

GREEN/20/8

March 18, 2020

**Green Statement from Ms. Pollard and Mr. Grohovsky on
the Union of the Comoros—Staff Report for the 2019 Article IV Consultation (SM/20/60)**

Growth in Comoros has slowed and is expected to remain moderate over the medium term.

We welcome the authorities' recent policy efforts, their stated commitment to working more closely with the Fund, and their goal of making the country a dynamic emerging market over the next decade. Nevertheless, there are several challenges that the authorities will need to tackle to make this hope a reality. We agree with the staff assessment and focus our comments on the two key problems highlighted in the report.

Governance and institutional fragility are key weaknesses facing Comoros. We thank staff for their significant attention to these macro-critical issues, including through the Selected Issues Paper on strengthening governance and reducing vulnerability to corruption. We urge the authorities to focus on the five weak areas, including by prioritizing implementation of a merit-based process for hiring civil servants and weeding out ghost workers; improvement of tax compliance and enforcement; setting SOE fees and charges at cost recovery levels; requiring audited financial statements and improving SOE oversight; and strengthening the rule of law and anti-corruption framework. This agenda is vast but has the potential to significantly lift growth and foreign investment.

The above measures should also help improve economic fragility, notably through improved fiscal policy. With domestic revenue at 2 percent of GDP, there is substantial room to boost revenues to help fund needed investment. In addition, improved revenue mobilization will help create the fiscal buffers needed to manage natural disasters and other shocks. Increasing budget transparency and enhancing transparency around the financial performance of SOEs is also critical for a more functional fiscal policy. Improving in these areas would help Comoros align its fiscal practices with other dynamic emerging markets.

To close, we wish the authorities luck with their reform agenda. Redoubling their efforts on the above issues will help improve the economy and also show their commitment in advance of a potential ECF.