IMF Country Reports 24/212

Union of the Comoros: Second Review under the Extended Credit Facility Arrangement and Request for a Waiver of Nonobservance of Performance Criterion-Press Release; Staff Report; and Statement by the Executive Director for the Union of Comoros

INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/212

UNION OF THE COMOROS

July 2024

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE UNION OF COMOROS

In the context of the 2024 Second Review under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 21, 2024, following discussions that ended on May 7, 2024, with the officials of the Union of the Comoros on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 7, 2024.
- A **Statement by the Executive Director** for the Union of the Comoros.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes the Second Review Under the Extended Credit Facility Arrangement with the Union of the Comoros

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed today the second review under the Extended Credit Facility Arrangement with the Union of the Comoros. Approval of the second review enables the immediate disbursement of SDR 3.56 million (about US$ 4.68 million).
- Performance under Comoros's economic reform program continues to be broadly satisfactory, and the authorities remain committed to the economic policies and reforms underpinning the ECF-supported program.
- Reforms are beginning to bear fruit, with visible signs of macroeconomic stabilization. However, Comoros continues to face the challenges of a small, fragile island state which requires steadfast program implementation and continued support from international partners.

Washington, DC – **June 21, 2024:** The Executive Board of the International Monetary Fund (IMF) completed today the second review under the Union of the Comoros' Extended Credit Facility (ECF) arrangement. The Executive Board's decision allows for an immediate disbursement of SDR 3.56 million (about US$ 4.68 million). The 4-year ECF arrangement was approved on June 1, 2023, with an access of SDR 32.04 million (about US$43 million).

In completing the review, the Executive Board also approved the authorities' request for a waiver of nonobservance of the continuous performance criterion on the non-accumulation of new external arrears, based on strong corrective actions taken by the authorities.

The Union of the Comoros's economic reform program supported by the ECF arrangement seeks to reduce fragility and increase economic resilience by building fiscal buffers, reducing debt vulnerabilities, and strengthening the financial sector and governance. Key policy priorities under the program include: (i) mobilizing domestic revenue through reforms to strengthen tax and customs administration and streamline tax exemptions; (ii) strengthening the financial sector including through the completion of the restructuring of the state-owned postal bank SNPSF and enhancing the Central Bank's banking supervision and resolution capacities; and (iii) strengthening governance through public financial management and anti-corruption reforms.

The authorities continue to demonstrate strong commitment to the ECF-supported program despite economic and institutional fragilities: four of five quantitative performance criteria (QPCs) were met as of end-December 2023; six of the eleven structural benchmarks (SBs) between December 2023 and May 2024 were met, while two were implemented with delays and two end-June 2024 SBs were met ahead of time.

Economic conditions have improved since the approval of the ECF-supported program. Real GDP growth is expected to remain on an upward trajectory throughout the program period, while inflation is projected to decline further in 2024 and beyond. The domestic primary balance is expected to improve, driven in part by steady improvement in domestic revenue mobilization. The external sector is stable, and gross international reserves are expected to remain above 7 months of import cover over the program period.

Following the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, issued the following statement:

"The Comorian authorities have demonstrated a continued commitment to the Extended Credit Facility-supported reform program. Economic conditions have improved since the beginning of the program, but Comoros continues to face the challenges of a small, fragile island state: significant development challenges, balance of payments needs, a high risk of debt distress, vulnerabilities in the banking system, governance and corruption vulnerabilities, and exposure to climate change risks.

"Maintaining fiscal consolidation is appropriate to reduce debt sustainability risks and will be underpinned by reforms in revenue administration and tax policy as well as normalization of public investment spending. Fiscal structural reforms are also critical for improving budget transparency, cash and debt management, and the performance and efficiency of SOEs and their oversight.

"Monetary policy has contained inflation and ensured sufficient external buffers for Comoros and the stability of the peg. Continued efforts to stabilize the financial sector, including through the restructuring of the state-owned postal bank, addressing credit quality in the banking system, and strengthening banking supervision and resolution capacities are welcome.

"The authorities have made progress in anti-corruption reforms under the ECF-supported program. The recent formation of the Anti-Corruption Chamber is a key step in the implementation of the new anti-corruption law. Other reforms, including aligning the AML/CFT framework to international standards and the publication of public procurement contracts, are noteworthy. Continued governance reforms will be critical to improve the credibility of the state and increase the confidence of international donors and investors.

"The authorities are encouraged to step up implementation efforts to ensure that all program objectives are met. The Fund continues to provide close engagement and the necessary support for capacity development, effective economic surveillance, and successful program implementation. Support from international partners continues to be important for addressing the country's large development needs and climate-related risks."

Table 1. Comoros: Selected Economic Indicators (2023-26)				
	2023 est.	2024 proj.	2025 proj.	2026 proj.
Output				
Real GDP growth (%)	3.0	3.5	4.0	4.3
Employment				
Unemployment (%)	n.a.	n.a.	n.a.	n.a.
Prices				
Inflation, period average (%)	8.5	3.3	1.7	2.1
Central government finances				
Revenue and grants (% GDP)	16.5	17.6	15.8	15.9
Expenditure (% GDP)	17.8	20.4	18.3	18.4
Fiscal balance (% GDP)	-1.2	-2.8	-2.6	-2.4
Public debt (% GDP)	32.5	34.3	35.2	35.5
Money and Credit				
Broad Money (% change)	8.7	7.0	6.0	5.5
Credit to private sector (% change)	12.8	8.3	5.7	6.5
3-month Treasury bill interest rate (or similar) (%)	1.2	1.2	2.2	3.2
Balance of Payments				
Current account (% GDP)	-2.5	-3.3	-3.9	-4.0
FDI (% GDP)	0.4	0.5	0.6	0.6
Reserves (months imports)	7.5	9.4	7.7	10.4
External debt (% GDP)	32.5	34.3	35.2	35.5
Exchange rate				
KMF/US$ (period average)	452.0	…	…	…

Sources: country authorities; and IMF staff's estimates

UNION OF THE COMOROS

June 7, 2024

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context. Economic conditions have improved since the beginning of the ECF-supported program. Real GDP growth is expected to remain on an upward trajectory peaking at around 4½ percent under the program. Inflation is projected to decline further in 2024 although at a much slower pace than observed in 2023. The near completion of large public projects and the steady improvement in domestic revenue mobilization will be key driving factors for the improvement in the domestic primary balance. The external sector is stable, and gross international reserves are expected to remain above 7 months of import cover over the program period. The baseline, however, is subject to considerable uncertainty as Comoros continues to face the challenges of a small, fragile island state: significant development challenges, balance of payments needs, a high risk of debt distress, vulnerabilities in the banking system, governance and corruption vulnerabilities, and exposure to climate change risks. Tropical storms that impacted East Africa in April and May also inflicted significant damage across the country.

Program performance. Program implementation for the second review has been broadly satisfactory despite severe economic and institutional fragilities. The authorities met four of five quantitative performance criteria (QPCs) as of end-December 2023. Due partly to persistent liquidity management weaknesses, the continuous QPC on non-accumulation of new external arrears and the indicative target (IT) on non-accumulation of net domestic arrears were again missed. The IT on social spending was also missed. As corrective actions, the authorities have (i) made full repayments of all newly accumulated external arrears during 2023 and thus far in 2024, except for the loans to BADEA and Exim India that are under discussion with creditors; (ii) begun constructing a centralized debt database using a pre-existing but unutilized debt management software; and (iii) committed to submitting to the IMF team monthly debt reports produced from this software starting in September 2024 (proposed structural benchmark, SB). Progress on fiscal structural reforms has been satisfactory, but key SBs on the state-owned postal bank SNPSF and the Anti-Corruption Chamber (ACC) were missed. Six of the eleven SBs between December and May were met while two end-June SBs were met ahead of time.

Policy discussions. Discussions focused on (i) supporting the authorities' fiscal consolidation efforts to create fiscal space to address the country's poverty and development needs and reduce debt sustainability risks, underpinned by fiscal structural reforms aimed at domestic revenue mobilization, (ii) strengthening the financial sector including reducing non-performing loans (NPLs) and completing the restructuring of the SNPSF, and (iii) advancing governance reforms to improve public financial management (PFM) and further reduce corruption vulnerabilities. Proposed new SBs aim at extending progress in domestic revenue mobilization, accelerating PFM reforms, continuing to stabilize the financial sector, and enhancing governance. In light of the delayed launch of the new postal bank BPC, it is proposed to postpone the SB on the provision of supervisory reports on the compliance of BPC's operations with Phase 1 of the business plan to start on January 31, 2025, instead of July 31, 2024. It is also proposed that the missed SB on the strategy for domestic arrears clearance (due in March 2024) be reset to September 2024.

Staff views. In view of the broadly satisfactory program performance so far and renewed commitments going forward, staff supports the completion of the second review under the ECF. Staff also supports the request for a waiver for the non-observance of the continuous QPC on the non-accumulation of external arrears based on the corrective actions taken by the authorities.

Approved By
Costas Christou (AFR) and S. Jay Peiris (SPR)

Discussions were held during April 15–19, 2024, in Washington, D.C. and during April 24–May 7, 2024, in Moroni. The staff team comprised Suchanan Tambunlertchai (head), Guy Dabi Gab-Leyba, Barima Kwame Gyesaw, Mehdi El-Herradi (all AFR), Anthony Ramarozatovo (FAD), Anna Belianska (MCM), Ibrahim Ahamada (local economist), and Rima Turk (Resident Representative, Moroni Office). Ms. Yahya (OEDAF) also participated in the meetings. The mission met with His Excellency President Azali, Minister of Finance Chanfiou, Central Bank Governor Imani, Secretary General of the Government Bandar, other senior officials, development partners, and representatives of the private sector. J. Fernando Morán Arce, Gina Juhee Kang, and Ignacio Gutiérrez (all AFR) assisted in the preparation of this report.

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APPENDIX

CONTEXT

1. The government has started its fourth term and will remain in power until 2029. Post-elections social tensions that erupted after the January 14 presidential elections have abated and normal activity has resumed. The new administration is focused on maintaining macroeconomic stability, continuing reforms, including those under the ECF-supported program, and pursuing the growth and poverty reduction agenda under the national development plan, *Plan Comores Emergent* (see Annex 1). The authorities, including President Azali, have reiterated their strong commitment to the ECF program.

2. Program implementation for the second review has been broadly satisfactory despite severe economic and institutional fragilities. The authorities met four of five quantitative performance criteria (QPCs) as of end-December 2023. Due partly to persistent liquidity management weaknesses, the continuous QPC on non-accumulation of new external arrears and indicative targets (ITs) on non-accumulation of net domestic arrears as well as social cash transfers were again missed. Progress on fiscal structural reforms has been satisfactory, but key non-fiscal structural benchmarks (SBs) on the state-owned postal bank SNPSF and the Anti-Corruption Chamber (ACC) were missed. Six of the eleven structural benchmarks (SBs) between December and May were met while two SBs for end-June were met ahead of time.

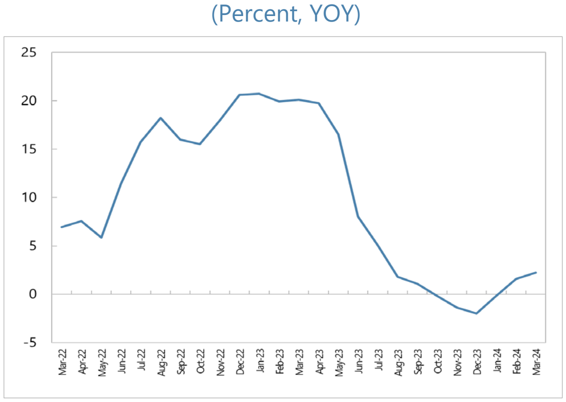
3. Comoros continues to remain vulnerable to shocks and climate-related risks. In early February 2024, health authorities declared an outbreak of the cholera epidemic, with reported cases reaching 3,244 and a death toll of 67 as of end-April (WHO African Region). Tropical storms that impacted East Africa in April and May also inflicted significant damage in areas across the country. The government is under pressure to mobilize resources to support affected villages and infrastructure. Discussions are ongoing with development partners for emergency support.

RECENT ECONOMIC DEVELOPMENTS

Text Figure 1. Union of the Comoros: Inflation and Domestic Credit

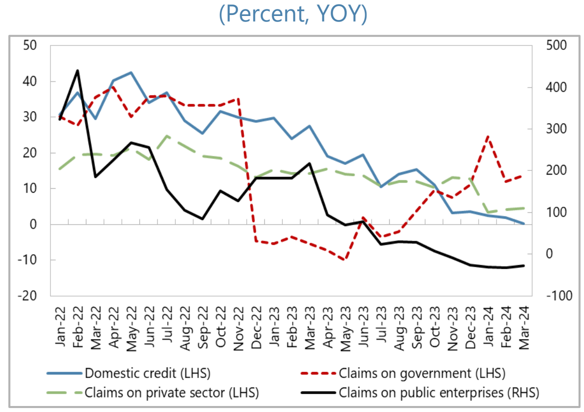
Inflation in Comoros

(Percent, YOY)



Evolution of Domestic Credit

(Percent, YOY)



Sources: INSEED, Central Bank of Comoros; IMF staff calculations

4. **Economic activity rebounded as expected while inflation and credit growth decelerated (Text Figure 1).** Growth is estimated at 3 percent for 2023, as projected during the first review, driven by ongoing public investment projects and the post-pandemic rebound in activity. Inflation declined, reaching -2 percent (y/y) in December (vs. 20.6 percent at end-2022), reflecting both the base effect and a pronounced deceleration in food inflation. Recent upticks in prices have put inflation back in positive territory, with inflation at 2.2 percent in March. Domestic credit growth (y/y) slowed from 19.5 percent in June 2023 to 3.5 percent in December and 0.3 percent in March 2024, driven by a rapid decline in credit to public enterprises as they regain access to external short-term trade credit, which had been suspended due to arrears. Private sector credit growth stabilized at around 13 percent during 2023H2 before falling to around 5 percent during 2024Q1.

Text Table 1. Union of the Comoros: Fiscal Developments
(Millions KMF)

	2022	2023	Percent Change
		Est.	
Total revenue and grants	**81,778.0**	**99,785.5**	**22.0**
Revenues	**56,326.2**	**61,716.6**	**9.6**
Tax revenue	44,356.7	49,631.4	11.9
Nontax revenue	11,969.5	12,085.1	1.0
External grants	**25,451.7**	**38,068.9**	**49.6**
Total expenditure	**107,876.9**	**107,876.9**	**0.0**
Current expenditure	**64,854.0**	**77,253.8**	**19.1**
Primary current expenditures	61,432.8	70,500.3	14.8
Wages and salaries	28,630.7	31,500.5	10.0
Goods and services	13,876.1	18,449.8	33.0
Transfers and pensions	18,926.0	20,550.0	8.6
Interest payments	1,134.4	2,252.5	98.6
Capital expenditure	**39,642.0**	**30,623.1**	**-22.8**
Domestically financed investment	7,055.2	13,243.7	87.7
Foreign-financed investment	32,586.8	17,379.4	-46.7
Domestic primary balance	**-11,012.7**	**-12,332.4**	**12.0**
Overall balance (commitment basis)	-22,718.0	-8,091.4	-64.4
Change in net arrears	1,860.1	583.5	-68.6
External arrears	298.5	184.8	-38.1
Domestic arrears	1,561.6	398.7	-74.5
Overall balance (cash basis)	**-20,857.9**	**-7,507.9**	**-64.0**

Source: Ministry of Finance; staff calculations.

5. **Both tax revenue and domestic spending increased during 2023, maintaining the domestic primary balance at around 2 percent of GDP.** Tax revenue increased by 11.9 percent, primarily due to a rise in taxes on goods and services, driven by improvements in revenue administration efforts and the removal of consumption tax exemptions on a wide variety of goods,

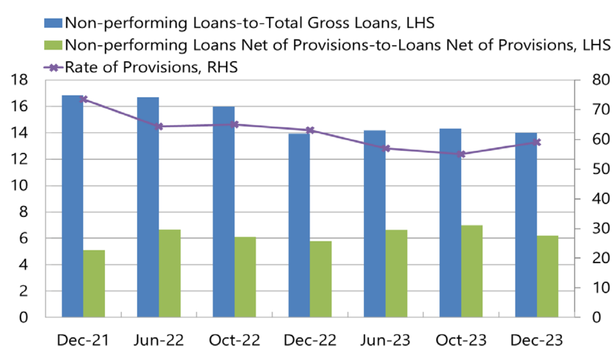
including cement, iron, plywood, plank, canned foods, cooking oil, fruit juices, milk, children's food preparation, propane gas, and lamp oil, which broadened the tax base (Text Table 1). On the expenditure side, primary current expenditure rose by 9.8 percent, driven by preparations for the presidential and gubernatorial elections, as well as expenses related to Comoros' African Union presidency, which ended in February 2024. Domestic investment expenditure increased significantly by 87.7 percent, reflecting efforts to complete the El Maarouf hospital. Despite this rise in expenditures, the primary domestic deficit in 2023 (KMF 12,332.4 million) was roughly flat as a share of GDP compared to the year prior. The overall fiscal deficit on a commitment basis significantly improved in 2023, reaching 1.3 percent of GDP compared to 4 percent in 2022, supported by disbursements of budgetary aid.

6. **Gross international reserves (GIR) increased.** The current account deficit (CAD) widened to 2.5 percent of GDP in 2023 from 0.6 percent in 2022, albeit better than expected at the time of the first ECF review (5.8 percent of GDP). Compared to 2022, the increase in the CAD was driven by a higher trade deficit due to weak vanilla exports which was partially offset by strong remittances. End-2023 GIR increased to US$321 million (7.3 months of imports of goods and services), due in part to loan and grant disbursements. In February 2024, the World Trade Organization (WTO) ministers formally approved membership terms of Comoros, concluding the accession process that began in 2007 and marking the first time in eight years that a least-developed country (LDC) will have successfully joined the organization.

Text Figure 2. Union of the Comoros: Non-Performing Loans

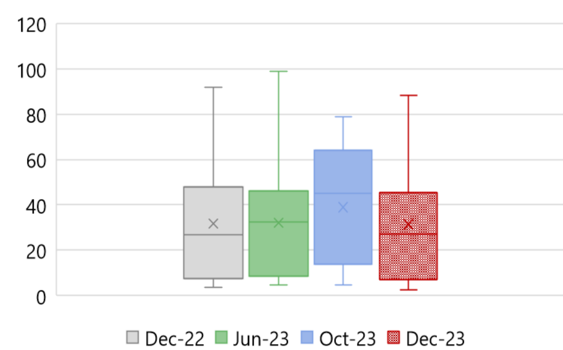
(Percent)

Aggregate non-performing loans (NPLs) ratio remained stable at 14 percent.



Source: BCC and IMF staff calculations.

The financial system exhibits high segmentation–three of nine institutions hold around 68 percent of systems' assets–with high NPLs prevalent across multiple institutions.



Note: Unweighted data.

7. **The financial sector remains vulnerable.** The banking system's aggregate non-performing loans (NPL) ratio remained stable at 14 percent in 2023, with stark differences among the nine financial institutions (five banks and four decentralized financial institutions, or microfinance) (Text Figure 2). While some institutions managed to improve on NPLs, two experienced a doubling of their NPL ratios, attributable to significant exposures to the vanilla sector which was heavily

impacted by declining exports in 2023. The provision rate decreased from 63 to 59 percent during this period, slightly lower than the regulatory level set by the Central Bank (BCC). The authorities are advancing the restructuring of the postal bank SPNSF, albeit with delays. Of the remaining eight financial institutions, six continue to make losses and five are undercapitalized (45 and 36 percent of system's assets, respectively).

Text Table 2. Union of the Comoros: Financial Soundness Indicators of the Financial Sector, 2016–2023

(Percent)

	2016	2017	2018	2019	2020	2021(1)	2022(1)	2023(1,2)
Capital adequacy								
Regulatory Capital to Risk-Weighted Assets	20	21	22	28	25	8	11	11
Asset quality								
Non-performing Loans to Total Gross Loans	22	25	24	23	24	17	14	14
Non-performing Loans Net of Provisions to Capital	39	49	41	29	35	23	30	43
Earning and profitability								
Return on Equity	9	-1	0	-1	-8	-1	9	-1
Liquidity								
Liquid Assets to Short Term Liabilities		85	94	89	104	N.A.	N.A.	N.A.
Customer Deposits to Total (Non-interbank) Loans		123	132	135	155	163	136	137

Sources: Central Bank of Comoros (BCC), and IMF staff calcluations.

(1) IMF staff estimates and calculations based on Central Bank of Comoros' data. Due to understaffing of the Supervision Department, BCC has not reported FSIs since end-December 2020.

(2) End-December 2023. Non-audited data.

8. **The authorities accumulated new external and net domestic arrears.** At the time of the first ECF review, the authorities had cleared most of the new external arrears accumulated during 2023, except those to BADEA (multilateral) and Exim India (official) which remain under discussion.[1] For these two loans, further arrears were accumulated as the December 2023 debt service (US$0.35 million to BADEA and US$0.13 million to Exim India) went unpaid, as expected. However, the authorities also accumulated other new arrears in December due to late payments: US$1.4 million to commercial creditor TDB (due in December 2023 and paid with a slight delay that month), US$0.4 million to official creditor Bpifrance Assurance Export (due in December 2023 and paid in January 2024), and US$0.09 million to the multilateral Islamic Development Bank (IDB) (due in December 2023 and paid in March 2024). Similarly, in 2024 the following external arrears were accumulated: US$1.36 million to TDB (due in March and paid in May), and US$ 0.16 and US$0.41 million to official creditor Saudi Fund for Development (SFD) (due in February and March, respectively, and paid in May). Net domestic arrears stood at KMF 399 million (0.07 percent of GDP) as of end-December 2023, mostly comprised of delayed payments for transfers and investment.

[1] Comoros is a shareholder of BADEA. As the institution has become focused on serving non-shareholder countries, the bank has requested that its loan to Comoros be transferred to a new creditor. As of April 2024, BADEA has designated a representative to work with Comorian authorities towards a resolution. Discussions are also ongoing regarding the arrears to Exim India for a power plant project which is currently under dispute.

OUTLOOK AND RISKS

9. **Baseline macroeconomic projections remain broadly unchanged from the first ECF review.** Growth is expected to rise to 3.5 percent in 2024 driven by ongoing mega projects such as the El Maarouf Hospital and the Galawa Hotel. Average inflation for 2024 has been revised up to 3.3 percent (2.2 percent at the first review) reflecting the recent upticks in inflation outturns driven by food prices and expectations of a more gradual decline in inflation in advanced economies. The medium-term growth is projected to peak at around 4½ percent under the ECF, contingent on the implementation of sound macroeconomic policies and structural reforms under the program. The CAD for 2024 has been revised to 3.5 percent of GDP (vs. 5.7 percent at the first review) reflecting slightly lower import assumptions and higher inflow of remittances to align with recently observed trends. Over the medium term, the CAD is forecast to rise gradually to 4½ percent of GDP, as remittances gradually return to historical levels. GIR would remain between 7–8 months of imports.

10. **There are key downside risks to the near-term outlook (Annex 2).** On the domestic front, an intensification of the cholera epidemic could dampen economic activity, including through reduced homebound tourism by the diaspora or postponement of social activities such as the *Grands Mariages*, with implications on fiscal revenue. Climate-related shocks pose a threat to growth and strains on public finances to address such shocks. The main external risk arises from shifting geo-economic patterns, both within and outside the continent, that could negatively impact trade, particularly oil and food imports. Upside risks include larger- or faster-than-expected trade and investment benefits from the WTO membership and a stronger-than-expected boost to growth from the public investment projects.

PROGRAM PERFORMANCE

11. **Performance on quantitative targets was broadly satisfactory (Text Table 5a).**

- Tax revenue and the domestic primary balance met their respective end-September ITs and end-December QPCs.
- The end-September IT on net international reserves (NIR) was slightly missed, as reported at the time of the first review; the end-December QPC on the NIR and continuous QPC on non-concessional borrowing were met.
- The authorities missed the continuous QPC on the accumulation of new external arrears (see ¶s 8 and 22).
- The end-September and end-December ITs on the accumulation of net domestic arrears were missed.
- The end-September and end-December IT on social cash transfers, supported by the World Bank (WB), was unmet. Starting in 2024, an adjuster is proposed to be included for this target to account for unanticipated shifts in project disbursements (see Technical Memorandum of Understanding, TMU ¶16).

12. Progress on fiscal structural reforms has been broadly satisfactory, but key SBs on the postal bank and the Anti-Corruption Chamber (ACC) were missed.

- The end-December SB to raise the number of active taxpayers by 10 percent at the Large and Medium Taxpayer office (DGME) and to send notification letters to the new taxpayers was met, with a reported 17 percent increase in the number of taxpayers by end-2023.
- The authorities met the end-December SB to interconnect the SIGIT and SYDONIA platforms to enable data exchange between the General Directorate of Taxes (DGI) and General Directorate of Customs (DGD).
- The end-December SB to complete the audit of domestic arrears was met, with the report approved by an audit committee comprising staff from the Treasury, the General Directorates of Accounting, Debt, Budget, and Taxes. The strategy to clear these arrears (end-March SB), however, would require more time to finalize.
- The end-May SB to submit to Parliament of the statutory resolution framework that includes the three points recommended in the technical assistance (TA) report of the IMF's Monetary and Capital Markets Department (MCM) was met.
- The end-March SB to appoint the Director of the General Directorate of Public Accounting and the Treasury (DGCPT) was not met on time due to challenges in identifying suitable candidates for the selection process. The authorities expect to finalize this nomination by July.
- Three SBs were achieved ahead of schedule. The authorities completed in December the *de jure* transfer of the management of the fuel product taxes to customs administration and in May the issuance of ministerial decrees to implement the customs code (end-June 2024 SBs). The 2024 budget approved by Parliament was published in February (end-April SB).
- The authorities did not meet the end-December SB on the issuance of a banking license to the new postal bank, *Banque Postale des Comores* (BPC), by the BCC Board. The opening financial statements, the separation of assets among the BPC, the SNPSF, and the postal entity, and the updated business plan were not completed on time. Despite the setback, the authorities continued working and submitted the completed application dossier to the BCC Board in April. Since then, they have been closely engaged with the Board to provide remaining clarifications with the aim of receiving the banking license before end-June (see ¶25; Memorandum of Economic and Financial Policies, MEFP, ¶13).
- The authorities also failed to meet the end-December SB on operationalizing the ACC, due to delays in initiating the various required processes. However, the call for candidacy for ACC members was launched in early 2024, with the selection finalized in May. The decree to form the ACC was signed by the President on May 23, 2024.

POLICY DISCUSSIONS

A. Fiscal Policy

Building Momentum Towards Fiscal Sustainability

13. The 2023 headline fiscal outturns were broadly in line with expectations and the 2024 targets remain appropriate. Despite some spending overruns in 2023H2 ahead of the 2024 elections and final months of Comoros' African Union presidency, the 2023 domestic primary balance (DPB) target was met due to the slower-than-expected execution of the El Maarouf hospital project. The DPB outturn of -2 percent of GDP, however, was slightly weaker than the -1.8 percent projected at the time of the first ECF review. The authorities expect the strong revenue collection to continue into 2024, based on the recent broadening of the tax base and strengthening revenue administration efforts, thus providing a basis for maintaining the relatively tight 2024 fiscal targets—with DPB of -1.4 percent of GDP. Staff noted that maintaining this target implies strong discipline despite emerging expenditure pressures, including spending to address the cholera epidemic and storm damages, demands by teachers' unions for a wage hike, and continued investments on El Maarouf. For now, the authorities are committed to accommodating these pressures through spending reallocations from domestic investment and mobilization of external support.

14. Fiscal projections for 2025 were revised to reflect the WTO membership commitments and spending needs, while the medium-term fiscal consolidation path is maintained. As part of the WTO accession, Comoros agreed to unwind certain border taxes that fall under "Other Duties and Charges" (ODCs), starting with the import license ("patente d'importation," PI) and the advance corporate income tax payment ("acompte sur l'impôt sur les sociétés," AI) in 2025, and the single administrative charge ("Redevance Administrative Unique," RAU) in 2026. Going forward, the first two taxes will be administered by the DGI. The RAU, which is being levied *ad valorem*, is not in compliance with WTO rules and would need to be replaced by a fee linked to the cost of customs services rendered. Discussions highlighted the impact of these changes and emphasized strategies to ensure continued revenue growth (see discussions under Fiscal Structural Reforms). Staff advised the authorities to request timely technical assistance to help implement the changes, including developing a comprehensive action plan to offset any potential revenue losses resulting from these reforms. On the expenditure side, the 2025 projections assume an increase in wages in line with the government's agreement with the teachers' unions, the one-time impact of legislative elections on goods and services spending, and the remaining investments to complete the El Maarouf hospital. The implied DPB of -0.5 percent of GDP (-0.2 percent at the first review) would constitute continued fiscal consolidation, albeit at a slightly slower pace than previously envisaged. Over the program period, the total DPB consolidation would remain at 1.8 percentage points of GDP (bringing the DBP to -0,1 percent of GDP by 2027), which would ensure Comoros reaches moderate risk of debt distress by 2028. The path assumes a steady increase in tax revenue of at least 0.3 percentage points of GDP per year, supported by structural reforms in revenue administration and tax policy, normalizing public investment spending once large projects are completed, and stabilizing the wage-to-GDP ratio.

15. Social spending from the budget includes transfers to the health and education sectors while the WB supports a targeted social safety net program. Urgent social spending needs are for now being accommodated within the 2024 budget envelope, including spending on cholera isolation centers and the possible reallocation of domestic investment spending for flood-related expenditures. The WB-funded project (Projet de Filets Sociaux de Sécurité Résilient et Réactif aux Chocs, PFSS-RRC) continues to be the only targeted social spending program in the country. The program supports cash transfers to the most vulnerable households as well as cash compensation to supplement productive work. The former has benefited 39,904 households with targeting based on geographic locations and community-level knowledge of household situations such as food insecurity or number of school-age children, and cash payments made through mobile money. The latter is a new initiative launched in April 2024 and aims to incentivize productive work by households, with a target coverage of around 18,000 households. The project is currently funded through 2027. As coverage of the WB-supported program is limited over time, the authorities hope to implement their own social spending initiatives through the PFSS-RRC network. Meanwhile the authorities' consistent budget allocations for health and education spending ensure a level of social protection for the broader population.

Fiscal Structural Reform

16. Domestic revenue mobilization will require consolidating gains already made in revenue administration and improving revenue prospects through tax policy reforms. Under the program, the authorities have established the DGME, increased the number of active taxpayers, and interconnected the tax and customs' databases. These commendable efforts will need to be complemented with further reforms to lift the still-low fiscal revenue.

- The DGME should continue to raise the number of active taxpayers. Comoros' tax base continues to be narrow, and revenue administration efforts must be sustained to capture the tax potential, including from economic activities outside the main island of Ngazidja.
- The DGI should use data from the SIGIT-SYDONIA interconnection to expand the tax base and increase the tax revenue collected. To this end, the DGI will produce a report showing tax adjustments resulting from tax audits and new taxpayers identified from the SIGIT-SYDONIA data exchanges during the second half of 2024 (proposed SB), including *inter alia* tax adjustments notified, amounts recovered, and penalties imposed. Over time, the activation of the SIGIT software on the islands of Moheli and Anjouan will allow better integration of the tax system across the union.
- Customs administration can be significantly strengthened. In particular, the suspensive collection regime which allows a temporary exemption of customs payments on certain goods is prone to losses as many of these payments end up uncollected. In 2023, such temporary exemptions amounted to 0.4 percent of GDP. It was thus agreed that the DGD would develop a plan to identify uncollected customs payments from the suspensive regime

(proposed SB) and to recover at least half of the overdue payments as of June 30, 2024, by end-2024 (proposed SB).

- The authorities need to pivot towards medium-term tax policy strategies. To this end, they will undertake a tax expenditure analysis starting with customs duties and indirect taxes (proposed SB), which would benefit from support from the IMF's Fiscal Affairs Department (FAD). This activity would complement the upcoming establishment of the Tax Policy Unit (TPU) (September 2024 SB) and serve as a foundation for training TPU staff and identifying key next steps (e.g., publishing the analysis, reductions in tax incentives and exemptions). Staff emphasized that tax policy reform can no longer be delayed, particularly as a revenue replacement strategy will be needed to compensate for the lowering of customs duties tariffs and removal of certain border taxes as part of the WTO accession.

17. Customs reforms are ongoing, in line with WTO norms. In addition to simplifying the customs tariff structure and gradually unwinding ODCs, the authorities are undertaking legislative and administrative reforms to align the trade regime with WTO standards. FAD is providing extensive capacity development (CD) support in these areas as well as in the strengthening of goods valuation function, customs' risk management and inspection efficiency. The authorities have finalized the ministerial decrees to implement the Customs Code (June 2024 SB).

18. The authorities are making efforts to improve budget transparency and produce timely fiscal statistics, although data quality continues to be a challenge particularly on the execution of the public investment program. The authorities have improved the process to produce the quarterly table of government fiscal operations (TOFE) by establishing the TOFE Committee in charge of compiling the fiscal accounts, which comprises all entities that provide fiscal data (Budget Directorate, Debt Directorate, Treasury, General Planning Commission, Tax Directorate and BCC). Staff commended the timely publication of the approved 2024 budget for the first time and encouraged the authorities to also begin publishing other documents for the budget process, as provided for by the law on State finances (LOFE).

19. The Treasury Single Account (TSA) reform is critical for improving cash and debt management. Efforts in 2014 to establish the TSA have been largely unwound. Low trust in the cash management system has led to a proliferation to more than 160 government and public entities' accounts at the BCC, each earmarked for specific purposes, e.g., wages, debt service, investment, and externally financed projects. Functionally, the TSA serves only as a "pass-through" for these other accounts. While the authorities noted that cash inflows and outflows through the TSA ensure full traceability of revenue and expenditure, assessing government liquidity in real time has been complicated by the number of accounts—with some being outside the Public Accountant's control—and the lack of regular reporting on the consolidated cash position. This lack of visibility compounds the already limited liquidity management capacity, contributing to the recurrent accumulation of domestic and external arrears. Staff advised the authorities to resuscitate the 2014 TSA agreement, which prohibits the BCC from opening accounts outside the control of the Public Accountant and which requires the BCC to report consolidated cash balances to the Treasury daily. As a first step in the TSA reform and as a corrective action for the missed QPC on external arrears accumulation, the Ministry of Finance will request the daily reporting by the BCC of the consolidated statements of all government account balances to the DGCPT, the Union's General Treasury Paymaster (TPGU), and the Fund (proposed SB). Such reporting will ensure that the Treasury has greater visibility over the government's liquidity situation, which should alleviate the persistent arrears problem. Over time, the authorities need to reintegrate accounts into the TSA and ensure fungibility of cash irrespective of its end use, starting with accounts linked to the central government and, as cash management capability is strengthened, followed by those of public corporations and projects, as outlined in the 2021 TSA roadmap. As part of improving cash management, the authorities implemented daily sweeps of tax revenue from its commercial bank account into the TSA instead of the current bi-weekly sweeps.

20. Upgrading the SOE legal framework, improving their performance, and strengthening oversight remain critical for managing fiscal risks. The new SOE law, prepared with FAD support and aimed at these objectives, is being finalized after an extensive review by line ministries. The authorities expect to adopt the law during the current Parliamentary session (April–June). Meanwhile, staff urged the authorities to begin staffing the directorate in charge of SOE supervision. Extensive technical assistance will be required to implement the law, including on SOEs' governance arrangements, financial reporting, and compliance with OHADA accounting rules.

Debt Issues

21. The authorities have made efforts to contain domestic arrears in 2023 and are working on a strategy to clear those accumulated between 2009–20. At the first review, the authorities committed to eliminating by year-end net domestic arrears accumulated in 2023. While this was not possible, net domestic arrears were reduced by more than half during the second half of 2023. The authorities are committed to clearing these arrears while maintaining the target of zero net domestic arrears accumulation during 2024 through stepped up efforts in cash management, including the implementation of the daily sweeps of tax revenues into the TSA (¶19). The bigger challenge to tackle, however, is the large pre-existing stock of domestic arrears accumulated prior to the 2021-23 Staff-Monitored Program (SMP). According to the completed audit report (December 2023 SB), domestic arrears between 2009-2020 amount to around KMF 45.8 billion (4.5 percent of 2023 GDP). Arrears of key SOEs (to the state and to other SOEs) account for some 73 percent of this amount. Although the authorities had aimed to complete by end-March 2023 a strategy for clearance of these domestic arrears (SB), the complex cross debts and possible application of the statute of limitations on some debts have meant more time would be required to elaborate the strategy. It is thus proposed to reset the SB to end-September 2024.

22. The authorities undertook corrective actions for the nonobservance of the QPC on the accumulation of new external arrears. Under the ECF, the authorities have increased vigilance over external debt repayments. However, tight liquidity constraints due to very low fiscal revenue and weaknesses in debt and liquidity management capacity continue to hamper timely debt repayments, resulting in recurrent and temporary breaches of the continuous QPC (see ¶8). Capacity constraints manifest in the extensive follow-up required for debt reporting, particularly in the absence of a centralized debt database. As corrective actions, the authorities have (i) made full repayments of all newly accumulated external arrears during 2023 and thus far in 2024, except for those to BADEA and Exim India which remain under discussion; (ii) begun constructing a centralized debt database using a pre-existing but unutilized debt management software; and (iii) committed to submitting to the IMF team monthly debt reports produced from this software starting in September 2024 (proposed SB). In addition, the authorities are undertaking a project, supported by the African Development Bank (AfDB), which will upgrade the debt management software and build capacity at the Debt Directorate. The Fund is coordinating closely with the AfDB and will stand ready to provide targeted CD support to complement these efforts. Staff noted the authorities' ongoing efforts to seek an alternate creditor to take over the BADEA loan as a credible arrears clearance strategy and the authorities are engaged with the government of India to resolve their outstanding official arrears to Exim India as soon as possible.

Text Table 3. Union of the Comoros: Summary Table of Projected External Borrowing Plan

(Millions KMF)

PPG external debt	2023		2024		2025		2026	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**116.7**	**100**	**79.2**	**100.0**	**81.0**	**100.0**	**65.4**	**100**
Concessional debt, of which	**64.1**	**54.9**	**69.7**	**88.0**	**71.5**	**88.3**	**55.9**	**85.5**
Multilateral debt	59.8	51.3	47.9	60.5	36.5	45.1	5.9	9.0
Bilateral debt	4.3	3.6	9.4	11.8	9.3	11.5	5.1	7.8
Other	0.0	0.0	12.5	15.8	25.7	31.7	44.9	68.7
Non-concessional debt, of which	**52.6**	**45.1**	**9.5**	**12.0**	**9.5**	**11.7**	**9.5**	**14.5**
Semi-concessional[1]	9.5	8.1	9.5	12.0	9.5	11.7	9.5	14.5
Commercial terms	43.1	36.9	0.0	0.0	0.0	0.0	0.0	0.0
By Creditor Type	**116.7**	**100.0**	**79.2**	**100.0**	**81.0**	**100.0**	**65.4**	**100.0**
Multilateral debt	69.3	59.4	57.4	72.4	46.0	56.8	15.4	23.5
Bilateral debt	4.3	3.6	9.4	11.8	9.3	11.5	5.1	7.8
Commercial terms	43.1	36.9	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	12.5	15.8	25.7	31.7	44.9	68.7
		0.0		0.0		0.0		0.0
Uses of debt financing	**116.7**	**100.0**	**79.2**	**100.0**	**81.0**	**100.0**	**65.4**	**100.0**
Infrastructure	64.1	54.9	57.2	72.3	45.8	56.6	34.1	52.1
Budget Financing	9.5	8.1	9.5	12.0	9.5	11.7	9.5	14.5
Other	43.1	36.9	12.5	15.8	25.7	31.7	21.8	33.4

1/ Projected ECF disbursements

Source: Staff projections based on discussions with authorities.

Text Table 4. Union of the Comoros: Decomposition of Public Debt[1]

	2020	2021	2022	2020	2021	2022
	Million USD			% GDP		
Total	320.0	388.8	416.3	26.3	30.5	34.0
External	284.5	322.5	333.5	23.4	25.3	27.2
Multilateral creditors[2]	106.4	123.0	131.1	8.7	9.7	10.7
IMF	28.7	27.6	23.4	2.4	2.2	1.9
World Bank	20.2	28.4	39.2	1.7	2.2	3.2
ADB/AfDB/IADB	2.5	7.1	8.2	0.2	0.6	0.7
Other Multilaterals	55.1	60.0	60.2	4.5	4.7	4.9
o/w: BADEA	28.3	28.0	28.0	2.3	2.2	2.3
o/w: TDB	13.2	18.3	17.4	1.1	1.4	1.4
o/w: IsDB	7.5	7.5	6.9	0.6	0.6	0.6
Bilateral Creditors	178.1	199.4	202.5	14.6	15.7	16.5
Paris Club	2.1	2.1	2.5	0.2	0.2	0.2
o/w: France	2.1	2.1	2.5	0.2	0.2	0.2
Non-Paris Club	176.0	197.4	200.0	14.5	15.5	16.3
o/w: China	91.1	112.1	110.8	7.5	8.8	9.0
o/w: Saudi Arabia	33.7	33.7	38.0	2.8	2.6	3.1
o/w: India	26.4	26.4	26.4	2.2	2.1	2.2
o/w: Kuwait	24.8	25.1	24.8	2.0	2.0	2.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	35.5	66.3	82.7	2.9	5.2	6.8
Held by residents, total[3]	35.5	66.3	82.7	2.9	5.2	6.8
SOEs debt[4]	N.A	23.0	19.2	N.A	1.8	1.6
Memo items:						
Collateralized debt[5]	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Related	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Unrelated	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities[6]	107.2	159.1	153.1	8.8	12.5	12.5
o/w: Public guarantees	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Other explicit contingent liabilities[7]	107.2	159.1	153.1	8.8	12.5	12.5
External arrears	N.A	6.0	7.2	N.A	0.5	0.6
Nominal GDP	1218	1273	1225			

Source: Country authorities and staff estimates and projections

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/ Inludes central bank on lending related to the SDR allocation.

4/ SOEs debt in Comoros is guarantee debt.

5/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

6/ As defined in the customized contingent liabilities stress test of the last three published DSAs.

7/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

B. Monetary Policy and Operations

23. **The monetary policy stance is neutral amid stabilizing inflation.** The reserve requirement ratio, the BCC's main policy tool, has been unchanged at 12.5 percent since October 2023. This tool and the now-regular liquidity absorption operations, implemented with technical assistance from the MCM, have allowed the BCC to address liquidity surpluses at larger banks and better finetune

systemwide liquidity management. Staff advised a wait-and-see approach and encouraged the BCC to closely monitor developments in reserves, inflation, and credit growth. While GIR remains comfortable, vigilance is warranted as net FX drains typically occur in the first half of the year. The BCC should stand ready to defend the euro peg should it observe large outflows of reserves. Staff confirmed no changes to the exchange system covered by Article VIII of the IMF's Articles of Agreement.

24. As the BCC continues to build its monetary policy toolkit, the authorities should begin undertaking reforms for the eventual development of a domestic debt market. In addition to developing the interbank market and the emergency liquidity assistance framework, the BCC is spearheading efforts to create domestic government securities, with CD support from MCM. While government securities can help deepen the domestic credit market and improve monetary policy transmission, several prerequisites would need to be in place before the Comorian government can or should issue debt. These include, among others, building debt management and liquidity forecasting capacities, developing a medium-term debt strategy, and having a sufficiently deep and diverse investor base. Given the missing elements, staff encouraged the BCC to prioritize stabilizing the financial sector (see below) to build up a sound investor base for government securities. The BCC is committed to working closely with the Treasury and the Debt Directorate to coordinate the necessary reforms and CD support, particularly in the areas of liquidity and debt management, for the eventual operationalization of a domestic debt market.

C. Financial Sector Stabilization

25. The authorities are continuing to execute the SNPSF's restructuring and to work towards a banking license for the BPC. The Executive Board of the SNPSF has been suspended and a temporary Board put in place headed by the BPC's director to ensure a smooth synchronization of the BPC's startup and the SNPSF's wind-down. The authorities have also started communicating to the public about the BPC's expected launch. Since presenting the completed BPC dossier with the updated business plan, updated opening financial statements, and signed contract for a new management information system (MIS), for the BCC Board's approval in April 2024, the restructuring committee, comprising the BCC and BPC, also completed the Board's follow-up questions and requests. As the next step, the authorities aim to request a virtual BCC Board meeting in June 2024, when the granting of the BPC's banking license is expected. Once open, the BPC will be operating in line with the restructuring strategy under Phase 1 of the updated business plan, with the new MIS activated and operationalized by 2025. The authorities have also begun repaying the Treasury bonds issued to the BPC as part of the restructuring process, with the first of the two payments due in 2023 repaid in early 2024 (KMF 1 billion of the 1.3 billion due to liquidity constraints). The authorities aim to honor the remaining 2023 payments during 2024 and meet payments scheduled for 2024 on time (see MEFP ¶10). Per commitments at the first review, the BCC should withdraw the banking license of the SNPSF as soon as the BPC is operational and begin the process to liquidate the SNPSF's remaining assets to be completed over the next three years.

26. Upgrading supervisory and regulatory capacities remains critical.

- While the supervision department (DSB) has been working towards completing on-site inspections of all financial institutions (end-June 2024 SB), progress has been hampered by human resource constraints as the department lost three of its 10 employees in September 2023 due to internal reorganization. With three new employees starting from May, the DSB aims to complete the inspections of seven institutions (representing 90 percent of the system's assets) by end-June 2024, and the remaining two microfinance institutions by end-October 2024. Work of the NPL Commission is ongoing, focusing on the biggest NPL portfolios, and with the aim to submit a report on its work during 2024 to the President by May 2025 (proposed SB). The BCC noted that participation of the Ministry of Justice in the NPL Commission has helped advance judicial decisions, although the small size and interconnectedness of the Comorian population presents challenges for judicial enforcement.
- The resolution and regulation department (DRRB) has amended the BCC's resolution framework, with CD support from the IMF's Legal Department and in line with MCM recommendations. The amended law was submitted to Parliament in May 2024 (SB). The amendments include establishing a statutory depositor preference under Comorian law, introducing a resolution funding mechanism, and giving the BCC the power to liquidate an entity in default. The DRRB is working on the plans for two loss-making banks (9 percent of system's assets), one state-owned and the other under public administration and resolution since July 2022, which, when finalized, will have to be assessed as credible and feasible. The BCC should receive and approve recapitalization plans of all insolvent institutions by end-2024 (SB).

D. Structural Reforms to Strengthen Institutions and Reduce Fragility

27. The ACC should begin implementing the anti-corruption law while formulating the broader anti-corruption reform agenda. The new anti-corruption law provides for a strengthened framework for asset declaration (AD), with reporting requirements for top officials. While the ACC is empowered to enforce the AD requirement, CD support—including training for the top officials subject to AD—will likely be needed to fulfill this mandate. Staff encouraged the authorities to already begin seeking CD assistance, both from the Fund and other development partners who have expressed interest in supporting the work of the ACC. The authorities noted that the creation of the ACC constitutes only the first step in the fight against corruption, which must be complemented by a concrete work agenda. Full operationalization of the ACC would require both financial and CD support. It was discussed that while a governance diagnostic assessment (GDA) by the Fund could help identify macro-critical areas of corruption vulnerabilities and governance weaknesses, priority should be given to the implementation of the anti-corruption law and the AD framework.

28. Staff continues to engage with the authorities on the outstanding 2023 safeguards recommendations. Work to update the BCC statutes in line with the IMF's safeguards assessment is substantially completed. It is envisaged that, following finalization of the amendments by the BCC

Board, the amended statutes would be submitted for promulgation by the president by September 2024 (SB). Staff also reminded the BCC to initiate discussions with the Ministry of Finance to establish a repayment plan for the long-term loan that the BCC extended to the government in connection with the 2021 IMF SDR allocation.

29. Other reforms to combat corruption and increase transparency are being implemented, albeit with capacity and resource constraints.

- Although the ***public procurement*** management system was instituted by presidential decree in 2023, the online platform is not yet operational. The authorities, however, have started publishing on the Ministry of Finance's website information on public procurement contracts awarded during 2022-23. Starting from May 1, 2024, all public procurement contracts, including beneficial ownership information, will also be published online (SB).[2]
- Work on ***anti-money laundering and combating the financing of terrorism (AML/CFT)*** is being coordinated by the Financial Intelligence Service (*Service de Renseignement Financier*, SRF) with members from the Ministries of Finance, Interior, Defense, and Justice, as well as the BCC. The SRF investigates reported suspicious activities and conducts educational outreach with financial institutions across the country. The onsite visit by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) to assess Comoros' AML/CFT framework took place in early March as a follow-up to the July 2023 onsite assessment. The findings are expected to be discussed at the GIABA plenary session shortly, with the report expected to be published by August.
- The authorities noted ***capacity and resource constraints*** in implementing some of the needed reforms. Activities of the SRF, for example, are constrained by the limited budget allocations, although there is some targeted financial support from the WB, the EU, and the AfDB for training workshops and IT equipment. Financial resources to maintain platforms and websites that publish public documents, including, among others, procurement contracts, ministerial and presidential decrees, are not always available, leading to platforms being outdated or unutilized.

PROGRAM ISSUES

30. The program is fully financed with firm commitments over the next 12 months and good prospects for the remaining period. Disbursement for the second review will be used for budget support. In addition to the ECF, financing for 2024 and 2025 is being provided through budget support from development partners and multilateral institutions, including France, the WB, and the AfDB. Contingency measures for any shortfall in budgetary grants include delaying domestically financed public investment projects. Such a scenario entails risks to program implementation, particularly the non-accumulation of domestic and external arrears.

[2] http://finances.gouv.km/2024/05/31/marches-publics-2022-et-2023/

Text Table 5a. Union of Comoros: Quantitative Performance Criteria and Indicative Target, June 2023–December 2023

(In millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2023											
	End-June				End-September				End-December			
	Performance Criteria				Indicative target				Performance Criteria			
	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status
Quantitative Performance Criteria[1]												
1. Floor on Tax Revenues	22,194.4		25,052.8	Met	36,990.6		37,487.4	Met	49,320.8		49,631.4	Met
2. Floor on the Primary Domestic Fiscal Balance	-10,517.5	-9,250.1	-4,536.5	Met	-11,268.5	-10,444.2	-5,312.0	Met	-15,024.7	-13,124.4	-12,332.4	Met
3. Floor on the Level of Net International Reserves	82,608.9		99,620.1	Met	106,211.4		104,176.9	Unmet	107,929.7		127,614.5	Met
4. Ceiling on the Accumulation of New Domestic Payments Arrears, Net[2]	0.0		860.0	Unmet	0.0		703.3	Unmet	...	...	...	...
5. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0		0.0	Met	0.0		0.0	Met	0.0		0.0	Met
6. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0		3.1	Unmet	0.0		2.0	Unmet	0.0		1.5	Unmet
Indicative Targets[1]												
7. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	...		...	...	...		...	...	0.0		398.7	Unmet
8. Floor on Social Cash Transfers	1,550.2		0.0	Unmet	2,325.4		0.0	Unmet	4,131.9		2,721.1	Unmet
9. Floor on Cash-for-work, Livelihood Grants, and Technical Training				...	...		...	...	...	...	...	...
Memorandum Items												
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	23		0.0	...	47		0	...	70		0	...

Sources: IMF Staff.

[1]Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

[2]Starting in December 2023, the accumulation of net domestic arrears is monitored as an indicative target.

[3]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

31. The ECF remains broadly on track, with prompt corrective actions by the authorities. The authorities met four of five QPCs as of end-December 2023 (Text Table 5a). They request a waiver for the missed QPC on the non-accumulation of new external arrears, supported by corrective measures to clear the arrears accumulated during 2023 (except those to BADEA and Exim India which are under discussion) and thus far in 2024, to update and begin using the debt management software, and to report debt information produced by the software to the Fund (proposed SB). The ITs on household cash transfers and the non-accumulation of net domestic arrears were missed. Six of eleven SBs between December 2023 and May 2024 were met. Of the five missed SBs, two (operationalization of the ACC and promulgation of the presidential decree on the Budgetary and Accounting Management Regulations) were completed in May. Two SBs—the *de jure* transfer of the management of fuel products taxes to Customs and the issuance of ministerial decrees to implement the Customs Code—were completed ahead of the end-June due date.

32. Conditionality for the next 12 months remains guided by the program's objectives. The proposed QPCs and ITs (Text Table 5b) aim to maintain macroeconomic stability and secure fiscal and debt sustainability. The proposed new SBs (Table 1), aimed at extending progress in domestic revenue mobilization, accelerating PFM reforms, continuing to stabilize the financial sector, enhancing governance, and reducing corruption risks, preserve parsimony in reform areas while continuing to specify granular reform steps to account for the authorities' implementation capacity. In light of the delayed launch of the BPC, it is proposed to postpone the SB on the provision of supervisory reports on the compliance of the BPC with Phase 1 of the business plan to start on January 31, 2025, instead of July 31, 2024. It is also proposed that the missed SB on the strategy for domestic arrears clearance (due in March 2024) be reset to September 2024.

Text Table 5b. Union of Comoros: Quantitative Performance Criteria and Indicative Targets, March 2024–June 2025

(In millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2024							2025	
	End-March				End-June	End-September	End-December	End-March	End-June
	Indicative target				Performance Criteria	Indicative target	Performance Criteria	Indicative target	Performance Criteria
	Proj.	Adjusted	Outturn	Status	Proj.	Proj.	Proj.	Proj.	Proj.
Quantitative Performance Criteria[1]									
1. Floor on Tax Revenues	11,347.6				25,532.1	42,553.4	56,737.9	12,504.5	28,135.1
2. Floor on the Primary Domestic Fiscal Balance	-5,354.8				-8,210.7	-8,657.0	-8,924.7	-2,222.5	-3,407.8
3. Floor on the Level of Net International Reserves	108,570.9		113,153.3	Met	109,639.4	111,776.6	112,204.0	112,130.3	112,007.4
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[2]	0.0				0.0	0.0	0.0	0.0	0.0
5. Ceiling on Accumulation of New External Arrears (millions USD)[2]	0.0		1.9	Unmet	0.0	0.0	0.0	0.0	0.0
Indicative Targets[1]									
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0				0.0	0.0	0.0	0.0	0.0
7. Floor on Social Cash Transfers	264.7				264.7	264.7	264.7	264.7	264.7
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	632.0				3,210.7	3,919.9	4,332.7	260.4	673.2
Memorandum Items									
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[3]	14				14	27	78	14	14

Sources: IMF Staff.

[1]Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

[2]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[3]Cumulative since the start of the program.

33. Comoros' capacity to repay the Fund remains adequate, but subject to significant risks. Fund credit outstanding is projected to peak in 2027 at SDR 34.72 million, equivalent to 2.8 percent of GDP. Debt service to the IMF would peak in 2024 at 5.3 percent of revenue and 4.6 percent of exports of goods and services. Risks are exacerbated by Comoros' high risk of debt distress, external arrears, and slow implementation track record. Policy reforms under the program and the authorities' consistent track record of servicing obligations to the Fund are key risk-mitigating factors.

34. Program risks relate to political uncertainty and weak capacity. Program ownership under the new administration remains to be proven. Transition in key technical counterparts could lead to policy slippages. Reform implementation is also often constrained by weak capacity. However, the president's strong support for the ECF program provides the necessary political assurances, while a close dialogue with the authorities and international partners and the tailored conditionality help mitigate risks. CD support continues to be a vital part of the program engagement.

Table 1. Union of the Comoros: Proposed New Structural Benchmarks, 2024–25

Proposed Measures	Proposed Timing
DGI to produce an audit report showing tax adjustments in the second half of 2024, resulting from new taxpayers being identified and taxed based on data exchanges with customs from the SIGIT-SYDONIA interconnection	April 30, 2025
Ministry of Finance to request BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	June 30, 2024
The BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	Every workday starting from July 1, 2024
The Debt Directorate at the Ministry of Finance to provide the IMF and the BCC with the external debt situation compiled by the debt management software CSDRMS	At the end of every month starting from September 30, 2024
Ministry of Finance to conduct tax expenditure analysis starting with customs duties and indirect taxes	October 31, 2025
General Directorate of Customs to complete an arrears report, identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024, and specifying the due dates on those customs duties	September 30, 2024
General Directorate of Customs to recover at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024	December 31, 2024
NPL Commission to submit a report to the President on NPL developments and work of the Commission to resolve NPLs during 2024	May 31, 2025

Table 2. Union of the Comoros: Status of Structural Benchmarks, 2023–24

	Date	Status
A. Fiscal Structural Reforms		
Measures to Boost Tax Revenue		
Establish the Large and Medium Taxpayer Office (Direction des Grandes et Moyennes Entreprises)	July 31, 2023	Met
Raise the number of active taxpayers by 10 percent at the Large and Medium Taxpayer office (from 543 at the large taxpayer office and the medium and small taxpayer office, as of March 31, 2023) and send all these taxpayers requests to file tax declarations.	December 31, 2023	Met
Remove the fee for getting a NIF (Numero d'Identification Fiscale) and the requirement to renew it every 3 years and ensure that all taxpayers have a NIF adapted to the SIGIT platform	September 30, 2023	Met
Interconnect the SIGIT and SYDONIA platforms to enable automated exchange of data between DGI and customs	December 31, 2023	Met
Customs Reforms		
Complete the *de jure transfer* of the management of fuel products taxes to the customs administration after already having completed the transfer *de facto*	June 30, 2024	Met
Issue ministerial decrees to implement the customs code	June 30, 2024	Met

Table 2. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (continued)

	Date	Status
Tax Policy Measures		
Establish a Tax Policy Unit that reports to the Minister of Finance, with TA from FAD	September 30, 2024	
PFM Measures		
Complete the audit of domestic arrears, including cross-arrears between SOEs and the government	December 31, 2023	Met
Develop a medium-term action plan to clear domestic arrears	March 31, 2024	Not met, proposed to reset for September 30, 2024
Appoint Director of the General Directorate of Public Accounting and the Treasury	March 31, 2024	Not met
Finalize and promulgate the presidential decree on the Budgetary and Accounting Management Regulations	April 30, 2024	Not met, completed in May 2024
Publish the annual 2024 budget approved by Parliament	April 30, 2024	Met
B. Financial Sector Reforms		
SNPSF Restructuring		
Appoint managing director at BPC with management expertise and experience in banking and credit risk management to operationalize the BPC according to the business plan developed under the SMP	August 31, 2023	Met
Submit to BCC an application for a banking license for the Banque Postale des Comores, which would specify a business plan, a management team, and a capital injection plan that are in line with MEFP ¶15 of the ECF Request	August 31, 2023	Met
BCC to issue a banking license which complies with the conditions set out in SMP MEFP ¶15 of the ECF Request	December 31, 2023	Not Met
BCC to provide supervisory reports on the compliance of BPC with the phase 1 of the business plan (limit lending operations to existing customers with individual limits of KMF 5 million for the first two years of operation), including quantitative information on the number of new customers and maximum lending per customer, in line with ¶15 of the MEFP of the ECF Request	Every July and January, starting on July 31, 2024, to January 31, 2026	Reset to every January and July, starting on January 31, 2025 to July 31, 2026
Measures to Enhance BCC's Supervision and Resolution Capacity		
BCC to set up a resolution unit which is structurally separated from the Supervision Department, and reports separately to the BCC Board	June 30, 2023	Met
Submit to Parliament the statutory resolution framework that includes the three points recommended in the MCM TA report, "Operationalization of the Bank Resolution Act of September 2022," to align with international standards	May 31, 2024	Met
BCC to complete onsite inspections to assess the quality of credit portfolios	June 30, 2024	
Approval by the BCC of a formal timebound recapitalization plan to be adopted by each Comorian deposit-taking institution in breach of capital adequacy requirements	December 31, 2024	

Table 2. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (concluded)		
	Date	**Status**
C. Institutional, Governance and Anti-Corruption Reform		
Adopt into law the draft anti-corruption law that was aligned with the SMP objectives to enhance preventive measures against corruption, strengthen the rules related to conflicts of interest, and improve the asset declaration system for senior public officials, while providing for the creation of an operationally independent and autonomous Anti- Corruption Chamber with the mandate to set up and coordinate implementation of the country's anti-corruption policy priorities	June 30, 2023	Met
Operationalize an independent and autonomous anti-corruption agency in line with the draft anti-corruption law	December 31, 2023	Not Met, completed in May 2024
Publish the full audit report of spending financed by the IMF emergency support in 2020	June 30, 2023	Met
Publish online information on public procurement contracts, including beneficial ownership information, in line with the roadmap published in 2021	Continuous, starting on May 1, 2024	Met
Promulgation by the President of the Union of Comoros of the amended statutes of the BCC in line with IMF staff advice	September 30, 2024	

STAFF APPRAISAL

35. Comoros' economic outlook remains positive but with considerable risks. Growth is expected to rise to 3.5 percent in 2024, driven by public investment, ongoing recovery in household consumption, and still-robust tourism activities. These trends are expected to continue into 2025. The positive economic outlook, however, is extremely fragile given external uncertainties and Comoros' dependence on imports, remittances, and foreign aid. Intensifications of foreign conflicts could inflict terms-of-trade shocks or reduce financing flows, with implications for domestic demand. Meanwhile, Comoros continues to be exposed to climate-related risks, particularly devastating storms, which compound its economic fragility. In the near term, budgetary grants remain critical for maintaining economic stability and deploying basic development spending. Over the medium term, growth is projected to peak at around 4½ percent. However, this is contingent on the implementation of sound macroeconomic policies and structural reforms, which would help mobilize budgetary financing and private investment.

36. Program implementation has been broadly satisfactory, but greater efforts are needed to complete the reforms on time. The authorities met all but one QPCs and missed two ITs as of end-December 2023. The continuous QPC on non-accumulation of external arrears and the IT on non-accumulation of net domestic arrears were missed, reflecting both liquidity constraints and liquidity management weaknesses. The IT on social cash transfers was missed due to implementation delays in the WB-supported social safety net program. Momentum in structural reforms has slowed due in part to the political transition ahead of the government's new mandate. Efforts in recent months to complete some of the missed SBs have been commendable, but work must be accelerated for the other reforms that remain pending. The appointment of the ACC is an important milestone in the country's governance reform and should be followed up with a well-identified work agenda. While the authorities, including the President, have signaled their continued commitment to the ECF-supported reform program, the strength of that commitment will need to be demonstrated through strong program implementation under the new administration.

37. **Staff welcomes the good revenue performance and the authorities' commitment to continued fiscal consolidation which will safeguard debt sustainability.** Revenue mobilization efforts have been in line with programmed reforms and targets. The overperformance in the domestic primary balance in 2023, despite some spending overruns in goods and services, was due to the solid revenue performance and slow execution of public investment. Revenue administration reforms in 2023 have broadened the tax base, which will positively impact revenue in 2024. It is critical that the authorities prioritize spending, given significant development needs and limited revenues and available financing. Staff supports the ambitious reform program to underpin the planned medium-term fiscal consolidation, including the continued strengthening of revenue administration and the initiation of tax policy reforms starting with the establishment of the Tax Policy Unit and the conduct of a tax expenditure analysis starting with customs duties and indirect taxes.

38. **Continued progress in fiscal structural reforms is critical given gaps in public financial management (PFM)**. Under the program, the authorities are strengthening the budgetary process. However, significant PFM weaknesses continue to be apparent in the recurrent accumulation of domestic and external arrears. The absence of a functioning TSA limits visibility on the government's financial situation and undermines the already limited liquidity management capacity. The proposed SBs requiring daily reporting of the consolidated government account balances should help improve this visibility and therefore cash management. Over time, government accounts should be reintegrated into the TSA, with fungibility of cash irrespective of its end use. The use of a debt management software is critical for professionalizing the country's debt management practice, including timely debt payments. PFM reforms must also extend to the governance of SOEs. The adoption of the SOE law, anticipated this year, will be a first step towards improving oversight over their governance and financial performance.

39. **Monetary policy should continue to safeguard the peg while the BCC gradually enhances its monetary toolkit.** The peg to the euro has been an effective anchor for monetary policy that ensured sufficient external buffers. Notwithstanding the limited monetary policy transmission, maintaining an unchanged reserve requirement ratio at 12.5 percent since October has been effective for cooling down inflation and credit growth. Ongoing work strands to develop the collateral framework, interbank market, marginal lending facility, and emergency liquidity assistance framework, with support from MCM, are welcome efforts by the BCC to strengthen its monetary policy toolkit.

40. **Improving the financial sector's asset quality while strengthening the BCC's supervision and resolution capacities will enhance financial sector resilience.** Staff acknowledges the authorities' strong efforts to advance the launch of the BPC within the

restructuring process of the SNPSF, which has long posed systemic risks to the financial sector and large contingent liability risks for the government. Delays in the launch of the BPC reflect the complexity of the reform, which involves multiple stakeholders, and the authorities' limited technical capacity and experience in bank restructurings. The operationalization of the BPC according to the business plan developed under the 2021–23 SMP, with the support of AFD, the WB, and the Fund (MEFP ¶13), will help ensure a gradual ramp-up of risk-taking activities and guard against a repeat of the SNPSF operating model. Efforts to reduce NPLs, including through the work of the NPL Commission and better contract enforcement, will help clean up the financial sector's balance sheets and gradually enable greater credit extension to the real sector. Meanwhile, staffing increases in the BCC's supervision division and ongoing work to establish the banking resolution framework are bolstering the BCC's supervisory and regulatory capacity as well as the toolkit to address unviable institutions.

41. Advancing governance and anti-corruption reforms will be key for addressing structural institutional weaknesses. The formation of the ACC is an important step in the anti-corruption reform, but full operationalization of the chamber will entail implementing the ACC's mandate under the anti-corruption law, including the enforcement of the AD framework. To this end, the authorities should begin seeking the necessary financial and CD support for this reform agenda. The authorities are also encouraged to continue their efforts in governance and transparency reforms as well as strengthening the rule of law. The publications of the 2024 budget and 2022-23 procurement contracts, as well as the recent introduction of entrance examinations for judicial clerks and ongoing efforts to digitalize and interconnect public sector personnel databases to reduce fraud in the payroll are welcome.

42. In view of the broadly satisfactory program performance and renewed commitments going forward, staff supports the completion of the second review under the ECF. Staff also supports the request for a waiver for the non-observance of the continuous QPC on the non-accumulation of external arrears based on the corrective actions taken by the authorities.

Table 3. Union of the Comoros: Selected Economic and Financial Indicators, 2022–29

	2022	2023		2024		2025		2026	2027	2028	2029
	Est.[1]	Est.[1]	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj.			
	(Annual percentage change, unless otherwise indicated)										
National Income and Prices											
Real GDP	2.6	3.0	3.0	3.5	3.5	4.0	4.0	4.3	4.5	4.3	3.8
GDP Deflator	5.3	2.9	3.3	3.3	2.1	1.6	2.3	2.1	2.0	1.9	2.0
Consumer Price Index (annual average)	12.4	8.5	9.2	3.3	2.2	1.7	2.3	2.1	1.9	1.9	1.9
Consumer Price Index (end period)	20.6	-2.0	-0.9	3.5	2.9	2.5	2.2	1.9	1.9	1.9	1.9
Money and Credit											
Net Foreign Assets	-7.8	9.0	4.1	37.8	17.3	16.4	8.3	15.3	9.3	6.2	3.7
Domestic Credit	28.7	3.5	11.8	-7.8	1.3	3.3	-2.3	4.7	4.8	4.7	4.4
Credit to the Private Sector	13.2	12.8	9.6	8.3	6.8	5.7	6.4	6.5	6.5	6.3	5.8
Government	31.5	6.2	-8.3	-15.1	-18.0	-4.5	-5.5	-2.3	-2.4	-2.5	
Broad Money	8.0	8.7	9.2	7.0	7.3	6.0	5.8	5.5	7.0	5.0	7.0
Velocity (GDP/end-year broad money)	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.6
External Sector											
Exports, f.o.b.	73.7	-43.0	-28.8	36.6	3.7	7.5	7.8	8.6	11.6	10.1	10.8
Imports, f.o.b.	20.3	7.0	11.9	1.3	3.1	5.5	3.0	4.3	5.5	10.1	9.6
Export volume	100.8	-10.1	-14.8	4.6	1.8	4.9	5.0	5.5	7.3	6.4	10.9
Import volume	-4.0	8.2	0.4	-4.3	4.0	3.7	4.2	1.5	2.6	2.6	3.5
Terms of trade	-21.2	3.5	20.1	12.3	1.2	6.0	3.7	4.2	3.1	6.0	3.1
	(In percent of GDP, unless otherwise indicated)										
Investment and Savings											
Gross Fixed Capital Formation	16.9	17.4	17.5	17.7	17.8	17.8	17.9	18.0	18.1	18.2	18.7
Public	5.0	4.1	6.8	6.7	6.7	5.7	4.7	5.5	5.5	5.7	5.7
Private	11.9	13.4	10.7	10.9	11.0	12.2	13.2	12.6	12.6	12.5	13.0
Gross National Savings	16.3	15.0	11.7	14.4	12.1	13.9	12.6	14.0	14.0	13.8	13.9
Public	-0.8	0.7	-0.1	2.0	1.8	2.0	1.5	1.3	1.9	2.2	2.9
Private	17.1	14.3	11.8	12.4	10.2	11.9	11.1	12.7	12.1	11.6	11.0
External Savings	0.6	2.5	5.8	3.3	5.7	3.9	5.3	4.0	4.1	4.4	4.8
Total Revenue and Grants	14.3	16.5	17.3	17.6	17.2	15.8	15.7	15.9	16.6	16.6	17.7
Total Revenue	9.9	10.2	10.3	10.3	10.4	10.7	10.9	11.0	11.3	11.6	12.0
Tax Revenue	7.8	8.2	8.6	8.7	8.8	9.1	9.2	9.4	9.8	10.1	10.4
Non-tax Revenue	2.1	2.0	1.7	1.5	1.6	1.6	1.7	1.6	1.5	1.54	1.54
Total Grants	4.5	6.3	7.0	7.4	6.8	5.1	4.9	4.9	5.3	5.0	5.7
Total Expenditure and Net Lending	18.3	17.8	21.8	20.4	20.5	18.3	18.1	18.4	18.1	18.2	18.5
Current Expenditure	11.3	12.7	12.7	11.5	11.5	10.8	11.5	11.0	10.7	10.7	10.9
Capital Expenditure	6.9	5.1	9.1	9.0	9.0	7.6	6.6	7.4	7.4	7.5	7.6
Domestic Primary Balance[2]	-1.9	-2.0	-1.8	-1.4	-1.4	-0.5	-0.2	-0.4	-0.1	-0.1	-0.1
Overall Balance (cash basis)	-3.6	-1.2	-4.4	-2.8	-3.3	-2.6	-2.4	-2.4	-1.5	-1.6	-0.8
Excluding Grants	-8.1	-7.5	-11.5	-10.2	-10.1	-7.6	-7.3	-7.3	-6.8	-6.6	-6.5
Net Financing	3.6	1.4	3.7	2.1	2.7	1.5	1.0	-0.2	0.0	0.5	0.5
Foreign	2.5	1.9	4.6	3.5	3.8	2.3	1.6	0.6	0.2	0.5	1.1
Domestic	1.1	-0.4	-0.9	-1.4	-1.2	-0.8	-0.6	-0.8	-0.2	-0.1	-0.7
Of which : Net acquisition of assets	-0.4	-0.1	-0.5	-0.5	-0.3	-0.6	-0.4	-0.7	-0.1	0.0	0.0
Financing Gap/Errors and Omissions[3]	0.0	-0.2	0.7	0.7	0.7	1.1	1.4	2.6	1.5	1.2	0.4
External Sector											
Exports of Goods and Services	13.6	11.1	12.1	12.0	11.7	12.5	12.2	12.9	13.1	13.3	13.7
Imports of Goods and Services	39.3	37.9	37.9	35.5	36.5	34.6	34.8	33.6	33.0	32.7	33.4
Current Account Balance	-0.6	-2.5	-5.8	-3.3	-5.7	-3.9	-5.3	-4.0	-4.1	-4.4	-4.8
Excl. Official and Private Transfers	-25.3	-26.8	-25.5	-23.5	-24.7	-22.1	-22.5	-20.5	-19.7	-19.2	-19.6
Private Remittances, Net[4]	21.5	19.5	17.8	17.0	16.0	16.1	15.0	15.2	14.3	13.6	12.9
External Debt	27.3	32.5	32.5	34.3	34.6	35.2	35.3	35.5	34.9	34.5	33.9
External Public and Publicly Guaranteed Debt	27.3	32.5	32.4	34.3	34.6	35.2	35.3	35.5	34.9	34.5	33.9
External Debt, in Percent of Exports of Goods and Services	132.9	177.3	177.3	188.2	188.2	181.4	181.4	175.8	169.5	164.3	162.1
External Debt Service[5]	2.8	3.6	3.5	4.9	5.1	5.5	5.7	5.4	5.3	5.0	2.9
Overall Balance of Payments (in millions of U.S.$)	-24.0	36.5	-2.1	84.4	32.5	40.7	1.1	21.6	17.8	10.2	12.1
Official Grants and Loans	7.1	8.6	12.1	11.7	11.5	8.8	7.9	7.1	7.0	6.9	7.5
Gross International Reserves[6]											
In Millions of U.S. Dollars	281.8	321.0	298.4	415.8	341.2	474.4	366.0	537.7	579.2	608.4	627.5
In Months of Imports of Goods & Services	6.7	7.5	6.9	9.4	7.7	10.4	7.8	11.3	11.6	11.3	10.8
Gross International Reserves, Including Fiscal Gap											
In Millions of U.S. Dollars	281.8	321.0	298.4	415.8	341.2	474.4	366.0	537.7	579.2	608.4	627.5
In Months of Imports of Goods & Services	6.7	7.5	6.9	9.4	7.7	10.4	7.8	11.3	11.6	11.3	10.8
Exchange Rate CF/US$ (period average)	466.8	452.0									
Memorandum Items:											
Public External Debt (in Percent of GDP)[7]	27.3	32.5	32.5	34.3	34.6	35.2	35.3	35.5	34.9	34.5	33.9
Public Debt (in Percent of GDP)	34.0	38.3	38.2	38.8	39.1	38.6	38.7	38.3	37.4	36.9	35.3
GDP (nominal, in billions of CF)	571.7	605.9	608.3	648.1	642.7	684.8	683.8	729.5	777.1	826.3	874.6
GDP per capita (nominal, in US Dollars)	1,282	1,353	1,358	1,402	1,391	1,432	1,430	1,472	1,505	1,535	1,565

[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, excluding the World Bank-financed spending to combat the COVID epidemic and the cost of restructuring SNPSF.

[3] For 2022-23, includes unmet financing needs for restructuring SNPSF. Historical figures reflect errors and omissions; projections reflect financing gap to be filled under the program.

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

[5] In percent of government revenue.

[6] End of period. From 2021, includes new SDR allocation of $24 million.

[7] Coverage of debt: central government, central bank, and government-guaranteed debt. Definition of external debt is residency-based.

Table 4a. Union of the Comoros: Consolidated Government Financial Operations, 2022–29

(In Millions of Comorian Francs)

	2022		2023		2024		2025		2026	2027	2028	2029
	Est.[1]	ECF req.	Est.[1]	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj.			
Total Revenue and Grants	81,778	82,120	99,785	105,250	114,259	110,423	108,060	107,539	116,328	128,857	137,240	154,773
Revenues	56,326	56,326	61,717	62,593	66,455	66,739	73,396	74,195	80,383	87,775	96,108	104,736
Tax Revenues	44,357	44,357	49,631	52,131	56,471	56,738	62,522	62,908	68,772	75,799	83,366	91,241
Nontax Revenues	11,970	11,970	12,085	10,461	9,984	10,001	10,874	11,286	11,611	11,976	12,742	13,495
External Grants	25,452	25,793	38,069	42,658	47,803	43,683	34,663	33,344	35,945	41,082	41,131	50,037
Budgetary Assistance	1,782	1,782	15,191	8,971	15,899	14,457	8,938	9,955	4,483	4,475	4,475	10,495
Projects (incl. techn. assist.)	23,670	24,012	22,878	33,687	31,904	29,226	25,725	23,389	31,462	36,607	36,657	39,542
Total Expenditure and Net Lending	104,496	104,838	107,877	132,404	132,357	131,911	125,525	123,911	133,930	140,332	150,579	161,999
Current Expenditure	64,854	64,876	77,254	77,211	74,274	74,216	73,731	78,785	80,169	83,052	88,225	95,555
Primary Current Expenditures	61,433	61,433	70,500	70,779	66,904	66,885	66,112	71,338	73,296	75,689	80,776	87,341
Wages and Salaries	28,631	28,631	31,500	31,808	32,853	32,881	35,131	35,354	37,964	40,756	43,668	46,236
Goods and Services	13,876	13,876	18,450	16,033	15,827	15,745	14,826	16,908	18,246	19,155	21,296	23,708
Transfers and Pensions[2]	18,926	18,926	20,550	22,938	18,224	18,259	16,155	19,075	17,086	15,778	15,812	17,397
Interest Payments	1,134	1,134	2,253	1,914	2,556	2,556	2,533	2,367	1,730	1,951	1,673	2,102
Foreign-Financed Project Maintenance	572	577	1,501	1,507	1,606	1,592	1,697	1,694	1,808	1,904	2,047	2,167
Technical Assistance	1,715	1,732	3,000	3,011	3,208	3,181	3,390	3,385	3,336	3,508	3,729	3,945
Capital Expenditure	39,642	39,961	30,623	55,192	58,083	57,695	51,794	45,126	53,761	57,279	62,354	66,443
Domestically Financed Investment	7,055	7,055	13,244	14,434	14,663	14,634	12,763	6,152	12,180	13,371	16,083	17,904
Foreign-Financed Investment	32,587	32,906	17,379	40,758	43,420	43,060	39,031	38,974	41,582	43,909	46,271	48,539
Domestic Primary Balance[3]	-11,013	-11,013	-12,332	-10,730	-9,255	-8,925	-3,704	-1,521	-2,970	-951	-751	-509
Overall Balance (commitment basis)	-22,718	-22,718	-8,091	-27,153	-18,098	-21,488	-17,466	-16,372	-17,602	-11,475	-13,339	-7,226
Change in Net Arrears	1,860	1,860	584	119	0	0	0	0	0	0	0	0
External Arrears	299	299	185	119	0	0	0	0	0	0	0	0
Domestic Arrears	1,562	1,562	399	0	0	0	0	0	0	0	0	0
Overall Balance (cash basis)	-20,858	-20,858	-7,508	-27,034	-18,098	-21,488	-17,466	-16,372	-17,602	-11,475	-13,339	-7,226
Financing	20,645	20,645	8,785	22,723	13,806	17,196	10,072	6,695	-1,410	-181	3,795	4,022
Foreign (net)	14,320	14,320	11,502	28,040	22,630	24,720	15,806	11,129	4,320	1,693	4,525	9,751
Drawings	15,392	15,392	14,088	30,806	28,257	30,347	25,341	20,664	15,538	13,036	15,752	15,494
Amortization	-1,617	-1,617	-2,898	-3,079	-5,627	-5,627	-9,535	-9,535	-11,218	-11,343	-11,227	-5,743
Change in Net Arrears (principal)	545	545	313	313	0	0	0	0	0	0	0	0
Domestic (net)[4]	6,325	6,325	-2,717	-5,317	-8,825	-7,525	-5,734	-4,434	-5,730	-1,874	-729	-5,729
Bank Financing	9,255	9,255	-2,237	-2,237	-5,733	-5,733	-1,434	-1,434	-720	-724	-729	-5,729
Central Bank	10,403	10,403	-2,237	-2,237	-3,127	-3,127	-1,434	-1,434	-720	-724	-729	-5,729
Of which: IMF (net)	0	0	-2,975	-2,975	-3,127	-3,127	-1,434	-1,434	-720	-724	-729	-729
Commercial Banks	-1,148	-1,148	0	0	-2,606	-2,606	0	0	0	0	0	0
Net Acquisition of Assets	-2,500	-2,500	-480	-3,080	-3,092	-1,792	-4,300	-3,000	-5,010	-1,150	0	0
of which recapitalization of SNPSF	-1,500	-1,500	0	-2,600	-2,600	-1,300	-2,600	-1,300	-3,310	0	2	3
Errors and Omissions/Financing Gap (+ = underfinancing)	213	213	-1,277	4,311	4,292	4,292	7,394	9,678	19,012	11,656	9,544	3,204
Memorandum Items:												
GDP (nominal)	571,698	577,298	605,942	608,334	648,060	642,693	684,757	683,756	729,504	777,144	826,262	874,583
Wages in Percentage of Revenues	50.8	50.8	51.0	50.8	49.4	49.3	47.9	47.7	47.2	46.4	45.4	44.1

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] Include World Bank cash transfers spending to households.

[3] Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat COVID and the cost of restructuring SNPSF.

[4] The difference between the fiscal and the monetary tables is due to the item Net Acquisition of Assets in the fiscal table.

Table 4b. Union of the Comoros: Consolidated Government Financial Operations, 2022–29

(In percent of GDP)

	2022	2023		2024		2025		2026	2027	2028	2029
	Est.[1]	Est.[1]	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj.			
Total Revenue and Grants	14.3	16.5	17.3	17.6	17.2	15.8	15.7	15.9	16.6	16.6	17.7
Revenues	9.9	10.2	10.3	10.3	10.4	10.7	10.9	11.0	11.3	11.6	12.0
Tax Revenues	7.8	8.2	8.6	8.7	8.8	9.1	9.2	9.4	9.8	10.1	10.4
Nontax Revenues	2.1	2.0	1.7	1.5	1.6	1.6	1.7	1.6	1.5	1.5	1.5
External Grants	4.5	6.3	7.0	7.4	6.8	5.1	4.9	4.9	5.3	5.0	5.7
Budgetary Assistance	0.3	2.5	1.5	2.5	2.2	1.3	1.5	0.6	0.6	0.5	1.2
Projects (incl. techn. assist.)	4.1	3.8	5.5	4.9	4.5	3.8	3.4	4.3	4.7	4.4	4.5
Total Expenditure and Net Lending	18.3	17.8	21.8	20.4	20.5	18.3	18.1	18.4	18.1	18.2	18.5
Current Expenditure	11.3	12.7	12.7	11.5	11.5	10.8	11.5	11.0	10.7	10.7	10.9
Primary Current Expenditures	10.7	11.6	11.6	10.3	10.4	9.7	10.4	10.0	9.7	9.8	10.0
Wages and Salaries	5.0	5.2	5.2	5.1	5.1	5.1	5.2	5.2	5.2	5.3	5.3
Goods and Services	2.4	3.0	2.6	2.4	2.4	2.2	2.5	2.5	2.5	2.6	2.7
Transfers and Pensions[2]	3.3	3.4	3.8	2.8	2.8	2.4	2.8	2.3	2.0	1.9	2.0
Interest Payments	0.2	0.4	0.3	0.4	0.4	0.4	0.3	0.2	0.3	0.2	0.2
Foreign-Financed Project Maintenance	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Technical Assistance	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Capital Expenditure	6.9	5.1	9.1	9.0	9.0	7.6	6.6	7.4	7.4	7.5	7.6
Domestically Financed Investment	1.2	2.2	2.4	2.3	2.3	1.9	0.9	1.7	1.7	1.9	2.0
Foreign-Financed Investment	5.7	2.9	6.7	6.7	6.7	5.7	5.7	5.7	5.7	5.6	5.6
Domestic Primary Balance[3]	-1.9	-2.0	-1.8	-1.4	-1.4	-0.5	-0.2	-0.4	-0.1	-0.1	-0.1
Overall Balance (commitment basis)	-4.0	-1.3	-4.5	-2.8	-3.3	-2.6	-2.4	-2.4	-1.5	-1.6	-0.8
Change in Net Arrears	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External Arrears	0.1	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Arrears	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (cash basis)	-3.6	-1.2	-4.4	-2.8	-3.3	-2.6	-2.4	-2.4	-1.5	-1.6	-0.8
Financing	3.6	1.4	3.7	2.1	2.7	1.5	1.0	-0.2	0.0	0.5	0.5
Foreign (net)	2.5	1.9	4.6	3.5	3.8	2.3	1.6	0.6	0.2	0.5	1.1
Drawings	2.7	2.3	5.1	4.4	4.7	3.7	3.0	2.1	1.7	1.9	1.8
Amortization	-0.3	-0.5	-0.5	-0.9	-0.9	-1.4	-1.4	-1.5	-1.5	-1.4	-0.7
Change in Net Arrears (principal)	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)[4]	1.1	-0.4	-0.9	-1.4	-1.2	-0.8	-0.6	-0.8	-0.2	-0.1	-0.7
Bank Financing	1.6	-0.4	-0.4	-0.9	-0.9	-0.2	-0.2	-0.1	-0.1	-0.1	-0.7
Central Bank	1.8	-0.4	-0.4	-0.5	-0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.7
Of which: IMF (net)	0.0	-0.5	-0.5	-0.5	-0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Commercial Banks	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Acquisition of Assets	-0.4	-0.1	-0.5	-0.5	-0.3	-0.6	-0.4	-0.7	-0.1	0.0	0.0
of which recapitalization of SNPSF	-0.3	0.0	-0.4	-0.4	-0.2	-0.4	-0.2	-0.5	0.0	0.0	0.0
Errors and Omissions/Financing Gap (+ = underfinancing)	0.0	-0.2	0.7	0.7	0.7	1.1	1.4	2.6	1.5	1.2	0.4
Memorandum Items:											
GDP (nominal)	571,698	605,942	608,334	648,060	642,693	684,757	683,756	729,504	777,144	826,262	874,583
Wages in Percentage of Revenues	50.8	51.0	50.8	49.4	49.3	47.9	47.7	47.2	46.4	45.4	44.1

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] Include World Bank cash transfers spending to households.

[3] Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat COVID and the cost of restructuring SNPSF.

[4] The difference between the fiscal and the monetary tables is due to the item Net Acquisition of Assets in the fiscal table.

Table 5. Union of the Comoros: Monetary Survey, 2022–29

(In Millions of Comorians Francs, unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
	Est.[1]	Est.[1]	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj.			
Net Foreign Assets	110,901	120,897	113,552	166,539	133,173	193,828	144,268	223,516	244,193	259,394	269,071
Central Bank Assets [1]	130,950	144,471	134,296	186,718	153,186	212,339	163,816	241,022	260,671	274,829	283,468
Central Bank Liabilities [2]	-26,727	-27,438	-25,547	-24,312	-25,086	-22,878	-24,946	-22,158	-21,434	-20,704	-19,975
Commercial Banks Assets	10,832	7,878	12,928	8,426	13,658	8,903	14,531	9,484	10,104	10,742	11,371
Commercial Banks Liabilities	-4,153	-4,014	-8,126	-4,293	-8,585	-4,536	-9,133	-4,832	-5,148	-5,473	-5,794
Net Domestic Assets	101,201	109,661	118,155	80,158	115,480	67,670	118,751	52,365	50,999	50,558	62,578
Domestic Credit	142,187	147,163	139,121	135,615	140,949	140,144	137,695	146,716	153,752	161,029	168,192
Net Credit to Government	25,130	22,315	29,797	15,696	24,215	13,435	13,502	11,727	9,947	8,136	6,357
Of which: Treasury	35,721	37,948	31,920	32,216	26,188	30,782	24,754	30,062	29,338	28,608	27,879
Bank Financing	25,130	22,315	29,797	15,696	24,215	13,435	13,502	11,727	9,947	8,136	6,357
Claims on Government	39,477	43,807	36,605	38,074	30,872	36,640	29,438	35,920	35,196	34,467	33,738
Deposits of Government	-14,347	-21,492	-6,808	-22,378	-6,657	-23,205	-15,936	-24,193	-25,249	-26,331	-27,380
Claims on Public Enterprises	18,719	13,877	16,380	16,381	16,381	16,382	16,382	16,383	16,384	16,385	16,386
Claims on Other Financial Institutions	-81	-40	-43	-40	-43	-40	-43	-40	-40	-40	-40
Claims on Private Sector	98,147	110,686	109,325	119,918	116,735	126,709	124,193	134,989	143,805	152,893	161,835
Other Items Net	-40,986	-37,502	-20,966	-55,457	-25,469	-72,474	-18,944	-94,351	-102,752	-110,471	-105,614
Broad Money	212,101	230,558	231,707	246,697	248,654	261,498	263,019	275,881	295,192	309,952	331,649
Money	144,351	158,272	165,562	171,159	181,322	190,699	196,756	200,343	216,255	235,967	252,711
Currency in Circulation	59,690	58,425	64,640	66,604	64,642	75,929	62,536	86,559	98,677	112,492	128,241
Demand Deposits	84,661	99,847	100,922	104,554	116,680	114,770	134,219	113,784	117,578	123,474	124,470
Quasi-Money	67,751	72,285	66,145	75,538	67,331	70,799	66,263	75,538	78,937	73,985	78,937
				(in percent of beginning period broad money)							
Net Foreign Assets	-4.7	4.7	2.1	19.8	8.5	11.1	4.5	11.4	7.5	5.1	3.1
Net Domestic Assets	12.8	4.0	7.1	-12.8	-1.2	-5.1	1.3	-5.9	-0.5	-0.1	3.9
Domestic Credit	16.2	2.3	6.9	-5.0	0.8	1.8	-1.3	2.5	2.6	2.5	2.3
Net Credit to Government	4.1	-1.3	2.4	-2.9	-2.4	-0.9	-4.3	-0.7	-0.6	-0.6	-0.6
Credit to Public Enterprises	6.1	-2.3	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to Private Sector	5.8	5.9	4.5	4.0	3.2	2.8	3.0	3.2	3.2	3.1	2.9
Other Items (net)	-3.4	1.6	0.2	-7.8	-1.9	-6.9	2.6	-8.4	-3.0	-2.6	1.6
Broad Money	8.0	8.7	9.2	7.0	7.3	6.0	5.8	5.5	7.0	5.0	7.0
Money	4.4	6.6	7.9	5.6	6.8	7.9	6.2	3.7	5.8	6.7	5.4
Quasi-Money	3.6	2.1	1.3	1.4	0.5	-1.9	-0.4	1.8	1.2	-1.7	1.6
Velocity (GDP/end-year broad money)	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.6
Credit to private sector (percent change)	13.2	12.8	9.6	8.3	6.8	5.7	6.4	6.5	6.5	6.3	5.8

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

[1] Includes net credit to government entities other than public treasury.

[2] From 2021, includes new SDR allocation of $24 million.

Table 6a. Union of the Comoros: Balance of Payments, 2022–29

(In Millions of Comorian Francs, unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
	Est.	Est.	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj.			
Current Account	-3,204	-15,105	-35,540	-21,254	-36,686	-26,776	-36,534	-29,254	-31,814	-36,462	-42,145
Goods and Services	-146,951	-162,545	-156,669	-152,207	-159,355	-151,936	-154,745	-151,105	-154,052	-159,851	-171,994
Trade Balance	-100,680	-120,879	-123,311	-117,213	-127,071	-123,249	-129,889	-127,664	-133,170	-146,630	-160,421
Exports	26,347	15,015	18,770	20,515	19,464	22,049	20,979	23,935	26,715	29,405	32,585
Imports (f.o.b.)	-127,026	-135,894	-142,081	-137,728	-146,536	-145,298	-150,868	-151,599	-159,885	-176,035	-193,005
Services (net)	-46,272	-41,666	-33,358	-34,994	-32,284	-28,687	-24,856	-23,441	-20,881	-13,221	-11,574
Receipts	51,525	52,230	54,815	57,345	55,983	63,215	62,181	70,079	75,346	80,849	87,249
Payments	-97,796	-93,896	-88,174	-92,339	-88,267	-91,902	-87,037	-93,520	-96,227	-94,070	-98,823
Income (net)	2,481	215	1,284	69	578	889	1,091	1,632	1,218	1,179	246
Current Transfers (net)	141,267	147,225	119,846	130,883	122,092	124,270	117,121	120,219	121,019	122,210	129,603
Government	18,281	28,975	11,562	20,713	19,261	14,025	14,557	9,626	9,887	10,251	16,607
Private [1]	122,986	118,249	108,284	110,170	102,831	110,246	102,563	110,593	111,132	111,958	112,996
Capital and Financial Account	-8,711	28,171	34,590	59,209	51,313	45,004	37,010	38,924	39,808	41,077	47,580
Capital Account	12,083	18,270	18,912	21,684	19,046	20,639	18,310	26,043	30,873	30,519	33,045
Capital Transfers	12,083	18,270	18,912	21,684	19,046	20,639	18,310	26,043	30,873	30,519	33,045
Transfer of Fixed Assets	12,083	18,270	18,912	21,684	19,046	20,639	18,310	26,043	30,873	30,519	33,045
Financial Account	-20,794	9,901	15,679	37,525	32,267	24,366	18,700	12,881	8,935	10,558	14,534
Direct Investment	1,929	2,435	2,251	3,240	3,213	4,109	4,103	4,377	4,663	4,958	5,247
Net Portfolio and Other Investment	-11,812	13,087	26,521	32,995	27,764	19,757	14,097	8,004	3,772	5,100	9,287
Public sector	737	13,194	30,180	33,383	33,383	19,759	19,759	8,281	3,976	4,560	8,729
Disbursement	15,405	28,411	33,259	39,010	39,010	29,294	29,294	19,499	15,319	15,786	14,472
Of which: Drawings (excl. IMF)	15,405	28,411	33,259	39,010	39,010	29,294	29,294	19,499	15,319	15,786	14,472
Of which: SDR allocations											
Amortization	-2,797	-3,079	-3,079	-5,627	-5,627	-9,535	-9,535	-11,218	-11,343	-11,227	-5,743
Private Sector (net)	-12,549	-107	-3,659	-388	-5,619	-1	-5,661	-277	-203	541	558
Banks, Net	-2,243	2,814	-779	-548	-730	-477	-873	-582	-619	-639	-628
Other	-10,307	-2,921	-2,880	160	-4,889	476	-4,789	305	416	1,180	1,186
Currency and Deposit	-10,911	-5,622	-13,093								
Errors and Omissions	698	3,430	0	0	0	0	0	0	0	0	0
Overall Balance ("+" indicates a surplus)	-11,216	16,496	-950	37,954	14,627	18,228	476	9,670	7,993	4,615	5,435
Financing	11,216	-16,496	950	-37,954	-14,627	-18,228	-476	-9,670	-7,993	-4,615	-5,435
NFA of Central Bank (increase -)	11,216	-30,409	-12,332	-58,146	-33,377	-34,560	-20,108	-33,165	-24,124	-4,615	-5,435
Foreign Assets	12,359	-13,521	3,925	-34,828	-11,500	-16,794	958	-8,950	-7,269	-3,886	-4,705
Foreign Liabilities	-1,143	-2,975	-2,975	-3,127	-3,127	-1,434	-1,434	-720	-724	-729	-182
Of which: Net IMF Credit (excl. 2023 ECF)	-1,143	-2,975	-3,034	-3,233	-3,233	-1,516	-1,516	-780	-805	-837	-837
Program Financing		13,913	13,282	20,192	18,750	16,332	19,632	23,495	16,131	0	0
2023 ECF		4,311	4,311	4,292	4,292	4,301	4,301	4,311	2,168	0	0
Official Budget Support		15,191	8,971	15,899	14,457	8,938	9,955	4,483	4,475	0	0
Concessional Borrowings from Other Donors		-5,589	0	0	0	3,093	5,376	14,701	9,488	0	0
Memorandum Items:											
Current Account (percentage of GDP)	-0.6	-2.5	-5.8	-3.3	-5.7	-3.9	-5.3	-4.0	-4.1	-4.4	-4.8
Excluding Transfers	-25.3	-26.8	-25.5	-23.5	-24.7	-22.1	-22.5	-20.5	-19.7	-19.2	-19.6
Exports of Goods and Services (percentage of GDP)	13.6	11.1	12.1	12.0	11.7	12.5	12.2	12.9	13.1	13.3	-13.7
Imports of Goods and Services (percentage of GDP)	39.3	37.9	37.9	35.5	36.5	34.6	34.8	33.6	33.0	32.7	33.4
Gross International Reserves (end of period) [2]											
In Millions of U.S. dollars	281.8	321.0	298.4	415.8	341.2	474.4	366.0	537.7	579.2	608.4	627.5
In Months of Imports of Goods & Services	6.7	7.5	6.9	9.4	7.7	10.4	7.8	11.3	11.6	11.3	10.8
Gross international reserves (end of period), including fiscal financing gap											
In millions of U.S. dollars	281.8	321.0	298.4	415.8	341.2	474.4	366.0	537.7	579.2	608.4	627.5
In months of imports of goods & services	6.7	7.5	6.9	9.4	7.7	10.4	7.8	11.3	11.6	11.3	10.8
Nominal GDP (CF millions)	571,698	605,942	608,334	648,060	642,693	684,757	683,756	729,504	777,144	826,262	874,582.9
Nominal GDP (millions of U.S. dollars)	1,225	1,340	1,346	1,441	1,429	1,528	1,525	1,630	1,730	1,832	1,939.4

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.

[2] From 2021, includes new SDR allocation of $24 million.

Table 6b. Union of the Comoros: Balance of Payments, 2022–29

(In Millions of USD, unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
	Est.[1]	Est.[1]	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj			
Current Account	-6.9	-33.4	-78.6	-47.3	-81.6	-59.7	-81.5	-65.4	-70.8	-80.9	-93.5
Goods and Services	-314.8	-359.6	-346.6	-338.4	-354.3	-338.9	-345.2	-337.7	-343.0	-354.5	-381.4
Trade Balance	-215.7	-267.4	-272.8	-260.6	-282.5	-274.9	-289.8	-285.3	-296.5	-325.1	-355.7
Exports	56.4	33.2	41.5	45.6	43.3	49.2	46.8	53.5	59.5	65.2	72.3
Of which: Vanilla	4.3	2.0	3.6	2.1	3.8	2.2	4.1	2.4	2.5	2.7	3.1
Cloves	36.7	24.5	18.8	28.7	22.0	30.5	23.3	32.4	34.5	36.7	43.0
Ylang-ylang	2.5	2.2	3.1	2.4	3.3	2.5	3.5	2.7	2.8	3.0	3.4
Other	11.4	2.8	16.1	12.5	14.2	14.0	15.9	16.1	19.6	22.8	22.8
Imports (f.o.b.)	-272.1	-300.6	-314.3	-306.2	-325.8	-324.1	-336.6	-338.8	-355.9	-390.4	-428.0
Services (net)	-99.1	-92.2	-73.8	-77.8	-71.8	-64.0	-55.4	-52.4	-46.5	-29.3	-25.7
Receipts	110.4	115.5	121.3	127.5	124.5	141.0	138.7	156.6	167.7	179.3	193.5
Payments	-209.5	-207.7	-195.1	-205.3	-196.3	-205.0	-194.2	-209.0	-214.2	-208.6	-219.1
Income (net)	5.3	0.5	2.8	0.2	1.3	2.0	2.4	3.6	2.7	2.6	0.5
Current Transfers (net)	302.6	325.7	265.1	291.0	271.5	277.2	261.3	268.6	269.4	271.0	287.4
Government	39.2	64.1	25.6	46.1	42.8	31.3	32.5	21.5	22.0	22.7	36.8
Private [1]	263.5	261.6	239.5	245.0	228.6	245.9	228.8	247.1	247.4	248.3	250.6
Capital and Financial Account	-18.7	62.3	76.5	131.6	114.1	100.4	82.6	87.0	88.6	91.1	105.5
Capital Account	25.9	40.4	41.8	48.2	42.3	46.0	40.8	58.2	68.7	67.7	73.3
Capital Transfers	25.9	40.4	41.8	48.2	42.3	46.0	40.8	58.2	68.7	67.7	73.3
Transfer of Fixed Assets	25.9	40.4	41.8	48.2	42.3	46.0	40.8	58.2	68.7	67.7	73.3
Financial Account	-44.5	21.9	34.7	83.4	71.7	54.4	41.7	28.8	19.9	23.4	32.2
Direct Investment	4.1	5.4	5.0	7.2	7.1	9.2	9.2	9.8	10.4	11.0	11.6
Net Portfolio and Other Investment	-25.3	29.0	58.7	73.4	61.7	44.1	31.4	17.9	8.4	11.3	20.6
Public Sector	1.6	29.2	66.8	74.2	74.2	44.1	44.1	18.5	8.9	10.1	19.4
Disbursement	33.0	62.8	73.6	86.7	86.7	65.3	65.3	43.6	34.1	35.0	32.1
Of which: Drawings (excl. IMF)	33.0	62.8	73.6	86.7	86.7	65.3	65.3	43.6	34.1	35.0	32.1
Of which: SDR Allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-6.0	-6.8	-6.8	-12.5	-12.5	-21.3	-21.3	-25.1	-25.3	-24.9	-12.7
Private Sector (net)	-26.9	-0.2	-8.1	-0.9	-12.5	0.0	-12.6	-0.6	-0.5	1.2	1.2
Banks, Net	-4.8	6.2	-1.7	-1.2	-1.6	-1.1	-1.9	-1.3	-1.4	-1.4	-1.4
Other	-22.1	-6.5	-6.4	0.4	-10.9	1.1	-10.7	0.7	0.9	2.6	2.6
Currency and Deposit	-23.4	-12.4	-29.0								
Errors and Omissions	1.5	7.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance ("+" indicates a surplus)	-24.0	36.5	-2.1	84.4	32.5	40.7	1.1	21.6	17.8	10.2	12.1
Financing	24.0	-36.5	2.1	-84.4	-32.5	-40.7	-1.1	-21.6	-17.8	-10.2	-12.1
NFA of Central Bank (increase -)	24.0	-67.3	-27.3	-129.3	-74.2	-77.1	-44.9	-74.1	-53.7	-10.2	-12.1
Foreign Assets	26.5	-29.9	8.7	-77.4	-25.6	-37.5	2.1	-20.0	-16.2	-8.6	-10.4
Foreign Liabilities	-2.4	-6.6	-6.6	-7.0	-7.0	-3.2	-3.2	-1.6	-1.6	-1.6	-0.4
Of which: Net IMF Credit (excl. 2023 ECF)	-2.4	-6.6	-6.7	-7.2	-7.2	-3.4	-3.4	-1.7	-1.8	-1.9	-1.9
Program Financing	0.0	30.8	29.4	44.9	41.7	36.4	43.8	52.5	35.9	0.0	0.0
2023 ECF	0.0	9.5	9.5	9.5	9.5	9.6	9.6	9.6	4.8	0.0	0.0
Official Budget Support	0.0	33.6	19.8	35.4	32.1	19.9	22.2	10.0	10.0	0.0	0.0
Concessional Borrowings from Other Donors	0.0	-12.4	0.0	0.0	0.0	6.9	12.0	32.9	21.1	0.0	0.0
Memorandum Items:											
Current Account (percentage of GDP)	-0.6	-2.5	-5.8	-3.3	-5.7	-3.9	-5.3	-4.0	-4.1	-4.4	-4.8
Excluding Transfers	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0
Exports of Goods and Services (percentage of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Imports of Goods and Services (percentage of GDP)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gross International Reserves (end of period) [2]				94.8	42.7						
In Millions of U.S. Dollars	281.8	321.0	298.4	415.8	341.2	474.4	366.0	537.7	579.2	608.4	627.5
In Months of Imports of Goods & Services	6.7	7.5	6.9	9.4	7.7	10.4	7.8	11.3	11.6	11.3	10.8
Nominal GDP (CF millions)	571,698	605,942	608,334	648,060	642,693	684,757	683,756	729,504	777,144	826,262	874,583
Nominal GDP (millions of U.S. dollars)	1,225	1,340	1,346	1,441	1,429	1,528	1,525	1,630	1,730	1,832	1,939

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.

[2] From 2021, includes new SDR allocation of $24 million.

Table 6c. Union of the Comoros: Balance of Payments, 2022–29

(In percent of GDP, unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
	Est.[1]	Est.[1]	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj			
Current Account	-0.6	-2.5	-5.8	-3.3	-5.7	-3.9	-5.3	-4.0	-4.1	-4.4	-4.8
Goods and Services	-25.7	-26.8	-25.8	-23.5	-24.8	-22.2	-22.6	-20.7	-19.8	-19.3	-19.7
Trade Balance	-17.6	-19.9	-20.3	-18.1	-19.8	-18.0	-19.0	-17.5	-17.1	-17.7	-18.3
Exports	4.6	2.5	3.1	3.2	3.0	3.2	3.1	3.3	3.4	3.6	3.7
Of which: Vanilla	0.4	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.1	0.1	0.2
Cloves	3.0	1.8	1.4	2.0	1.5	2.0	1.5	2.0	2.0	2.0	2.2
Ylang-ylang	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.9	0.2	1.2	0.9	1.0	0.9	1.0	1.0	1.1	1.2	1.2
Imports (f.o.b.)	-22.2	-22.4	-23.4	-21.3	-22.8	-21.2	-22.1	-20.8	-20.6	-21.3	-22.1
of which oil	-9.9	-8.3	-7.3	-7.7	-6.8	-7.2	-6.3	-6.7	-6.3	-6.0	-5.9
Services (net)	-8.1	-6.9	-5.5	-5.4	-5.0	-4.2	-3.6	-3.2	-2.7	-1.6	-1.3
Receipts	9.0	8.6	9.0	8.8	8.7	9.2	9.1	9.6	9.7	9.8	10.0
Payments	-17.1	-15.5	-14.5	-14.2	-13.7	-13.4	-12.7	-12.8	-12.4	-11.4	-11.3
Income (net)	0.4	0.0	0.2	0.0	0.1	0.1	0.2	0.2	0.2	0.1	0.0
Current Transfers (net)	24.7	24.3	19.7	20.2	19.0	18.1	17.1	16.5	15.6	14.8	14.8
Government	3.2	4.8	1.9	3.2	3.0	2.0	2.1	1.3	1.3	1.2	1.9
Private [1]	21.5	19.5	17.8	17.0	16.0	16.1	15.0	15.2	14.3	13.6	12.9
Capital and Financial Account	-1.5	4.6	5.7	9.1	8.0	6.6	5.4	5.3	5.1	5.0	5.4
Capital Account	2.1	3.0	3.1	3.3	3.0	3.0	2.7	3.6	4.0	3.7	3.8
Capital Transfers	2.1	3.0	3.1	3.3	3.0	3.0	2.7	3.6	4.0	3.7	3.8
Transfer of Fixed Assets	2.1	3.0	3.1	3.3	3.0	3.0	2.7	3.6	4.0	3.7	3.8
Financial Account	-3.6	1.6	2.6	5.8	5.0	3.6	2.7	1.8	1.1	1.3	1.7
Direct Investment	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Net Portfolio and Other Investment	-2.1	2.2	4.4	5.1	4.3	2.9	2.1	1.1	0.5	0.6	1.1
Public Sector	0.1	2.2	5.0	5.2	5.2	2.9	2.9	1.1	0.5	0.6	1.0
Disbursements	2.7	4.7	5.5	6.0	6.1	4.3	4.3	2.7	2.0	1.9	1.7
Of which: Drawings (excl. IMF)	2.7	4.7	5.5	6.0	6.1	4.3	4.3	2.7	2.0	1.9	1.7
Of which: SDR allocations											
Amortization	-0.5	-0.5	-0.5	-0.9	-0.9	-1.4	-1.4	-1.5	-1.5	-1.4	-0.7
Private Sector (net)	-2.2	0.0	-0.6	-0.1	-0.9	0.0	-0.8	0.0	0.0	0.1	0.1
Banks, net	-0.4	0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other	-1.8	-0.5	-0.5	0.0	-0.8	0.1	-0.7	0.0	0.1	0.1	0.1
Currency and Deposit	-1.9	-0.9	-2.2								
Errors and Omissions	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-2.0	2.7	-0.2	5.9	2.3	2.7	0.1	1.3	1.0	0.6	0.6
Financing	2.0	-2.7	0.2	-5.9	-2.3	-2.7	-0.1	-1.3	-1.0	-0.6	-0.6
NFA of Central Bank (increase -)	2.0	-5.0	-2.0	-9.0	-5.2	-5.0	-2.9	-4.5	-3.1	-0.6	-0.6
Of which: Net IMF Credit (excl. 2023 ECF)	-0.2	-0.5	-0.5	-0.5	-0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Program Financing		2.3	2.2	3.1	2.9	2.4	2.9	3.2	2.1	0.0	0.0
2023 ECF		0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.3	0.0	0.0
Official Budget Support		2.5	1.5	2.5	2.2	1.3	1.5	0.6	0.6	0.0	0.0
Concessional Borrowings from Other Donors		-0.9	0.0	0.0	0.0	0.5	0.8	2.0	1.2	0.0	0.0
Memorandum Items:											
Current Account (percentage of GDP)	-0.6	-2.5	-5.8	-3.3	-5.7	-3.9	-5.3	-4.0	-4.1	-4.4	-5.4
Excluding Transfers	-25.3	-26.8	-25.5	-23.5	-24.7	-22.1	-22.5	-20.5	-19.7	-19.2	-19.6
Exports of Goods and Services (percentage of GDP)	13.6	11.1	12.1	12.0	11.7	12.5	12.2	12.9	13.1	13.3	13.7
Imports of Goods and Services (percentage of GDP)	39.3	37.9	37.9	35.5	36.5	34.6	34.8	33.6	33.0	32.7	33.4
Gross International Reserves[2]											
In Millions of U.S. dollars	281.8	321.0	298.4	415.8	341.2	474.4	366.0	537.7	579.2	608.4	627.5
In Months of Imports of Goods & Services	6.7	7.5	6.9	9.4	7.7	10.4	7.8	11.3	11.6	11.3	10.8
Nominal GDP (CF millions)	571,698	605,942	608,334	648,060	642,693	684,757	683,756	729,504	777,144	826,262	874,583
Nominal GDP (millions of U.S. dollars)	1,225	1,340	1,346	1,441	1,429	1,528	1,525	1,630	1,730	1,832	1,939.4

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.

[2] End of period. From 2021, includes new SDR allocation of $24 million.

Table 7. Union of the Comoros: Indicators of Capacity to Repay the Fund, 2023–38

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Fund Obligations Based on Existing Credit																
(SDR millions)																
Principal	4.9	5.2	2.4	1.2	1.2	1.5	2.6	1.7	1.4	1.4	1.1	0.0	0.0	0.0	0.0	0.0
Charges and Interest	1.0	0.7	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Fund Obligations Based on Existing and Prospective Credit																
(SDR millions)																
Principal	4.9	5.2	2.4	1.2	1.2	1.5	3.0	3.5	4.6	6.1	6.1	4.6	3.2	1.8	0.4	0.0
Charges and Interest	1.0	0.7	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Obligations Based on Existing and Prospective Credit																
SDR millions	5.9	5.9	2.8	1.6	1.6	2.0	3.4	3.9	5.1	6.5	6.5	5.1	3.6	2.2	0.8	0.4
In millions of CF	3,567.5	3,527.9	1,709.6	979.8	985.1	1,211.5	2,084.3	2,410.7	3,102.0	3,976.1	3,975.5	3,102.0	2,228.5	1,355.6	481.5	263.1
In Percent of Government Revenue	5.8	5.3	2.3	1.2	1.1	1.3	2.0	2.1	2.5	2.9	2.7	1.9	1.3	0.7	0.2	0.1
In Percent of Exports of Goods and Services	5.3	4.5	2.0	1.0	1.0	1.1	1.7	1.9	2.2	2.7	2.5	1.8	1.2	0.7	0.2	0.1
In Percent of Debt Service	45.5	31.6	12.9	7.3	7.1	9.0	24.8	25.8	27.7	29.3	25.9	19.2	13.5	8.3	3.0	1.7
In Percent of GDP	0.6	0.5	0.2	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.3	0.2	0.1	0.0	0.0
In Percent of Gross International Reserves	2.5	1.9	0.8	0.4	0.4	0.4	0.7	0.9	1.1	1.5	1.6	1.3	1.0	0.7	0.3	0.2
In Percent of Quota	33.1	32.9	15.9	9.1	9.1	11.1	19.1	22.1	28.4	36.4	36.4	28.4	20.4	12.4	4.4	2.4
Outstanding Fund Credit and Prospective Credit																
In Millions of SDRs	19.7	21.7	26.4	32.3	34.7	33.2	30.2	26.7	22.1	16.0	10.0	5.3	2.1	0.4	0.0	0.0
In Millions of CF	11,877.9	13,072.2	15,969.9	19,627.1	21,211.6	20,411.3	18,584.3	16,430.0	13,582.1	9,858.0	6,133.9	3,286.0	1,314.4	219.1	0.0	0.0
In Percent of Government Revenue	19.2	19.7	21.8	24.4	24.2	21.2	17.7	14.3	10.8	7.3	4.2	2.1	0.8	0.1	0.0	0.0
In Percent of Exports of Goods and Services	17.7	16.8	18.7	20.9	20.8	18.5	15.5	12.8	9.8	6.6	3.8	1.9	0.7	0.1	0.0	0.0
In Percent of Debt Service	151.4	117.0	121.0	145.4	153.2	151.6	221.1	176.0	121.3	72.8	40.0	20.4	8.0	1.3	0.0	0.0
In Percent of GDP	2.0	2.0	2.3	2.7	2.7	2.5	2.1	1.8	1.4	0.9	0.6	0.3	0.1	0.0	0.0	0.0
In Percent of Gross International Reserves	8.2	7.0	7.5	8.1	8.1	7.4	6.6	5.8	5.0	3.8	2.4	1.4	0.6	0.1	0.0	0.0
In Percent of Quota	110.8	121.7	148.4	181.7	195.0	186.3	169.7	150.0	124.0	90.0	56.0	30.0	12.0	2.0	0.0	0.0
Memorandum Items																
Nominal GDP (millions of CF)	605,942.3	648,059.8	684,756.6	729,503.6	777,144.5	826,261.7	874,582.9	928,486.5	982,827.3	1,040,065.4	1,100,657.2	1,164,800.3	1,232,704.1	1,304,590.3	1,380,693.8	1,461,263.3
Exports of Goods and Services (millions of CF)	67,245.6	77,860.6	85,264.3	94,014.0	102,060.3	110,254.3	119,833.6	128,296.2	138,532.5	149,412.5	161,016.1	173,389.7	186,310.4	199,354.1	213,203.4	227,906.6
Government Revenue (millions of CF)	61,716.6	66,455.5	73,396.4	80,383.3	87,775.5	96,108.3	104,736.0	114,844.1	125,641.0	135,800.5	147,127.1	159,430.7	172,792.3	187,276.0	201,594.5	216,844.5
Debt Service (millions of CF) [1]	7,842.9	11,176.7	13,203.2	13,500.5	13,850.1	13,460.5	8,406.3	9,333.0	11,194.0	13,549.8	15,343.8	16,144.9	16,483.9	16,394.2	15,933.0	15,945.1
CF/SDR (period average)	605.5	602.9	604.1	605.5	608.9	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4
CF/SDR (end period)	602.0	603.3	604.6	606.8	611.0	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4

Sources: IMF staff estimates and projections.

[1] Total external debt service includes IMF repurchases and repayments

Table 8. Union of the Comoros: External Financing Needs and Sources, 2024–28

(In Millions USD)

	2024	2025	2026	2027	2028
Financing Needs	**67.0**	**84.4**	**92.2**	**97.9**	**107.6**
Current Account Deficit	47.3	59.7	65.4	70.8	80.9
Public Debt Amortization	19.7	24.7	26.8	27.0	26.8
Financing Sources	**67.0**	**84.4**	**92.2**	**97.9**	**107.6**
Capital Account	48.2	46.0	58.2	68.7	67.7
Financial Account (excl. amortization)	95.9	75.6	53.9	45.1	48.3
Of which: Public Debt (excl. amortization)	86.7	65.3	43.6	34.1	35.0
Change in Reserves (+ = decrease)	-77.2	-37.3	-19.9	-16.0	-8.4
Fiscal Financing Needs	**44.9**	**36.4**	**52.5**	**35.9**	**31.1**
Budget Support from Partners (e.g., WB, AfDB, AFD, China, Saudi Arabia)	35.4	19.9	10.0	10.0	9.9
IMF Financing[1]	9.5	9.6	9.6	4.8	4.8
in percent of BoP/Fiscal Needs	21.3	26.3	18.4	13.4	15.6
Concessional Borrowings from Other Donors[2]	0.0	6.9	32.9	21.1	16.3
Remaining Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Sources: Comorian authorities, and IMF staff projections.

[1] Proposed ECF access of 180 percent of quota over 4 years.

[2] This line reflects potential concessional borrowings; additional budget support would reduce needed borrowings.

Table 9. Union of the Comoros: Schedule of Disbursements, 2023-27

Availability Date[1]	Disbursement Conditions	SDR Amount	Percent of Quota
05/31/23	Board approval of arrangement.	3,560,000	20.00
09/30/23	Observance of the continuous and end-June 2023 PCs and completion of the first review.	3,560,000	20.00
03/30/24	Observance of the continuous and end-December 2023 PCs and completion of the second review.	3,560,000	20.00
09/30/24	Observance of the continuous and end-June 2024 PCs and completion of the third review.	3,560,000	20.00
03/30/25	Observance of the continuous and end-December 2024 PCs and completion of the fourth review.	3,560,000	20.00
09/30/25	Observance of the continuous and end-June 2025 PCs and completion of the fifth review.	3,560,000	20.00
03/30/26	Observance of the continuous and end-December 2025 PCs and completion of the sixth review.	3,560,000	20.00
09/30/26	Observance of the continuous and end-June 2026 PCs and completion of the seventh review.	3,560,000	20.00
03/30/27	Observance of the continuous and end-December 2026 PCs and completion of the eigth review.	3,560,000	20.00
	Total	32,040,000	180.0

Source: International Monetary Fund.

[1] Based on Board approval upon completion of each review.

Annex I. Poverty Reduction and Growth Strategy

1. **Comoros adopted its Poverty Reduction and Growth Strategy (PRGS) in December 2019.** The Emerging Comoros Plan (PCE) covered the period 2020-2030. The revised plan, known as the *Plan de Relance*, was launched in 2022 following the COVID-19 crisis. It outlines a more targeted vision focused on socioeconomic recovery and the enhancement of key economic sectors. The formulation of the PRGS was conducted inclusively with various stakeholders, including representatives from all ministries, parliament, civil society, private sector, and NGOs. Its development was facilitated by technical and financial assistance provided by development partners during the Conference of Development Partners of the Comoros (CPAD). The PRGS aligns with Comoros' vision for sustainable development, integrating global commitments such as the Sustainable Development Goals (SDGs) and the regional aspirations outlined in the African Union's Agenda 2063. One significant expected outcome of the PRGS implementation is to halve the proportion of the population living under poverty by 2030.

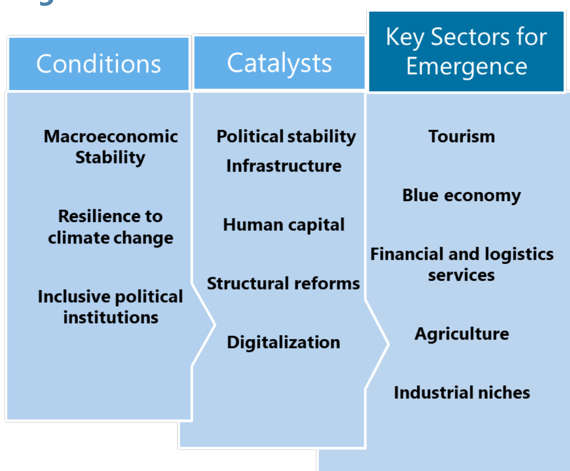
2. **The PRGS is structured around five strategic pillars as the basis for Comoros' emergence: (i) tourism and handicrafts, (ii) the blue economy, (iii) financial and logistical services, (iv) agriculture, and (v) industrial niches.** To enable the selected pillars to fully realize their potential, other key areas of action have been identified and named as catalysts, including a stable institutional environment, improved infrastructure, and human capital as well as structural reforms. The COVID-19 pandemic and Russia's invasion of Ukraine impacted the implementation of the PRGS and led the authorities to redefine its priorities. The *Plan de Relance* constitutes the operational framework of the PRGS for the period 2022-2026 and focuses on strengthening foundational sectors such as agriculture, transport, and energy. The Secretary General of the Government, in collaboration with the General Commissariat of Planning, is tasked with the coordination with the PRGS. To ensure accurate reporting of progress on the PRGS implementation, the authorities have also established a framework for annual monitoring and evaluation, with a particular focus on reinforcing national statistical capacity.

3. **Comoros' PRGS is aligned with the authorities' program priorities supported by the Extended Credit Facility (ECF) arrangement.** It aims to foster macroeconomic stability and reduce fragility by: (i) supporting a credible medium-term fiscal consolidation plan to enhance revenue mobilization, increase fiscal space and reduce debt sustainability risks; (ii) mitigating risks in the financial sector through the strengthening of regulatory and supervisory frameworks, and the implementation of risk management measures; and (iii) advancing anti-corruption and public sector governance reforms to address transparency and accountability issues, as well as improving the business environment. These strategies are foundational for inclusive, job-creating, and resilient growth, while also enabling the policymakers to confront the long-term challenges associated with poverty, climate change, gender inequalities, and human capital development.

4. **The implementation cost of the PRGS is estimated at KMF 2,610 billion, which is more than four times the country's 2023 GDP.** This amount is about 12 percent higher than CPAD's initial projections, reflecting the effect of recent inflationary pressures and the depreciation of the euro with the respect to the U.S. dollar. Consequently, the estimated financing gap, based on resources already identified, amounts to KMF 1,500 billion, which represents around 55 percent of the revised

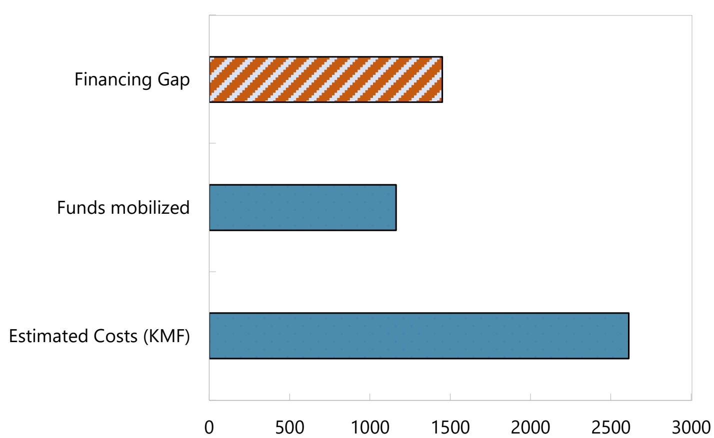
implementation cost. The authorities are aware that disruptions to official development assistance and private sector' funding, which constitute the main source of financial support for the PRGS, may lead to delays in disbursements and affect the PRGS implementation. In this regard, the authorities are relying on the ECF arrangement and the Fund's capacity development support to strengthen domestic revenue mobilization and ensure a larger contribution of domestic resources to the funding of the PRGS.

Figure 1. Union of the Comoros: PRGS



Source: Comorian authorities and IMF staff

Figure 2. Union of the Comoros: PRGS Financing Needs
(In Billion KMF)



Source: Comorian authorities and IMF staff

Annex II. Risk Assessment Matrix[1]

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
Global Risks				
Intensification of regional conflict(s). Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High	ST, MT	High	**Improve domestic production and prepare contingency plans,** including targeted support to protect the most vulnerable in case of renewed commodity price increases or shortages. Intensify structural reforms to enhance Comoros' private-led agricultural production.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	High	ST, MT	High	**Improve domestic production, re-prioritize spending to address food insecurity; and prepare contingency plans,** including seeking concessional financing and additional budget support to sustain priority spending and critical imports. Intensify structural reforms to enhance Comoros' private--led agricultural production.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	Medium	ST, MT	Medium	**Maintain prudent macroeconomic policies.** Implement reforms to create fiscal space by enhancing revenue mobilization and reprioritizing spending. Diversify supply routes and provide relief to vulnerable people.

[1] Based on the February 7, 2024, G-RAM. The Matrix shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
Deepening geo-economic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	High	ST, MT	Low	**Diversify supply routes and prepare contingency plans,** including measures to protect the most vulnerable in case of renewed supply disruptions. Conduct structural reforms to improve. competitiveness and promote Comoros as a destination for investment.
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	Medium	MT	High	**Implement climate adaptation strategies** including through investment in climate resilient infrastructure, with assistance from international partners.
Domestic Risks				
Policy slippages. I Delays in the completion of structural reforms and other program objectives erodes confidence in the economy	Medium	ST, MT	High	**Implement macroeconomic policies and structural reforms as described in the ECF program**, especially those related to sound public financial management and financial stability.
Social discontent, and political instability. Renewed post-election disputes disrupt economic activity, undermines economic recovery and disrupts social cohesion	Medium	ST, MT	High	**Provide support to the most vulnerable and enhance governance, transparency, inclusivity, the rule of law and tackle corruption.**
Intensifying power outages. Poor electricity infrastructure cannot support strong and sustained growth	Medium	ST	Medium	**Implement reforms that promote private sector partnerships in the energy sector**
Intensification of the cholera outbreak. A public health crisis disrupts economic activity and adds pressure to public spending	Medium	ST	High	**Re-prioritize spending to support hospitals, isolation centers, and sanitation services**, protecting the most vulnerable population.

Annex III. Capacity Development Strategy

A. Context

1. **Country profile.** Comoros is a fragile, small developing state marked by political instability, weak institutions, and government implementation capacity that is substantially weaker than the sub-Saharan African average.

2. **Program engagement.** In June 2023, the Executive Board approved a four-year arrangement under the Extended Credit Facility (ECF). The arrangement, which came on the heels of the completion of the Staff-Monitored Program (SMP) in April 2023, is Comoros' first financing engagement with the Fund in ten years. The program aims to support economic recovery and secure medium-term macroeconomic stability and debt sustainability based on a credible fiscal consolidation plan, and structural reforms to reduce vulnerabilities in the banking sector, reduce corruption risks, and improve public sector governance and transparency. The IMF Executive Board completed on December 15, 2023, the first review under the ECF Arrangement and the 2023 Article IV Consultation.

3. **Comoros benefited from intensive capacity development (CD) program, from both IMF headquarters and AFRITAC South.** Over the past few years, the CD activities have focused on domestic revenue mobilization, public financial management, debt management, monetary policy, financial sector, and statistics compilation. Even though the authorities collaborate effectively with the CD missions and appreciate the Fund's responsiveness and availability to deliver high quality CD upon request, the overall results achieved were mixed.

- Collaboration with the Fund on revenue administration (RA) has been fruitful. The creation of the general directorate of taxes, the operationalization of the large and medium taxpayers' office, the strengthening customs risk management and developing a decision-making information system at the customs helped accelerate revenue mobilization efforts, improve tax compliance and fight against frauds.
- In public financial management (PFM), progress has been made in three specific areas, with a consistent Fund's support, including through the presence of a resident PFM expert which has been key for the implementation of some of these reforms: (i) wage bill management, (ii) adoption of the Organic Law on State Finances (LOFE), and (iii) finalization of the legal framework for SOEs improving their oversight.
- Fund CD has also enabled progress in monetary policy operations and financial sector reforms. A LEG CD mission took place in February to assist the resolution and regulation department to amend the BCC's resolution framework per MCM recommendations for submission to Parliament by end-May 2024. With MCM's support, the authorities have successfully begun liquidity absorption operations and are developing the interbank market, marginal lending facility, and the framework for emergency liquidity assistance. With AFRITAC-South support, work is ongoing to align prudential regulations with the Basel II and Basel III frameworks and implement a risk-based supervision system.

4. Fund's CD efforts where progress has not matched expectations are related to:

- Tax policy reforms have lacked progress. The last CD mission on tax policy took place remotely in 2021 suffered from a lack of reliable taxpayers' data and poor collaboration from the tax authorities at the time (they were replaced in 2023).
- Despite significant CD support from FAD and AFRITAC South, progress in PFM in the following areas has been limited: (i) transparency of the budgetary process, from the budget proposal to the budget execution report; (ii) the timely and accurate production of the government fiscal operations tables (TOFE), (iii) the limited coverage of the Treasury Single Account (TSA) and the very weak cash management capacity.
- While the authorities have received extensive Fund CD support to strengthen the **statistical capacity**, persistent data deficiencies across all sectors—real, fiscal, external, and financial—hamper effective economic surveillance, policy analysis and implementation and creates misreporting risks. Slow progress in this area is due mainly to understaffing and frequent turnovers in the statistical functions.

5. Impact of Fund-provided CD. The authorities consider that Fund CD has improved their capacity and helped implement several reforms. Achievements include enhancing the tax base, strengthening the use of the SIGIT software, adoption of new Tax and Customs codes and a revised PFM organic law, creation of the Treasury Single Account (with some reversals of reforms in this area), and migration to a more modern customs data system. For the Central Bank of Comoros (BCC), ongoing CD has assisted in reinforcing prudential regulations in line with Basel II and III, liquidity management through identifying collateral eligible for refinancing, and operationalizing bank resolution framework. CD support has also helped the authorities adopt a new anti-corruption law in 2023 and develop a legal framework for the collection and publication of beneficial ownership information in public procurement in 2021. Nonetheless, staff assesses that implementation of CD recommendations has been slow overall. Fund CD, particularly on fiscal policy implementation, has been recommending only basic improvements that the authorities should be able to implement despite their extremely low capacity. Thus, the key obstacles to quicker implementation of recommendations appear to be poor coordination capacity and weak accountability framework.

B. Macroeconomic Objectives and CD Priorities

6. Macroeconomic objectives. The economic reform program supported by the Extended Credit Facility (ECF) aims to (i) reduce fragility, by increasing human and physical capital, and economic resilience through the strengthening of fiscal buffers; (ii) secure fiscal sustainability and preserve debt over the medium term; (iii) stabilize the financial sector, and (iv) improve institutional frameworks to strengthen accountability and reduce corruption. These reforms would help achieve higher, more inclusive, and resilient growth, and boost progress towards the Sustainable Development Goals (SDGs).

7. Comoro's CD strategy will focus on supporting the authorities' economic reforms, consolidating past achievements, while ensuring the completion of reforms initiated. The unfinished fundamental fiscal reforms remain a priority to support the authorities' efforts to pursue fiscal consolidation whilst enhancing fiscal space through domestic revenue mobilization. Ongoing implementation of the ECF program has revealed the importance of the following fiscal structural reforms: (i) launching tax system reform, starting with tax exemptions assessment; (ii) pursuing tax and customs administrations' reforms, (iii) strengthening the budget process (information, reporting, transparency), (iv) reforming TSA, improving government bank account visibility and cash management capacity, (v) improving financial reporting of and strengthening the supervision over SOEs, (vi) improving statistics' data availability and quality, and (vii) modernizing the debt management and reporting system. Additional areas where strong support is needed include: (i) restructuring the state-owned postal bank, (ii) improvement of the BCC's resolution and supervision capacities, and (iii) implementation of the new anti-corruption law. Finally, pursuing reforms in data production notably to improve the quality of the fiscal and economic indicators, is critical for surveillance. CD priorities are listed in the Text Table 1.

Text Table 1. Union of the Comoros: Policy Priorities, CD Objectives, and Related Challenges

Priorities	Objectives	Challenges
Public financial management (PFM)	Ensure the budget proposals include basic information; improve the budget execution reporting and transparency; expand the TSA coverage, improve the visibility of government bank account and strengthen cash management; improve financial reporting, strengthen SOEs supervision	Governance and institutional arrangement, and lack of public accounting regulations; proliferation of accounts outside of the TSA perimeter; clientelism, vested interests impacting SOEs management; several competing fiscal structural reforms priorities
Domestic revenue mobilization (DRM)	Simplify the tax system and reduce the tax expenditures; increase the tax policy formulation capacities and strengthen tax and customs exemptions monitoring; broaden the tax base and improve the business climate; strengthen fight against tax and customs frauds; align the trade and customs regime with the WTO rules and international standards	Large informal sector and limited public trust in tax and customs administrations; staff and officers with limited capacity, resource constraints; weak political support; limited absorption capacity
Debt management	Strengthen processes for accurate debt recording, reporting, and monitoring; upgrade the Treasury and the budget execution IT systems	Lack of clear ownership over debt issues; limited resources and capacity in the Debt Directorate; delay in implementing the ministry of finance IT systems consolidation plan (PCSI)
Strengthening the financial sector	Complete restructuring of systemic state-owned postal bank; develop banking resolution frameworks; strengthen bank supervision	Vested interest; resource constraint and understaffing at the Central Bank; competing reform priorities
Central Bank operations	Improve the quality of the BCC's external audits; develop interbank market, marginal lending facility, and emergency liquidity framework; strengthen BCC's autonomy	Resource constraint and understaffing at the Central Bank; competing reform priorities
Anti-corruption and financial integrity (AML/CFT)	Operationalize effective system for conflict of interest and asset disclosure by senior officials; support ongoing efforts to combat corruption and increase transparency	Lack of ownership by the Ministry of Justice on corruption reforms; lack of qualified personnel on anti-corruption issues; limited capacity on AML/CFT issues at the BCC

Text Table 1. Union of the Comoros: Policy Priorities, CD Objectives, and Related Challenges (concluded)		
Statistics	Enhance data provision, including national accounts and price statistics (INSEED), fiscal data (Ministry of Finance), and external data (BCC, customs)	High staff turnover at INSEED, weaknesses in fiscal accounting and lack of coordination among departments managing data, and use of unclear methodologies at BCC

8. **Main risks and mitigation.** Key risks relate to (i) several unfilled vacancies in various directorates of the Ministry of Finance, (ii) very weak implementation capacity and limited absorption capacity, (iii) several competing fiscal and financial structural reforms priorities, (iv) lack of coordination between ministries and technical departments, (v) understaffing or frequent staff turnovers, and (vi) weak political support and lack of authorities' commitment in some areas. A resident CD advisor could help the authorities better sequence reforms, improve absorption capacity, coordinate CD providers activity, and provide tailored hands-on support or strategic advice on key steps aiming to maintain the momentum of the structural reforms' implementation.

C. Coordinating CD Delivery with Development Partners

9. **Engagement with other development partners.** A wide range of partners provide CD to Comoros, which underscores the importance of coordination to avoid duplication or overwhelming the authorities and ensure complementarity. Some examples of areas for more intensive collaboration include domestic revenue mobilization (EU, WB, AfDB, UNDP, AFD, OECD), public financial management (EU, WB, AfDB, AFD), financial sector issues (WB, AFD), and rule of law (EU, AFD).

10. **Minimizing gaps and overlaps in CD provision.** To minimize gaps and overlaps, staff will propose that the Fund take the lead on CD in the areas that are key for program engagement and where the Fund have strong expertise (i.e., on fiscal policy, monetary policy, financial sector regulation and supervision, and data issues), while other partners could usefully (i) focus on other areas that are important for economic development and/or (ii) provide CD that supports implementation of Fund recommendations. For (i), partners would help the authorities strengthen infrastructure (electricity, water, transport) investment and social (health, education, social insurance/assistance) spending; address climate change issues; combat corruption; reinforce the judicial system; reform the pension system and enhance civil service management. For (ii), partners could provide supporting CD in areas covered by the Fund, for example helping the authorities to implement mobile tax payment, interconnect the tax and customs administrations IT system, crosscheck tax and customs database, finalize the implementation of the ministry of finance IT systems consolidation plan (PCSI). Staff will suggest to the authorities to set up a permanent framework for coordinating partner CD activities.

11. **Meetings with other partners.** The country team will consult regularly with the main partners on ongoing work and immediate CD delivery challenges.

D. CD Delivery Modality and Implementation of Fund CD Recommendations

12. **CD delivery modality.** Based on the authorities' requests, the Fund CD Departments' assessment, past experiences, and the need to mitigate the main risks identified, priority will be given

to the appointment of one or two long-term resident advisors. The steering committee of the Global Public Finance Partnership (GPFP), the new FAD main CD vehicle, has recently adopted a 3-years program supporting revenue administration which include a long-term tax resident advisor. The CD delivery modalities will mainly be in-person activities due to the low capacity of the country, necessitating a more hands-on approach. Given the administrative organization of Comoros, visits are also planned to the two other islands. Virtual deliveries will be used to provide efficiencies to on-the-ground support, including pre-engagement meetings and post follow-up meetings. Finally, peer-learning will be also used to help the authorities adopting best practices. These close supports will be complemented by an intensive and better coordinated supports from AFRITAC South. The whole IMF CD delivery modalities and timing will be coordinated at the HQ level.

13. CD recommendations' implementation. To incentivize faster implementation of Fund-provided CD, staff will suggest to the authorities to include the most essential CD recommendations as commitments/conditionality in the ECF program and will conduct regular discussions with the authorities on progress in implementing CD recommendations, based on a rolling stocktaking of recommendations and their implementation.

Table 1. Union of the Comoros: Priorities by Department

A. FAD

Topics	Objectives	Past Recommendations	Comments/Challenges
Tax policy	Tax system based on principles of equity, efficiency, and neutrality; Increase tax revenue; Broaden the tax base.	Assess tax expenditures efficiency and its impacts on revenue and publish the report. Reduce tax exemptions and review tax incentives granted by the investment code. Implement a tax policy formulation and tax expenditures monitoring unit. Modernize the tax system by replacing the current income tax with a semi-dual income tax, simplify the small taxpayers' regime, making an inventory of parafiscal taxes and assessing their efficiencies, reviewing certain excises rates, etc.	Lack of political commitment. Availability and limited access to detailed tax and customs data.
Revenue administration	Increase tax revenue. Fight against tax frauds Broaden the tax base. Improve the tax payment environment.	*Tax Administration:* Ensure integrity of the taxpayer data base. Strengthen efforts to ensure on-time and accurate filing of tax returns, tax audit efficiency, and tax arrears collection. Review the tax revenue accounting system.	Weak capacities of the middle management, very limited qualified tax officers, understaffing at all levels and in the two other islands despite tax potential, lack of accountability framework government appointment, rotation, and promotions.

Table 1. Union of the Comoros: Priorities by Department (continued)			
		Strengthen management of the large and medium taxpayers' units and ensure it covers the entire territory as well as SOEs. Modernize the core tax procedures and improve taxpayer's rights and services.	Tax administration does not have an operating budget while customs administration relies on certain fees to operate normally. Weak internal audit system and lack of oversight by external bodies
		Develop the tax administration multi-year reform strategic and operational plan.	Lack of qualified personnel to use the SIGIT software.
		Strengthen the use of SIGIT software and its implementation in the remaining two islands.	
		Provide budget and basic resources (infrastructure, internet, energy) to operate tax administration.	
	Fight against customs frauds Trade facilitation WTO (World Trade Organization) accession	*Customs Administration:* Implement a suitable customs clearance framework for the payment of customs duties and taxes on petroleum products.	Weak internal audit system and lack of oversight by external bodies
		Assess the correct application of tariffs in SYDONIA and analyze the customs revenue accounting mechanism. Improve the use of SYDONIA and its deployment in the two islands.	Limited number of customs officers who can use SYDONIA
		Design and publish a customs clearance procedures guide, including effective and transparent verification procedures for customs officers and brokers.	
		Improve the goods valuation process in accordance with best practice standards and the WTO valuation agreement.	
		Strengthen the monitoring of suspensive regimes and the goods exempted destination.	
		Implement and use the litigation module of ASYCUDA to close audit case and develop a litigation central database.	Availability of UNCTAD experts to assist on improving SYDONIA

Table 1. Union of the Comoros: Priorities by Department (continued)

		Activate the risks analysis module of SYDONIA, reduce physical inspection and improve audit selection case. Conduct a data mirror analysis and strengthen the supervision of the first 20 high-fraud risks' goods imported.	
Public financial management	Improve PFM frameworks, including in budget preparation and execution. Strengthen implementation of the Treasury Single Account (TSA) to enhance cash management and transparency. Strengthen fiscal reporting to enhance transparency. Improve fiscal risk management, strengthen oversight of SOEs and eliminate use of cross-arrears.	Implement the revised law for state finances (LOFE); put in place the basics of budget preparation (current budgets do not reflect macroeconomic forecasts and lack information on financing). On the execution side, wage bill management is one of the areas that need strengthening, while other recommendations remain to be developed. While the TSA exists in principle, its implementation suffers from numerous shortcomings. A key element will be the establishment of a Central Treasury Agency. Strengthen fiscal accounting. Report to parliament and the public on budget execution, including by establishing the TOFE Committee, regularly publishing the budget execution table "TOFE" on the government website. Strengthen capacity in fiscal risk management (fiscal risk statement and its disclosure with budget documents). Develop capacity to oversee SOEs and assess their performance. Strengthen governance and transparency at SOEs (legal framework, remuneration, auditing). Eliminate the use of offsets/cross-arrears and restore normal financial flows (payments for goods and services and of taxes and subsidies) between government and public enterprises.	Weak managerial oversight, very weak capacity of civil servants, and other blockages that remain to be identified. Outdated regulatory framework. Lack of political commitment Adoption of the new SOE legal framework At end-December 2023, the authorities approved an audit report of domestic arrears including cross-arrears with SOEs.

Table 1. Union of the Comoros: Priorities by Department (concluded)			
B. MCM			
Financial regulation and supervision	Enhance regulation and develop more risk-based supervision	Reinforce its enhancement of prudential regulations in line with Basel II and III, with MCM TA	Understaffing at the BCC. Limited capacity absorption.
Bank resolution	Operationalize a sound bank resolution framework	TA is in train to amend the resolution framework per MCM recommendations	Limited personnel with expertise in banking resolution
Central Bank operations	Enhance the Central Bank's liquidity management and emergency liquidity framework	TA efforts are ongoing, and uptake is satisfactory	Liquidity absorption operations will create costs for the BCC and affect its P&L account
Debt market development	Creation of a government securities market	Draft legal texts prepared, and TA efforts are ongoing	Very weak debt and cash management capacities of the government; banks have little trust in the government's debt
C. STA			
Real sector statistics	Improve source data; strengthen methodologies for statistics compilation; enhance data dissemination; consolidate improvements achieved in recent years	Conduct regular surveys and enhance collaboration between government agencies. Introduce several methodological improvements, including on treatment of informal data in the BoP; updating the CPI basket; and introducing a base year for GDP. Ensure regular online publication of statistics. Provide stable forms of employment to INSEED officials.	Insufficient funding for statistics issues Organizational challenges Frequent turnover of technical staff at INSEED
Fiscal statistics	Strengthen compilation and dissemination of data	Establish the National Data Summary Page, adopt e-GDDS, and regularly publish data. Engagement is ongoing but progress has been slow.	Organizational challenges. Data quality issues. Produced data are not published.
External sector statistics	Strengthen compilation methodology and dissemination of data	TBD	Limited ability of the BCC to absorb CD due to understaffing across all functions
D. LEG			
Institutional, governance and anti-corruption Reform	Help the authorities strengthen the legal and institutional frameworks to enhance governance and lower the vulnerability to corruption.	Establish a framework for asset declaration for senior public officials. Strengthen framework for procurement reporting, including reporting on beneficial owner.	Complexity of the subject matter and potentially limited ownership, particularly as concerns the publication of asset declarations

Appendix I. Letter of Intent

Moroni, Union of the Comoros
June 7, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. **The Government of the Union of the Comoros** requests that the IMF Executive Board completes the second review under the IMF-supported Extended Credit Facility (ECF) arrangement and approve a waiver for the nonobservance of the continuous quantitative performance criteria (QPC) on the non-accumulation of external arrears to enable the disbursement of the third tranche of the ECF arrangement based on the satisfactory implementation of performance criteria (PC), and a broadly satisfactory implementation of key structural reforms.

2. **The ECF-supported program remains on track and the Government remains committed to implementing economic and structural reforms.** We met four of five QPCs as of December 2023, including on tax revenue, domestic primary balance, non-concessional external debt, and net international reserves. Through our implementation of structural benchmarks (SBs), we also succeeded in widening the tax base in 2023, published the approved 2024 budget law, and improved tax administration efficiency by interconnecting customs and tax authorities' databases. Even though financial sector vulnerabilities persist, the level of NPLs has stabilized and we are advancing efforts to strengthen the supervision, regulatory, and resolution frameworks.

3. **As highlighted in the attached MEFP, we have taken corrective actions for the missed QPC and are working to ensure progress on the missed SBs.** All external debt payments have been honored, except those to BADEA and Exim India which remain under active discussion. Going forward, we have taken measures to ensure that our debt management software is regularly updated and utilized to improve external debt management. We are also working with partners such as the African Development Bank to improve debt management capacity and upgrade our debt management software. In recent weeks, we have completed two of the five missed SBs: the appointment of members of the Anti-Corruption Chamber (ACC) to ensure progress on the missed end-December 2023 SB on the ACC's operationalization and the promulgation of the presidential decree on the Budgetary and Accounting Management Regulations. We hope to finalize the strategy to clear domestic arrears from 2009-2020 and the nomination of the Director General of Public Accounting and the Treasury in the coming period and we remain closely engaged with the Central Bank (BCC) Board to provide all additional elements needed to secure the banking license for the new postal bank BPC (end-December 2023 SB).

4. Economic conditions continued to improve in 2023. Real GDP is estimated to have expanded by at least 3 percent (y/y) and inflation continued its downward trajectory averaging 8.5 percent in 2023 compared to 12.4 percent in 2022. Despite the recent uptick in prices, we anticipate an average inflation of around 3 percent in 2024. The external sector remains stable, with continued reserves accumulation at end-2023. On the fiscal front, targeted reforms in revenue administration and public financial management improved revenue collection, thus helping contain the domestic primary deficit around 2 percent of GDP in 2023. Fiscal consolidation efforts are expected to continue this year, with the domestic primary deficit projected at around 1.4 percent of GDP.

5. Looking ahead, we remain focused on the ECF program objectives of securing medium-term macroeconomic stability and debt sustainability, reducing vulnerabilities in the banking sector, and improving public sector governance and transparency. We will continue to strengthen tax and customs administration and policies, while further seeking IMF technical assistance to reinforce these capacities over the medium term. We stand ready to tighten monetary policy in the event of a resurgence of inflation or large outflows of reserves. We will also intensify supervision of the banking system, including by completing on-site inspections of all financial institutions (end-June 2024 SB), and continue our efforts to strengthen monetary policy tools. Following the establishment of the ACC, we will seek support from partners, including the IMF, to develop and implement the ACC work agenda consistent with the anti-corruption law. These objectives are aligned with our Poverty Reduction and Growth Strategy, the *Plan Comores Emergent*, shared with you on May 28, 2024, which aims to create a foundation for inclusive, job-creating, and resilient growth, while enabling the policymakers to confront the long-term challenges associated with poverty, climate change, gender inequalities, and human capital development.

6. The measures and policies set forth in the attached MEFP are appropriate to achieve the objectives of the program. We stand ready to take any additional measure that may prove necessary to safeguard the objectives under our economic reform program. We will consult with IMF staff on the adoption of any additional measures and prior to any revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations. We will hold timely consultations with the IMF on new external borrowing to ensure that it continues to strengthen confidence in the program, does not jeopardize debt sustainability, and is in line with ceilings on non-concessional and concessional performance criteria (Tables 1a and 1b in the MEFP). To facilitate program monitoring and assessment, the government undertakes to provide all necessary information to IMF staff on a regular basis and in a timely manner, pursuant to the attached Technical Memorandum of Understanding (TMU).

7. In line with our commitment to transparency, we consent to make public the content of the IMF staff report, including this letter, the attached MEFP, and the TMU. We, therefore, authorize the IMF to publish these documents on its website once the IMF Executive Board approves the completion of the second review under the ECF.

Sincerely yours,

______________/s/___________	_______________/s/_____________
Mzé Abdou Mohamed Chanfiou	Younoussa Imani
Minister of Finance and Budget	Governor, Central Bank of Comoros

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Moroni, Union of the Comoros, June 7, 2024

This Memorandum of Economic and Financial Policies (MEFP) updates and supplements the MEFP of November 2023. It describes recent economic developments, the progress made in implementing the policies and reforms to which we committed under the ECF-supported program, the macroeconomic outlook, as well as the government's objectives and economic policy plans over the coming years.

A. Recent Economic Developments and Outlook

1. **Economic activity rebounded as expected in 2023, reflecting sustained post pandemic activities.** With the deceleration in food prices, inflation continued declining, registering -2 percent (y/y) in December 2023 after having been at 20.6 percent at the end of 2022. Growth is estimated at around 3 percent for 2023, as projected during the first review, reflecting the impact of large public investment projects. Domestic credit growth (y/y) slowed from 19.5 percent in June to 3.5 percent in December due to reduced credit to public enterprises, while private sector credit growth remained steady during the second half of 2023. The external position remained stable, with a trade deficit of less than 20 percent of GDP.

2. **Fiscal performance showed signs of tapering in the second half of 2023.** The primary domestic deficit remained under control, the overall fiscal deficit slightly improved, reaching KMF 8,091 million, due to a good outturn of budgetary support compared to the amended 2023 annual budget. Tax revenue in 2023 grew by 11.9 percent, driven by (taxation of previously exempted products: construction materials, edible oils, beverages, domestic gas, lamp petroleum, canned and prepared foods, etc.), efforts in corporate and payroll tax collection, and an increase in the size of the portfolio of the Large and Medium Taxpayers' Office. On the expenditure front, budget execution accelerated as expected in the second half of 2023, driven by increased spending related to the organization and preparation of presidential elections, the African Union chairmanship, and investments linked to the continuation of the El Maarouf hospital construction project. However, the end-of-year fiscal target was achieved thanks to the strong performance of tax revenues.

3. **The external position was stable at the end of 2023**. The current account deficit widened to more than 2 percent of GDP in 2023 but turned out better than expected at the start of the program. The increase in the trade deficit compared with 2022 was offset by strong private transfers. Gross international reserves (GIR) in 2023 increased to US$321 million (7.3 months of imports of goods and services), exceeding the program target, thanks in part to recent loan and grant disbursements.

4. **While growth is expected to accelerate in 2024, the outlook is subject to uncertainties.** The heavy rains, floods in April, and the cholera epidemic could negatively impact economic activity and fiscal balances. The war in Ukraine and geopolitical conflicts in the Middle East could also have an impact on global commodity prices. The slowdown in grants and budgetary aid to Sub-Saharan Africa, including Comoros, has tightened financing constraints. Meanwhile, any delay in the

execution of investment projects such as the El Maarouf Hospital and the Galawa Hotel could have a growth impact, although the construction of social housing and rehabilitation work on southern roads due to floods would contribute to supporting activity in the construction sector. While awaiting the direct benefits in terms of trade and investment from the accession to the WTO in February 2024, we are aware that additional efforts need to be made in revenue mobilization to bridge the gap which could be caused by the subsequent tariff dismantling. Over the medium term, Comoros continues to face many development challenges, including limited capacity and economic diversification, low fiscal revenue, and dependency on imports, remittances, and external aid. These challenges are compounded by natural disaster risks, including those related to climate change.

B. Economic and Financial Policies Supported by the ECF

Fiscal Policy

5. Our fiscal program is predicated on sustained consolidation effort over the medium term in order to decrease debt sustainability risks and reduce financing needs over time. Consolidation would be driven by (i) a steady increase in tax revenue (streamlining tax exemptions, correct application of customs tariffs in SYDONIA) and revenue administration (continuing work on broadening tax base, improving large taxpayers' compliance, collecting main tax debts, ensuring proper application of customs' tariff, and improving customs' audit performance) ; (ii) a set of targeted current spending measures (keeping stabilized the wage-to-GDP ratio, continuing the work to improve the management of civil employees); (iii) key structural PFM system's reform (improving the budget execution process, reform of the TSA, SOE's restructuration and supervision; and, (iv) reducing investment spending to pre-pandemic levels once already committed spending is phased out. The envisaged fiscal path strikes a balance between enabling growth and lowering debt risks and is in line with our objective to bring all debt burden indicators below their higher risk thresholds by 2028. Overall, these policies are expected to improve the domestic primary balance, from -1.8 percent of GDP in 2024 to around -0.1 percent of GDP by the end of the program.

6. Our 2024 budget is being executed in line with the fiscal plan and targets under the program parameters. The implementation of the Large and Medium Taxpayers' Office and efforts to strengthen tax and customs administration have led to a strong revenue performance in 2023, and we are committed to maintaining the momentum in 2024. In 2024, new needs have emerged, particularly related to expenses for containing the cholera epidemic, the agreement signed between the Government and the teachers' unions, preparations for legislative elections scheduled for the first quarter of 2025, and more recently, expenses incurred in assisting flood victims due to the rainy season. Some of these needs, notably the preparation for legislative elections and assistance to flood victims, will be addressed within the framework of transfer orders initiated by the Ministry of Finance. The new measures resulting from the agreement with the unions will be considered within the framework of the upcoming 2025 budget.

7. Despite the on-going consolidation efforts, fiscal and corresponding external financing needs persist over the medium term. The needs reflect several factors including the low level of tax revenues, the recapitalization of the postal bank, and debt service obligations for the 2019 and 2020 emergency financing and previously contracted non-concessional borrowing. We commit to obtaining grants and concessional financing to fill these needs, and we are aware that further uptakes of non-concessional debt would quickly undermine debt sustainability. We therefore commit to avoiding contracting any non-concessional borrowing over the program period (QPC).

8. The government is committed to protecting social spending and priority investments and will aim to increase such expenditures as reforms help create more fiscal space. The 2024 budget law allocated KMF 5.22 billion for health and KMF 1.49 billion for education. These allocations accounted for about one third of transfers, and we commit to maintaining at least these levels in the 2024 budget. With support from the World Bank, we have been implementing the social safety net project (Projet de Filets Sociaux de Sécurité, PFSS) which has been providing unconditional cash transfer to the most vulnerable households. In July, this project was replaced with the Projet de Filets Sociaux de Sécurité Résilient et Réactif aux Chocs (PFSS-RRC), with an expanded mandate to support transfers related to cash for work, livelihood grants, and technical training. We will continue to partner with the World Bank on this important social project and will aim to ensure timely disbursements for the project. We will also continue to work with development partners to prioritize and implement investment projects envisaged under our national development strategy, *Plan Comores Emergent*, to ensure continued growth and shared prosperity for the Comorian population.

9. We have accumulated new external and net domestic arrears in the second half of 2023 and in 2024.

- Discussions are also ongoing regarding the arrears to BADEA (multilateral), and Exim Bank India (official bilateral) and we intend to find a solution in due course. As a result of ongoing discussions with these two entities, the payments that were due in December 2023 were not made, leading to new external arrears (US$0.35 million for BADEA and US$0.13 million for Exim Bank India) under the program, as anticipated. Additional new external arrears have emerged due to payment delays to multilateral, official bilateral, and other creditors: TDB of US$1.4 million (due in December 2023 and already paid later in December but with a slight delay), Bpifrance Assurance Export of US$0.4 million (due in December 2023 and paid in January 2024), and Islamic Development Bank (IDB) of US$0.09 million (due in December 2023 and paid in March 2024). Similarly, we have accumulated in 2024 external arrears to TDB of US$1.36 million (due in March 2024 and already paid in May 2024), Saudi Fund for Development (SFD) of US$ 0.16 and US$0.41 million (due respectively in February and March 2024 and already paid in May 2024).
- As of end-December 2023, net domestic arrears stood at KMF 398.7 million. We are working to clear them and avoid accumulating new net internal arrears.
- The payment delays were due to liquidity constraints and liquidity management issues. We will continue working with the IMF to develop a system ensuring timely debt service repayment, starting with the use of existing debt management software at the Debt Directorate. To improve debt reporting capacity, we are undertaking a project supported by

the African Development Bank (AfDB) to construct a debt database and implement a new debt management software.

Fiscal Structural Reforms

10. We recognize that Comoros' fiscal revenue is the lowest among all small island states and commit to raising revenue steadily over time to enable higher public investment in human and physical capital. Work will continue to consolidate gains already made in revenue administration and improving revenue prospects through tax and customs administration and policies. We will continue to seek technical assistance (TA) support from the IMF on revenue administration and tax policy to raise revenue over the medium term.

- On tax administration, we have successfully (i) met the end-December SB to raise the number of active taxpayers by 17 percent at the Large and Medium Taxpayer office by end-2023 and sent all these taxpayers requests to file tax declarations (10 percent increase by end-December 2023 SB); and (ii) interconnect DGI and DGD databases through the interconnection of the SIGIT and SYDONIA platforms (end-December 2023 SB); and (iii) recover 56 percent, i.e. KMF 850 million, of the outstanding tax arrears stock estimated at KMF 1.5 billion as of December 2022. We also plan to: (i) systematically exploit customs data collected through the SIGIT-SYDONIA interconnection to tax new taxpayers and conduct tax adjustments (new SB); (ii) intensify recovery actions initiated in 2023, including on the two other islands; (iii) continue the registration and taxation of liberal professions; (iv) expand data collection from other third parties (Commercial Court, banks, telecommunications operators, water and electricity suppliers, etc.); and (v) implement an action plan to raise awareness among public companies regarding compliance with their tax obligations. Efforts in digitalizing procedures will continue towards introducing remote procedures deploying SIGIT across all the islands.
- At customs administration, we completed in December 2023 the *de jure* transfer of the management of domestic taxes on petroleum products (TIPP), and published the ministerial decrees needed to implement the customs code in early June 2024 (end-June 2024 SB). We will incorporate a post-accession action plan for the Union of the Comoros to the WTO into our Strategic Plan for 2024-2027. We intend to: (i) adopt and implement a clearance plan for suspensive regimes (new end-September 2024 SB) and recover at least 50 percent of the duties and taxes due or past due as of June 30, 2024 (new end-December 2024 SB), (ii) continue simplifying and popularizing customs clearance procedures and ensure the correct application of the customs tariff structure; (iii) strengthen risk management and improve control selectivity criteria; (iv) continue securing customs clearance for the main imported products by increasing from 10 to 15 the number of food products subject to tariff specification codes (TSC); (v) continue digitalizing procedures and strengthen the use of SYDONIA; (vi) develop dialogue between customs and the private sector; (iv) strengthen the internal control system and decision-making information system.
- We intend to establish the Tax Policy Unit (TPU) that reports to the Minister of Finance by end- September 2024 (SB). The unit would be responsible for spearheading tax policy

related reforms. Ahead of this unit's establishment, we plan to request support from FAD to undertake a tax expenditure analysis starting with customs duties and indirect taxes (new end-October 2025 SB) to identify avenues for gradual reduction and streamlining of tax incentives and exemptions starting in 2025.

11. The government will continue efforts to strengthen public financial management (PFM) and enhance spending efficiency and transparency of public spending to ensure the best possible use of our scarce resources. We have already (i) published the 2024 budget approved by Parliament as a key step to improving budget transparency (end-March 2024 SB), (ii) completed the audit of domestic arrears, including cross-arrears with SOEs, and (iii) established the State Financial Operations Table (TOFE) development committee. We plan to implement other key measures, including:

- Appointing the Director of the General Directorate of Public Accounting and the Treasury (DGCPT) (end-March 2024 SB), which is being finalized, and the promulgation in May 2024 of the presidential decree on the Budgetary and Accounting Management Regulations (end-April 2024 SB).
- The daily transfer of tax revenues collected by EXIM Bank on behalf of the DGI, to the Treasury Single Account (TSA) at the BCC according to the terms of the contract for the collection and transfer of tax revenues between the Government and EXIM Bank Comoros (new end-July 2024 SB, achieved in May).
- Comply with the legal and contractual framework of the TSA as set out in the Agreement of November 27, 2014, on the terms and conditions for the operation and management of the TSA at the BCC, and the implementation of the roadmap developed at the end of 2021, which includes several key reforms that are necessary to improve the operation of the TSA. For example, this includes creating a centralized account function within the DGCPT or the gradual extension of the coverage of the Treasury Single Account (TSA) to all transactions relating to extrabudgetary entities, public administrative bodies, and foreign- financed projects. To date, there are several state sub-accounts, not all of which are under the control of the Union's General Treasury Paymaster (TPGU), preventing visibility into the overall liquidity situation of the State and efficient cash management. To address this situation, as a first step, the Ministry of Finance will ask the BCC to provide the DGCPT, the TPGU, and the IMF team with daily consolidated statements of all government accounts held at the BCC (new end-June 2024 SB). Over time, we will integrate these sub-accounts into the TSA. We will no longer open sub-accounts or accounts outside the scope of the TSA.
- Improving the availability, consistency, and quality of budgetary and financial data in the State Financial Operations Table (TOFE). To achieve this, we are relying on the operationalization of the TOFE Committee and are seeking support from FAD through the appointment of a resident advisor to the DGTCP. This expert's main tasks will include supporting the establishment of the Central Treasury Accounting Agency (ACCT), assisting in the TSA reform, and contributing to the stabilization and improvement of the quality of information contained in the TOFE.

- Continuation of efforts to strengthen wage bill management in line with the recommendations of capacity building missions by the IMF and other partners, building on the recent merger of separate island payroll databases into one national database, and the improvement of the State's personnel management information system which aims to achieve three objectives: (i) identifying "ghost" employees and facilitating physical control of civil servants; (ii) managing attendance and hours worked; and (iii) optimizing salary processing and payment.
- Defining a strategy for clearing domestic arrears from 2009–2020 (end-March 2024 SB) will take us longer due to the large amount of old and cross-cutting debts to be verified, but we are working on it.

12. We will continue enhancing governance and strengthening the oversight of SOEs. Pending the adoption of the draft SOE law by Parliament before end-June 2024, which will align the SOE legal framework with the best practices, we commit to continuing the financial audit of SOEs conducted by the Inspection des Finances - at this stage, ONICOR, OCOPHARMA and Comores Telecom have been audited - and to proposing restructuring plans that will be implemented with support from our key partners. We intend to centralize the supervisory function within the new department in charge of SOEs, the Direction de la Gestion des Participations de l'Etat et de Suivi des Performances Financières des Etablissements et Entreprises Publiques, ensuring collaboration with all other relevant structures. We will improve tax revenue forecasting methods to align more closely with the actual fiscal potential of SOEs. We will conclude performance contracts with major SOEs to ensure improved service provision quantity and quality, as well as define financial targets. Further, we intend to require SOEs to comply with their tax reporting and payment obligations, and to systematically present certified annual balance sheets and income statements, ensuring the homogenization of financial information and documents in accordance with OHADA rules. We will seek adjustments in SOEs' staffing levels and compensation packages, and ensure the proper application of tax rules, particularly regarding payroll tax. Finally, we will end cross-arrears settlement between the State and the SOEs to enable greater transparency, starting with the state-owned oil company SCH. We will request an IMF TA to help strengthen the governance and supervision of SOEs.

Monetary and Financial Sector Policies

13. Monetary policy will continue to safeguard the peg and stability. Amidst falling inflation, the BCC has kept minimum bid rate for reverse auctions unchanged at 3 percent since July 2023, the liquidity absorption ceiling at KMF 10 billion since January 2023, and the reserve requirement ratio remained unchanged at 12.5 percent since October 2023, supporting a neutral monetary policy stance. Nevertheless, the BCC will continue to monitor inflation and international reserves to adjust its monetary policy, if necessary, particularly in case of a resurgence in inflation or large outflows of reserves. Moreover, the external coverage ratio of the Comorian franc continues to remain well above its statutory norm. On average, it stood around 105 percent during the review year, compared to 101 percent in 2022 and 95 percent in 2021. The Comorian currency benefits from such extensive external coverage due to the BCC's foreign assets being significantly higher than its sight liabilities. This indicates that the official parity of the KMF appears to be well shielded from any speculative pressure. We will continue our efforts to strengthen the monetary policy toolkit and to equip the Comorian economy with means to build resilience against exogenous shocks.

14. The government is committed to preserving external stability. In 2023, gross international reserves (GIR) increased to US$322 million (equivalent to 7.3 months of imports of goods and services), driven by recent disbursements of loans and grants, along with the decline in oil and food prices. Recognizing the importance of preserving reserves at a level that can effectively cushion shocks, we will monitor balance of payments developments and engage with the IMF on any emerging difficulties and will avoid measures or policies that would give rise to or compound such difficulties.

15. Our banking system is facing substantial challenges:

- **Weak institutions and judicial enforcement continue to constrain lending to the economy and undermine the quality of financial assets**. Financial institutions have weak underwriting and risk management procedures, often significant credit risk concentration, while shortcomings in the judicial system delay loans recovery. The Non-Performing Loans (NPLs) Commission, established in 2021 and which comprises the Ministry of Finance, the Ministry of Justice, and the BCC, helped reduce the level of NPLs in 2021-2022 (see below).
- **The financial safety net (FSN) is not yet fully developed, limiting the government's available options to deal with problem banks**. For example, an emergency liquidity assistance (ELA) facility remains to be created. Work is ongoing with the TA of the Monetary and Capital Markets Department (MCM) of the IMF which has allowed the identification of a list of collateral eligible for refinancing at the BCC, and in particular, within the ELA framework, which is being implemented.
- **A lack of financial infrastructure inhibits the development of the interbank market**. Banks cannot easily borrow from or lend to other banks and the BCC, given absence of organized market and readily available lending instruments and collateral (neither the government nor the central bank issue securities). However, as part of the ongoing work on the operational framework of monetary policy and liquidity management, the BCC has put in place a marginal lending facility as well as a mechanism for absorbing monthly excess liquidity. Two financial institutions with sufficient liquidity regularly subscribe to the marginal lending facility via calls for tender, and now have high-quality collateral in the form of term deposits at the central bank, enabling them to refinance at the marginal lending facility. The adoption of the Public Debt Management Law in 2023 contributes to the improvement of guarantee and refinancing instruments.

16. To strengthen the financial sector, the government intends the following:

- **Improve financial sector's operating environment,** including by strengthening the judicial system to ensure that financial institutions can realize pledged collateral and avoiding arrears owed to suppliers by the government and SOEs. In this context, the NPL Commission delivered recommendations on accelerating the drafting of court decisions, with initial positive results during its first phase of operation in 2021-2022, reflected by the improvement in the NPL ratio from 23.7 percent in 2020 to 14 percent in October 2023. After pausing in its activity during the elections, the Commission resumed its work in February 2024, focusing on the largest cases of NPLs, and is continuing its work to resolve them. The Commission will report on the progress made in 2024 to the President of the Union by end-May 2025 (SB).

- **Strengthen supervision of the banking sector and the FSN.** The BCC established in June 2023 a bank resolution and regulation department (DRRB), structurally separated from the supervision department (DSB), and reporting separately to the Governor and the BCC Board. This department has been responsible for amending the 2020 Financial Institutions Resolution and Recovery Law (LRIF). These legislative amendments were recommended in the MCM TA report of September 2022, and include establishing a statutory depositor preference, introducing a resolution funding mechanism, and solidifying the power to liquidate an entity in default. We received the TA from the IMF Legal Department (LEG) in the second quarter of 2024, which enabled the completion of these amendments. We submitted the amended LRIF to Parliament in May 2024 (SB). The DSB is currently completing onsite inspections of financial institutions to assess the quality of credit portfolios by June 2024. Given DSB’s human resource constraints between September 2023 and May 2024: although the BCC hired twelve additional staff, including three in the DSB, three staff separated in September 2023 due to internal reorganization. Due to the shortage of inspectors in the first quarter of 2024, it is unlikely that we will be able to complete on-site inspections of all banks and microfinance institutions by the end of June 2024 (SB) as planned. We commit to completing on-site inspections of seven out of nine institutions, representing approximately 90% of the system's assets, by end-June 2024, and to completing on-site inspections of the remaining two microfinance institutions by end-October 2024.
- **Stabilizing the financial sector.** We are considering strategic options for two banks—one under resolution since July 2022, and another nationalized with public administration lifted in June 2022. We are preparing recapitalization plans, and estimating the potential fiscal costs associated with recapitalizing of one of the two banks and the recovery or takeover of the other. These recapitalization plans will be credible—in the case of divestments, these will be preceded by thorough restructuring and recapitalization, supported by fiscal resources and strong governance reforms. By December 2024, the BCC will have received and approved time-bound recapitalization plans from all deposit-taking institutions in breach of capital adequacy requirements, including microfinance institutions (SB). Institutions unable to comply with these time-bound recapitalization plans, or that are insolvent or unviable, will be resolved. Any provision of funding would be subject to strict conditions that minimize the risk of moral hazard, and include determinations that (i) the provision of temporary funding is necessary to protect financial stability and will facilitate a resolution option that is best able to achieve resolution objectives; (ii) private sources of funding have been exhausted or cannot achieve these objectives; and (iii) losses are first allocated to shareholders and, as appropriate, to creditors and the industry at large.

- **Strengthen financial infrastructure**, including by strengthening liquidity management, and in the medium term, the BCC will operationalize its ELA function by establishing a framework for the ELA facility; while we consider the development of a government securities market in coordination with the Treasury to be important, we are aware that, alongside the development of the government securities market, a number of prerequisites that must be met. In addition to these prerequisites, there are other obstacles such as insufficiently developed cash management, the absence of a unit within the Ministry of Finance's Debt Department responsible for issuing government securities, and inadequate human and technical resources that need to be addressed. Further, it is necessary to strengthen debt management and liquidity forecasting capacities, develop a medium-term debt strategy, and dispose a sufficiently deep and diverse investor base. The AFRITAC South mission, which had already developed a roadmap for the creation of a securities market in Comoros, should be able to continue its mission with the technical team in place (BCC and Ministry of Finance) for the effective implementation of the roadmap, provided the agreed upon prerequisites for such missions are completed.

17. We are continuing to execute the restructuring of the SNPSF. We are advancing the reform to ensure that the new postal bank (Banque Postale des Comores, BPC) will operate according to the business plan (updated in May 2024), which minimizes fiscal risks and is supported by a strong governance and risk management framework, to promote financial inclusion while limiting fiscal contingent liabilities. We have established the Board of the BPC, appointed the Director of the BPC, and terminated the functions of the former SNPSF management. The issuance of a banking license to the BPC by the BCC Board was not done by end-December 2023, as opening financial statements of the BPC, the separation of assets among the BPC and the postal entity, and the updated business plan of the BPC were not completed on time by an external consultant. The restructuring committee has since hired other external consultants to finalize the work and presented the finalized BPC dossier for approval at the BCC Board meeting in April 24. The BCC Board raised additional follow-up requests, most of which were clarifications on the dossier, and a few additional items, such as (i) the status and timeline for the operationalization of a new Management Information System (MIS) at the BPC, cybersecurity measures, and risk mitigation related to the current MIS; (ii) a reassignment of 19 employees from the SNPSF which should not be included at the BPC; (iii) the market valuation of SNPSF's assets. We have responded to the BCC Board's request, and we are awaiting the decision on the banking license approval. The government has committed to repay securities, issued to the BPC in May 2023 and amounting to KMF 7.36 billion, in cash according to the schedule defined in the recapitalization plan, first in four installments of KMF 1.3 billion, including interest, between 2023 and 2025 (two installments scheduled in 2023), then in 2025 for the remaining amount. Due to liquidity constraints, the first two installments due in 2023 were missed, but the government redeemed the first installment of KMF 1 billion in early 2024. It commits to repaying the remaining 2023 amounts in 2024, and the remaining tranches as planned. As the due diligence of SNPSF's accounts revealed, the financing gap has widened since the last assessment in 2021. In March 2024, the government issued an additional debt instrument amounting to KMF 2.3 billion to the BPC, in addition to the bonds issued in May 2023 to ensure it had sufficient assets to apply for a banking license. This additional bond will be repaid in 2026 and 2027. The French Treasury has committed to providing grants, via the AFD, towards the restructuring process, to be disbursed as agreed milestones are met. We expect that these funds will alleviate liquidity pressures and allow to redeem the bond on time. The next steps for the reform are:

- The BPC restructuring team is setting up the MIS for the BPC in collaboration with a supplier selected through a call for tenders (contract signed in April 2024). Completion of the operationalization of the BPC's new MIS had to be postponed from June to December 2024 due to delays in the supplier selection process. We expect the BPC to become fully operational by early 2025, i.e., with the MIS established by early 2025 and with the continuing government redemptions of the securities issued to the BPC according to the schedule outlined above.
- The due diligence of SNPSF's balance sheet was carried out in 2024Q1, updating the valuation of its assets and liabilities, which allowed us to identify the allocation of assets and liabilities between BPC, the postal office, and the residual non-performing assets. BCC undertakes to withdraw SNPSF's banking license as soon as BPC becomes operational (expected early 2025). We will work on recovering the non-performing assets of the SNPSF, and in accordance with the banking law, the BCC will ensure that the liquidation of SNPSF's remaining assets is completed within the next 3 years.
- Implementation of the business plan of BPC developed under the 2021-23 Staff Monitored Program (SMP), which envisages three phases of operation. The BCC will monitor and provide supervisory reports on the BPC's compliance with the business plan every January and July, starting on January 31, 2025, until July 31, 2026 (rescheduled SB). In phase 1, risk taking will be contained by limiting loans to existing customers, with a limit on new loans to any customer of KMF 5 million. In phase 2, BPC will expand credits to new customers, including individual entrepreneurs (but no other businesses), with credit per customer limited to KMF 5 million. In phase 3, BPC will provide credit to new customers, including small businesses with fewer than fifty employees, with credit per customer limited to KMF 7.5 million. Phases 1 and 2 will each last at least 2 years. The conditions to move from phase 1 to phase 2 will include full payment of the agreed BPC capitalization schedule in cash, the establishment of improved risk management capacities with the support of AFD, and the fact that BPC has made profits during at least the previous two years. The conditions for moving to phase 3 will be the establishment of improved risk management capabilities incorporating procedures for small business credit risk and the fact that BPC has been profitable for at least the previous two years. The transition from each phase to the next will be subject to evaluation and authorization by the BCC. The viability of the BPC will be assessed by the BCC at the end of each year, based on the effective implementation of the business plan and the achievement of satisfactory results. Should any deficiencies be identified, proposals for new, low-risk directions will be discussed to ensure the dynamic viability of the BPC.

Strengthening Governance and Reducing Vulnerabilities to Corruption

18. The government will continue to take measures to enhance governance and lower the vulnerabilities to corruption:

- **Rule of law:** Our judicial system struggles to ensure property rights and enforce contracts, which undermines private sector development. We have undertaken steps to strengthen judicial efficiency, including by enhancing its equipment. These efforts have resulted in an acceleration of court cases. We will continue to further strengthen the integrity and efficiency of the system, with the support of the EU.
- **Fiscal transparency.** Measures discussed above on strengthening public financial management and enhancing oversight of SOEs will make an important contribution to strengthening governance, as will our efforts to enhance fiscal accounting and reporting. We published in June 2023 the results of the audit of the spending of IMF emergency financing provided under the RCF/RFI of April 2020. To further strengthen fiscal transparency further, we have begun publishing comprehensive information on all public procurement contracts, including beneficial ownership information starting on May 1, 2024 (SB). We have laid the basis for such publications by issuing a circular regarding the submission to a nominated procurement agency of documentation on all public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s).
- **Anti-corruption**. We remain committed to anti-corruption reforms. We adopted the new anti- corruption law in June 2023, which met the objectives under the program (SB). As provided by the law, we created in May 2024 the Anti-Corruption Chamber (ACC) (end-December 2023 SB), which is an operationally independent and autonomous public entity with investigative capacity and powers and the mandate to set up the country's anti-corruption policy priorities, manage an effective asset declarations (AD) system of senior officials, and maintain a public anti-corruption complaints platform. We anticipate TA needs to initiate the Chamber's activities, particularly in implementing the asset declaration system for subjected officials and the data management system. We will work with partners to obtain the necessary support, with priority given to the implementation of the anti-corruption law and the AD framework. We would also be interested in seeking IMF support in the future to conduct a governance diagnostic assessment (GDA), which could help identify areas of vulnerability to corruption. The recommendations from this diagnostic could contribute to shaping the Chamber's future work.
- **Management of the civil service**. Our civil service is facing capacity constraints, and we are taking steps to strengthen it. We will continue our efforts to address absenteeism and recover wages that were paid to "ghost workers." We are also exploring the option of strengthening hiring using a competition/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 national administration; and introducing performance management. We will avoid hirings that are non-compliant with existing procedures.

19. The government will strengthen effectiveness of the AML/CFT framework. We will align the AML/CFT law with the international standards set by the Financial Action Task Force and adopt it. In this regard, the recruitment process for an external consultant has already been initiated. In the meantime, the BCC will reach out to commercial banks to raise awareness of AML/CFT requirements and enhance risk-based supervision including by conducting onsite inspections to assess compliance with existing AML/CFT regulations. Further, the assessment of the Comoros' AML/CFT frameworks by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) is underway, and the onsite assessment was conducted in July 2023. The recommendations from the assessment, when available, will inform ongoing efforts to strengthen AML/CFT framework.

20. The Central Bank will continue working on implementing recommendations of the IMF's 2023 safeguards assessment. To that end, we are finalizing amendments to the 2008 central bank statutes to strengthen the BCC's autonomy in line with the safeguard's recommendations. We are committed to working closely with the French authorities, under the monetary cooperation framework, and the IMF in the coming months to finalize the amendments and towards the promulgation of the revised central bank statutes by September 2024 (new SB). Further, the BCC will strengthen the internal audit function and government is also working to establish a repayment plan for the long-term loan that the BCC extended to government in connection with the IMF SDR allocation.

Data Enhancement

21. The government recognizes that Comoros' economic and financial data have serious shortcomings in almost all sectors that hamper economic analysis, policy formulation and implementation. The government is committed to ensuring that INSEED will have sufficient human and capital resources to collect timely price data and update the national accounts, in line with the statistical capacity support project of the World Bank, the IMF and other partners.

Program Monitoring

22. The program will be monitored through prior actions, quantitative performance criteria, indicative targets, and structural benchmarks as listed in MEFP Tables 1a, 1b, 2, and 3. The program will be monitored with reviews at semi-annual frequency. The third, fourth and fifth reviews will be on or after September 30, 2024, March 30, 2025, and September 30, 2025, and based on end-June 2024, end-December 2024, and end-June 2025 test dates, respectively. The Technical Memorandum of Understanding describes the definitions of key indicators as well as data provision requirements.

Table 1a. Union of Comoros: Quantitative Performance Criteria and Indicative Target, June 2023–December 2023

(In millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2023											
	End-June				End-September				End-December			
	Performance Criteria				Indicative target				Performance Criteria			
	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status
Quantitative Performance Criteria[1]												
1. Floor on Tax Revenues	22,194.4		25,052.8	Met	36,990.6		37,487.4	Met	49,320.8		49,631.4	Met
2. Floor on the Primary Domestic Fiscal Balance	-10,517.5	-9,250.1	-4,536.5	Met	-11,268.5	-10,444.2	-5,312.0	Met	-15,024.7	-13,124.4	-12,332.4	Met
3. Floor on the Level of Net International Reserves	82,608.9		99,620.1	Met	106,211.4		104,176.9	Unmet	107,929.7		127,614.5	Met
4. Ceiling on the Accumulation of New Domestic Payments Arrears, Net[2]	0.0		860.0	Unmet	0.0		703.3	Unmet	...	...	...	...
5. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0		0.0	Met	0.0		0.0	Met	0.0		0.0	Met
6. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0		3.1	Unmet	0.0		2.0	Unmet	0.0		1.5	Unmet
Indicative Targets[1]												
7. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	...		...	...	...		...	...	0.0		398.7	Unmet
8. Floor on Social Cash Transfers	1,550.2		0.0	Unmet	2,325.4		0.0	Unmet	4,131.9		2,721.1	Unmet
9. Floor on Cash-for-work, Livelihood Grants, and Technical Training				...	...		...	...	...	...	...	...
Memorandum Items												
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	23		0.0	...	47		0	...	70		0	...

Sources: IMF Staff.

[1]Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

[2]Starting in December 2023, the accumulation of net domestic arrears is monitored as an indicative target.

[3]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

Table 1b. Union of Comoros: Quantitative Performance Criteria and Indicative Target, March 2024–June 2025

(In millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2024							2025	
	End-March				End-June	End-September	End-December	End-March	End-June
	Indicative target				Performance Criteria	Indicative target	Performance Criteria	Indicative target	Performance Criteria
	Proj.	Adjusted	Outturn	Status	Proj.	Proj.	Proj.	Proj.	Proj.
Quantitative Performance Criteria[1]									
1. Floor on Tax Revenues	11,347.6				25,532.1	42,553.4	56,737.9	12,497.0	28,118.3
2. Floor on the Primary Domestic Fiscal Balance	-5,354.8				-8,210.7	-8,657.0	-8,924.7	-2,244.9	-3,442.2
3. Floor on the Level of Net International Reserves	108,570.9		113,153.3	Met	109,639.4	111,776.6	112,204.0	112,130.3	112,007.4
4. Ceiling on the Accumulation of New Domestic Payments Arrears, Net[2]	...				...	...	...	...	...
5. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0				0.0	0.0	0.0	0.0	0.0
6. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0		1.9	Unmet	0.0	0.0	0.0	0.0	0.0
Indicative Targets[1]									
7. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0				0.0	0.0	0.0	0.0	0.0
8. Floor on Social Cash Transfers	264.7				264.7	264.7	264.7	264.7	264.7
9. Floor on Cash-for-work, Livelihood Grants, and Technical Training	632.0				3,210.7	3,919.9	4,332.7	632.0	3,210.7
Memorandum Items									
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	14				14	27	78	14	14

Sources: IMF Staff.

[1]Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

[2]Starting in December 2023, the accumulation of net domestic arrears is monitored as an indicative target.

[3]Continuous performance criteria, cumulative since beginning of calendar year. Outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

Table 2. Union of the Comoros: Proposed New Structural Benchmarks, 2024–25

Proposed Measures	Proposed Timing
DGI to produce an audit report showing tax adjustments in the second half of 2024, resulting from new taxpayers being identified and taxed based on data exchanges with customs from the SIGIT-SYDONIA interconnection	April 30, 2025
Ministry of Finance to request BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's Treasury Payer General, and the IMF	June 30, 2024
The BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's Treasury Payer General, and the IMF	Every workday starting from July 1, 2024
The Debt Directorate at the Ministry of Finance to provide the IMF and the BCC with the external debt situation compiled by the debt management software CSDRMS	At the end of every month starting from September 30, 2024
Ministry of Finance to conduct tax expenditure analysis starting with customs duties and indirect taxes	October 31, 2025
General Directorate of Customs to complete an arrears report, identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024, and specifying the due dates on those customs duties	September 30, 2024
General Directorate of Customs to recover at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024	December 31, 2024
NPL Commission to submit a report to the President on NPL developments and work of the Commission to resolve NPLs during 2024	May 31, 2025

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24

A. Fiscal Structural Reforms

	Date	Status
Measures to Boost Tax Revenue		
Establish the Large and Medium Taxpayer Office (Direction des Grandes et Moyennes Entreprises)	July 31, 2023	Met
Raise the number of active taxpayers by 10 percent at the Large and Medium Taxpayer office (from 543 at the large taxpayer office and the medium and small taxpayer office, as of March 31, 2023) and send all these taxpayers requests to file tax declarations.	December 31, 2023	Met
Remove the fee for getting a NIF (Numero d'Identification Fiscale) and the requirement to renew it every 3 years and ensure that all taxpayers have a NIF adapted to the SIGIT platform	September 30, 2023	Met
Interconnect the SIGIT and SYDONIA platforms to enable automated exchange of data between DGI and customs	December 31, 2023	Met
Customs Reforms		
Complete the de jure transfer of the management of fuel products taxes to the customs administration after already having completed the transfer de facto	June 30, 2024	Met
Issue ministerial decrees to implement the customs code	June 30, 2024	Met
Tax Policy Measures		
Establish a Tax Policy Unit that reports to the Minister of Finance, with TA from FAD	September 30, 2024	
PFM Measures		
Complete the audit of domestic arrears, including cross-arrears between SOEs and the government	December 31, 2023	Met
Develop a medium-term action plan to clear domestic arrears	March 31, 2024	Not met, proposed to reset for September 30, 2024
Appoint Director of the General Directorate of Public Accounting and the Treasury	March 31, 2024	Not met
Finalize and promulgate the presidential decree on the Budgetary and Accounting Management Regulations	April 30, 2024	Not met, completed in May 2024
Publish the annual 2024 budget approved by Parliament	April 30, 2024	Met

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (continued)

B. Financial Sector Reforms		
	Date	**Status**
SNPSF Restructuring		
Appoint managing director at BPC with management expertise and experience in banking and credit risk management to operationalize the BPC according to the business plan developed under the SMP	August 31, 2023	Met
Submit to BCC an application for a banking license for the Banque Postale des Comores, which would specify a business plan, a management team, and a capital injection plan that are in line with MEFP ¶15 of the ECF Request	August 31, 2023	Met
BCC to issue a banking license which complies with the conditions set out in SMP MEFP ¶15 of the ECF Request	December 31, 2023	Not Met
BCC to provide supervisory reports on the compliance of BPC with the phase 1 of the business plan (limit lending operations to existing customers with individual limits of KMF 5 million for the first two years of operation), including quantitative information on the number of new customers and maximum lending per customer, in line with ¶15 of the MEFP of the ECF Request	Every July and January, starting on July 31, 2024, to January 31, 2026	Reset to every January and July, starting on January 31, 2025 to July 31, 2026
Measures to Enhance BCC's Supervision and Resolution Capacity		
BCC to set up a resolution unit which is structurally separated from the Supervision Department, and reports separately to the BCC Board	June 30, 2023	Met
Submit to Parliament the statutory resolution framework that includes the three points recommended in the MCM TA report, "Operationalization of the Bank Resolution Act of September 2022," to align with international standards	May 31, 2024	Met
BCC to complete onsite inspections to assess the quality of credit portfolios	June 30, 2024	
Approval by the BCC of a formal timebound recapitalization plan to be adopted by each Comorian deposit-taking institution in breach of capital adequacy requirements	December 31, 2024	
C. Institutional, Governance and Anti-Corruption Reform		
Adopt into law the draft anti-corruption law that was aligned with the SMP objectives to enhance preventive measures against corruption, strengthen the rules related to conflicts of interest, and improve the asset declaration system for senior public officials, while providing for the creation of an operationally independent and autonomous Anti- Corruption Chamber with the mandate to set up and coordinate implementation of the country's anti-corruption policy priorities	June 30, 2023	Met

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–24 (concluded)

	Date	Status
Operationalize an independent and autonomous anti-corruption agency in line with the draft anti-corruption law	December 31, 2023	Not Met, completed in May 2024
Publish the full audit report of spending financed by the IMF emergency support in 2020	June 30, 2023	Met
Publish online information on public procurement contracts, including beneficial ownership information, in line with the roadmap published in 2021	Continuous, starting on May 1, 2024	Met
Promulgation by the President of the Union of Comoros of the amended statutes of the BCC in line with IMF staff advice	September 30, 2024	

Attachment II. Technical Memorandum of Understanding

Moroni, Union of the Comoros, June 7, 2024

This Technical Memorandum of Understanding (TMU) defines the concepts, adjustment mechanisms, and data reporting requests relating to the quantitative targets provided in Tables 1a and 1b of the Memorandum on Economic and Financial Policies (MEFP).

A. Definitions and Computation Methods

1. For the purposes of this TMU, external and domestic are defined on a residency basis, and the program exchange rate is the average rate projected in 2023 as of end-April 2023, specifically 462.8 KMF per U.S. dollar, 491.97 KMF per euro, 617.32 KMF per SDR, and 612.44 KMF per AfDB Accounting Unit.

2. Unless otherwise indicated, the term **government** refers to the government of the Union of the Comoros. Local governments, the Central Bank of Comoros (BCC), and any public entity with independent legal status, including state-owned enterprises, are excluded from the definition of government.

3. Government **domestic revenue** comprises all tax and non-tax revenue of the government as reported in the Table of Government Financial Operations (TOFE) reported by the Ministry of Finance, Budget and the Banking Sector. Revenue is assessed on a cash basis. It includes any tax revenue withheld by the Treasury at the source (such as on the salaries of civil servants) but not tax revenue withheld by SOEs in compensation for services provided to, or debt owed by, the government. Revenue includes recovered tax arrears but excludes outstanding tax arrears. Proceeds from grants, loans, and asset sales do not count as domestic revenue.

4. Government **domestically financed expenditure** comprises all government spending including spending financed by budget support grants or loans, non-concessional loans, and loans contracted for spending on El Maarouf hospital, but excludes expenditure financed by all other project-specific external grants or concessional loans (such as technical assistance, project maintenance, vaccines, World Bank financing for strengthening the social safety net, external funding related to the African Union presidency, or investments in fixed assets). Recapitalization and restructuring costs of state-owned enterprises, such as the SNPSF, are also excluded from expenditure; recapitalization costs are instead recorded as acquisition of assets under “financing” (i.e., “below the line”). Spending is assessed on a payment-order basis but includes also spending executed before payment authorization and not yet regularized.

5. The **domestic primary fiscal balance** is defined as domestic revenue less domestically financed expenditure, defined above, excluding interest payments.

6. **Net international reserves (NIR) of the BCC** are defined for program-monitoring purposes as reserve assets of the BCC minus short-term external liabilities at remaining maturities and all credit outstanding from the IMF. Reserve assets are defined as external assets readily available to, and controlled by, the BCC and exclude pledged or otherwise encumbered external assets, assets used as collateral or guarantees for third-party liabilities, or assets that are not fully convertible. Securities whose market value on the last day of the year differs by over 20 percent from their original nominal issue price will be assessed at their market value as reported by the BCC. When calculating NIR, all values are to be converted to the actual mid- point market exchange rates prevailing at the test date.

7. **Debt** is defined as in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103) of the Executive Board (October 28, 2020). "Debt will be understood to mean a current, i.e., not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract."

8. A debt is considered **concessional** if it includes a grant element of at least 35 percent, and non-concessional otherwise. The grant element is the difference between the nominal value of the debt and its net present value, expressed as a percentage of the nominal value. The net present value of the debt at the date on which it is contracted is calculated by discounting the future stream of debt service payments due using a 5 percent discount rate.

9. **Domestic (external) payment arrears** of the government are defined as any of the following: (i) invoices that a spending ministry has received from a resident (non-resident) supplier of goods and services and for which payment has not been made within 90 days from the date the payment order (*ordonnancement*) was cleared, unless it can be ascertained that the goods and services in question were not delivered; (ii) in the case of specific contracts between resident (non- resident) parties and the government, any **obligations (including debt service) that have not been paid at the time** stipulated in the contracts, including any applicable grace period; (iii) tax credits confirmed by the proper authorities after review, and not paid within 90 days from the date when the payment order was issued; or (iv) wages and salaries and any payments to a government employee that were due to be paid in a given month but remained unpaid on the 30th day of the following month. Arrears exclude debt service **that the creditor has forgiven or rescheduled to a later date.**

10. **Social cash transfers** refer to cash **transfers** supporting vulnerable households that have a direct effect on reducing poverty, including those financed by international development partners. **Transfers related to cash for work, livelihood grants, and technical training** refer to cash transfers that support vulnerable households in livelihood and income-generating activities supported by the World Bank's Shock Responsive and Resilient Social Safety Net Project (PFSS-RR) in Comoros.

B. Quantitative Performance Criteria and Indicative Target

11. Unless otherwise stated, all quantitative targets (MEFP Tables 1a and 1b) will be assessed cumulatively from the beginning of the calendar year.

12. The **floor on tax revenue** is the tax portion of government domestic revenue described in paragraph 3. Thus, the sought-after increase in tax revenue specified in Tables 1a and 1b of the MEFP will have to be realized entirely in the cash portion of domestic revenue.

13. The **floor on the domestic primary fiscal balance** (as defined in ¶5) will be adjusted as follows:

- The end-2024 floor on the domestic primary fiscal balance will be fully adjusted downward (i.e., more negative) for unexpected spending on COVID-19 vaccinations that is not financed by support for vaccinations from development partners such as the World Bank.
- The quarterly floor on the domestic primary fiscal balance will be adjusted upward (i.e., less negative) by one half of the amount by which domestic revenue (tax and non-tax) exceeds expectations. As a result, the authorities will be able to spend half of any excess revenue. For reference, domestic revenue in 2024 is projected to reach KMF 13,380.5 million, KMF 30,106.2 million, KMF 50,177.0 million, and KMF 66,902.7 million at end-March, end-June, end-September, and end-December respectively. For 2025, domestic revenue is projected to reach KMF 14,956.4 million and KMF 33,651.8 million at end-March and end-June, respectively.
- Given the definition of domestic revenue (¶3) the floor on the domestic primary fiscal balance will not be adjusted for unexpected changes in budget grants and loans. This implies that any additional budget support above expectations must be saved or used to reduce debt, while any shortfall in budget support would not require raising revenue or cutting spending to offset the lower budget support. Note that the previous bullet continues to apply even if budget support is lower than expected.

14. The **floor on net international reserves of the BCC** will not be adjusted for unexpected changes in budget grants and loans. The reason is that the current level of reserves is adequate, hence significant further accumulation is not needed, but their level should not fall below the floor of 6.8 months of imports that is assessed be adequate for Comoros.

15. The **ceiling on domestic arrears** applies to the net accumulation of domestic arrears from the beginning of the calendar year. This accumulation will be assessed by subtracting clearance of arrears incurred in the current year or earlier from gross accumulation of new arrears in the current year. The **ceiling on external arrears** applies continuously to the gross accumulation of new external arrears from the beginning of the calendar year (in other words, there should be no new external arrears accumulated at any point in time). Starting from January 1, 2024, the program definition of new external arrears exclude debt to the Arab Bank for Economic Development in Africa (BADEA), for which an alternate creditor is being sought, and debt to Exim Bank India, which relates to a power plant project under dispute and for which the Comorian authorities are seeking solutions with the Indian government. These exclusions are made on a temporary basis for these specific loans that are under discussion/dispute. This continuous performance criterion will be monitored continuously by the authorities and any nonobservance will be reported promptly to the Fund. For reference, the net accumulation of domestic arrears up to the end of 2023 is estimated at 399 million KMF.

16. The floors on social cash transfers and transfers related to cash for work, livelihood grants, and technical training (as defined in ¶10) will be adjusted downward for shortfalls in the disbursements of World Bank grants for these projects. Similarly, they will be adjusted upward for disbursements above the projected amounts. For reference:

- The cumulative amount expected for social cash transfers at end-March 2024, end-June 2024, end-September 2024, and end-December 2024 is US$ 571,920 (or KMF 264.7 million at the program exchange rate defined in ¶1); in other words, final disbursements for this program are expected by end-March 2024.
- The cumulative amounts expected for transfers related to cash for work, livelihood grants, and technical training are as follows:

Text Table 1. Union of the Comoros: Disbursements by the World Bank for the PFSS-RRC Transfers for Cash for Work, Livelihood Grants, and Technical Training
(Cumulative since start of the year)

	U.S. dollars	Millions KMF at the program exchange rate defined in ¶1
End-March 2024	1,365,671	632.0
End-June 2024	6,937,508	3,210.7
End-September 2024	8,469,874	3,919.9
End-December 2024	9,362,020	4,332.7
End-March 2025	562,582	260.4
End-June 2025	1,454,728	673.3

17. The ceiling on the contracting or guaranteeing of new non-concessional debt by the government or the BCC will be assessed continuously and excludes IMF credit. Normal short-term import and supplier credits (e.g., revolving credit lines) are excluded, these being self-liquidating operations, because the sales of imports are used to repay the debt. Debt being rescheduled or restructured is excluded from this ceiling to the extent that such non-concessional debt is used for debt management operations that improve the overall public debt profile. A debt is considered contracted on the signature date of the contract. This continuous performance criterion will be monitored continuously by the authorities and any nonobservance will be reported promptly to the Fund.

18. Standard continuous performance criteria include prohibitions on (1) the imposition or intensification of restrictions on making of payments and transfers for current international transactions; (2) the introduction or modification of multiple currency practices; (3) the conclusion of bilateral payments agreements that is inconsistent with Article VIII; and (4) the imposition or intensification of import restrictions for balance of payments reasons.

C. Reporting Requirements

19. The authorities will report to Fund staff the information and data in the form mutually agreed with the reporting agency and the frequency described in the table below. The authorities will transmit promptly to Fund staff any data revisions and consult Fund staff regarding any and all information or data not specifically addressed in this TMU but necessary for monitoring the program.

Table 1. Union of the Comoros: Periodic Data Required for the Extended Credit Facility

Agency	**Data**	**Frequency**	**Deadline**
	Real Sector		
INSEED	Consumer Price Index.	Monthly	1 month
INSEED	National accounts, including GDP deflator (historical data and projections).	Annually	9 months
INSEED/BCC	Economic bulletin / note, including data in Excel file.	Quarterly	3 months
SONELEC/INSEED	Electricity production and consumption.	Quarterly	1 month
SONOLEC	Financial statement	Annually	3 months
SCH	Financial statement	Annually	3 months
ONICOR	Financial statement	Annually	3 months
	Monetary Sector		
Agency	**Data**	**Frequency**	**Deadline**
BCC	Monetary statistics, government net position, BCC accounts and consolidated accounts of other depository corporations, and reserve position.	Monthly	45 days
	Fiscal Sector		
Agency	**Data**	**Frequency**	**Deadline**
TOFE Committee	TOFE (including a file detailing social spending: education, health, support for the most vulnerable)	Quarterly	3 months
Directorate of Public Accounting and the Treasury	Treasury cash flows	Monthly	2 weeks
Debt Directorate	Monitoring of public debt (contracted debt, disbursed debt, interest payments, principal repayment) due to external creditors and domestic financial institutions.	Quarterly	1 month
Debt Directorate	External debt arrears	As soon as incurred	As soon as incurred
Debt Directorate	Debt arrears with domestic financial institutions.	Monthly	1 month
Debt Directorate	Debt bulletin	Quarterly	3 months

Table 1. Union of the Comoros: Periodic Data Required for the Extended Credit Facility (concluded)			
Customs	Imports in detail (volume, value and corresponding revenue for each tax and duty)	Monthly	1 month
Customs	Exports in detail (volume, value and corresponding revenue for each tax and duty)	Monthly	1 month
General Planning Commission (CGP)/CREF	Monitoring of projects by donor, specifying the terms of project financing (loans or grants) and their nature (investment or current expenditure)	Quarterly	45 days
External Sector			
Agency	**Data**	**Frequency**	**Deadline**
BCC	Imports including all petroleum products (volume, value)	Quarterly	2 months
BCC	Exports (volume, value)	Quarterly	2 months
BCC	Balance of payments	Annually	4 months
BCC/Banking supervision	Financial soundness indicators of the banking system	Quarterly	1 month
BCC/ Banking supervision/ Banking Resolution	Monitoring reports of SNPSF, BDC and BFC	Quarterly	1 month

Statement by Mr. Regis O. N'Sonde, Mr. Mbuyamu Matungulu, Ms. Mwanza Nkusu, and Ms. Fatimetou Yahya on Union of the Comoros
June 21, 2024

On behalf of our Comorian authorities, we would like to thank staff for the constructive dialogue and close collaboration in the context of the second review under the Extended Credit Facility (ECF) arrangement. We would also like to thank Fund Management, the Executive Board, and staff for the quality policy engagement and valued support, indispensable to keeping Comoros' ECF-supported reform program on track. The authorities' continued commitment to the program has helped contain the impact of recent shocks and crises and strengthened economic resilience.

Our authorities largely concur with staff's analyses and policy recommendations.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

While economic activity picked up in 2023 and inflation decelerated considerably, Comoros continues to face daunting macroeconomic and development challenges. Underpinned by strong public investment, increased domestic activity, and a resurgence in tourism, real GDP growth is estimated to have increased to 3 percent in 2023, up from 2.6 percent in 2022. Inflation, which increased drastically to 20.6 percent (y-o-y) in December 2022, due mostly to high import prices, has significantly eased, turning to negative 0.9 percent in 2023. That said, the economy faces major structural challenges, exacerbated by the country's remoteness, small economic size, and limited institutional capacity. Furthermore, persistent global shocks and tight financing conditions as well as extreme weather events continue to weigh on economic activity and the limited fiscal space. It should, in this regard, be noted that while still coping with the lingering impacts of multiple shocks—Cyclone Kenneth in 2019, the COVID-19 pandemic, and the global ramifications of the war in Ukraine and the conflict in the Middle East, Comoros faced a cholera outbreak in February 2024 followed by tropical storms in April and May 2024.

Notwithstanding the difficult context, fiscal performance improved in 2023, broadly in line with program expectations, mainly reflecting a notable increase in domestic revenue mobilization. Importantly, the authorities implemented critical reforms to broaden the tax base and strengthen tax administration, while phasing out subsidies and tax exemptions, and reducing losses at key state-owned enterprises (SOEs), including through rigorous financial audits. Tax revenues rose by nearly 12 percent in 2023, helping to maintain the domestic primary deficit at around 2 percent of GDP, despite heightened spending pressures.

Gross international reserves increased in 2023 despite a widening of the current account deficit. The current account deficit is estimated at about 2.5 percent of GDP, almost 2 percent of GDP wider than in 2022, although significantly below the projected level of 5.8 percent of GDP. Stronger-than-anticipated private and official transfers explain the estimated outturn. Gross international reserves increased from 6.7 months of imports in 2022 to about 7.5 months of imports, exceeding the program target.

The economic outlook remains favorable but subject to potential downside risks. Growth is expected to accelerate to 3.5 percent in 2024 and to average 4.0 percent over the medium term. The projected GDP growth is predicated on the implementation of sound macroeconomic policies, beefed-up public infrastructure investments, and a rebound in tourism and private sector activity. The recent WTO membership should also improve terms of trade and investment prospects and contribute to stronger growth. Inflation is projected to reach 3.5 percent at end-December 2024 and decelerate afterwards to stabilize at about 2 percent over the medium term. The current account deficit is expected to widen further to 3.3 percent of GDP in 2024 and average 4.3 percent of GDP over the medium-term. The foreign exchange reserves cover is projected to strengthen further to cover 9.4 months of imports in 2024 and to an average of 10 months over the medium term. However, the outlook remains subject to significant downside risks, notably from changes in international commodity prices, climate shocks, and potential health crises such as an intensification of the ongoing cholera outbreak.

PROGRAM PERFORMANCE

Performance under the Extended Credit Facility (ECF) program has been broadly satisfactory. Despite significant challenges, the authorities met four out of five end-December 2023 quantitative performance criteria (QPCs). Faced with liquidity constraints and persistent debt management issues, the authorities missed the QPC related to the non-accumulation of new external arrears and the indicative target on net domestic arrears due to delays in payments. Corrective measures have been promptly implemented, and all external arrears were cleared except for those to BADEA and Exim Bank India, which are currently under negotiation. The authorities have also started putting in place a clearance strategy for domestic arrears, based on the completed audit report, and aim to finalize it by September 2024. While the authorities missed the target on cash transfers, due to project disbursement delays, they aim to continue their close collaboration with the World Bank to ensure timely disbursements in the future.

The implementation of structural reforms has been broadly satisfactory. The Comorian authorities met most structural benchmarks (SBs) for the second review, have implemented two end-June 2024 SBs ahead of schedule, and made notable progress toward the achievement of missed SBs. SBs met include the interconnection of the tax and customs administrations IT management systems; an increase of 17 percent of active taxpayers at the Large and Medium Taxpayer office (DGME), exceeding the targeted 10 percent; the completion of the audit of domestic arrears including cross-arrears with SOEs; and submission to Parliament of a statutory bank resolution framework in line with Fund TA recommendations. The two SBs implemented ahead of deadline relate to customs reforms: issuance of ministerial decrees to implement the customs code, and completion of the de jure transfer of the management of fuel products taxes from the oil-importing SOE to customs, formalizing the de facto transfer that was completed before the first review, in December 2023. Two SBs were implemented with delays, and progress has been made on the implementation of the missed two end-December 2023 SBs. In particular, while the targeted issuance of a banking license for the newly created *Banque Postale des Comores (BPC)* was missed, the related request was submitted to the Executive Board of *Banque Centrale des Comores* (BCC), and the authorities continue to work closely with all stakeholders with the aim of having the license issued by end-June 2024. Further, towards the achievement of the missed SB on operationalization of the Anti-Corruption Chamber (ACC), the selection of its members was finalized in May and the decree to form the Chamber was signed by the President on May 23, 2024.

POLICY PRIORITIES FOR THE MEDIUM TERM

Fiscal Policy and Reforms

Fiscal consolidation underpinned by strengthened revenue mobilization remain at the core of Comoros' macroeconomic reform agenda. Measures to improve the efficiency of the tax administration will continue, complemented by strong expenditure rationalization and prioritization actions. The latter include sustained efforts to contain the wage bill, notably through removal of ghost public workers. These reforms will benefit from the planned tax expenditure analysis, starting with customs duties and indirect taxes. Together with enhanced fiscal discipline over the medium-term, envisaged tax and expenditure measures should help expand available fiscal space and buffers. However, the planned unwinding, by 2026, of taxes not in compliance with WTO rules will generate potentially significant revenue losses.

The authorities are assessing the anticipated negative revenue impact and plan to address the losses through adequate compensating measures in their medium-term tax policy strategy. With Fund technical assistance, these reform efforts will be led by the Tax Policy Unit, which will become operational in September 2024.

The authorities are committed to improving liquidity and debt management. To strengthen cash management in the short term, the authorities have increased the frequency of sweeps of collected tax revenues from commercial bank accounts into the Treasury Single Account (TSA) to daily from bi-weekly operations. They have also enacted daily reporting for all government account balances. The authorities are working on a clearance strategy for the pre-existing accumulated stock of domestic arrears and are taking actions to avoid accumulation of new domestic and external arrears. To this end, the ministry of Finance has begun compiling a centralized debt database and will also produce monthly debt reports that will be shared with staff. Medium-term priorities will focus on enhancing liquidity management processes and tools, including through the use of a new debt management software, enhanced visibility of government liquidity, and a revision of the TSA reform aimed to improve operational modes and reintegrate the accounts currently outside the TSA scope.

Public financial management reforms will continue to advance fiscal transparency, including in SOEs. These efforts will be backed by ongoing tax administration policy actions, including accelerated digitalization, implementation of e-procedures, and a broadening of the coverage of the SIGIT system across all islands. In this vein, improving data quality and availability remains a priority and will benefit from the work of the recently created TOFE Committee in charge of compiling the fiscal accounts. On SOEs, the adoption by Parliament of the new law on governance of public enterprises will align the related legal framework with international best practices and strengthen transparency and oversight of public enterprises.

Monetary and Financial Sector Policies and Reforms

Banque Centrale des Comores **(BCC) will maintain vigilant monitoring of inflation and foreign exchange reserves, adjusting policies as necessary to safeguard the currency peg.** The BCC has kept the reserve requirement ratio at 12.5 percent since October 2023, which helped effectively manage excess liquidity and inflation. To further enhance the BCC's monetary policy toolkit, the authorities will pursue ongoing efforts to develop the collateral framework, interbank market, marginal lending facility, and emergency liquidity assistance framework. Together with the launch of domestic government securities, these efforts will contribute to the development of the domestic credit market.

Strengthening financial sector supervisory capabilities and stability remains a top priority for Comoros. The authorities will continue ongoing restructuring of the state-owned postal bank (SNPSF) and ensure that the new *Banque Postale des Comores* operates with strong governance and risk management frameworks, to promote financial inclusion while limiting fiscal contingent liabilities. Efforts are also underway to align prudential regulations with Basel II and III frameworks, upgrade supervisory processes, and implement a risk-based supervision system. The newly established Resolution and Banking Regulation Department (DRRB) is working to put in place the necessary requirements to implement the new resolution framework while closely monitoring relevant developments in the banking sector. Strategic options are being evaluated for banks under resolution and nationalization to ensure their stability and minimize fiscal risks. The work of the Non-Performing Loans (NPLs) Commission has enabled a significant reduction in the NPL ratio which declined to 14 percent in 2023, from nearly 24 percent in 2020. The Commission has resumed its work in 2024, focusing on the biggest portfolios, and will prepare a progress report before the end of the year.

Governance Reforms

The authorities remain committed to advancing anti-corruption and governance reforms to enhance institutional integrity and transparency in the public sector. Ongoing reforms include the publication of all public procurement contracts, including beneficial ownership information. Moreover, the newly established ACC is a significant step in the fight against corruption and is set to play a crucial role in enforcing the anti-corruption law and formulating a broader anti-corruption agenda, including enforcing asset declaration requirements for government officials. The authorities are committed to a comprehensive strategy allowing the ACC to fulfill its mandate, but full operationalization will require additional financial and capacity development support from development partners.

Strengthening the AML/CFT framework remains a priority. Recommendations from the recent assessment by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) inform ongoing efforts to adopt a new AML/CFT law and enhance risk management frameworks.

Response to the Impacts of Climate Change

Comoros faces significant challenges from climate change, with recent extreme weather events underscoring the country’s climate vulnerability. Heavy rains and floods in April 2024 have had widespread negative repercussions, including substantial damage to infrastructure, exacerbating the country's existing vulnerabilities. Acknowledging Comoros' high vulnerability to climate change, the authorities have prioritized adaptation efforts in their Nationally Determined Contributions (NDC), and despite resource and capacity constraints, progress has been made in developing an environmental legal framework for the sector and initiating projects to increase climate resilience, with support from the UNDP, the World Bank and other partners. However, significant financing gaps remain, and the authorities are actively engaging with partners to mobilize the necessary resources. IMF assistance under the Resilience and Sustainability Facility (RSF) in due course would be highly supportive.

CONCLUSION

Despite facing considerable capacity constraints and challenges, the Comorian authorities have made significant progress in fostering macroeconomic stability and advancing structural reforms under the ECF-supported program. Achievements thus far demonstrate the authorities' strong commitment to moving their reform agenda forward and laying a solid foundation for the orderly pursuit of their development goals. The authorities are grateful for Fund support under the ECF program and the extensive technical assistance it provides. IMF assistance, together with that provided by other development partners, will remain crucial to the continuing successful implementation of the country's economic and structural reform agenda.

In light of the authorities' satisfactory program performance and their strong commitment to the program objectives going forward, we would appreciate Executive Directors' favorable consideration of their requests for completion of the second review under the ECF-supported program and for a waiver for the nonobservance of the continuous performance criterion on the non-accumulation of external arrears.