

Monthly:

The monetary survey and the monthly balance sheets of the BCC and commercial banks;

Classification of commercial bank loans by economic sector;

Interest rates;

TOFE data on a cash and payment order basis, the related detailed tables on revenue, and a table showing the link between the payment order basis and cash basis for expenditures;

External public debt operations (debt contracted and guaranteed by the government, settlement of external payments arrears, and debt service paid, broken down between interest and principal);

Consumer price index; and

Imports and exports, production of electricity, tourist arrivals, and any other indicators of economic activity that may be available on a monthly basis.

Quarterly:

Production of major agricultural products (vanilla, cloves, ylang-ylang)

Annually:

National accounts data;

Balance of payments data.

Moreover, information on important measures adopted by the government in the economic and social areas that would have an impact on program developments, changes in legislation, and any other pertinent legislation, will be reported to Fund staff by the authorities on a timely basis.

INTERNATIONAL MONETARY FUND

UNION OF THE COMOROS

**Third Review Under the Three-Year Arrangement Under the Extended Credit Facility,
Requests for Waiver of Nonobservance of a Performance Criterion, Modification of a
Performance Criterion, Extension of the Arrangement, Rephasing of Disbursements,
and Financing Assurances Review—Informational Annex**

Prepared by the African Department
(In consultation with other departments)

May 23, 2012

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I. RELATIONS WITH THE FUND

(As of March 31, 2012)

I.	Membership Status: Joined September 21, 1976				Article VIII		
II.	General Resources Account:		SDR Millions		% Quota		
	Quota		8.90		100.00		
	Fund holdings of currency		8.36		93.91		
	Reserve position in Fund		0.54		6.11		
III.	SDR Department:		SDR Millions		% Allocation		
	Net cumulative allocation		8.50		100.00		
	Holdings		9.79		115.10		
IV.	Outstanding Purchases and Loans:		SDR Millions		% Allocation		
	ESF RAC Loan		2.23		25.00		
	ECF Arrangement		7.34		82.50		
V.	Latest Financial Arrangements:						
		Approval	Expiration	Amount	Amount		
		Date	Date	Approved	Drawn		
	<u>Type</u>	_____	_____	<u>(SDR millions)</u>	<u>(SDR millions)</u>		
	ECF	Sep. 21, 2009	Sep. 20, 2012	13.57	7.34		
	SAF	Jun. 21, 1991	Jun. 20, 1994	3.15	2.25		
VI.	Projected Obligations to Fund (SDR millions; based on existing use of resources and present holdings of SDRs):						
			<u>Forthcoming</u>				
			<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	Principal		0.00	0.00	0.45	1.29	1.76
	Charges/interest		0.00	0.01	0.02	0.02	0.02
	Total		<u>0.00</u>	<u>0.01</u>	<u>0.47</u>	<u>1.31</u>	<u>1.78</u>

VII. Implementation of HIPC Initiative: Enhanced framework

I. Commitment of HIPC assistance	
Decision point date	July 2010
Assistance committed	
by all creditors (US\$ Million in NPV terms)	144.80
Of which: IMF assistance (US\$ million)	4.27
(SDR equivalent in millions)	2.89
Completion point date	Floating
II. Total disbursement of IMF assistance (SDR Million)	--

VIII. Summary of Safeguards Assessment. An update of the August 2007 safeguards assessment of the Banque Centrale des Comores (BCC) was completed in April 2010. The safeguards assessment found that despite capacity constraints the central bank has taken steps to strengthen its safeguards framework; it recommended that efforts to implement International Financial Reporting Standards (IFRS) should be intensified and the financial controller should review data submitted to the Fund for each program test date, starting in December 2009.

IX. Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable.

X. Exchange Rate Arrangements: The currency of the Comoros is the Comorian franc, which is pegged to the Euro at €1 = CF 492. The Comoros has accepted the obligations of Article VIII, Sections 2(a), 3, and 4, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

XI. Article IV Consultation: The last Article IV consultation was concluded on January 21, 2011 (Country Report No. 11/72). Directors commended the Comorian authorities for their broadly satisfactory policies in a challenging political and economic environment. They welcomed the improved fiscal performance in the first half of 2010. Expressing concern at slippages later in the year, Directors welcomed the corrective steps taken and urged the authorities to implement expeditiously planned revenue and expenditure measures to strengthen the fiscal position. Directors underscored that achieving a higher growth path will require far reaching structural reforms to bolster competitiveness and increase the economy's ability to intermediate remittances and aid inflows. In particular, they stressed the need to improve the business environment and the management of public utilities.

XII. Recent Technical Assistance

Department	Dates	Subject
MFD	Jul. 2003	Mission to review the role of the central bank in banking supervision and to evaluate technical assistance needs

MFD	Sep–Oct. 2003	Mission to review the envisaged resumption of activities by the Comoros Development Bank, the possible opening of a postal bank, and the supervision of microfinance institutions
MFD	Feb. 2004	AML/CFT
MFD	Feb. 2004	Internal audit
MFD	Mar. & Oct. 2004/ Mar. & Dec. 2005	Bank supervision
MFD	Apr. 2006	Multi-topic TA assessment
FAD	Aug. 2005	Tax policy
FAD	Jan–Feb. 2006	Tax administration
STA	Sep. 2005	Government finance statistics
FAD	Feb. 2006	Tax policy
STA	Dec. 2008	Monetary and financial statistics
FAD	Mar. 2009	Public Expenditure management
MCM	Sept. 2009	Banking supervision
FAD	Dec. 2009	Tax and customs administration
MCM	May–June 2010	Banking supervision and internal audit
MCM	Aug. 2010	Banking supervision and internal control
FAD	Mar. 2011	Modernization of fiscal administration
FAD	Oct. 2011	Public Expenditure Management
STA	Mar–Apr. 2012	General Data Dissemination System
FAD, AFRITAC-SOUTH	June 2012	Budget Execution, Public Expenditure Management

XIII. Resident Representative: A resident representative post established in September 1991 was closed in December 1995; in the 2000s, the IMF’s field operations in the country were managed by the resident office in Madagascar. The Comoros post was reestablished in May 2012.

II. JOINT WORLD BANK-IMF WORK PROGRAM, 2012–13

Title	Products	Provisional timing of mission	Expected delivery date
A. Mutual information on relevant work programs			
Bank work program in next 12 months	1. Budget Support Operation	Appraisal 9/12	Nov 2012
	2. HIPC Completion Point Document	Appraisal 9/12	Dec 2012
	2. Country Assistance Strategy		Jan 2013
	3. Regional Telecom Project		Jan 2013
	4. Additional Funding for ABGE project – Financial Management/Public Sector Management		Jan 2013
	5. Additional Funding for FADC project – Social Safety Nets		Nov 2013
IMF work program in next 12 months	1. Fourth ECF Review and Article IV consultation; HIPC CP	September 2012	December 2012: Board meeting
	2. Policy paper on macroeconomic impact of remittances	N/A	March 2013
	3. Fifth ECF Review	March 2013	June 2013 : Board meeting
B. Requests for work program inputs			
Fund request to Bank	1. Update on Bank's assistance in the area of PFM reforms and PRSP implementation		July 2012
	2. Bank's assistance strategy in support of public enterprise reform		July 2012
	3. Bank's medium-term engagement strategy		July 2012
Bank request to Fund	1. Sharing macro-framework updates		Continuous
C. Agreement on joint products and missions			
Joint products in next 12 months	1. HIPC DSA, Completion Point		December 2012
	2. JSAN on second PRSP/APR		December 2012

III. RELATIONS WITH THE AFRICAN DEVELOPMENT BANK GROUP

A. Bank Group's Support in Comoros

1. The African Development Bank Group (AfDB) started operations in Comoros in 1977 and has since approved fifteen (15) operations and one economic and sector work (ESW). Cumulative Bank Group commitments net of cancellation amounted to UA [58.88] million as of April 30, 2012. These operations targeted the public sector and were mainly financed from ADF resources (83.6 percent). One (1) port infrastructure project was financed through the ADB window for a net UA 9.67 million representing 16.4 percent of total net commitments. In addition, the AfDB approved two (2) emergency operations to assist in mitigating the adverse impact of the food crisis (UA 1.5 million) (2008) and to support victims of floods ((UA 0.64 million) (2009). A UA 0.6 million supplementary grant was also allocated to the Institutional Capacity Strengthening Project (ICBP) in November 2010. In 2009, Comoros benefited from a UA 2.5 million support from the Fragile States Facility (FSF) for capacity building, namely for the PRSP finalization, training of civil servants, revision of the fiscal code, fiscal reorganization, preparation of the Public Finances Management (PFM) strategy and action plan and capacity building to the Planning Commission (CGP and to the water and sanitation department. Overall, the AfDB operations in Comoros have been directed toward supporting economic-related infrastructure, budget support and rural livelihoods and primarily concerned transport (40 percent), multi-sector (26 percent), water and sanitation (17 percent), agriculture (11 percent) and education (6 percent).

B. Strategic Orientation

2. The Bank Group re-engagement in Comoros is recent. Following the resolution of the Anjouan crisis in 2007 and the lifting of sanctions in February 2009 after clearance of its arrears with the Bank under the Bank's Post-Conflict Countries Facility (PCCF), a two-year Interim Country Strategy Paper 2009–2010 (I-CSP) focusing on economic and financial governance and water and sanitation was approved in April 2009. In December 2011, the Boards of AfDB approved a new Country Strategy Paper (CSP) for 2011–2015 based on a single pillar focusing on the energy sector in support to economic diversification. The new CSP draws on the Growth and Poverty Reduction Strategy Paper for 2010–2014 and will span over two ADF cycles - ADF 12 and ADF 13. Under ADF 12, the indicative country allocation will amount to UA 15.6 million, including UA 10 million from the Fragile States Fragility (FSF). These resources will primarily aim to finance (i) an energy sector project (UA 13.6 million) and (ii) a budget support (UA 2 million) whose main objective will be to assist the country in reaching HIPC Completion Point by end 2012.

3. As of 30 April 2012, the Bank's ongoing portfolio in Comoros amounts to UA 16.5 Million comprising two operations: (i) the *Institutional Capacities Strengthening Project (ICSP)* whose objective is to strengthen national capacities in PFM, debt management

and macroeconomic statistics and (ii) the Drinking Water and Sanitation Project (DWSP). A Country Portfolio Performance Review (CPPR) was conducted in May 2011 followed by a Country Portfolio Improvement Plan (CPIP) mission in March 2012.

C. Non Lending Activities

4. Along with other developing partners, AfDB aims to provide Comoros authorities with policy advice on key strategic directions with the objective of leveraging and sustaining economic growth over the medium-long term. In this respect, the first phase of a study on the sources of growth in Comoros was completed in December 2010. It provided a series of preliminary key recommendations on ways of improving the economic and business climate. The new CSP 2011–2015 includes a series of economic and sector works (ESW) covering strategic themes such as growth, competitiveness and employment as well as private sector and commodity value chains.

D. Summary of AfDB Current Lending Portfolio

Project	Sector	Effectiveness	Closing Date	Amount	
				Millions of Units of Account	Millions of U.S. Dollars
Institutional Capacities Support Project	Multisector	19/11/09	31/12/13	5.86	9.08
Drinking Water and Sanitation Project	Public Utilities	12/02/10	31/12/13	10.64	16.48
Total				16.50	25.56

Source: AfDB, 2012

E. IMF-African Development Bank Collaboration

5. Collaboration between the IMF and Africa Development Bank teams has been largely through exchanges, sharing of information and joint missions. More opportunities for collaboration would be explored.

IV. STATISTICAL ISSUES

Comoros—Statistical Issues Appendix

As of March 31, 2012

I. Assessment of Data Adequacy for Surveillance

General: Data provision has serious shortcomings that significantly hamper surveillance. The statistical database has deficiencies in all sectors largely due to inadequate staffing and funding, as well as lack of integration of island-based data.

National accounts. Shortcomings in national accounts compilation undermine accuracy and reliability of the data and impart a high degree of uncertainty to economic analysis. The absence of basic source data requires estimates of GDP to be prepared with outdated benchmarks and rely on crude assumptions and extrapolations. Due to lack of funding and staffing, there have been no survey-based national accounts since 1995, when one was prepared with UNDP assistance, and to date there has been no survey at all on manufacturing. In 2004, with the support of donors, a new population census and surveys on subsistence agriculture and households were completed; unfortunately, these surveys have neither been fully processed nor updated. A July 2006 AFR mission helped the authorities improve GDP estimates for 2001–05. The authorities are well aware of these shortcomings and the Commissariat Général au Plan (CGP) has secured the assistance of the African Development Bank for long-term technical assistance in both national accounts and price statistics.

Consumer prices. The accuracy and reliability of the consumer price index (CPI) represents another key source of uncertainty. Expenditure weights are based on a survey from the late 1980s and sub-indices are compiled irregularly across the islands. Most price data are collected only for the country's capital. CPI compilation is largely conducted by one person.

Government finance statistics. In August/September 2005 an STA mission found that the public chart of accounts did not accurately record the execution of the budget and that a standardized presentation on outstanding public debt is not compiled. Classification of budgetary data is often not consistent over time or across the islands. In particular, problems arise in data on domestic arrears, external debt, and external support, including its investment spending components, complicating fiscal analysis.

Monetary and financial statistics. The Central Bank of Comoros (BCC) produces adequate monetary statistics on its own accounts, for the commercial banks and the development bank active in the country, for the deposits collected by the postal administration, and for two microfinance networks. The Franc Zone arrangement has established accounting and prudential standards that prevent data disruptions. A major shortcoming is the absence of data on the large amount of Euro cash in circulation, handicapping surveillance. In June 2009 the BCC started reporting monetary and financial statistics to the IMF using Standardized Report Forms (SRFs). The current presentation and content of monetary statistics accords largely with the methodology in the IMF's *Monetary and Financial Statistics Manual 2000*.

<p>External sector statistics. The BCC compiles balance of payments statistics along the lines of the methods recommended in IMF's <i>Balance of Payments Manual, 5th edition</i>. Nevertheless, despite technical assistance and some improvements over the past few years, shortcomings in coverage and compilation continue to affect accuracy and reliability and impart uncertainty to economic analysis. A single BCC economist is responsible for compiling balance of payments statistics, precluding desirable improvements needed in coverage and data validation, particularly for trade, nonregistered trade, services, and foreign direct investment.</p>	
<p>Income distribution data and social indicators. Some progress was made with collecting income-distribution statistics and social welfare indicators when the I-PRSP was being prepared in 2003–04. Since then, coverage has remained limited hampering the monitoring of progress towards the MDGs.</p>	
<p>II. Data Standards and Quality</p>	
<p>Comoros has initiated the process for participating in the General Data Dissemination System (GDDS).</p>	<p>No data ROSC is available.</p>

Technical Assistance Missions in Statistics (1986–present)

Subject	Staff Member/Expert	Date
General Data Dissemination System	Vincent Marie	March–April 2012
Monetary and Financial Statistics	P. Papadacci	November–December 2008
Government finance statistics	G. Rousselot	August 2005
Balance of payments and international investment		
Position statistics	M. Dessart	March–April 2005
Money and banking statistics	G. Raymond	July 1997
Balance of payments statistics	Daniel Daco	May–June 1988
Money and banking statistics	Thiet T. Luu	October 1987
Government finance statistics	Vincent Marie	June 1986

Forthcoming technical assistance

None.