5	-0.2	**-0.3**	**-0.6**
Net FDI (negative = inflow)	**-0.4**	**-0.4**	**-0.6**	**-0.3**	**-0.7**	**-0.7**	**-0.7**	**-0.7**	**-1.0**	**-1.1**	**-1.2**	**-0.9**	**-0.8**
Endogenous debt dynamics 2/	**-0.6**	**-0.9**	**-1.4**	**-0.2**	**-0.8**	**-0.6**	**-0.6**	**-0.7**	**-0.8**	**-0.8**	**-0.9**		
Contribution from nominal interest rate	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.5		
Contribution from real GDP growth	-0.5	-0.6	-0.6	-0.4	-1.0	-0.9	-1.0	-1.0	-1.1	-1.2	-1.3		
Contribution from price and exchange rate changes	-0.2	-0.3	-0.9	...	...	...	...	...	...	...	...		
Residual 3/	**-0.9**	**-0.2**	**2.0**	**1.0**	**-0.7**	**-1.0**	**-2.0**	**-1.7**	**-1.0**	**0.6**	**2.4**	**-3.4**	**-0.4**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**10.9**	**13.8**	**16.2**	**17.7**	**18.2**	**18.6**	**19.0**	**20.5**	**24.9**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**84.7**	**111.8**	**130.1**	**141.9**	**144.9**	**147.5**	**150.5**	**160.2**	**188.5**		
PPG debt service-to-exports ratio	**2.9**	**2.9**	**3.3**	**7.9**	**5.8**	**6.3**	**6.7**	**7.7**	**7.4**	**8.7**	**10.7**		
PPG debt service-to-revenue ratio	**3.9**	**3.7**	**4.1**	**11.2**	**8.2**	**8.8**	**9.1**	**10.4**	**9.8**	**11.4**	**13.9**		
Gross external financing need (Million of U.S. dollars)	43.0	22.1	29.6	51.0	66.6	63.2	59.3	59.5	52.8	38.2	9.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	3.5	4.2	3.6	1.9	4.4	3.5	3.6	3.7	3.8	3.8	3.8	**3.3**	**3.6**
GDP deflator in US dollar terms (change in percent)	1.3	2.1	5.6	-1.3	1.2	3.0	2.5	2.4	2.4	1.9	1.9	**-0.5**	**1.8**
Effective interest rate (percent) 4/	0.5	0.4	0.6	0.7	0.9	1.1	1.2	1.2	1.2	1.1	1.3	**0.5**	**1.1**
Growth of exports of G&S (US dollar terms, in percent)	11.4	18.7	18.6	-3.8	6.3	7.3	7.0	6.3	6.5	6.0	6.3	**8.1**	**5.5**
Growth of imports of G&S (US dollar terms, in percent)	0.2	14.0	15.9	0.8	11.8	4.2	4.5	4.9	5.0	5.3	5.5	**3.7**	**4.9**
Grant element of new public sector borrowing (in percent)	...	...	...	37.4	39.9	42.9	48.6	50.4	49.4	46.2	40.8	**...**	**46.1**
Government revenues (excluding grants, in percent of GDP)	8.0	9.4	10.6	8.7	8.8	9.0	9.2	9.4	9.5	9.8	10.1	**8.6**	**9.4**
Aid flows (in Million of US dollars) 5/	8.5	27.9	11.5	80.5	80.8	73.7	58.6	63.3	67.3	85.4	158.5		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.9	4.0	3.6	2.6	2.7	2.7	2.4	2.3	**...**	**3.0**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	56.4	56.0	58.4	63.8	64.6	63.5	60.3	53.4	**...**	**61.1**
Nominal GDP (Million of US dollars)	1,013	1,077	1,179	1,186	1,253	1,336	1,419	1,506	1,602	2,130	3,732		
Nominal dollar GDP growth	4.8	6.4	9.5	0.6	5.7	6.6	6.2	6.1	6.3	5.8	5.8	**2.9**	**5.5**
Memorandum items:													
PV of external debt 7/	...	...	10.9	13.8	16.2	17.7	18.2	18.6	19.0	20.5	24.9		
In percent of exports	...	...	84.7	111.8	130.1	141.9	144.9	147.5	150.5	160.2	188.5		
Total external debt service-to-exports ratio	2.9	2.9	3.3	7.9	5.8	6.3	6.7	7.7	7.4	8.7	10.7		
PV of PPG external debt (in Million of US dollars)			128.9	163.7	202.5	236.9	258.8	280.1	304.3	435.9	928.2		
(PVt-PVt-1)/GDPt-1 (in percent)				2.9	3.3	2.7	1.6	1.5	1.6	1.5	1.8		
Non-interest current account deficit that stabilizes debt ratio	1.8	1.5	0.0	-0.5	2.1	2.3	3.3	3.0	2.8	1.4	-0.3		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

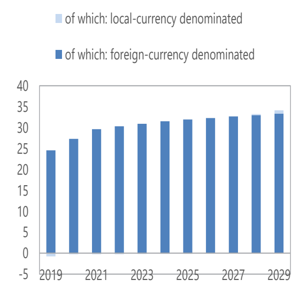
Table 2. Comoros: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016-39

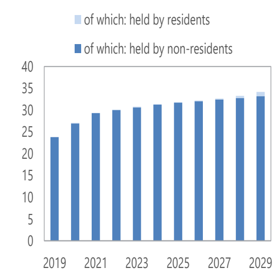
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	**16.5**	**17.1**	**19.6**	**23.8**	**27.1**	**29.4**	**30.1**	**30.8**	**31.3**	**34.1**	**41.9**	**20.8**	**30.6**
of which: external debt	**16.4**	**17.0**	**19.6**	**23.8**	**26.9**	**29.3**	**30.0**	**30.6**	**31.2**	**33.1**	**37.4**	**20.2**	**30.4**
Change in public sector debt	1.6	0.6	2.5	4.2	3.2	2.3	0.7	0.7	0.6	0.9	0.6		
Identified debt-creating flows	**8.2**	**2.2**	**3.3**	**6.8**	**8.0**	**6.9**	**7.2**	**6.8**	**6.3**	**4.6**	**4.1**	**1.5**	**6.1**
Primary deficit	**8.4**	**4.6**	**3.3**	**6.9**	**8.8**	**8.1**	**8.4**	**8.1**	**7.8**	**6.1**	**5.8**	**2.4**	**7.3**
Revenue and grants	8.8	12.0	11.5	11.3	10.7	10.7	10.4	10.6	10.7	10.8	11.0	**12.5**	**10.8**
of which: grants	0.8	2.6	1.0	2.6	1.9	1.7	1.2	1.2	1.2	1.1	0.9		
Primary (noninterest) expenditure	17.2	16.5	14.8	18.2	19.5	18.8	18.8	18.7	18.5	16.9	16.8	**14.9**	**18.0**
Automatic debt dynamics	**-0.2**	**-2.3**	**0.0**	**-0.1**	**-0.8**	**-1.2**	**-1.2**	**-1.3**	**-1.5**	**-1.5**	**-1.7**		
Contribution from interest rate/growth differential	-0.7	-0.6	-0.5	-0.1	-0.8	-1.2	-1.2	-1.3	-1.5	-1.5	-1.7		
of which: contribution from average real interest rate	-0.2	0.1	0.1	0.3	0.2	-0.3	-0.1	-0.2	-0.4	-0.2	-0.2		
of which: contribution from real GDP growth	-0.5	-0.7	-0.6	-0.4	-1.0	-0.9	-1.0	-1.1	-1.1	-1.2	-1.5		
Contribution from real exchange rate depreciation	0.4	-1.7	0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**-6.6**	**-1.6**	**-0.7**	**-2.6**	**-4.8**	**-4.6**	**-6.5**	**-6.2**	**-5.8**	**-3.7**	**-3.5**	**-3.6**	**-4.7**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**11.3**	**14.0**	**16.2**	**17.8**	**18.3**	**18.7**	**19.1**	**21.4**	**29.3**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**98.2**	**123.5**	**151.1**	**166.3**	**175.6**	**176.3**	**178.6**	**197.9**	**265.3**		
Debt service-to-revenue and grants ratio 3/	**4.4**	**4.2**	**3.7**	**8.6**	**7.1**	**8.1**	**8.6**	**9.7**	**9.4**	**13.0**	**25.2**		
Gross financing need 4/	8.8	5.1	3.7	7.9	9.6	9.0	9.3	9.2	8.8	7.5	8.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.5	4.2	3.6	1.9	4.4	3.5	3.6	3.7	3.8	3.8	3.8	**3.3**	**3.6**
Average nominal interest rate on external debt (in percent)	0.5	0.4	0.6	0.7	0.9	1.1	1.2	1.2	1.2	1.1	1.3	**0.5**	**1.1**
Average real interest rate on domestic debt (in percent)	-1.6	-0.1	-1.0	-3.3	1.8	1.0	1.1	1.1	1.1	1.1	1.1	**-1.4**	**0.8**
Real exchange rate depreciation (in percent, + indicates depreciation)	3.2	-10.9	3.1	...	...	...	...	...	...	...	...	**1.9**	**...**
Inflation rate (GDP deflator, in percent)	1.6	0.1	1.0	4.2	1.2	2.0	1.9	1.9	1.9	1.9	1.9	**1.4**	**2.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	-1.3	-0.2	-7.0	25.1	11.9	-0.2	3.3	3.4	2.7	4.5	4.7	**3.9**	**5.1**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	6.9	3.9	0.8	2.7	5.6	5.8	7.6	7.5	7.3	5.2	5.2	**3.8**	**6.0**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

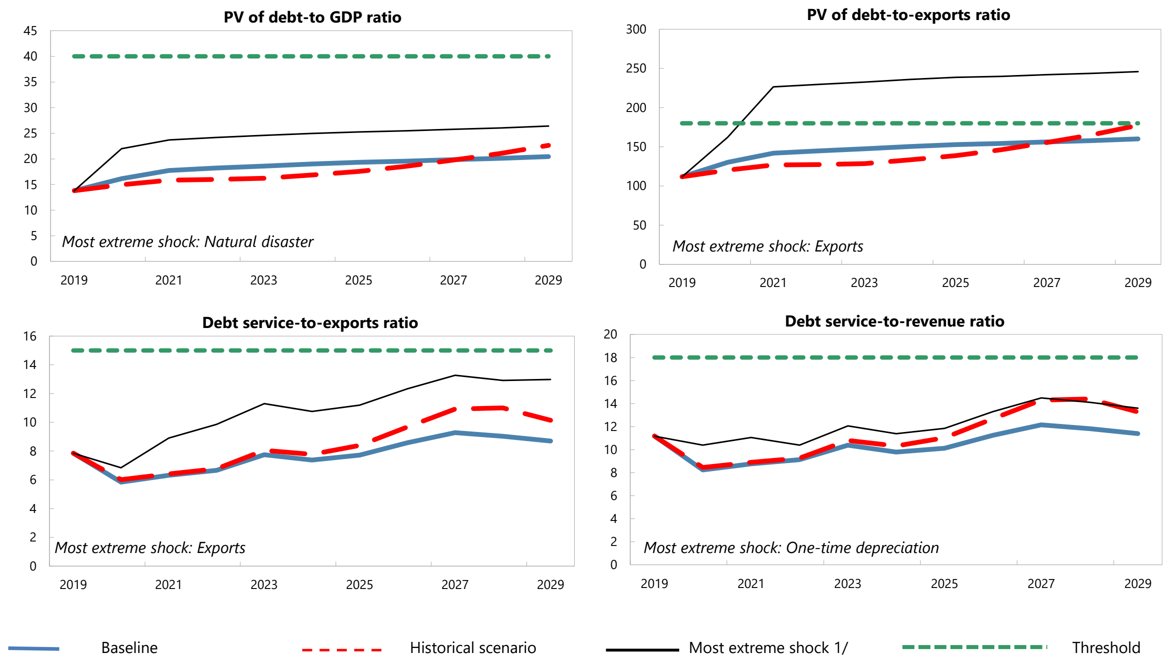
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 1. Comoros: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2019-29 1/



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	8	8

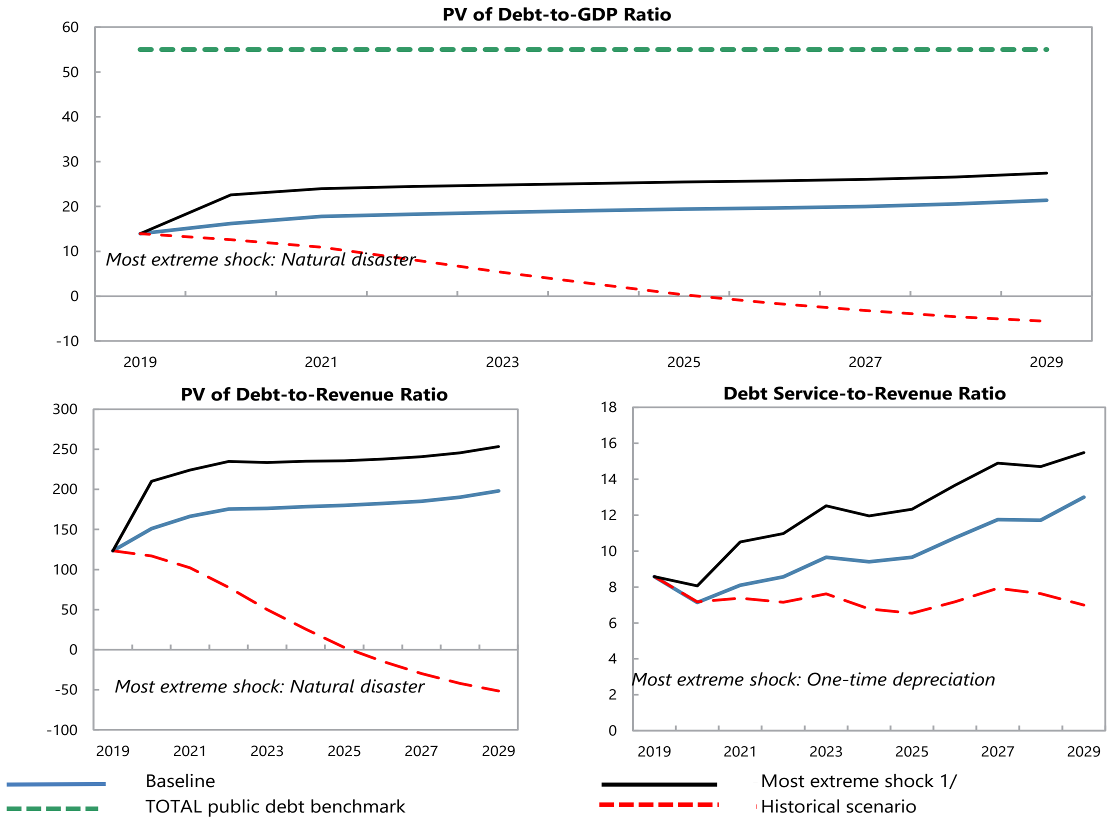
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Comoros: Indicators of Public Debt Under Alternative Scenarios, 2019-29



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	95%	95%
Domestic medium and long-term	2%	2%
Domestic short-term	3%	3%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	8	8
Domestic MLT debt		
Avg. real interest rate on new borrowing	1.0%	1.0%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	1.0%	1.0%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019-29

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	14	16	18	18	19	19	19	20	20	20	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	14	15	16	16	16	17	18	19	20	21	23
B. Bound Tests											
B1. Real GDP growth	14	17	19	19	20	20	20	21	21	21	22
B2. Primary balance	14	18	22	23	23	23	23	24	24	24	24
B3. Exports	14	17	21	21	22	22	22	23	23	23	23
B4. Other flows 3/	14	18	22	22	22	23	23	23	23	24	24
B5. Depreciation	14	20	18	19	19	20	20	21	21	22	22
B6. Combination of B1-B5	14	20	21	22	22	23	23	23	23	24	24
C. Tailored Tests											
C1. Combined contingent liabilities	14	22	24	24	25	25	25	25	25	26	26
C2. Natural disaster	14	22	24	24	25	25	25	25	26	26	26
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	112	130	142	145	147	151	153	154	156	158	160
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	112	120	127	127	129	133	139	146	156	166	177
B. Bound Tests											
B1. Real GDP growth	112	130	142	145	147	151	153	154	156	158	160
B2. Primary balance	112	148	177	180	**182**	**184**	**186**	**187**	**188**	**189**	**190**
B3. Exports	112	162	**226**	**230**	**233**	**236**	**239**	**240**	**242**	**244**	**246**
B4. Other flows 3/	112	146	174	176	178	**180**	**182**	**183**	**184**	**185**	**187**
B5. Depreciation	112	130	114	118	121	125	128	130	132	134	137
B6. Combination of B1-B5	112	158	157	**186**	**188**	**192**	**194**	**195**	**197**	**199**	**200**
C. Tailored Tests											
C1. Combined contingent liabilities	112	179	**190**	**192**	**194**	**196**	**198**	**198**	**200**	**200**	**202**
C2. Natural disaster	112	**181**	**193**	**196**	**199**	**202**	**204**	**205**	**207**	**208**	**211**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	8	6	6	7	8	7	8	9	9	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	8	6	6	7	8	8	8	10	11	11	10
B. Bound Tests											
B1. Real GDP growth	8	6	6	7	8	7	8	9	9	9	9
B2. Primary balance	8	6	7	7	9	8	8	9	10	10	10
B3. Exports	8	7	9	10	11	11	11	12	13	13	13
B4. Other flows 3/	8	6	7	7	8	8	8	9	10	10	10
B5. Depreciation	8	6	6	6	7	7	7	8	9	9	8
B6. Combination of B1-B5	8	6	8	8	9	9	9	10	11	11	11
C. Tailored Tests											
C1. Combined contingent liabilities	8	6	7	8	9	8	9	10	10	10	10
C2. Natural disaster	8	6	8	8	9	9	9	10	11	10	10
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	11	8	9	9	10	10	10	11	12	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	11	8	9	9	11	10	11	13	14	14	13
B. Bound Tests											
B1. Real GDP growth	11	8	9	10	11	10	11	12	13	12	12
B2. Primary balance	11	8	9	10	11	11	11	12	13	13	13
B3. Exports	11	8	9	10	11	11	11	12	13	13	13
B4. Other flows 3/	11	8	9	10	11	11	11	12	13	13	13
B5. Depreciation	11	10	11	10	12	11	12	13	14	14	14
B6. Combination of B1-B5	11	9	10	10	12	11	11	13	14	13	14
C. Tailored Tests											
C1. Combined contingent liabilities	11	8	10	11	12	11	11	12	13	13	12
C2. Natural disaster	11	8	10	11	12	11	11	12	13	13	12
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Comoros: Sensitivity Analysis for Key Indicators of Public Debt, 2019-29

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	14	16	18	18	19	19	19	20	20	21	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	14	13	11	8	5	3	0	-2	-3	-5	-6
B. Bound Tests											
B1. Real GDP growth	14	17	19	20	21	21	22	22	23	24	25
B2. Primary balance	14	19	22	23	23	23	24	24	24	25	25
B3. Exports	14	17	21	21	22	22	22	22	23	23	24
B4. Other flows 3/	14	18	22	22	23	23	23	23	24	24	25
B5. Depreciation	14	19	20	19	18	18	17	17	16	16	16
B6. Combination of B1-B5	14	18	20	18	18	19	19	19	19	20	21
C. Tailored Tests											
C1. Combined contingent liabilities	14	23	24	24	25	25	25	25	26	26	27
C2. Natural disaster	14	23	24	24	25	25	25	26	26	27	27
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	124	151	166	176	176	179	180	182	185	190	198
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	124	117	102	78	50	26	3	(15)	(30)	(42)	(52)
B. Bound Tests											
B1. Real GDP growth	124	157	178	191	194	199	202	207	213	220	231
B2. Primary balance	124	174	210	219	218	219	219	221	223	228	234
B3. Exports	124	161	194	204	203	205	205	207	210	214	221
B4. Other flows 3/	124	170	204	213	212	214	214	216	218	223	229
B5. Depreciation	124	183	185	185	176	169	162	157	152	150	150
B6. Combination of B1-B5	124	169	184	172	172	174	175	177	180	185	193
C. Tailored Tests											
C1. Combined contingent liabilities	124	213	226	235	233	234	234	235	237	241	248
C2. Natural disaster	124	210	224	235	234	235	236	238	241	246	253
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	9	7	8	9	10	9	10	11	12	12	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	9	7	7	7	8	7	7	7	8	8	7
B. Bound Tests											
B1. Real GDP growth	9	7	9	9	10	10	11	12	13	13	14
B2. Primary balance	9	7	10	11	11	11	11	12	13	12	15
B3. Exports	9	7	8	9	10	10	10	11	12	12	14
B4. Other flows 3/	9	7	9	9	10	10	10	11	12	12	15
B5. Depreciation	9	8	11	11	13	12	12	14	15	15	15
B6. Combination of B1-B5	9	7	8	9	9	10	9	11	12	11	13
C. Tailored Tests											
C1. Combined contingent liabilities	9	7	13	10	13	11	11	12	13	13	14
C2. Natural disaster	9	7	12	10	13	11	11	12	13	13	14
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

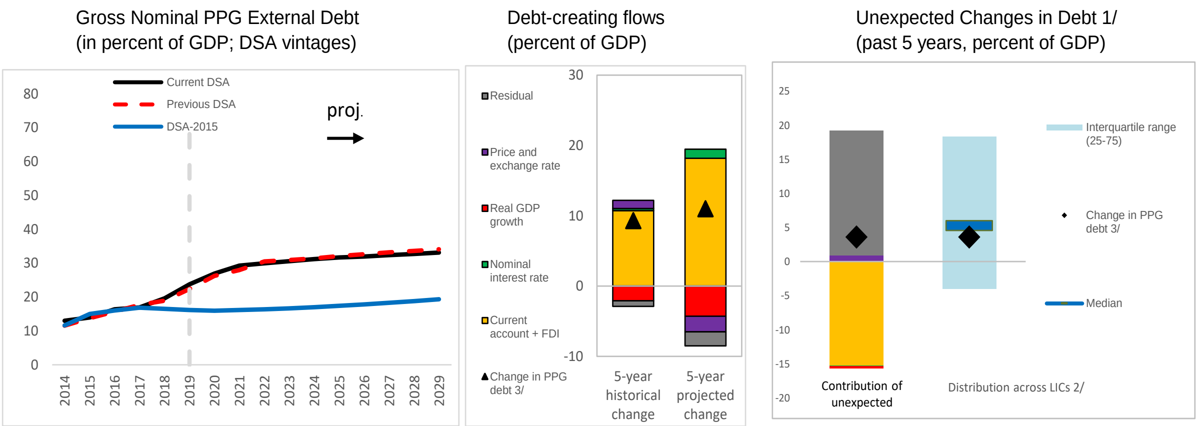
1/ A bold value indicates a breach of the benchmark.

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

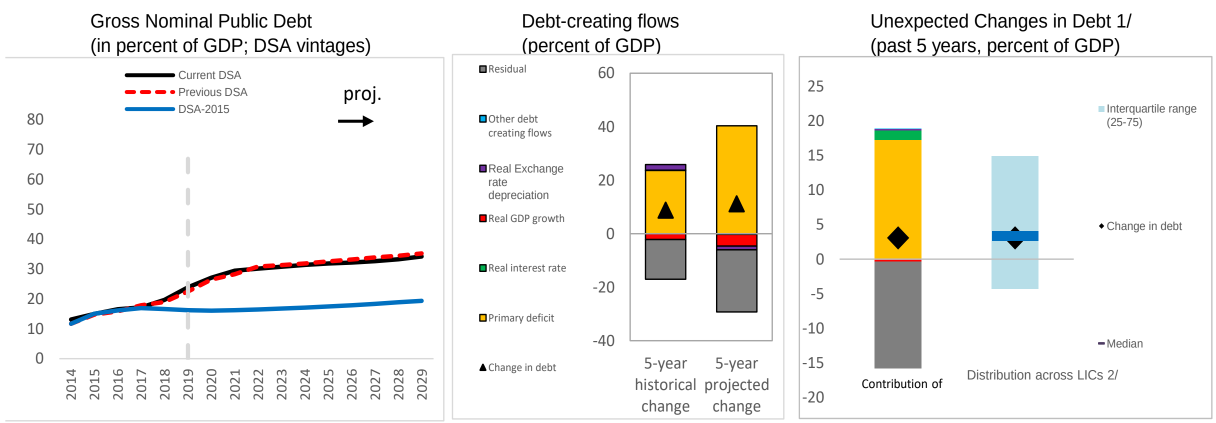
3/ Includes official and private transfers and FDI.

Figure 3. Comoros: Drivers of Debt Dynamics – Baseline Scenario

External debt



Public debt



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

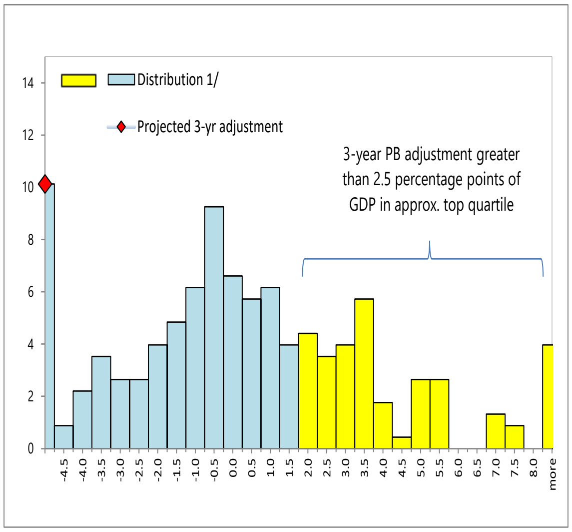
2/ Distribution across LICs for which LIC DSAs were produced.

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

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

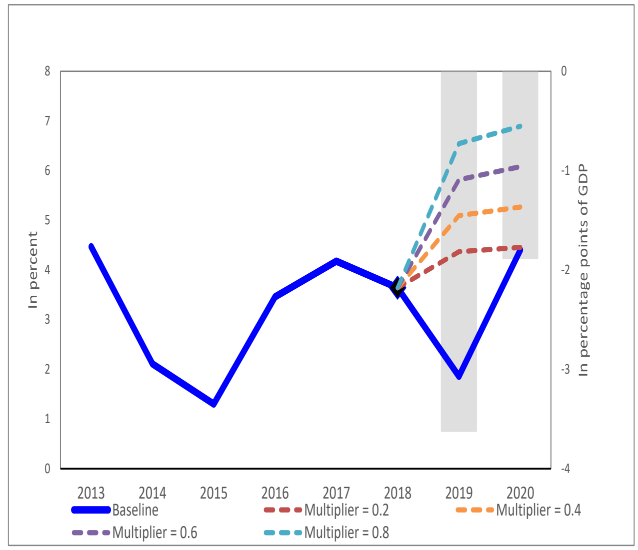
Figure 4. Comoros: Realism Tools

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



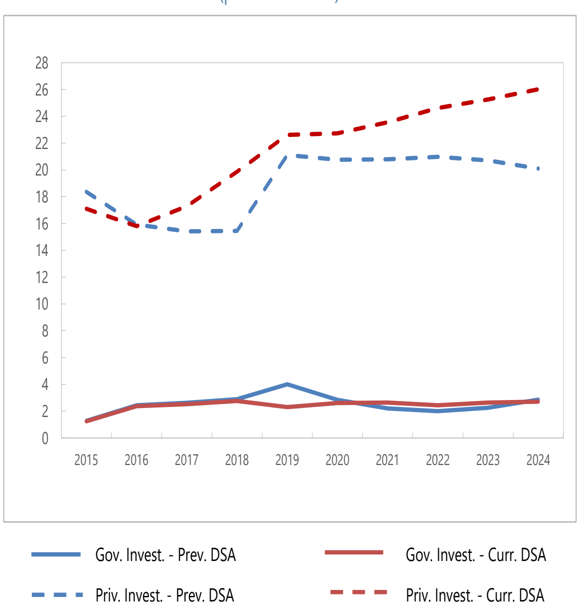
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

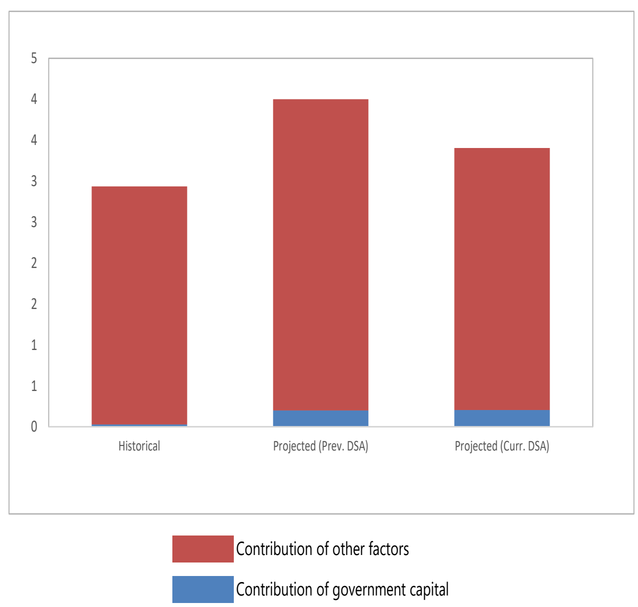


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)

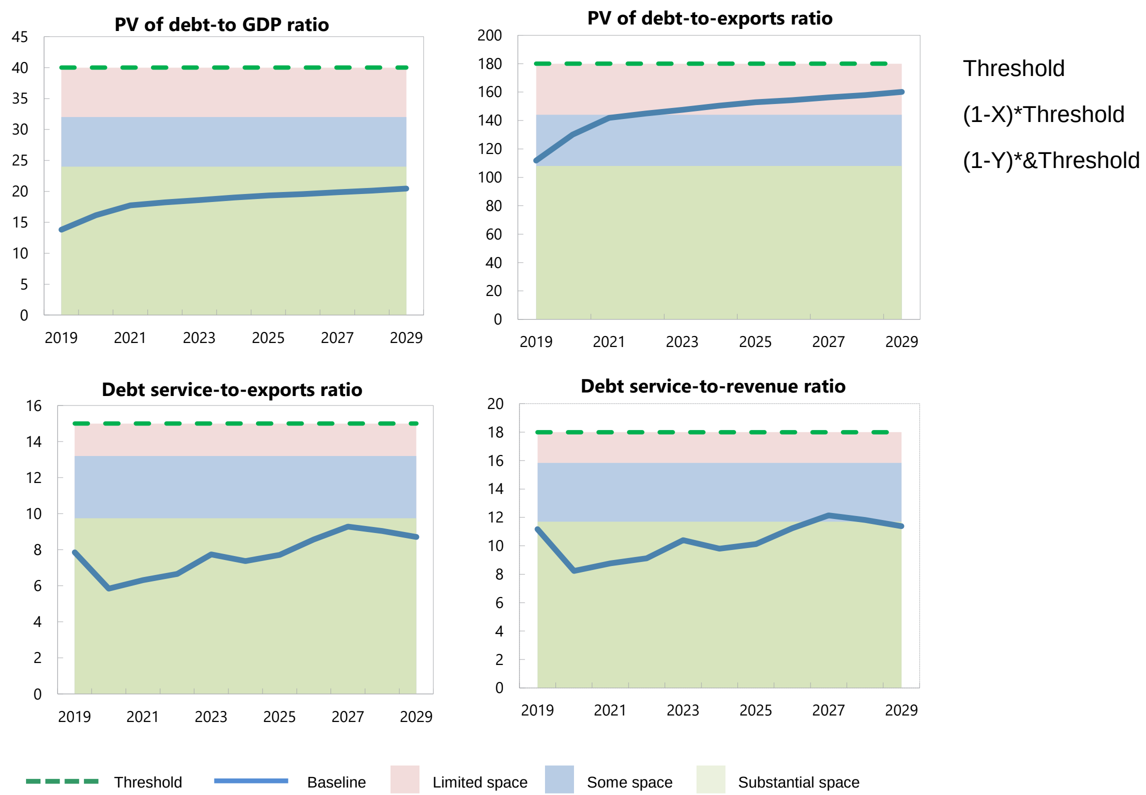


Contribution to Real GDP growth
(percent, 5-year average)



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

Figure 5. Comoros: Qualification of the Moderate Category, 2019-29 1/



Sources: Country authorities; and staff estimates and projections.

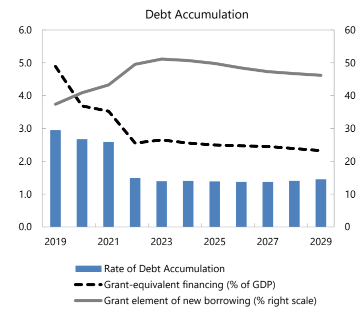
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

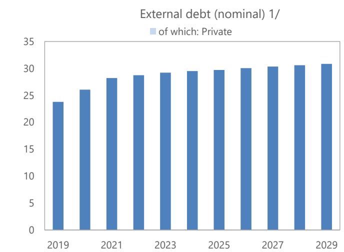
Table 5. Comoros: External Debt Sustainability Framework, Policy Adjustments Scenario, 2016-39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2039	Historical	Projections
External debt (nominal) 1/	**16.4**	**17.0**	**19.6**	**23.8**	**26.1**	**28.2**	**28.7**	**29.2**	**29.5**	**29.7**	**30.0**	**30.3**	**30.6**	**30.8**	**29.7**	**20.2**	**28.8**
of which: public and publicly guaranteed (PPG)	**16.4**	**17.0**	**19.6**	**23.8**	**26.1**	**28.2**	**28.7**	**29.2**	**29.5**	**29.7**	**30.0**	**30.3**	**30.6**	**30.8**	**29.7**	**20.2**	**28.8**
Change in external debt	2.5	0.5	2.7	4.1	2.3	2.1	0.5	0.5	0.3	0.2	0.3	0.3	0.3	0.2	-0.8		
Identified net debt-creating flows	**3.4**	**0.8**	**0.7**	**3.1**	**2.8**	**2.9**	**2.3**	**1.6**	**0.6**	**0.2**	**-0.1**	**-0.2**	**-0.1**	**-0.1**	**-1.2**	**1.4**	**1.2**
Non-interest current account deficit	**4.3**	**2.1**	**2.7**	**3.7**	**4.3**	**4.2**	**3.6**	**3.0**	**2.4**	**2.1**	**1.8**	**1.8**	**1.9**	**1.9**	**1.0**	**2.7**	**2.8**
Deficit in balance of goods and services	15.8	16.4	17.1	17.7	19.3	18.9	18.2	17.6	17.2	16.9	16.3	16.1	16.0	15.8	13.5	**19.0**	**17.3**
Exports	10.7	11.9	12.9	12.3	12.4	12.5	12.7	12.8	13.0	13.1	13.2	13.3	13.5	13.6	14.8		
Imports	26.5	28.4	30.0	30.1	31.7	31.5	30.9	30.5	30.2	30.0	29.5	29.4	29.4	29.4	28.3		
Net current transfers (negative = inflow)	-10.9	-13.8	-13.8	-13.5	-14.4	-14.1	-13.9	-13.9	-14.0	-14.1	-13.8	-13.7	-13.5	-13.3	-12.3	**-16.0**	**-13.8**
of which: official	-1.5	-3.5	-1.5	-1.4	-2.2	-1.8	-1.5	-1.4	-1.3	-1.3	-1.1	-1.1	-1.1	-1.1	-0.9		
Other current account flows (negative = net inflow)	-0.6	-0.5	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6	-0.2	**-0.3**	**-0.6**
Net FDI (negative = inflow)	**-0.4**	**-0.4**	**-0.6**	**-0.3**	**-0.7**	**-0.7**	**-0.7**	**-0.7**	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-1.1**	**-1.1**	**-1.2**	**-0.9**	**-0.8**
Endogenous debt dynamics 2/	**-0.6**	**-0.9**	**-1.4**	**-0.2**	**-0.8**	**-0.6**	**-0.7**	**-0.7**	**-0.8**	**-0.9**	**-0.9**	**-0.9**	**-1.0**	**-1.0**	**-1.0**		
Contribution from nominal interest rate	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4		
Contribution from real GDP growth	-0.5	-0.6	-0.6	-0.4	-1.0	-0.9	-1.0	-1.1	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3	-1.4		
Contribution from price and exchange rate changes	-0.2	-0.3	-0.9	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	**-0.9**	**-0.2**	**2.0**	**1.0**	**-0.6**	**-0.7**	**-1.7**	**-1.1**	**-0.3**	**0.0**	**0.4**	**0.5**	**0.4**	**0.4**	**0.4**	**-3.4**	**-0.2**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	**...**	**...**	**10.9**	**13.8**	**15.6**	**17.0**	**17.4**	**17.6**	**17.8**	**18.0**	**18.2**	**18.4**	**18.6**	**18.9**	**19.6**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**84.7**	**111.8**	**125.5**	**135.7**	**137.1**	**137.3**	**137.3**	**137.3**	**137.7**	**138.1**	**138.4**	**138.8**	**132.4**		
PPG debt service-to-exports ratio	**2.9**	**2.9**	**3.3**	**7.9**	**5.8**	**6.2**	**6.5**	**7.4**	**6.9**	**7.2**	**7.9**	**8.5**	**8.1**	**7.7**	**7.8**		
PPG debt service-to-revenue ratio	**3.9**	**3.7**	**4.1**	**11.2**	**8.2**	**8.6**	**8.9**	**10.2**	**9.6**	**9.9**	**11.0**	**11.9**	**11.6**	**11.2**	**12.9**		
Gross external financing need (Million of U.S. dollars)	43.0	22.1	29.6	51.0	54.4	57.2	53.4	50.0	37.2	35.0	33.7	36.7	39.6	42.3	40.2		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	3.5	4.2	3.6	1.9	4.4	3.6	3.7	3.9	4.2	4.3	4.3	4.4	4.4	4.5	4.8	**3.3**	**4.0**
GDP deflator in US dollar terms (change in percent)	1.3	2.1	5.6	-1.3	1.2	3.1	2.6	2.4	2.5	2.5	1.9	1.9	1.9	1.9	1.9	**-0.5**	**1.9**
Effective interest rate (percent) 4/	0.5	0.4	0.6	0.7	0.9	1.1	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.3	**0.5**	**1.1**
Growth of exports of G&S (US dollar terms, in percent)	11.4	18.7	18.6	-3.8	6.3	7.9	7.6	7.8	8.0	7.8	7.3	7.2	7.4	7.5	7.8	**8.1**	**6.5**
Growth of imports of G&S (US dollar terms, in percent)	0.2	14.0	15.9	0.8	11.5	5.9	4.5	5.0	5.7	6.3	4.6	6.0	6.4	6.4	6.8	**3.7**	**5.7**
Grant element of new public sector borrowing (in percent)	...	...	...	37.4	40.9	43.2	49.5	51.1	50.7	49.8	48.4	47.3	46.7	46.2	43.6	**...**	**46.5**
Government revenues (excluding grants, in percent of GDP)	8.0	9.4	10.6	8.7	8.8	9.0	9.2	9.3	9.4	9.5	9.5	9.4	9.4	9.4	8.9	**8.6**	**9.2**
Aid flows (in Million of US dollars) 5/	8.5	27.9	11.5	80.5	69.7	71.0	55.8	61.3	63.3	66.9	72.4	78.1	81.7	85.4	116.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.9	3.7	3.5	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.3	1.6	**...**	**2.9**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	56.4	58.9	59.2	65.2	65.5	65.3	64.5	62.8	61.4	60.8	60.3	59.8	**...**	**61.8**
Nominal GDP (Million of US dollars)	1,013	1,077	1,179	1,186	1,253	1,339	1,424	1,516	1,619	1,730	1,839	1,956	2,081	2,216	4,243		
Nominal dollar GDP growth	4.8	6.4	9.5	0.6	5.7	6.8	6.4	6.4	6.8	6.9	6.3	6.4	6.4	6.5	6.8	**2.9**	**5.9**
Memorandum items:																	
PV of external debt 7/	...	...	10.9	13.8	15.6	17.0	17.4	17.6	17.8	18.0	18.2	18.4	18.6	18.9	19.6		
In percent of exports	...	...	84.7	111.8	125.5	135.7	137.1	137.3	137.3	137.3	137.7	138.1	138.4	138.8	132.4		
Total external debt service-to-exports ratio	2.9	2.9	3.3	7.9	5.8	6.2	6.5	7.4	6.9	7.2	7.9	8.5	8.1	7.7	7.8		
PV of PPG external debt (in Million of US dollars)			128.9	163.7	195.3	227.8	247.7	267.5	288.8	311.2	335.0	360.2	387.7	417.9	832.5		
(PVt-PVt-1)/GDPt-1 (in percent)				2.9	2.7	2.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.0		
Non-interest current account deficit that stabilizes debt ratio	1.8	1.5	0.0	-0.5	2.0	2.0	3.1	2.6	2.1	1.9	1.5	1.5	1.6	1.7	1.7		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

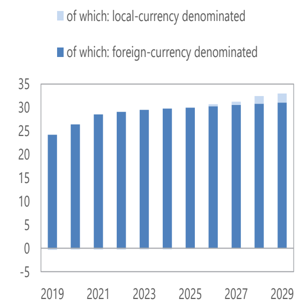
Table 6. Comoros: Public Sector Debt Sustainability Framework, Policy Adjustments Scenario, 2016-39

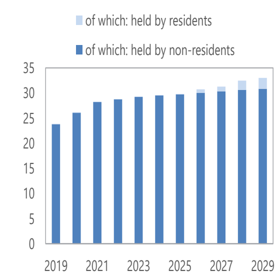
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	16.5	17.1	19.6	23.8	26.2	28.3	28.8	29.3	29.6	33.0	36.7	20.8	29.4
of which: external debt	16.4	17.0	19.6	23.8	26.1	28.2	28.7	29.2	29.5	30.8	29.7	20.2	28.8
Change in public sector debt	1.6	0.6	2.5	4.2	2.3	2.1	0.5	0.5	0.3	0.5	0.0		
Identified debt-creating flows	8.2	2.2	3.3	6.4	7.7	7.8	8.0	7.7	7.6	6.9	8.3	1.5	7.3
Primary deficit	8.4	4.6	3.3	6.9	9.1	9.2	9.4	9.2	9.2	8.5	10.1	2.4	8.7
Revenue and grants	8.8	12.0	11.5	11.3	10.7	10.7	10.4	10.5	10.6	10.4	9.7	12.5	10.6
of which: grants	0.8	2.6	1.0	2.6	1.9	1.7	1.2	1.2	1.2	1.0	0.8		
Primary (noninterest) expenditure	17.2	16.5	14.8	18.2	19.8	19.9	19.8	19.7	19.7	18.9	19.8	14.9	19.3
Automatic debt dynamics	-0.2	-2.3	0.0	-0.6	-1.4	-1.4	-1.3	-1.4	-1.6	-1.6	-1.8		
Contribution from interest rate/growth differential	-0.7	-0.6	-0.5	-0.1	-0.8	-1.3	-1.2	-1.3	-1.6	-1.6	-1.8		
of which: contribution from average real interest rate	-0.2	0.1	0.1	0.3	0.2	-0.3	-0.2	-0.2	-0.4	-0.2	-0.1		
of which: contribution from real GDP growth	-0.5	-0.7	-0.6	-0.4	-1.0	-0.9	-1.0	-1.1	-1.2	-1.4	-1.7		
Contribution from real exchange rate depreciation	0.4	-1.7	0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-6.6	-1.6	-0.7	-2.6	-6.0	-5.8	-7.7	-7.3	-7.3	-6.4	-8.3	-3.6	-6.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	11.3	14.0	15.6	17.0	17.4	17.7	17.8	21.0	26.5		
PV of public debt-to-revenue and grants ratio	...	...	98.2	123.5	145.6	159.7	167.8	168.0	168.9	201.5	273.4		
Debt service-to-revenue and grants ratio 3/	4.4	4.2	3.7	8.6	7.1	7.9	8.3	9.3	9.0	20.9	33.0		
Gross financing need 4/	8.8	5.1	3.7	7.9	9.8	10.0	10.2	10.1	10.1	10.7	13.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.5	4.2	3.6	1.9	4.4	3.6	3.7	3.9	4.2	4.5	4.8	3.3	4.0
Average nominal interest rate on external debt (in percent)	0.5	0.4	0.6	0.7	0.9	1.1	1.2	1.2	1.1	1.1	1.3	0.5	1.1
Average real interest rate on domestic debt (in percent)	-1.6	-0.1	-1.0	-3.3	1.8	0.9	1.0	1.1	1.1	1.1	1.0	-1.4	0.7
Real exchange rate depreciation (in percent, + indicates depreciation)	3.2	-10.9	3.1	...	...	...	...	...	...	...	...	1.9	...
Inflation rate (GDP deflator, in percent)	1.6	0.1	1.0	4.2	1.2	2.1	1.9	1.9	1.9	1.9	1.9	1.4	2.1
Growth of real primary spending (deflated by GDP deflator, in percent)	-1.3	-0.2	-7.0	25.1	13.4	4.1	3.1	3.6	4.4	5.9	4.7	3.9	6.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	6.9	3.9	0.8	2.7	6.8	7.1	8.9	8.7	8.9	8.0	10.1	3.8	7.5
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

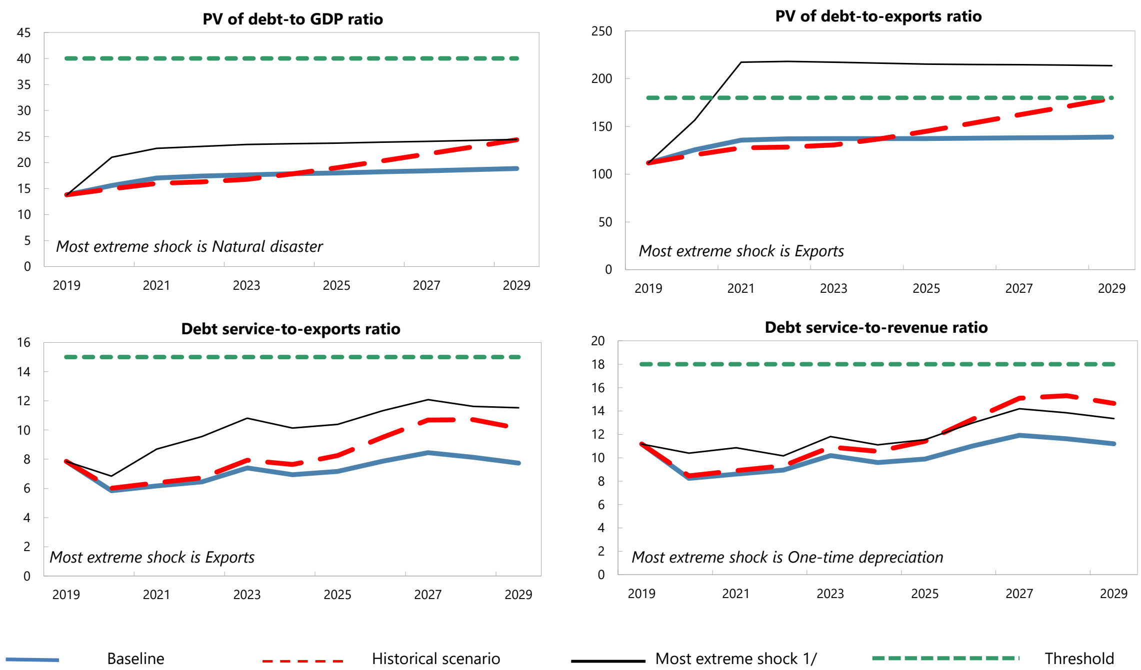
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 6. Comoros: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios for the Policy Adjustments Scenario, 2019-29 1/



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	No	No
Commodity Prices 2/	n.a.	n.a.
Market Financing	n.a.	n.a.

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

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	8	8

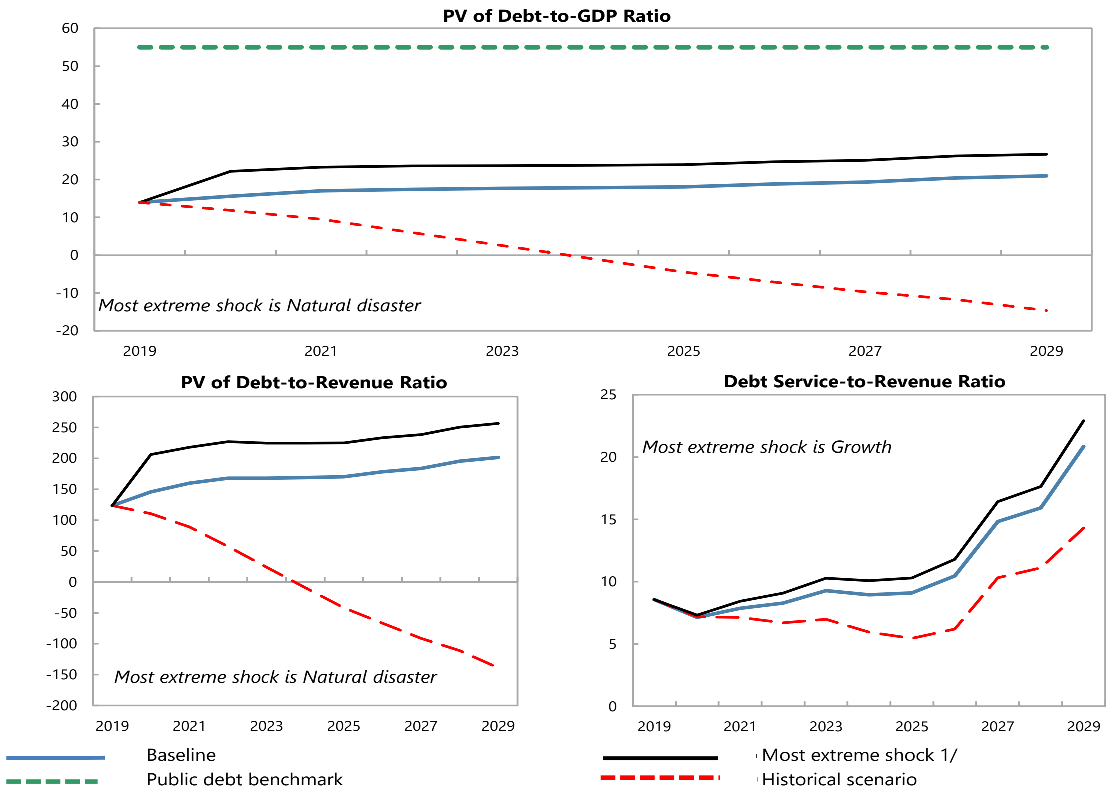
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 7. Comoros: Indicators of Public Debt Under Alternative Scenarios for the Policy Adjustments Scenario, 2019-29



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	89%	89%
Domestic medium and long-term	4%	4%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	8	8
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.9%	0.9%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	0%	0.0%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Annex V. External Stability Assessment

Comoros' external stability appears to be at only limited risk in the short to medium term, but longer-term risks are substantial. Regarding short to medium term risks, Comoros' external position at end-2019 is assessed to be broadly consistent with fundamentals and desirable policy settings, and the regular inflow of large remittances is a stabilizing element. Risks from sudden changes in (non-FDI) capital flows are small as well, as there are only very small such flows due to the fact that Comoros' capital account remains largely closed. However, foreign exchange coverage, while still substantial, has fallen to slightly less than adequate levels and is projected to gradually decline further; and foreign exchange inflows depend in part on volatile foreign aid and a narrow range of exports subject to shocks such as natural disasters, while Comoros' inhospitable business climate and capacity constraints continue to impede competitiveness and export growth. These elements suggest risk over the longer term. Finally, uncertainty around this assessment is increased by the fact that a lack of data on the net international investment position prevents application of the EBA light external sustainability analysis. This said, the so far limited external gross public debt in combination with a largely closed capital account suggests that risks to external sustainability are likely limited.

A. External Sector—Recent Developments

1. **Cyclone Kenneth, which struck Comoros in April 2019, is expected to have an adverse impact on the current account in the next few years.** On the back of increased imports of goods to support the reconstruction process, and a deceleration of exports of goods, the current account deficit is expected to average 4.3 percent of GDP over the 2020–25 period. Foreign aid and private transfers will not cover fully offset the impact on reserves.

2. **Comoros' heavy reliance on volatile foreign aid is a source of vulnerability.** Even though Comoros received substantial aid promises after Cyclone Kenneth, this additional aid has not materialized so far. As a consequence, public transfers dropped in 2019 and are expected to stabilize at 1.4 percent of GDP over 2020–23. As a consequence, gross international reserves are expected to continue to decrease in months of imports of goods and services before stabilizing at 5.7 months from 2023 on.

3. **Comoros' narrow export base is another source of vulnerability.** Three products constitute more than 80 percent of Comoros' goods exports over 2010–19 (cloves (58 percent), vanilla (12 percent), and ylang-ylang (11 percent)), highlighting the country' vulnerability to price volatility and shocks such as natural disasters that affect agricultural exports. Comoros needs to boost the export of these staple products and their higher-value varieties, while working to strengthen other promising exports, such as tourism.

B. External Position Assessment

4. **Comoros is assessed to be "credit constrained" given that it does not regularly borrow from international capital markets and is not rated to be "investment grade."** Borrowing from

international capital markets is defined as at least one issuance of bonds per year in the last five years.

5. Staff used the revised EBA-lite Current Account (CA) model, Index of the Real Effective Exchange Rate (IREER) approach, and judgment to assess Comoros' external position. The CA and IREER models consist of a positive analysis, using panel regression, and a normative evaluation based on the policy settings considered desirable. For each country, these models establish CA and IREER "norms" on the basis of a country's "fundamental" variables (such as GDP growth) and of desirable levels of certain policy variables (such as a country's public spending on health). The models also establish CA and IREER gaps (the difference between the norm and the observed level). The gaps are decomposed into gaps related to deviations of policies from their desirable settings, gaps related to shocks, and an unexplained residual. Due to the absence of international investment position data for Comoros, the external sustainability (ES) approach could not be used.

6. Comoros' external position at end-2019 is assessed to be broadly in line with medium-term fundamentals and desirable policies (Table 1 and 2).

- The model-based CA approach indicates a CA deficit norm of 5.3–5.4 percent of GDP and a difference with the observed level of the CA (the "CA Gap") of 0.8-1 percentage points of GDP, of which a policy gap of 1.3 percentage points. The policy gap relates mainly to the fact that public health spending (at 1.0–1.4 percent of GDP) is much below the desirable level of 2–3.2 percent of GDP.[1]

- The IREER approach suggests only a very small difference between the observed measure of the real effective exchange rate and its norm, with a misalignment of 2.3 and to 2.6 percent.

Table 1. Comoros: EBA-lite Exchange Rate Assessment at end-2019

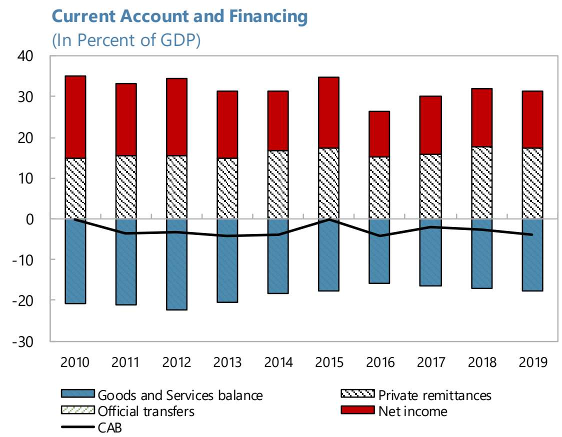
CA model (Current Account Balance/GDP)			
	Norm	Actual	CA Gap (percent)
ICRG: proxied by WGI of comparators	-5.4	-3.8	1.0
ICRG: LICs average	-5.4	-3.8	0.9
ICRG: Fragile States average	-5.3	-3.8	0.8
IREER (log REER)			
	Norm	Actual	REER Gap (percent)
ICRG: proxied by WGI of comparators	4.564	4.587	2.3
ICRG: LICs average	4.563	4.587	2.4
ICRG: Fragile States average	4.561	4.587	2.6

Source: IMF staff estimates.

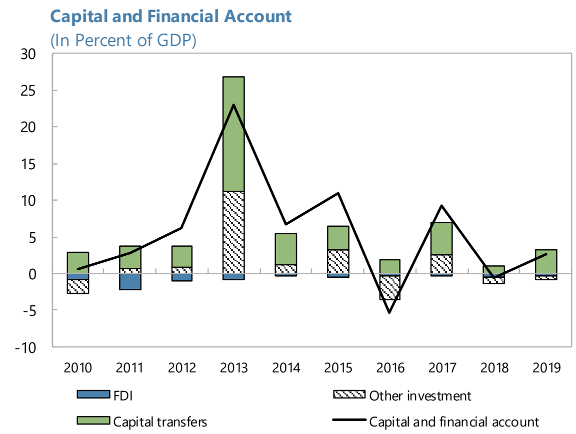
[1] Since the Institutional Country Risk Guide index (ICRG) is not available for Comoros, staff used the Worldwide Governance Indicators (WGI) index to identify comparators. These are Bangladesh, The Gambia, Liberia, Madagascar, Niger, and Sierra Leone. Staff used the ICRG averages for LICs and fragile states.

Figure 1. Comoros: Balance of Payments and External Sector Developments

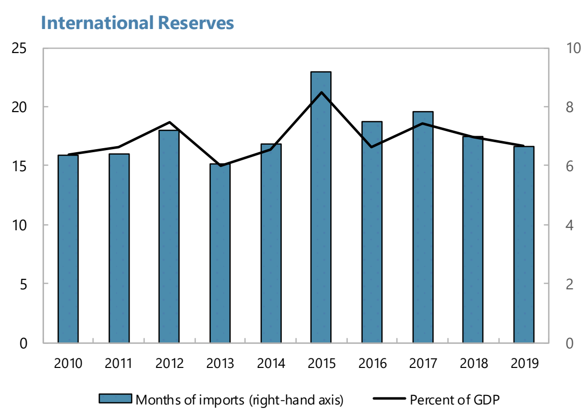
The trade deficit is financed principally by remittances.



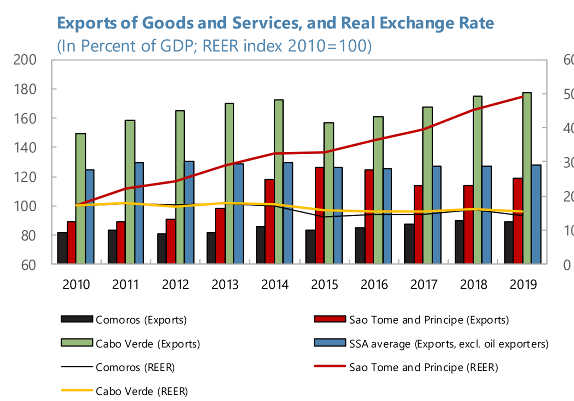
The capital and financial accounts are marked by limited FDI and debt relief.



Foreign exchange reserves are broadly adequate.



Comoros' export volume is largely stagnant.



Sources: Country authorities, and IMF staff estimates.

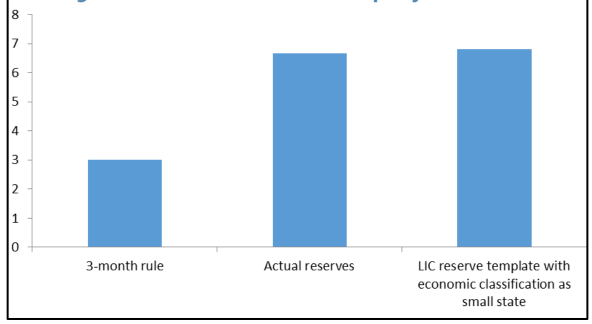
C. Reserve Adequacy

7. International reserve coverage was slightly below the adequate level (Figure 2) at end-2019. The IMF's reserve adequacy metric for credit-constrained countries compares Comoros' current international reserves level with a level considered adequate (by balancing the marginal benefits and costs of holding reserves.)[2] Among the benefits are the role that reserves play in reducing the

[2] International Monetary Fund, 2013, "Assessing Reserve Adequacy for Low-Income Countries," IMF Policy Paper, November (Washington, D.C.: International Monetary Fund). The framework accounts for the structural characteristics of economies, for example a high vulnerability to shocks to the terms of trade, remittances and aid flows and limited access to capital markets.

likelihood and severity of a crisis and among the costs are the external funding cost of reserves. The optimal level of international reserves for Comoros using the small state classification was determined at 6.8 months of goods and services imports, slightly higher than the reserves holdings of 6.6 months of imports at end-2019.[3]

Figure 2. Comoros: Reserve Adequacy Assessment



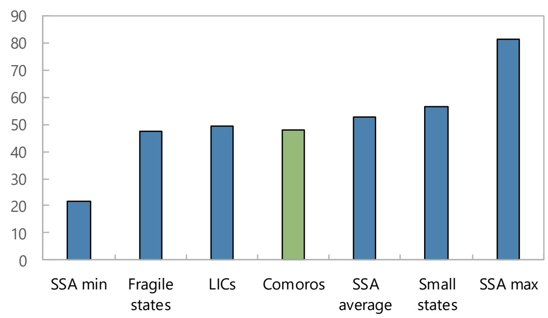
D. Structural Competitiveness

8. Comoros' business environment remains inhospitable, which undermines export growth and thus longer-term prospects for external stability (Figure 3). Comoros ranks 160 out of 190 countries on the 2020 World Bank's Doing Business Indicators, with major weakness in enforcing contracts (179th out of 190), resolving insolvency (168th), paying taxes (168th), starting a business (158th) and protecting minority investors (162th). Additionally, Comoros underperforms in the four clusters of the Country Policy and Institutions Assessment (CPIA) of the World Bank against SSA average, Furthermore, Comoros' CPIA scores over 2008-18 suggest little progress in terms of structural reforms and policies for social inclusion and equity. Comoros' human development index (HDI) for 2017 ranks the country at 165 out of 189 countries and territories, putting Comoros in the low human development category. The HDI value increased from 0.449 to 0.503 between 2004 and 2017, but this improvement remains among the lowest in SSA countries. The World Bank's recently developed human capital index also suggests that Comoros' human capital remains very limited (near the SSA average, see SIP on Social Spending and Social Outcomes). These facts and the lackluster export performance highlight the importance for external stability of easing the complexities of doing business and strengthening human capital.

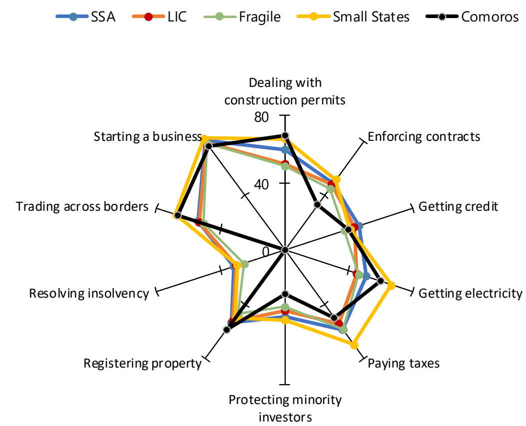
[3] Comoros also falls into the "fragile state" group. Staff uses the small island classification, which better accounts for exposure to natural disasters.

Figure 2. Comoros: Selected Indicators of Business Environment and Governance

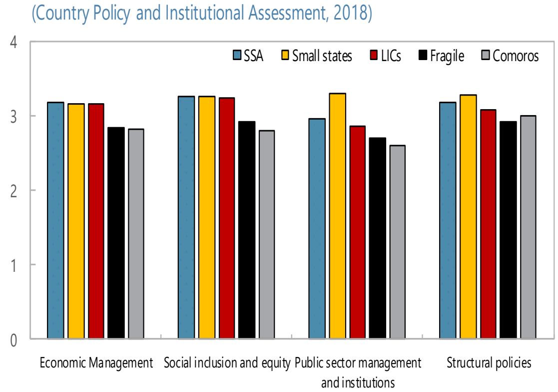
World Bank *Doing Business 2020*
(Percentile rank; 100=best)



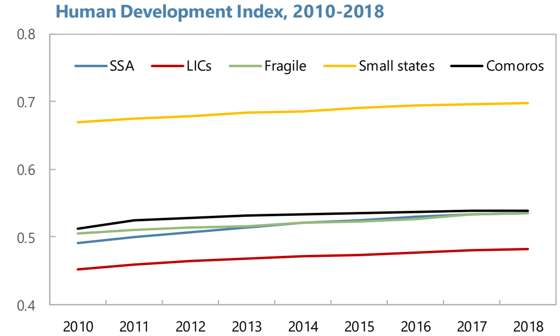
Doing Business Indicators, 2020



Policy and Institution Clusters
(Country Policy and Institutional Assessment, 2018)



Human Development Index, 2010-2018



Sources: World Bank, United Nations Development Program, and IMF staff estimates.

Notes: SSA=Sub-Saharan Africa, and LICs=Low-income countries. The rankings used are subject to uncertainty around the point estimate. Rankings reflect the relative not the absolute, performance of the country. The CPIA index ranks performance of countries on a scale of 1=lowest to 6=highest. A higher value on the UNDP HDI denotes better development.

Annex VI. Status of Key Recommendations of the 2018 Article IV Consultation

The implementation of policy recommendations from the 2018 Article IV consultation has been limited.

Recommendation	Status
Achieving fiscal sustainability: *Create fiscal space for growth-enhancing public investment through strengthened revenue administration and public financial management.*	
• Full implementation of the authorities' action plan for tax administration and customs to help boost revenue mobilization and create fiscal space for infrastructure investment.	**Limited progress.** The authorities have made some progress in creating and administering the large taxpayers' unit and in reducing customs exemptions. Further efforts are needed to broaden the revenue base, including by reducing exemptions and strengthening administration.
• PFM reforms to strengthen budget execution and free up funds to be redirected to meeting investment needs.	**Limited progress.** The authorities have made good progress toward budget credibility in the 2020 budget law. Additionally, budget execution is being aided by initial efforts to weed out "ghost workers" and by implementing the Integrated Structure and Workforce Management (GISE) software.
• Ensure that revenues and expenses of the state-owned oil importing company (SCH), and the state-owned electricity company (MAMWE) relating to the fuel subsidy are explicitly budgeted-for.	**Done.** The government budgeted for revenues and expenses of SCH and MAMWE related to the fuel subsidy in both the 2019 and 2020 budgets.
• Undertake a comprehensive audit of domestic payment and cross-arrears, including relating to Comoros Telecom before proceeding with their settlement.	**Not done.** The authorities have committed to undertaking an audit of domestic arrears subject to receiving grant financing for this.
• Prudent public investment management by rigorous project appraisal, and careful matching of projects with sustainable financing sources in the context of a realistic budgetary framework. Achieving a sustainable mix of domestic and concessional external financing to safeguard debt sustainability.	**Not done.** Comoros still lacks a clear public investment strategy for the prioritization, appraisal, and selection of the often-sizable public investment projects that in the authorities' investment plan (*Plan Comores Emergent*).

Recommendation	Status
Safeguarding external sustainability	
• Maintain a substantial international reserves buffer, given the substantial medium-term economic risks and the country's small size and lack of export diversification.	**Limited progress**. Foreign reserves coverage has fallen to slightly less than adequate levels, including because of the impacts of the cyclone.
• Maintain a commitment to prudent debt management, including reliance on concessional borrowing.	**Limited progress.** Comoros' risk of external debt distress remains "moderate". However, the space to absorb shocks has declined to "limited" (from "some" space). However, the authorities have taken on a large non-concessional loan for the construction of a large hospital.
• Implement an automatic payment mechanism for external debt service payments.	**Not done.** This mechanism is not yet in place.
Modernizing the monetary policy framework and strengthening financial stability	
• Address growing financial sector vulnerabilities, including high NPLs, through enhanced financial sector supervision designed to mitigate lender risk aversion and stimulate lending to the private sector and attenuate excess liquidity.	**Some progress.** There has been some progress in strengthening bank supervision, and further progress is needed. Poor asset quality and the continuing troubles of SNPSF still pose ongoing risks to financial sector stability.
• Ensure that the AML/CFT framework is in line with international standards, to safeguard correspondent banking relationships.	**Limited progress.** The authorities have now formulated and begun implementing a time-bound action plan to address shortcomings identified by the Intergovernmental Action Group against Money Laundering in West Africa (GIABA). The Ministry of Justice (MOJ) reports that the Penal Code has been revised in line with the feedback received from GIABA and that the goal is to have the revised protocol approved and promulgated by the National Assembly before April 2020 ahead of the May 2020 GIABA Plenary.
• Identify funds to continue the resolution of the state-owned postal bank (SNPSF).	**Limited progress.** The authorities have agreed that the postal bank (SNPSF) should be restructured to stop it from weighing on financial sector stability and the government finances. The authorities are working with the World Bank to elaborate restructuring options.

Recommendation	Status
Macro-critical structural reforms to improve growth prospects	
• Address persistent and severe shortcomings in economic data provision. Efforts are needed to improve statistical capacity and enhance the reliability, timeliness and consistency of economic data, particularly for central government finances, balance of payments and national accounts statistics.	**Some progress**. Comoros has updated its national accounts statistics, adopting the Methodology of the 1993 System of National Accounts.
• Address infrastructure gaps, maintain a stable electricity supply, strengthen governance, and reduce gender inequality.	**Limited progress.** The authorities have made some progress in strengthening the electricity supply. Governance remains weak, however. While staff has no recent data on the evolution of gender inequality, the World Bank Systematic Country Diagnostic suggests that gender inequality in educational outcomes is pronounced.

Annex VII. Status of Commitments in the Authorities' July 2019 Letter of Intent

In their July 2019 Letter of Intent, the authorities committed to a certain number of actions. most of which will take several years to fully put into place. Allowing for the fact that only about half a year has elapsed since then, progress to date appears limited.

LOI Commitment	Implementation Status
Enhancing fiscal management	
Commitment 1. *Strengthen tax administration in line with the measures recommended by technical assistance missions.*	**In progress**. • Improved follow-up with defaulting taxpayers has been initiated but more remains to be done. • The conditions for the functioning of the mixed tax/customs brigade have been improved but the brigade still needs to be put into action.
Commitment 2. *Strengthen the credibility, transparency, and accountability of public financial management:* • *Adopt a realistic budget law for 2020.* • *Better implement the Treasury Single Account (TSA).* • *Audit domestic arrears and prepare a strategy for clearing arrears.*	**In progress.** • The authorities have made commendable progress on realism in the 2020 budget and intend to provide realistic budgets in the coming years as well. • The use of the Treasury Single Account (TSA) has improved by requiring that spending from the "investment account" can be made only after agreement form the Treasurer. Further improvements are needed. • Audit of arrears has not yet been commissioned.
Commitment 3. *Contain the civil service wage bill without lowering the services provided.*	**In progress**. The wage bill has stabilized. The authorities have started computerizing management of the wage bill and made initial efforts to address absentee and "ghost workers" and recover wages paid to them. They are considering options for strengthening hiring and training of civil servants.
Commitment 4. *Enhance oversight of state enterprises to contain fiscal risks.*	**In progress**. The authorities have had the main SOEs sign performance contracts.
Commitment 5. *Carry out a prudent borrowing policy to contain the risk of external debt distress at "moderate".*	**In progress**. The risk of debt distress remains moderate. However, under current policies Comoros may slide into high risk of debt distress in the coming years.

LOI Commitment	Implementation Status
Strengthening financial sector stability	
Commitment 6. *Strengthen financial sector supervision and resolve SNPSF.*	**In progress**. • There has been some progress in strengthening bank supervision, and further progress is needed. • The authorities have agreed that the SNPSF should be restructured to stop it from weighing on financial sector stability and the government finances. The authorities are working with the World Bank to elaborate restructuring options.
Commitment 7. *Enable a Safeguards Assessment of the Central Bank.*	**Done.**
Building resilience to natural disasters	
Commitment 8. Build resilience to *natural disasters.*	**In progress**. The authorities are in early stages of implementing such a strategy. For example, they are receiving donor supported to enhance the resilience of infrastructure and put in place an integrated risk management system.
Assisting the most vulnerable population affected by the cyclone.	
Commitment 9. *Assist the most vulnerable affected by the cyclone.*	**Unknown**. Humanitarian partners responded quickly with emergency aid, and the Directorate of Civil Security helped in the distribution of this aid. It is not clear, however, to which extent the needs of the most vulnerable were met.

Annex VIII. Capacity Development Strategy

Macroeconomic Environment

1. **Comoros' key challenges are to overcome fragility and the resulting macroeconomic challenges of relaxing fiscal resource constraints** (to enable greater public investment and social spending) and enhancing the economy's resilience. Key risks at present include short-term fiscal stresses and risk of longer-term debt distress, risk of financial sector stress, and risk of economic dislocation from natural disasters. Improvements in governance capacity are an essential. Capacity development-providing Fund departments and the country team maintain close contact with the Comorian authorities to ensure that capacity development activities are aligned with needs and as effective as possible.

Assessment of Capacity Development to Date

2. **Comoros has continued to benefit from intense capacity development efforts since the last Article IV consultation.** The bulk of missions took place in the fiscal domain, principally revenue administration and PFM, in line with the country's challenges. Further, the national statistics agency received support for revising national accounts data and developing a harmonized price index.

3. **The missions engaged in a fruitful dialogue with the authorities at the technical level.** However, observed progress in strengthening capacity has been slow. As a result, revenue performance remains limited. PFM reforms to enhance budget realism, streamline expenditures and improve project execution have also advanced only slowly (Background Note on PFM). In the area of statistics, the downward trend in capacity has been stopped, but the gap to SSA and small states averages remains sizeable.

Authorities' Views: *The authorities believed that Fund capacity development has improved their capacity and helped implement several reforms, particularly in public finances. Examples are creation and operation of the Single Treasury Account; adoption of new Tax and Customs codes; and migration to a more modern customs data system ("ASYCUDA World"). Nevertheless, the authorities conceded that in some instances progress has been slow and reforms have not yet been implemented. They pointed to a variety of reasons, principally a lack of human capacity. The authorities underscored that future capacity development should be delivered in a hands-on manner and on-site context and focus as much as possible on training government officials in implementing existing regulations, rather than producing additional reports to reach many of the same conclusions as before. The authorities highlighted revenue administration, particularly Customs, as an area in which hands-on training and monitoring would be particularly helpful, and they noted that the presence of a resident advisor in this area would be very useful.*

Capacity Development Priorities

4. **To help Comoros ameliorate its key capacity constraints (and at the same time enhance transparency and governance),** staff and the authorities agreed that the top capacity

development priorities for the coming years should be as follows (see also below table): (i) continue to build capacity in revenue administration (both tax and customs agencies); (ii) PFM (budget preparation and execution); (iii) improve financial supervision and regulation; and (iv) help prepare contingency plans for responding to potential financial sector stress.

5. Lesser priorities areas relate to strengthening statistical capacity; as well as debt data recording and reporting and Medium-Term Debt Management Capacity (for which the authorities have requested capacity building from the Word Bank).

6. In view of the authorities' limited absorption capacity, where appropriate, Fund staff will focus capacity development on training officials in implementing existing regulations or previous recommendations. In addition, staff will clearly indicate the priority ranking of any new recommendations.

Top Priorities	**Objectives**
Revenue Administration	Tax Administration Core Functions Customs Administration Core Functions Revenue Administration Management & Governance
Public Financial Management	Budget Preparation Budget Execution & Control Fiscal Reporting PFM Laws & Institutions
Financial Supervision & Regulation	Risk-Based Supervision & Other Supervisory Processes IFRS/Accounting for NPLs Basel II/III Implementation
Financial Crisis Management	Resolution Frameworks Contingency Planning for Crises

Appendix I. Draft Press Release

Press Release No. YY/XX
FOR IMMEDIATE RELEASE
[XX]

International Monetary Fund
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IMF Executive Board Concludes Article IV Consultation with the Union of the Comoros

On March 18, 2020, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with the Union of the Comoros.

In a challenging environment, the Comoros authorities have made progress with several policy reforms in recent years. Among other things, they strengthened electricity provision, opened the telecommunications sector, and created a Treasury Single Account. Building on these successes, the authorities hope to transform Comoros into a dynamic emerging market over the next decade by strengthening human capital, infrastructure, and governance, and reducing the scope for corruption.

Pronounced fragility arising from the presence of two interlocking vicious circles puts realization of these hopes at risk, however. Institutional fragility manifests in inter-islands tensions and weak governance, including a weak civil service and weak judicial system. Economic fragility manifests in severe constraints on domestic resources and pronounced vulnerability to shocks, including natural disasters associated with climate change.

In line with this, economic developments over the past two years have been challenging. Driven mainly by political uncertainty and cyclone Kenneth, which hit Comoros in 2019, growth slowed to 3.6 percent in 2018 and 1.9 percent in 2019. At the same time, the external accounts weakened, and fiscal challenges intensified amid difficulties at state-owned enterprises and in

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

tax revenue mobilization. Growth of credit to the economy has remained weak as the banking sector has suffered from an unfavorable operating environment.

Under the assumption of only slow improvements in economic policies, growth is expected to rebound in 2020 but to remain moderate over the medium and longer terms (at 3½–4 percent). The outlook comprises several downside risks. Near-term risks include risk of a growth decline (including due to lower global growth that could result from escalating trade tensions or disruptions caused by the coronavirus outbreak), fiscal stress; and financial sector stress. Medium to longer terms risks include risk of external debt distress (this risk is assessed as "moderate" for now, but buffers are shrinking).

Executive Board Assessment[2]

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Table 1. Selected Economic and Financial Indicators, 2016-25 Baseline Scenario

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.[1]				Proj.[1]				
			(Annual percentage change, unless otherwise indicated)							
National income and prices										
Real GDP	3.5	4.2	3.6	1.9	4.4	3.5	3.6	3.7	3.8	3.8
GDP deflator	1.6	0.3	1.1	3.2	1.2	2.0	1.9	1.9	1.9	1.9
Consumer price index (annual average)	0.8	0.1	1.7	3.3	1.4	2.1	2.0	2.0	2.0	2.0
Money and credit										
Net foreign assets	-13.1	12.6	4.2	-5.6	1.6	2.9	5.8	8.7	7.6	5.2
Domestic credit	33.5	-0.4	4.9	6.9	0.5	0.7	0.9	-0.3	1.4	4.0
Credit to the private sector	7.2	6.2	1.2	2.0	2.0	2.1	2.5	2.8	3.5	4.3
Broad money	10.3	1.8	8.5	5.1	4.6	4.8	5.5	5.6	5.7	5.8
Velocity (GDP/end-year broad money)	3.6	3.7	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6
External sector										
Exports, f.o.b.	82.0	26.2	5.5	1.3	-0.9	5.8	5.8	6.1	6.3	6.3
Imports, f.o.b.	-0.4	12.1	11.1	7.2	12.7	2.4	3.4	4.1	4.2	4.2
Export volume	31.5	-1.0	2.9	5.0	-0.1	6.3	6.3	5.8	5.8	5.7
Import volume	2.0	12.4	11.1	0.1	10.3	5.9	4.9	4.5	4.0	3.9
Terms of trade	14.6	11.8	-0.3	-4.6	-2.8	2.9	1.5	1.1	0.8	0.7
				(In percent of GDP, unless otherwise indicated)						
Investment and savings										
Gross fixed capital formation	13.1	14.2	15.8	16.1	16.0	15.9	15.8	15.7	15.6	15.4
Gross national savings	8.8	12.1	13.2	13.1	13.2	12.9	12.8	12.8	12.8	12.8
Government Budget										
Total revenue and grants	14.2	17.2	13.9	16.1	17.5	16.7	16.7	16.7	16.4	16.3
Total revenue	8.8	10.2	11.3	8.7	9.1	9.2	9.4	9.5	9.6	9.7
Tax Revenue	7.9	9.4	8.3	7.0	7.8	7.9	7.9	8.0	8.1	8.2
Non-tax Revenue	0.9	0.8	3.0	1.7	1.3	1.4	1.5	1.5	1.5	1.6
Total grants	5.4	7.1	2.5	7.5	8.5	7.4	7.3	7.2	6.8	6.6
Total expenditure and net lending	18.7	16.9	14.9	18.4	19.7	19.1	19.1	19.1	18.8	18.6
Current expenditure	11.1	10.3	11.3	10.6	11.1	11.5	11.8	11.8	11.8	11.8
Capital expenditure	6.3	6.3	3.6	7.8	8.7	7.6	7.3	7.3	7.1	6.9
Domestic primary balance[2]	-3.1	-1.1	-1.2	-2.5	-2.7	-2.8	-2.7	-2.7	-2.6	-2.4
Overall balance (cash basis)	-4.9	0.2	-0.4	-2.2	-2.2	-2.5	-2.4	-2.4	-2.4	-2.3
Excluding grants	-10.3	-6.9	-2.9	-9.7	-10.7	-9.9	-9.7	-9.5	-9.2	-8.9
Net Financing	4.2	-0.1	0.7	2.2	2.2	2.5	2.4	2.4	2.4	2.3
Foreign (Including IMF)	1.2	-0.2	0.2	2.1	2.3	2.5	2.4	2.4	2.4	2.3
Domestic	3.0	0.0	0.5	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Financing gap/errors and omissions	0.7	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External sector										
Exports of goods and services	10.7	11.9	12.9	12.3	12.4	12.5	12.6	12.6	12.6	12.6
Imports of goods and services	26.5	28.4	30.0	30.1	31.8	31.1	30.6	30.2	29.9	29.5
Current account balance	-4.3	-2.1	-2.8	-3.8	-5.5	-4.9	-4.4	-4.0	-3.7	-3.5
Excl. official and private transfers	-15.2	-16.0	-16.6	-17.3	-19.0	-18.3	-17.7	-17.3	-16.9	-16.6
Private remittances, net[3]	9.4	10.3	12.3	12.1	12.1	12.0	12.0	12.0	12.0	12.0
External debt	16.4	17.0	19.6	23.8	27.0	29.3	30.0	30.7	31.3	31.7
Official grants and loans	6.8	7.1	3.1	10.5	11.6	10.4	10.2	10.2	9.8	9.5
Gross international reserves (end of period)										
In millions of U.S. dollars	160.0	209.3	198.4	196.4	197.7	201.3	208.2	217.0	227.6	238.2
In months of imports of goods & services	7.2	8.2	6.7	6.6	5.9	5.8	5.8	5.7	5.7	5.7
Exchange rate CF/US$ (period average)	444.6	435.6	416.4	439.4						
Memorandum items:										
Public sector debt (in Percent of GDP)[4]	16.5	17.1	19.6	23.8	27.1	29.4	30.1	30.8	31.3	31.8
GDP (nominal, in billions of CF)	450.2	469.2	491.0	521.1	550.4	581.1	613.3	647.7	684.8	724.3
GDP per capita (nominal, in US Dollars)	1,256	1,301	1,386	1,357	1,397	1,451	1,501	1,553	1,610	1,670

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

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Domestic revenues minus current primary expenditures and domestically financed capital expenditures.

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

[4] Coverage of debt: The central government, the central bank and government-guaranteed debt. Definition of external debt is Residency-based.