

GREEN/20/2

March 17, 2020

Joint Green Statement from Mr. Psalidopoulos, Mr. Rashkovan, Mr. Etkes and Ms. Mateus on the Union of the Comoros—Staff Report for the 2019 Article IV Consultation (SM/20/60)

We thank staff for the report and selected issues paper, and Mr. Raghani and Mr. Sidi Bouna for their useful Buff statement. Despite some progress achieved thus far, and due to limited implementation capacity, we believe the authorities should strive to enhance significantly their governance and legal frameworks, decreasing institutional fragilities and creating the conditions for a more privately led growth model. While we agree with the main vulnerabilities identified in the reports, we present the following comments in terms of policy action:

- **The authorities should make a steadfast effort to improve governance and instill the rule of law.** Stronger institutions and legal frameworks would go a long way in helping Comoros in promoting a more private-led growth model. We strongly welcome the Selected Issue Paper on Governance and *would appreciate further information on the analysis that lead to the conclusion that several governance areas are macro-critical for Comoros.* We do agree with staff that strengthening the judicial system, namely by enforcing contracts and court rulings, is key to support private sector activity, and should be a priority. We also agree that the authorities should enhance their anti-money laundering and anti-corruption measures, namely by requiring the publication of high-level officials' asset declarations. We take note that the authorities suffer with limited implementation capacity and welcome that staff acknowledges this implies properly prioritizing measures. On this regard, *we would welcome staff's clarifications on the rationale for the proposed prioritization, that advises authorities to focus on quick wins, that however "take time to bear fruit" (§ 13).*

- **The authorities should build on their progress so far to enhance fiscal and financial management.** We commend the authorities for the full coverage of public debt as manifested in the DSA, which is supported by the prohibition on sub-national governments to take debt and the SOEs' inability to take debt without government guarantees. We encourage the authorities to improve fiscal performance and transparency, increase the oversight of SOEs, ensure that budget execution is communicated to the parliament and to the public, and audit arrears in order to resolve them.

- **We urge the authorities to focus on social spending related to education and healthcare.** We welcome Annex 1 providing a clear overview of how Comoros performs in terms of social spending and Sustainable Development Goals (SDG). The authorities should prioritize spending on health and education in order to extend better living conditions and economic opportunities to a larger share of the population, thereby decreasing inequalities. This will be decisive to improve human capital. We note that Comoros also performs poorly in terms of gender equality and call on authorities to step up their efforts on this regard.

- **We welcome Annex VIII on the Capacity Development (CD) Strategy and the references to the discussions between authorities and staff.** An integrated CD strategy of various CD providers could play an important role in helping the Comoros to exit the institutional and economic vicious cycles. Specifically, the Fund's CD could address *mainly* the economic vicious cycle. *Can staff indicate whether CD by other providers is planned to address the institutional fragility and, if so, whether it will precede the Fund's CD so that the overall impact is strengthened? We also wonder whether governance should be included in the Fund's own CD priorities (table in p.75).* Finally, we encourage staff to include also priorities for training, which could enhance the authorities' implementation capacity.