

**Document of
The World Bank
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Report No. 82054-KM

INTERNATIONAL DEVELOPMENT ASSOCIATION

AND

INTERNATIONAL FINANCE CORPORATION

COUNTRY PARTNERSHIP STRATEGY

FOR

THE UNION OF COMOROS

FOR THE PERIOD FY14–FY17

April 16, 2014

Southern Africa Country Department 2
Africa Region

International Finance Corporation
Sub-Saharan Africa Department

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Date of Last Interim Strategy Note:

May 27, 2010

CURRENCY EQUIVALENTS

Currency Unit = Comorian Franc (KMF)

(as of October 11, 2013)

KMF 363.25 = US\$1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank	ICT	Information and Communications Technology
BCC	<i>Banque Centrale des Comores</i> (Central Bank of the Comoros)	IDA	International Development Association
CEM	Country Economic Memorandum	IFC	International Finance Corporation
CPS	Country Partnership Strategy	I-PRSP	Interim Poverty Reduction Strategy Paper
CREF	Economic and Financial Reforms Unit	IMF	International Monetary Fund
DCPT	<i>Direction Générale de la Comptabilité Publique et du Trésor</i> (Directorate of Public Accounts and Treasury)	ISN	Interim Strategy Note
DeMPA	Debt Management Performance Assessment	INSEED	National Institute of Statistics and Economic Studies and Demographics
DPO	Development Policy Operation	JSDF	Japan Social Development Fund
ECF	Extended Credit Facility	MA-MWE	Gestion de l'Eau et l'Electricité aux Comores (Water and Power Utility in Comoros)
EDA	<i>Electricité d'Anjouan</i> (Electricity Company of Anjouan)	MDGs	Millennium Development Goals
EGTAG	Economic Governance Technical Assistance Grant	MIGA	Multilateral Investment Guarantee Agency
EGRG	Economic Governance Reform Grant	MDRI	Multilateral Debt Relief Initiative
ERDPG	Economic Reform Development Policy Grant	NACC	National Anti-Corruption Commission
ESRP	Electricity Sector Recovery Project	NPDC	National Public Debt Committee
EU	European Union	NPV	Net Present Value
FADC	<i>Fonds d'Appui au Développement Communautaire</i> (Community Development Support Fund)	PFM	Public Finance Management
FPAD	<i>Forum des Partenaires au Développement</i> Development Partners Forum	PRGSP	Poverty Reduction and Growth Strategy Paper
FSAP	Financial Sector Assessment Program	SCADD	Sustainable Accelerated Growth and Development Strategy
GAC	Governance and Anti-Corruption	SDR	Special Drawing Rights
GDP	Gross Domestic Product	SWIOFP	South West Indian Ocean Fisheries project
HIPC	Heavily Indebted Poor Countries	UNDP	United Nations Development Program

	IDA	IFC
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Map: IBRD 33389

EXECUTIVE SUMMARY

COUNTRY PARTNERSHIP STRATEGY FOR COMOROS FY2014-17

1. **The Union of the Comoros is a small nation made up of three islands with an estimated population of 760,000.** Like other small island nations, it is characterized by geographical isolation, limited resources, a small domestic market, a narrow export base and a high dependence on food imports and remittances. Since independence in 1975 Comoros has experienced recurrent political crises and conflict between the islands. Political instability has contributed to a long-term declining trend in real income per capita and taken a severe toll on the government's ability to deliver quality basic services. The legitimacy and accountability of the state has suffered as a result.

2. **Constitutional reforms adopted in 2009 represent a turning point in Comoros' development, transforming relations between the islands, significantly reducing tensions and improving the prospects for greater stability.** Since 2009, macroeconomic management has improved supported by a three year Extended Credit Facility (ECF) program with the International Monetary Fund (IMF). Implementation of structural reforms enabled the country to reach the Heavily Indebted Poor Countries (HIPC) completion point in December 2012 and consequently benefit from the Multilateral Debt Relief Initiative (MDRI). Successful HIPC completion underpinned by greater political stability and increased support from development partners offer the possibility of further acceleration of reform, growth and poverty reduction. The Bank Group is in an excellent position to support this process, thanks in large part to the strengthened partnership with Comoros developed through the HIPC process.

3. **Despite these achievements, the country faces serious challenges.** First, although data on poverty is outdated, there is evidence that poverty is widespread. Poverty incidence at the household level was estimated at 36.9 percent in 2004 (when the most recent household survey was carried out) and the share of the population with incomes below US\$1.25 per day was estimated at 48 percent. A shortage of employment opportunities is a major driver of poverty and is the result of economic growth which is insufficient to create employment for the growing labor force. Second, the country remains at high risk of debt distress and will require continued access to concessional finance while accelerating reforms to ensure fiscal and external sustainability. Third, institutional capacity remains limited and undermines policy design and implementation.

4. **The proposed CPS aims to build on the successes achieved through the HIPC process and supports the Government's objectives to strengthen governance and promote private sector growth and job creation.** The Bank-supported program (knowledge, finance, and partnership) will be structured around two pillars: (i) Increased Public Sector Capacity; and (ii) Shared Growth and Increased Employment. These strategic priorities are aligned with the Government's Poverty Reduction and Growth Strategy Paper (PRGSP) and contribute directly to the objectives of reducing extreme poverty and increasing shared prosperity in Comoros. The CPS proposes a selective approach that emphasizes consolidating the gains achieved to date while laying the groundwork for further progress. The initial emphasis will be on using

instruments that have proven effective (social protection, public financial management (PFM) reform and development policy operations) while implementing recently approved infrastructure operations in electricity and information and communications technology (ICT) which leverage partner and regional IDA resources. At the same time, the Bank will carry out core diagnostic economic and sector work (ESW) and other analytical and advisory assistance (AAA) services needed to build the Bank's knowledge base on Comoros while maintaining flexibility to respond to the Government's needs and the priorities to be identified in the upcoming poverty reduction strategy and by the new Government following presidential elections now expected in 2016.

5. Activities under Pillar 1 of the CPS will aim at enhancing public sector capacity to deliver results by: (a) building the capacity to mobilize and effectively use public resources; and (b) strengthening mechanisms for addressing vulnerability at the national and household levels. The PRGSP recognizes that inadequate institutional arrangements have undermined the capacity of the state to deliver results and cope with shocks. This has reinforced political instability, and addressing the root causes of this instability is a core strategy of the PRGSP. This pillar of the CPS program will seek to address the key drivers of fragility, namely the lack of trust between the islands and the Union, the resulting administrative inefficiencies and lack of accountability, and the consequent inability to effectively deliver services and public goods. This pillar of the CPS also seeks to reduce vulnerability to climate change and natural disasters at both the national and household levels.

6. Pillar 2 of the CPS focuses on strengthening the foundation for diversified and sustainable economic growth. The CPS program under this pillar features investment lending to address critical economy-wide infrastructure constraints to growth and job creation (energy, telecoms) and reforms that will strengthen the environment for private investment in sectors with the potential to generate sustained economic growth and employment (tourism, agriculture and fisheries). The program also builds on recent and planned IFC advisory work aimed at strengthening the enabling environment for private sector investment.

7. The national IDA allocation for the CPS period is expected to be about US\$25 million based on indicative average annual IDA financing over the FY2014 to FY2017 period of US\$6 million. The CPS period encompasses the final year of IDA16 and the full IDA17 period. The CPS financing program leverages national IDA resources with an estimated US\$29.4 million in regional IDA funds (through the RCIP-4 and the planned Southwest Indian Ocean Fisheries projects) for an overall CPS IDA envelope of about US\$60 million.¹

8. The CPS will feature a mix of instruments in support of the proposed strategy. A series of development policy operations (DPOs) will form the core of the Bank financing program and will be designed to deepen and sustain the reforms initiated under the HIPC process with a focus on strengthening economic governance, enhancing transparency across the Union and island governments, and improving efficiency in key infrastructure sectors (electricity and ICT). Complementary technical assistance will be critical to the success of the reforms supported

¹ The amounts shown in outer years are indicative only. Actual allocations will depend on: (i) total IDA resources available; (ii) the country's performance rating, GNI per capita, and population; (iii) the terms of IDA assistance (grants/credits) and the allocation deductions associated with Multilateral Debt Relief Initiative (MDRI) annual debt service foregone; (iv) the performance, other allocation parameters, and IDA assistance terms for other IDA borrowers; and (v) the number of IDA-eligible countries.

by DPOs, and the ongoing Economic Governance TA operation as well as other technical assistance (for example in Statistics) and investment lending in energy and fisheries will continue to support implementation of the reforms.

9. **Renewed political instability is the main risk to achievement of CPS objectives.** Other risks include: (i) weak institutional capacity; (ii) macroeconomic risks tied to the global economic context and internal developments; and (iii) vulnerability to natural hazards and climate change.

COMOROS: COUNTRY PARTNERSHIP STRATEGY FY2014-17

I. Country Context

1. The Union of the Comoros is a small archipelago with an estimated population of 760,000² covering a territory of about 1,800 square kilometers. About 52 percent of the population lives on the largest island, Ngazidja (or Grande Comore), which is also home to the Union capital, Moroni, the seat of the Union government. The second largest island, Nzwani (Anjouan), has 42 percent of the population, and the smallest, Mwali (Mohéli), 6 percent. Comoros has a high population density of about 328 inhabitants per km² and a population growth rate estimated at 2.9 percent. About 53 percent of the population is younger than 20 years old.

2. **Like other small island states, Comoros faces challenges linked to its small size and geographic isolation.** A narrow resource base and small domestic market prevent Comoros from diversifying its economy, making it vulnerable to domestic and external shocks. Transport costs are high and international connectivity is weak, making it difficult and costly to access world markets to compensate for its small domestic markets, a situation that increases the cost of intermediate inputs and imports and hampers efficiency and innovation. Moreover, communication among and within the islands is difficult, further fragmenting the market. Domestic competition is also limited, which hampers development. Also, like many small states, Comoros is characterized by weak capacity in both the public and the private sectors and has a relatively large public sector. Finally, Comoros is not only vulnerable to climate change-related impacts and natural disasters including cyclones, floods, and volcanic eruptions which typically have a high impact on the economy given its relatively small size, but also lacks access to risk mitigation tools that could help mitigate these impacts.

A. Social and Political Context

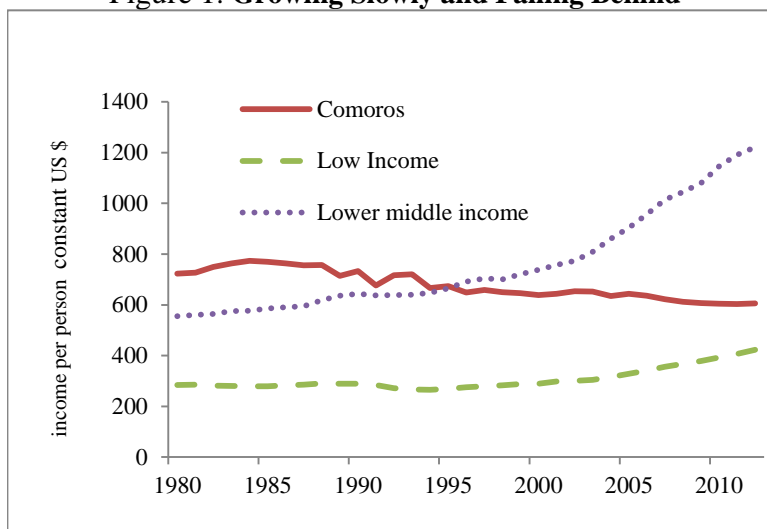
3. **Until recently, one of the most notable features of Comoros was its history of frequent political crises and conflict among the three islands.** At the core of this instability lies the difficulty in striking a balance between the roles of the respective island and Union governments. As a result, successive regimes have found it difficult to establish strong state institutions (the country has had five constitutions over 35 years of independence). Attempts at building political consensus have led to overlapping layers of decision-making, bureaucracy, and administrative inefficiencies. State inefficiency, vulnerability, and mistrust among stakeholders have translated into frequent coups and coup attempts³. Political instability has contributed to a long-term declining trend in real income per capita and taken a severe toll on the government's ability to deliver quality basic services, fueling grievance and instability (Figure 1). The legitimacy and accountability of the state has suffered as a result. Poor economic governance and weak institutional capacity at all levels of public administration have contributed to this de-

² This is according to data from the Poverty Reduction and Growth Strategy Paper (PRGSP), but population estimates for the Comoros vary widely from about 600,000 to 800,000. The last population census was in 2003 and indicated a population of 576,000. It is estimated that an additional 250,000 citizens live as an emigrant diaspora, mostly in France. The next census is planned for 2015.

³ Comoros has experienced 21 coups and coup attempts since independence in 1975.

legitimization and further impeded economic growth and poverty reduction. In an environment of weak governance, deeply rooted patronage systems fragmented across the islands, and unmet demand for social and economic improvement, pressures for recruitment into the public sector—civil service and inefficient state-owned enterprises—have remained intense, both a symptom and a cause of further tensions. (See Box 1).

Figure 1: Growing Slowly and Falling Behind



Source: World Development Indicators

4. **Constitutional reforms**

adopted in 2009 represent a turning point in Comoros’ development, transforming relations between the islands, significantly reducing tensions and improving the prospects for greater stability. A constitution adopted in 2001 greatly increased the autonomy of island governments with a president for each island and included a union presidency that rotated every four years among the islands. However, a secessionist crisis in 2008 created the conditions for reconciliation and a fundamental revision of inter-island relations. In 2009, Comorians adopted by referendum a series of amendments to the 2001 constitution intended to streamline and rationalize federal administrative arrangements. The amendments curtailed the autonomy of the islands, converted the island presidents to governors, and reaffirmed the unity of the state and the pre-eminence of the federal government by reducing political decentralization and bureaucracy. Presidential elections were held in late 2010 and the new president took office in May 2011. With presidential elections not expected until 2016, these developments are expected to contribute to greater political stability in the future and could set the basis for a new focus on a continuous reform program in the Comoros.

B. Poverty Profile and Trends

5. **Data on poverty has serious shortcomings that hamper diagnosis and policy making.** The data deficiencies are due to inadequate staffing and funding of the statistics office and technical and political difficulties in integrating island-based data. These deficiencies have in turn contributed to the limited demand for data from policy-makers and analysts. Some progress was made with collecting income-distribution statistics and social welfare indicators when the Interim Poverty Reduction Strategy Paper (I-PRSP) was being prepared in 2003-04. This is the latest solid information available. The limited information hampers policy-making and monitoring of progress towards development objectives such as the Millennium Development Goals (MDGs) and poverty reduction.

6. **Poverty incidence at the household level was estimated at 36.9 percent in 2004.** Poverty was mostly a rural phenomenon, with four out of five rural households classified as

poor; in urban areas, only one in four was poor. Not surprisingly, development indicators for rural areas lagged behind those for urban areas, with a higher poverty rate, a greater fertility rate among women of childbearing age, less common use of contraception, more prevalent stunting among children, more widespread adult illiteracy, and a greater share of the population lacking access to improved sanitation services. Urban poverty grew during the 1990s and early 2000s. In recent years, a rural to urban exodus has transformed previously rural areas into rapidly growing and crowded suburbs. With a Gini coefficient of 0.557, inequality was high and a significant share of the population was vulnerable although not poor. While 36.8 percent of households were poor, 47 percent were very vulnerable; 25 percent of non-poor but vulnerable and precarious families had an 80 percent chance of dropping back into poverty in the short term. The share of the population with incomes below US\$1.25 per day was estimated at 48 percent.

Box 1. Drivers of Fragility

Fragility in Comoros has been driven by a lack of cohesion and trust among the three islands and a resulting difficulty in developing state institutions conducive to development. This lack of trust, initially the result of geography and cultural heterogeneity, has fed conflict over the distribution of political representation and public resources and contributed to weak institutions and poor governance.

Despite their common culture, language and religion, forged over centuries, the three islands present diverse social systems. Social cohesion, though strong at the level of the extended family, clan, or village, remains weak at the whole country level where tensions among elites and notables are common. As a result it has been difficult to forge a consensus over the respective roles of national and island governments and the sharing of public resources through transparent and accountable institutional arrangements.

The sharing of power and resources between the three islands has been the main source of political tensions in Comoros. For example, separation attempts by Anjouan in 1997 and 2007 were driven by grievances against the national government primarily related to resources, representation at the national level and centralization of government services in Moroni.

Instability has in turn contributed to a long-term declining trend in the economy and taken a toll on the public sector's ability to deliver basic services, further fueling grievances and instability. In addition to the stress of political tensions, the frequent changes in the setup of government have allowed State institutions little time to mature, resulting in ineffective and overlapping layers of decision mechanisms and bureaucracy. In this context, a lack of transparency in the allocation and management of resources and public funds is a driver of mistrust and conflict. A critical challenge for the leaders of the country is to find a more stable equilibrium based on transparent rules and collaboration.

7. **A shortage of employment opportunities is a major driver of poverty.** The economy is dominated by the informal sector centered on agriculture and fishery production intended for self-consumption. Unemployment is widespread in Comoros, exceeding 15 percent of the active population and affecting one out of two young individuals in 2004, especially in rural areas. It is the result of insufficient economic growth and the multiple constraints which increase the cost of local production and discourage job creation including the high cost of energy and telecommunications, the poor state of transport infrastructure, costly bureaucracy, and limited access to credit. On the supply side, Comorians are often insufficiently trained to meet the needs of the employment market. The civil service is currently the biggest provider of employment in the Comoros. Not surprisingly, Comorians have often migrated to other countries in search of better economic prospects.

8. **In the coming years poverty reduction and shared prosperity are expected to be driven primarily by employment creation brought about by faster growth.** This will require, first and foremost, continued political stability to sustain the positive trend in Foreign Direct Investment (FDI), development assistance, and tourist arrivals. Second, macroeconomic stability will need to be sustained, particularly by improving budgetary and expenditure management to rein in the public deficit and reduce the risk of debt distress. Because poverty reduction has also been hampered by a lack of fiscal space that has constrained public services for the poor and public investment needed to support growth and job creation, HIPC debt relief, reinforced by improved budgetary and expenditure management, is expected to benefit the general public and particularly the poor by facilitating reallocation of limited resources towards poverty-reducing expenditures. Third, structural reform will be needed to facilitate private sector development, providing credit, easing regulations and ensuring basic infrastructure. Fourth, as the country develops, additional effort will be needed to improve the skills base of the work force.

C. Millennium Development Goals

9. **Progress toward achieving the MDGs has been uneven.** Despite lackluster economic trends, some social indicators have shown improvement in recent years, benefitting from aid-supported government programs. Performance in achieving universal primary education, reducing maternal mortality by three-quarters, and halting and beginning to reverse the spread of HIV/AIDS make it possible to achieve most MDGs by 2015. However, the goals of halving the population of undernourished population, achieving gender parity in schooling, and reducing child mortality by two-thirds are unlikely to be attained by 2015. In contrast, the objective of halving the proportion of people without access to safe drinking water has been surpassed. Some areas, such as the progress in halving the proportion of the population earning less than US\$1.25 per day, cannot be assessed due to a lack of data. Further details are provided in Annex 11.

10. **Comoros has made progress in education and health.** Gross enrollment in primary education exceeds 100 percent (although net rates remain below 80 percent). In spite of this notable increase in primary enrollment, the estimated number of out-of-school children is still high, especially in Anjouan. While enrollment increased from less than 3,000 in 2010 to about 9,000 in 2011, access to pre-primary education is still limited, with a gross enrollment rate of 16 percent in 2011 and is essentially private and urban. The gross access rate to primary education is 80 percent (86 percent for boys and 74 percent for girls) and the gross enrollment rate is 104 percent (95 percent for girls). There are about 28,000 out-of-school children between the ages of 6 to 11 years old, including 12,000 who have never been to school. In 2013 Comoros gained access to financing through the Global Partnership for Education. Child mortality at birth (49 per 1,000) and maternal mortality (380 per 100,000 live births) have slowly declined over the decade, and there has been some progress on the fight against HIV/AIDS and malaria. According to an assessment by the United Nations International Children's Fund (UNICEF) about one-third of the children under 5 years of age suffered from chronic malnutrition in 2008.⁴

⁴ See : *Rapport d'Evaluation de l'Etat Nutritionnel des Enfants de Moins de 5 ans et de la Mortalité dans l'Union des Comores*. UNICEF Comoros, December 2008.

D. Gender

11. **While household surveys suggest that women are overall economically better off than men, full participation of women in the country's development remains a work in progress**⁵. Although women generally inherit land and houses under customary law, they do not always have usufruct rights, which tend to go to their husbands, maternal uncles or failing that, their brothers. There is a high level of female-headed households due to migration of husbands; female single parent households represent 40.2 percent of the total, and there is a higher than average level of dependents in female-headed households. Although remittances benefit female-headed households in particular, they create economic dependency and act as a constraint to economic participation by women. Female labor force participation is comparatively low (36 percent as opposed to approximately 81 percent for men) and there are more unemployed women than men. Women's employment is also more likely to be precarious -- there are very few women in wage-earning non-agricultural work (13.7 percent) and there are more self-employed women than men. A high percentage of women work in the informal agricultural sector (approximately two-thirds). Despite having ratified the Convention on the Elimination of all Forms of Discrimination against Women, Comoros continues to suffer from underrepresentation of women in all spheres of socio-economic activities, including national (3 percent) and local politics, in administration, and in the legal and judiciary profession judiciary.

E. Recent Economic Developments

12. **Since 2009, macroeconomic management has steadily improved allowing Comoros to weather the adverse impacts of domestic and external shocks while attracting increased support from development partners.** An IMF Extended Credit Facility (ECF) program has been sustained for three years. The World Bank has approved two Development Policy Operations (DPOs) in support of HIPC reforms and other bilateral and multilateral donors—UN agencies, France, the European Union (EU), the African Development Bank (AfDB) and Gulf countries—have also been supporting the authorities' policies. Economic activity in Comoros has improved steadily since bottoming out in 2007 and real GDP growth reached an eight-year high of 3.5 percent in 2013 (Table 1). The peg of the Comorian Franc (KMF) to the Euro has served to keep inflation low at an estimated 2.3 percent for 2013, down from 6.3 percent in 2012. While positive aggregate growth is welcome, with population growth estimated at 2.9 percent a year, much faster economic growth sustained over a long period will be needed to combat poverty.

⁵ This paragraph is based on *Comoros – Country Gender Profile* (African Development Bank, 2010).

Table 1: Comoros - Selected Economic Indicators, 2009–16
(Percent of GDP, unless otherwise specified)

	2009	2010	2011	2012 E ³	2013P ³	2014P ³	2015P ³	2016P ⁴
National Income and Prices								
Real GDP growth (% change)	1.8	2.1	2.2	3.0	3.5	4.0	4.0	4.0
Inflation (% change, annual average)	4.8	3.9	6.8	6.3	2.3	3.2	3.2	3.2
Public Finance								
Domestic Revenue (excl. grants)	13.9	14.3	16.1	19.3	15.2	15.0	15.2	15.4
Grants ^{1/}	9.7	14.9	7.5	9.6	28.6	9.1	8.7	8.7
<i>Of which, HIPC Grants</i>		0.2	0.4	1.2	19.1	0.0	0.0	0.0
Total expenditures (incl. net lending)	22.8	22.1	22.0	25.1	25.5	25.8	25.6	25.5
Domestic primary balance	-2.6	-1.6	1.6	3.0	-1.2	-0.5	0.1	0.4
Overall balance (incl. grants)	0.8	0.9	-1.9	2.9	17.4	-2.5	-2.5	-2.1
Financing gap	0.0	0.0	0.0	0.0	0.0	1.1	1.0	1.2
External Sector								
Exports of goods and services	14.5	15.7	16.2	14.5	15.6	15.8	16.1	16.2
Imports of goods and services	47.7	49.9	50.2	53.9	53.1	52.3	49.7	47.3
Current account balance	-7.8	-5.7	-9.4	-3.8	-6.1	-10.5	-9.1	-7.5
Gross reserves (months of imports)	6.8	6.4	6.7	7.1	6.1	6.0	6.1	6.1
External debt								
External debt, NPV (percent of GDP) ^{2/}	46.2	38.9	33.1	8.4	10.0	12.3	14.4	16.0
External debt service (in % of exports) ^{2/}	13.5	11.4	10.0	10.6	0.7	1.8	2.4	4.1
NPV of external debt (in % of exports) ^{2/}	329.7	248.6	203.9	56.5	64.1	78.0	89.2	98.4

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

1/ Includes interim HIPC assistance (2010-12) and debt relief under HIPC and MDRI.

2/ External debt ratios after full HIPC, MDRI and beyond HIPC relief from end-2012.

13. Comoros has made progress in fiscal consolidation. Domestic revenues have improved, from 13.9 percent in 2009 to 19.3 percent in 2012, thanks to implementation of tax reforms and better governance of the Economic Citizenship Program (ECP) which represented an impressive 5.6 percent of GDP in 2012⁶. Nevertheless, government finances remain fragile. Tax collection remains low (11.8 percent of GDP in 2012) when compared to other small island states and is highly dependent on the ECP. External grants remained high during the last four years, and were estimated at 9.6 percent of GDP in 2012. These resources have served to finance a high level of public expenditure—around 25 percent of GDP in 2012, with increasing public investment that now represents around 7 percent of GDP. Nevertheless there remains considerable scope for improving the efficiency of public expenditure and putting in place mechanisms of fiscal management to support economic growth while dealing with external shocks.

14. Despite receiving debt relief under the HIPC initiative, Comoros remains at high risk of debt distress. Comoros reached the decision point under the HIPC Initiative in June 2010

⁶ The ECP allows Comoros to offer citizenship to foreigners who reside in partner countries. The partner government selects the candidates following a background check conducted by the partner government. In exchange, Comoros receives a fee for each passport issued. In recent years revenue from the program has become significant in relation to Comoros' GDP.

and the completion point in December 2012, resulting in debt relief totaling US\$144.8 million in end-2009 net present value (NPV) terms. In practical terms, however, the effective contribution of HIPC on the yearly flow of resources is relatively modest although it has opened up new opportunities for Comoros to receive additional concessional financing. The external debt outlook remains vulnerable to shocks, particularly those relating to its export potential and/or weaker GDP growth. The December 2013 Debt Sustainability Analysis (DSA) update indicates that under the baseline scenario the debt ratio and debt service indicators rise gradually over the medium term, increasing the risk of breaching critical benchmarks. Further, stress tests indicate serious risks to sustainability⁷. These results highlight the paramount importance of continued efforts in fiscal consolidation and structural reforms to achieve higher growth and ensure debt sustainability.

15. **As a very small open economy with limited exports that is highly dependent upon the imports of goods and services, Comoros remains extremely vulnerable to external shocks.** The deficit in the trade of goods and services has been around 35 percent of GDP in recent years. Exports of goods and services, which were estimated at 15 percent of GDP in 2012, remain particularly low even when compared to other economies that are highly dependent on remittances. In contrast, imports of goods and services were equivalent to 54 percent of GDP, with the import bill for oil accounting for 11 percent of GDP in 2012. The current account deficit is financed by buoyant remittances and official transfers, which are estimated at around 23 percent of GDP and 10 percent of GDP, respectively. Moreover, the more stable conditions in Comoros have allowed for more stable official transfers and a steady inflow of FDI, reaching 3 percent of GDP in 2012. International reserves are now at 7.1 months of imports, a level that is consistent with the relevant Zone Franc regulations and supports the peg with the Euro. Stronger exports are particularly critical for Comoros to mitigate external shocks.

16. **Acceleration of structural reforms will be key to gaining competitiveness.** While the latest assessment⁸ of the real effective exchange rate indicates that the Comorian franc is broadly in line with its medium-term fundamentals, the results are subject to considerable uncertainty due to the difficulties of assessing the exchange rate with standard analytical methodologies. Moving forward, adequate flexibility of the factor markets will be required to cope with potential overvaluation. More importantly, accelerating structural reforms in the business environment, infrastructure, and skills will be key to improving Comoros' export performance.

F. Development Challenges and Opportunities

17. **Comoros' recent stability and success in implementing reforms has started to pay off but the risk of reversals is high.** The recent economic and political stability and progress in improving policies allowed the country to reach the HIPC completion point in 2012. Macroeconomic management has improved with help from an Extended Credit Facility (ECF) program with the IMF. Reflecting the improving but still highly risky investment environment, Comoros became eligible for and gained membership in the Multilateral Investment Guarantee Agency (MIGA) in 2013, and is now capable of offering investors protection against political

⁷ See Annex 3.

⁸ IMF Country Report No. 13/32. Staff Report for the 2012 Article IV Consultation, Fourth Review Under the Three-Year Arrangement Under the Extended Credit Facility, and Financing Assurances Review, February 2013.

risks. The challenge now is to avoid a reversal of these gains while increasing the pace of income and employment generation. Overcoming the mutual mistrust that bred chronic instability is the foremost challenge for policy-makers as the governance weaknesses and instability that it has bred have been among the most persistent barriers to sustained growth. Greater generation of income and employment would in turn enhance the legitimacy of the political and institutional reforms under way.

1. Strengthening Public Sector Management and Accountability

18. **While Comoros has introduced wide-ranging reforms to the legal and institutional framework for public finances, there remain significant challenges, particularly to accelerate implementation and strengthen budget and treasury management.** Recognizing that inter-governmental fiscal relations have been an important source of tension as well as inefficiency, in August 2012 the National Assembly adopted the Public Financial Management (PFM) Bill aimed at defining a clear and transparent fiscal relationship between the islands and the federal state. The new Law represents a significant improvement as it provides more clarity in the roles and responsibilities of the federal government and autonomous islands in the management and accountability of public finances. However, implementation is hampered by jurisdictional disputes between the Union and Autonomous islands in various areas such as civil service and customs management. Moreover, despite significant technical assistance, implementation of the new law has lagged and substantial challenges remain, the most urgent of which is the limited capacity for the government of the Union to prepare a comprehensive budget and monitor implementation.⁹ Annual budgets do not yet reflect the revised 2009 budget classification. Quality of information is also poor, undermining comparisons between the approved and the executed administrative and sector budgets.

19. **The 2013 Public Expenditure and Financial Assessment (PEFA) report highlights substantial fragmentation in treasury and cash management.** A Directorate of Public Accounts and Treasury (*Direction Générale de la Comptabilité Publique et du Trésor*) (DCPT) has been created to consolidate the accounting functions and treasury management but it has yet to become operational. The country continues to operate with four parallel treasuries at the Union and islands levels which undermines the capacity of the Ministry of Finance to manage and consolidate cash positions, manage cash flows, and minimize borrowing costs. Furthermore, this fragmentation makes it difficult to prepare periodic financial reports and the consolidated accounts for external audit. Treasury management is further undermined by the substantial amount of off-budget accounts held by sector ministries¹⁰. As a result the Treasury lacks a comprehensive picture of the cash position of the government which undermines its capacity to allocate resources and decide on priority payments. Improving debt management remains critical against a background of high risk of debt distress, even after recently achieving the HIPC completion point. The 2011 Debt Management Performance Assessment (DeMPA)¹¹ found

⁹ Key PEFA indicators for budget management continue to score at the lowest level. See Annex 6 and the recent PEFA 2013 for detailed findings.

¹⁰ There are currently around 50 accounts at the Central Bank (including 15 different accounts for the Customs Directorate).

¹¹ World Bank, "Union of the Comoros: Debt Management Performance Assessment," June 2011.

weaknesses in nearly all areas of debt management and prompted the preparation of a debt management reform plan in 2012.¹²

20. The government has taken steps to improve the effectiveness of public administration, but much remains to be done. There were 11,000 civil servants at the time of the census in 2010, and recruitment has continued ever since. The public sector wage bill, which represented 8 percent of GDP and 40 percent of total revenues in 2012, absorbs too large a share of resources. Despite this high expenditure, the civil service delivers weak service outcomes. Obstacles to reform include the overlapping and often disjointed responsibilities between the Union and Island authorities¹³, the role of political patronage in civil service recruitment, and the lack of alternative employment opportunities, all of which create strong vested interests in the status quo and opposition to reform. A unified computerized civil service roster is being established, and development of integrated civil service and wage management software is underway. The High Authority of Civil Service has also carried out a review of the existing organizational structures of each administration (*cadres organiques*), an updated version of which was adopted by Parliament in 2010 and is gradually being implemented. The remaining challenges include regularizing mismatches between the database and the reality on the ground, as they render the civil service roster an ineffective management tool.

21. Steady progress was registered in the fight against corruption, but a culture of impunity and weaknesses of the justice system undermine the ability of government to take action. Recent efforts to combat corruption are reflected in the results on the Transparency International Perception of Corruption Index. In 2012, Comoros ranked 133 out of 176 countries, having climbed up 21 places compared to its ranking of 154 out of 178 countries in 2010. Under the leadership of the President, an independent anti-corruption commission was created in August 2011. In 2012, government adopted an overall strategy for the fight against corruption and a decree on asset and income declaration. The commission is responsible for implementation of the national strategy to combat corruption. However, scarce qualified legal and judicial personnel, poor infrastructure, cumbersome procedures and limited access to judicial and legal information undermine government's ability to really tackle corruption. Also, transparency and accountability mechanisms supporting demand for services in Comoros are generally weak; there is limited social accountability and Civil Society Organizations (CSOs) are generally excluded from real decision-making processes, with limited influence on development policies.¹⁴

22. The lack of up-to-date and accurate information limits analysis and policymaking. Most notably, as mentioned above, information on the basic characteristics of the population is outdated. Shortcomings in national accounts compilation undermine their accuracy and reliability and impart a high degree of uncertainty to economic analysis. Efforts underway to mend this situation include: the revision of the national accounts, the production of a new household survey (expected in 2014), and the undertaking of a new population census. There is

¹² World Bank, "Union des Comores: Plan de réformes de gestion de la dette publique," July 2012.

¹³ For example, the Island Governments maintain the right to recruit employees while the Union Government pays for them, giving the Islands little incentive to contain recruitment.

¹⁴ Overall, all the indicators on Demand for Good Governance (DFGG) are generally very low in comparison to neighboring countries. For instance, the Worldwide Governance Indicators (WGI) for 2011 on Voice and Accountability indicate that Comoros is in the 32.9 percentile. WGI 2011 Voice and Accountability: 0 (lowest rank) to 100 (highest rank).

also the need to be able to track the critical indicators of growth and employment. Plans for revamping the statistical agency are underway, but implementation needs to be accelerated.

2. Reducing Vulnerability to Natural Disasters

23. **Comoros is highly vulnerable to natural disasters.** The Natural Disaster Hotspot Report estimates that 39.6 percent of Comoros' land area is exposed to natural disaster risk and 32 percent of the population lives in these areas.¹⁵ The Karthala volcano, the most active volcano in Sub-Saharan Africa located on the island of Grande Comore, has become more active in the past few years, registering four major eruptions between 2005 and 2007, compared to an average of one eruption every eleven years recorded over the past 200 years. Comoros is also exposed to the same cyclones that threaten Madagascar and other island states in the southwestern Indian Ocean. Each year, heavy rainfall leads to localized mudslides and rock fall. Storm surges caused by heavy winds and sea level threaten the coastal areas, where the majority of the population resides. This became evident during the 2012 floods, which affected 65,000 people (8 percent of the total population) and resulted in damages estimated at US\$18 to 20 million (around 3 percent of GDP).

24. **This vulnerability is expected to increase as a result of climate change.** First, the expected increase in population density will put additional pressure on limited land and resources, placing additional burdens on the environment and putting more people and assets at risk. Urban areas will come under considerable stress as a result of the increased population and the continued migration from rural areas. Second, the projected rise in sea level could have a major negative effect on agriculture and fisheries as well as public and private infrastructure. Maplecroft, a UK-based firm that specializes in risk analytics and forecasting, ranked Comoros in 2008 as the most vulnerable country to face the future impacts of global warming, such as increased storms, rising sea levels and agricultural failure. Under certain scenarios, up to 10 percent of the coastal population could be displaced due to erosion and contamination of coastal water tables by sea water, potentially destroying coastal infrastructure - including much of the road network - and raising the incidence of malaria.

3. Laying the Foundations for Stronger, More Inclusive Growth

25. **A rapidly-growing population will need jobs and accelerating economic growth will be essential.** The labor force is expected to double over the next 15 years. Because of high fertility, the population of Comoros will continue to be young until 2028, posing a significant challenge in terms of employment generation for the youth bulge. As highlighted in the 2013 *World Development Report (WDR)* the experience of other small island states suggests that establishing links with nearby economic centers, maximizing the benefits of migration, and exploiting niche markets while preserving a fragile ecosystem will be critical.

¹⁵ World Bank, 2005, "Natural Disaster Hotspots: A Global Risk Analysis"

26. **The regulatory environment for business is onerous.** Excessive regulations compound an already weak investment climate due to the country's small, isolated economy and high political risk over the years. Comoros was ranked 158 out of 189 countries in the 2014 Doing Business Indicators (see Table 2) with particular weakness in business entry and exit mechanisms, getting credit, and overall legal security (contract enforcement). Weaknesses in the legal and judicial sector, particularly with respect to property and land rights, are an important contributor to these obstacles¹⁶. With the support of IFC and other partners, some reforms have been implemented to improve business regulations, reduce time and cost of doing business, and introduce alternative dispute resolution. Notable reforms achieved to date include: streamlined procedures for business entry and registering property; creation of the Chamber of Arbitration; and enactment of the leasing law. Nevertheless, the still-challenging environment is reflected in low private investment that experienced a significant decline, from more than 30 percent of GDP in 1980 to 7.7 percent in 2009, increasing marginally to 10 percent of GDP in 2012.

27. **Skills appear to be a constraint, as Comoros has among the lowest secondary and tertiary education completion rates in the world.** According to the 2004 household survey, 70 percent of the population had not finished primary education and around 2.6 percent had completed tertiary education. This leaves a large part of the population with inadequate skills. In addition, tertiary education is predominantly general academic training and falls short of the needs of the labor market. Technical and vocational education and training are predominantly informal. Among those who do receive formal training, few are able to find jobs in their chosen field. An ongoing EU-financed professional training project is supporting a strengthened legal and regulatory framework for the sector as well as training for job seekers, particularly young people who lack professional skills, who have dropped out of school, or who have never attended school.

28. **While access to electricity in Comoros is above 50 percent, similar to the rest of the sub-Saharan Africa, electricity is only available sporadically.** Users located in the capital and its immediate surroundings get unreliable electricity supply for most of the day. In the rest of the Island, electricity is supplied for only a few hours a week, if at all. The main constraining factor to normal service provision is the high cost of the imported petroleum products used for power generation. Due to their poor performance in terms of billing and collection, the two Comorian power utilities (MAMWE and EDA) are only able to pay for a portion of their fuel consumption. The corresponding losses are borne by *Société Comorienne des Hydrocarbures* (SCH) which in turn finds itself unable to fully pay the

Table 2: Doing Business Indicators - 2014 Ranking

Starting a business	163
Dealing with construction permits	44
Getting electricity	109
Registering property	79
Getting credit	159
Protecting investors	138
Paying taxes	123
Trading across borders	146
Enforcing contracts	159
Resolving insolvency	189

Source: World Bank's Doing Business Index.

¹⁶ 2011 WBI Indicator for Rule of Law places Comoros in the 16.7 percentile (0 lowest rank, 100 highest rank).

State for the taxes collected on fuel. As a result, the energy sector represents a high burden on public finances: it is estimated that total de facto subsidies to the energy sector reached approximately 10 percent of the operating budget of the State in 2011. The average electricity tariff (around 33 US cents/kWh) is high compared to most Sub-Saharan countries, reflecting the economics of a small system with generation based almost exclusively on expensive diesel oil. Nevertheless, MAMWE is unable to purchase fuel and carry out periodic maintenance on generators.

29. **The telecommunications sector in Comoros offers basic communications services but at prices significantly higher than the world average and thus unaffordable for most Comorians.** While introduction of mobile telephony has helped to narrow the voice gap, the number of mobile subscriptions (32 per 100 inhabitants) is still well below the average for Sub-Saharan African nations. International connectivity is improving, but there is little competitive pressure to take advantage of lower wholesale prices which results in high prices even for basic services. Recognizing the importance of competition to drive down prices and encourage innovation, the government is renewing its efforts toward ICT sector reform. Privatization of Comoros Telecom is underway with IFC advisory support. Government is also in the process of re-launching the bidding to license a second operator which would enter into operation by June 2014. To take full advantage of increased international connectivity, the government needs to create an enabling environment for open access to existing and new infrastructure.

30. **Recent developments suggest that Comoros may benefit from exploitation of substantial offshore oil resources.** Geophysical surveys indicate a reasonable probability of hydrocarbon potential in an area directly to the east of the offshore blocks of Mozambique and the Tanzania Rovuma Delta, where giant hydrocarbon discoveries have already been made. A number of companies have expressed interest in exploration activities in the area and sizable investments in exploration have recently been announced. The Government of Comoros has already entered into production sharing contracts with several companies. Depending on the results of these activities, oil revenue may fundamentally change the outlook for public finances in Comoros, though it is unlikely that this would be realized during the CPS period. At the same time, an apparent lack of transparency and competition in the award of these contracts highlights the risk that poor governance could undermine the potential benefits.

31. **While Comoros is endowed with a pristine marine environment and spectacular natural beauty, the tourism sector performs far below its regional competitors in attracting visitors.** Nevertheless, tourist arrivals have increased over the last five years and tourism now provides an estimated 8.1 percent of the country's GDP and 11,000 jobs. Statistics from 2011 estimate 17,500 arrivals in that year with approximately half of these visiting family and relatives. The main long haul source market is France while short haul visitors come from Réunion and Madagascar. Government has identified tourism as a high priority for future growth. Key challenges to development include geographic isolation, lack of regular air service, political instability, and the low level of tourism infrastructure.

32. **Agriculture is the single largest sector in the economy of Comoros,** generating about 46 percent of GDP, accounting for approximately 57 percent of employment, and generating nearly 90 percent of total export revenues. Agriculture in Comoros remains mainly subsistence-oriented with the bulk of production coming from small family-owned and operated farms that

produce food crops mainly for home consumption. The gradual shift to agriculture that has taken place over the last three decades has been part of a process of involution associated with the stagnant economy and the shrinking of the export sector. Commercial agriculture is underdeveloped and revolves around the production of three high-value crops destined for export, namely, vanilla, cloves, and ylang-ylang. The country is heavily dependent on food imports, which represent more than 75 percent of the country's total food consumption requirements. Agricultural productivity is lower than in many other developing countries with similar agro-climatic conditions and has remained constant, with value-added per agricultural worker remaining virtually unchanged.

33. The fisheries sector has the potential to make a greater contribution to growth and poverty reduction. Comoros Exclusive Economic Zone (EEZ) is over 70 times the size of the country's land area and straddles the important tuna fishing grounds at the mouth of the Mozambique Channel. However, tuna is fished predominantly by countries from outside the region and no landing takes place in Comoros; hence the benefits consist largely of payments to the Government for access of foreign vessels to national waters. Meanwhile, small-scale fisheries serve a vital safety net function for the poor, employing a high proportion of the coastal population often among the most vulnerable, marginalized and landless communities. Many workers are women involved in gleaning, processing and marketing. By adopting sustainable management approaches that develop alternative livelihood opportunities in post-harvest value-added, aquaculture, and recreational fisheries, the sector could make a substantially greater contribution to Comoros' social, environmental and economic benefits. This would require public investments in: (i) strengthened governance that is more transparent and empowers users to have a long-term stake in the health of the resources; (ii) creating opportunities to capture greater benefits from the 'offshore' fisheries and value added from the fish products; and (iii) regional collaboration on shared fisheries management, fisheries enforcement and knowledge.

4. Migration and Remittances

34. Like many other small island nations, a large diaspora serves as an important and vital connection between Comoros and the rest of the world. According to UN Statistics, there were 108,986 Comorians living abroad in 2012, mostly in France. Remittances provide a steady and growing flow of foreign exchange. The most recent figures from the Central Bank of Comoros indicate that remittances represent 23 percent of GDP, 360 percent of Official Development Assistance (ODA), 66 percent of FDI, and 170 percent of the state budget (2012). However, they mostly finance private consumption, suggesting that their potential to support productive investment remains largely untapped¹⁷. The microfinance sector in Comoros is relatively large and if policies to improve investment opportunities succeed, remittances could turn into a key source of financing for small-scale development.

G. Government Priorities and Medium-Term Strategy

35. Comoros officially adopted its Poverty Reduction and Growth Strategy Paper (PRGSP) 2010-14 in 2009. The PRGSP continues the efforts begun under the I-PRSP to

¹⁷ Remittances are concentrated in one of the islands and it is estimated that about 2/3 of all remitted funds are spent on *Anda*, or *grand mariage* ceremonies, an important social custom in Comoros.

stabilize the economy, promote private sector growth, and improve delivery of social services. The strategy was prepared in a participatory manner with extensive consultations both at the Union and Island levels through working groups involving a broad range of stakeholders, including representatives from civil society, traditional and religious leaders, non-government organizations (NGOs), and development partners. Its vision is aligned with the objective of making progress towards the MDGs. Technical working groups were constituted at the ministries and the islands level to follow up the implementation of the PRGSP.

36. **The PRGSP outlines a strategy aimed at achieving three broad objectives:** (i) robust economic growth; (ii) human and institutional capacity building; and (iii) strengthened governance and public management. In support of these objectives the strategy outlines six key axes, or Core Strategies, for the Government's poverty reduction program, as follows: (i) stabilize the economy and lay the groundwork for strong equitable growth; (ii) strengthen key sectors by focusing on institution-building and ensuring a broader role for the private sector; (iii) strengthen governance and social cohesion; (iv) improve the health status of the general public; (v) promote education and vocational training with the aim of developing human capital; and (vi) promote environmental sustainability and civil security.

37. **The second Annual Progress Report on the PRGSP that was discussed at the Board in November 2012 documented moderately positive implementation performance during 2011.** Although the reform agenda under the ECF arrangement with the Fund veered temporarily off-track in the first half of 2011 because of slippages in the fiscal and structural areas, performance improved markedly in the remainder of the year thanks to the adoption of critical corrective measures. On the structural front, the authorities completed a long-delayed census of the civil service, adopted new ministry personnel frameworks aimed at streamlining and moving towards a financially viable civil service, and developed a roadmap for the privatization of the public telecommunication company (Comores Télécom). Limited but encouraging progress was also recorded in the health and education sectors as infant and maternal mortality rates declined, and primary school enrolment rates improved slightly, including for girls. However, monitoring and evaluation of PRGSP implementation continued to be hampered by the lack of a comprehensive and reliable statistical system, as well as by the authorities' limited technical expertise in key policy areas.

38. **Comoros is currently developing its next PRSP,** the Strategy for Accelerated Growth and Sustainable Development (*Stratégie de Croissance Accélérée et de Développement Durable (SCADD)*) which is expected to be completed in 2014 and cover the 2015-19 period. While the process is in the early stages, the main strategic directions of the SCADD have begun to emerge, including the overarching objectives of accelerating growth and diversifying the economy in order to reduce poverty and inequality and create jobs. In addition to promoting growth, the strategy will target: (i) development of infrastructure; (ii) improving access to basic social services and increasing the resilience of households; and (iii) strengthening governance and institutional and human capacity. Development partners, including the Bank, are providing technical and analytical support for preparation of the strategy. Once the SCADD is finalized, the CPS program will be adjusted as needed to ensure alignment with the Government's strategy.

II. World Bank Group Assistance Strategy

A. Implementation of the Interim Strategy Note (ISN) and Lessons Learned

39. **Reflecting the volatile political environment, the Bank’s program in Comoros has been guided by a series of interim strategy notes since 2000.** While this CPS does not include a CPS completion report that would systematically evaluate the Bank’s program since the last ISN, the 2010 ISN did include a set of outcomes and planned deliverables against which performance can be measured. These results are summarized in Annex 4. The 2010 ISN was prepared in the context of positive developments including resolution of the political crisis between Anjouan and the Union in 2008 and improving inter-island relations and reforms in the structure of the federal administration following passage of the May 2009 Constitutional Amendment. In this more favorable context, the Bank delivered all of the lending operations envisaged in the ISN, albeit with a delay in one case (see Table 3). In addition, during FY13 the Bank was able to provide additional financing for the Emergency Crises Response Project. Support was also provided through the (now closed) regional Southwest Indian Ocean Fisheries Project (SWIOFP) and a Japan Social Development Fund (JSDF)-financed Coastal Resource Co-Management for Sustainable Livelihood Project that was approved in 2011.

Table 3: Planned vs. Actual ISN Lending

<i>Planned Fiscal year</i>	<i>Project</i>	<i>US\$(M)</i>	<i>Status</i>	<i>Actual Amt</i>
2010	Development Policy Grant	3.0	Delivered	3.0
2010	Emergency Crises Response Project	5.6	Delivered	5.3
2011	Economic Governance TAL	2.0	Delivered	1.8
2012	Economic Reform Development Policy Grant	2.5	Delivered (FY13)	5.0

40. **While progress in achieving ISN outcomes was mixed, overall the ISN program was successful in supporting Comoros to accelerate reforms.** Most notably, the ISN program was successful in its overarching objective of helping Comoros to achieve debt relief through the HIPC Initiative, working with the IMF, IFC and the authorities to reach the HIPC decision point in mid-2010 and the completion point by the end of 2012. Development policy operations and associated policy dialogue played an important role in helping Comoros to implement structural reforms in key areas including public financial management, restructuring public utilities, increasing access in the education and health sectors, and enhancing transparency of fisheries access and revenues. The Emergency Crises Response project (ECR) succeeded in increasing access to short-term employment and to basic social and economic services in areas affected by the rapid rise in food prices and severe flooding. The Economic Governance Technical Assistance project (EGTA) provided key support to the implementation of the reforms in the areas of public financial management and civil service reform. Fiduciary performance of both investment projects has been rated satisfactory throughout the ISN period and disbursement performance has been satisfactory, particularly under the ECR, which has disbursed and reached project targets at a faster pace than originally anticipated.

41. **The ISN program was less successful in strengthening the knowledge base.** The ISN highlighted the need to invest in AAA that would enable the Bank to better understand the political economy of reform and lay the foundation for preparation of a growth-focused strategy by the end of the ISN period. Some progress was made by delivering substantial knowledge through operations and trust funds but several planned outputs, including a Development Policy Review and Financial Sector Assessment Program (FSAP), were delayed. Also, some core diagnostic products (e.g., Public Expenditure Reviews) have not been prepared for quite some time, in part hampered by the limited data available. On the other hand, policy notes on the political economy of civil service and energy reforms were prepared and a broader Governance and Anti-Corruption (GAC) review was launched in 2012 and is expected to be completed by the end of FY14. Sector diagnostic work progressed with technical studies prepared in connection with investment lending operations supplemented by a recently completed comprehensive set of policy notes on key growth sectors including, fisheries, agriculture, energy and telecommunications. Significant IFC advisory services included an investment climate assessment. Overall, however, significant gaps remain in the Bank's knowledge of Comoros and further strengthening of the analytical foundations of the Bank program will continue to be a priority. Moreover, a thin evidence base, including a lack of data on poverty and service delivery, remains a challenge and highlights the need to support the strengthening of the Comoros national statistical system.

42. **The ISN also highlighted the challenge of improving the depth and quality of the Bank's engagement in a small, remote client country without on-the-ground presence.** During ISN implementation, responsibility for managing the Comoros program shifted from Kenya to Madagascar and a combined Madagascar/Comoros country team was formed to build synergies in support of these two francophone countries. Key staff are increasingly based in the region, including the country economist, a lead economist covering Comoros and Madagascar, and the TTL for the EGTA project. A part-time locally-recruited consultant based in Moroni has supported the program. Bank presence has been more regular and the number of missions to Comoros has more than doubled since FY11 as the reform program gathered pace. Meanwhile IFC established an office in 2012 to support its advisory activities. Overall, the increased presence of Bank Group staff has proven valuable, particularly in light of Government capacity constraints.

43. **Implementation of the ISN generated important lessons that are reflected in this CPS.** First, with respect to instruments, the ISN experience showed that development policy operations, supported by complementary TA, can support and sustain reforms in a low-capacity environment while serving as a tool for enhancing coordination with government. Development policy operations under the ISN were critical for helping Comoros to reach HIPC Completion. Second, sustained investment in building institutions pays off. The long term investment in the capacity of the *Fonds d'Appui au Développement Communautaire* (FADC) through the ECR project and its predecessor, the Services Support Project, helped to build what is now one of the few institutions in Comoros with the management, staffing, administrative capacity, and decentralized structure to be able to effectively implement projects on all three islands. Third, given the complex political environment in Comoros, effective support for governance reform and institution building requires going beyond provision of technical advice and finance to facilitating change management through inter-governmental dialogue aimed at gaining political

support for reforms. Finally, getting results in a fragile, low capacity setting requires more intensive supervision and frequent interaction with counterparts.

B. Stakeholder Feedback

44. **CPS Consultations.** Consultations on the CPS were held in September 2013. These included Government counterparts, (including representatives of all three islands), sectoral technical groups, representatives of NGOs, the private sector, and donors. In general, the consultations indicated that the CPS is well-aligned with the Government's emerging strategic priorities. In particular, the proposed CPS emphasis on growth and job creation is consistent with the planned pillars of the SCADD Strategy that is now being developed and is expected to be adopted in 2015. Participants emphasized the importance of support to the fisheries sector with an emphasis on support for fishermen's associations. Multiple interlocutors cited the issue of the lack of reliable statistics and the need for support in this area. Finally, strengthening of donor coordination was consistently identified as a priority to ensure synergies and maximum impact.

45. **Results of the Country Opinion Survey.** A country survey was conducted in June 2013 inviting stakeholders of the Bank in Comoros to provide their opinions on the Bank's assistance. Participants in the survey were drawn from a wide variety of stakeholders including Government, bilateral and multilateral agencies, the private sector, academia/research institutes/think tanks, and other organizations. Overall, the survey found that the Bank has established positive relationships in Comoros, and that stakeholders see an important role for the Bank in the country's future. In terms of sector priorities, the survey found that governance is viewed as a top priority along with energy and jobs. Survey responses showed that stakeholders believe that the Bank should emphasize (with lending and knowledge) energy, governance, jobs, and domestic private sector development. While views of the Bank were generally positive, especially with respect to the quality of Bank knowledge work and how the Bank collaborates on the ground with government and other donors, there was dissatisfaction expressed regarding the lack of Bank staffing in the country.

C. Proposed World Bank Group Assistance Strategy

i. Strategy Overview

46. **Favorable developments over the ISN period represent an important opportunity for the Bank and Comoros.** Successful HIPC completion underpinned by greater political stability offer the possibility of acceleration of reform, growth and poverty reduction. Meanwhile the partnership between the Bank and Comoros has strengthened considerably, in large part through the HIPC process. In this context the overall objective of the CPS will be to consolidate and build on the gains of the past several years and support Government's objectives to strengthen governance and promote private sector growth and job creation. The CPS will be guided by the principles of knowledge and selectivity.

47. **Knowledge:** As discussed above, one legacy of instability and limited resources is a relative lack of Bank core knowledge products. For example there has not been a Country Economic Memorandum (CEM), Public Expenditure Review (PER) or Poverty Assessment (PA) in the past decade. The CPS program will prioritize addressing this knowledge deficit through core diagnostic and other AAA while supporting the development of government data and M&E

systems to facilitate evidence-based policy making. The recently-completed policy notes series is a good first step in this direction, representing a comprehensive “first cut” diagnostic of 13 key policy areas. These have been used to inform the reform agenda in the new DPO series, beginning in FY14, and will support development of the upcoming SCADD. As CPS implementation progresses and the Bank develops a deeper understanding of the country context through the AAA program, the Bank will refine the CPS program and program IDA resources for maximum impact.

48. **Selectivity.** To ensure that IDA and administrative budget resources are used to maximum effect, the following selectivity criteria will be applied:

- **Realism and readiness.** Proposed interventions will aim at outcomes that are realistic in light of Government priorities and commitment to reform, and achievable given available implementation capacity. In the context of Comoros’ low capacity and history of fragility, the CPS also recognizes the potential for reversal of reforms and will therefore emphasize sustaining the achievements realized to date.
- **Comparative Advantage.** The CPS program will focus on areas where the Bank has a recognized comparative advantage in Comoros such as economic governance, energy, telecoms, social protection and growth diagnostics. The program will not include sectors where other donors are active and can effectively respond, for example health, education, and transport.
- **Partnership and Leverage.** The strategy will prioritize interventions that offer the opportunity to strengthen partnerships in order to increase impact and supplement national IDA resources with other funding sources such as regional IDA or bilateral financing.
- **Continuity.** The CPS will emphasize continued financing for ongoing operations and instruments that have shown results.

49. **In line with these principles and recognizing the still developing relationship between Comoros and the Bank, the CPS proposes an approach that emphasizes consolidating the gains achieved to date while laying the ground work for further progress.** The initial emphasis will be on using instruments that have proven effective in reforming key sectors (social protection, PFM reform and development policy operations) while implementing recently-approved infrastructure operations in electricity and ICT, which leverage partner and regional IDA resources. At the same time, the Bank will carry out core diagnostic ESW and other AAA needed to build the Bank’s knowledge base on Comoros while maintaining flexibility to respond to the Government’s needs and the priorities to be identified in the upcoming poverty reduction strategy and by the new Government following presidential elections now expected in 2016. As CPS implementation progresses, the program will be refined on the basis of this knowledge work as well as the Government’s priorities as spelled out in the new PRSP.

D. Expected Results and Program of Lending and Non-Lending Activities

50. **The CPS is aligned with both Bank Group and country strategies.** The Bank program (knowledge, finance, and partnership) will be structured around two pillars: (i) Increased Public Sector Capacity; and (ii) Shared Growth and Increased Employment. These strategic priorities are aligned with the Government’s PRGSP and the Bank Group’s corporate strategic priorities of reducing extreme poverty and increasing shared prosperity. The two pillars

of the strategy contribute directly to the objectives of reducing extreme poverty and increasing shared prosperity in Comoros.

51. Activities under Pillar 1 of the CPS activities will aim at enhancing public sector capacity to deliver results by: (a) building the capacity to mobilize and effectively use public resources; and (b) addressing vulnerability at the national and household level. This pillar of the CPS program will seek to address the key drivers of fragility, namely the lack of trust between the islands, the resulting administrative inefficiencies and lack of accountability, and the consequent inability to effectively deliver services and public goods. The program will emphasize AAA and lending to improve PFM and civil service management as well as reforms in other areas that aim to increase transparency. This pillar of the CPS also seeks to reduce vulnerability to climate change and natural disasters at both the national and household levels and is aligned with Core Strategy 6 (Environmental Sustainability and Civil Security) of the PRGSP. The program will build on an ongoing social protection project targeting the poorest and most vulnerable and provide AAA aimed at strengthening the technical capacity, the policy and regulatory framework and institutions responsible for disaster risk management. The PRGSP also focuses on reforms to address corruption and strengthen the judiciary, areas the CPS will explore through AAA with a view to identifying areas of possible support later in the CPS period.

52. Pillar 2 focuses on strengthening the foundation for diversified and sustainable economic growth and is aligned with Core Strategies 1 and 2 of the PRGSP. The PRGSP strategy links growth to poverty reduction through a combined approach that targets the sectors where the poor are concentrated (e.g., small scale fisheries and agriculture), to directly and quickly increase their income, and by promoting development of new growth sectors over the medium term (e.g., tourism and ICT). The CPS program under this pillar features investment lending to address critical economy-wide infrastructure constraints to growth and job creation (energy, telecoms) along with knowledge and advisory services that will seek to identify the reforms and potential investments in the key sectors identified in the PRGSP as having the greatest potential to generate sustained economic growth (tourism, agriculture and fisheries). The program also aims to build on recent and planned IFC advisory work aimed at strengthening the enabling environment for private sector investment.

Table 4: CPS Pillars and Results Areas

Pillar 1: Increased Public Sector Capacity	Pillar 2: Shared Growth and Increased Private Sector Employment
<ul style="list-style-type: none"> • Public Financial Management • Civil Service Reform • Statistical Capacity Building • Social Protection • Strengthened Disaster Risk Management 	<ul style="list-style-type: none"> • Strengthened infrastructure (Power, Telecoms) • Increased Employment and Income from Fisheries • Improving Competitiveness of the Business Environment and Investment Climate

1. Pillar 1: Increased Public Sector Capacity

53. **The PRGS identifies weak governance and political instability as among the most important obstacles to development in Comoros and highlights the need to strengthen social cohesion and trust by cementing the Constitution’s arrangements on power sharing between the Union and the islands.** The CPS will contribute to this process through support for improved economic governance, greater public sector transparency, and strengthened accountability. DPOs and non-lending TA will support the government in redefining its governance and anti-corruption action plan and reforms. The CPS will also seek ways to strengthen the demand for good governance as an adjunct to supply-side interventions. Possibilities include social accountability tools like CSO monitoring that could contribute to improving service delivery as seen in other Bank-financed projects. Such initiatives could also help to tackle the widespread corruption in the country and complement existing supply-side efforts like the establishment of the National Anti-Corruption Commission (NACC).

54. **The proposed program under Pillar 1 also focuses on strengthening social protection programs and improving disaster risk management.** An immediate priority will be to support the Government in the development of a social protection policy that would identify and address gaps in the existing social protection programs system in order to address the most pressing needs of the poor and vulnerable population. Due to high unemployment and because economic growth moving forward is likely to face skills constraints, the program will support the development of measures to improve skills and employability which could possibly be implemented through a JSDF grant. Consideration will be given to internal as well as external/regional skills development options. This will be informed by planned analytical work that will seek to identify skills gaps in the key sectors where employment growth is achievable in the short term including agriculture, fisheries, tourism, ICT, construction, and other services. The program under this pillar will be supported by AAA in poverty analysis, including a planned poverty and gender assessment based on the results of an ongoing household survey which will also inform the targeting strategy as part of social protection policy. Disaster risk management (DRM) can be improved by supporting the Government to establish a DRM framework including policies, strategies and implementation plans to strengthening risk information, integrate this into sector development, establish risk financing mechanisms and increase preparedness and response capacities.

55. **Support for governance reforms is also mainstreamed throughout the proposed program.** In addition to the governance and public sector management objectives pursued under Pillar 1, sector governance and strengthening of institutional capacity is embedded in all operations. For example, the Energy Sector Recovery Project focusses on management of the sector and has as its starting point a Recovery and Development Plan that establishes a performance and accountability framework for the power utility while also assisting in the development of the policy, legal and regulatory framework of the sector to improve supervision of the utilities’ performance and clarify institutional responsibilities and authorities. In telecommunications, the RCIP project investments in expanded fiber optic connectivity are backed up by a sector reform program based on privatization, market liberalization and effective regulation. In fisheries, DPOs and investment lending aim to improve the transparency and monitoring of fishing agreements, licenses and related revenues. Finally transparency and

accountability for results will be supported through statistical strengthening at the national and sector level.

Results Area 1: Public Financial Management

56. **In support of its PRGSP, the Government finalized a comprehensive PFM Reform Strategy for the period 2010-19.** Bank support for implementation of this strategy is being provided through the DPO series and an EGTA project that focuses on increasing the efficiency, accountability, and transparency of public financial management and improving the management of human resources and wages within the civil service. Budget transparency has improved with the publication of budget data on the government's official website since May 2013 but progress has been slow (less than half of the milestones under the action plan for 2010-12 were achieved) and much more needs to be done to develop robust and reliable systems supporting the revised institutional framework and establish appropriate checks and balances. A new detailed action plan for 2014-17 is under preparation. Additional financing for the EGTA project, together with African Development Bank (AfDB) support (through its Institutional Capacity Building project) is expected to result in further strengthening of the budget process and deployment of an integrated financial management information system by 2016¹⁸. This will result in more timely, comprehensive and accurate budget reporting. The DPO series will focus on enhancing transparency in economic management, improving Treasury management, and strengthening debt management. A public expenditure review (PER) will be prepared to explore alternatives for creating fiscal space through enhanced revenue collection, greater use of Public/Private Partnerships (PPPs), and improved expenditure management. The Bank will also maintain a dialogue in the oil and gas sector and, depending on developments, may support development of these resources in conjunction with partners and in line with global best practice, guided by transparency principles.

Results Area 2: Civil Service Reform (CSR)

57. **Comoros has launched multiple attempts at reforming the civil service during the past 20 years.** However since adoption of the Civil Service Law in 2004 the reform process has yet to move beyond basic issues related to civil service structure. While the support under the EGTA project has strengthened the civil service payroll system, recent developments and constraints in the implementation of the organic framework under the new constitutional arrangement for Island autonomy and the HIPC completion points, underscored: (i) a lack of strategy; and (ii) continued institutional weakness. The CPS program will seek to reinvigorate the CSR reform process by supporting the preparation of a comprehensive civil service reform strategy. Reflecting lessons learned during ISN implementation, this will be complemented by enhanced change management processes supported by the World Bank Institute (WBI) Leadership for Results team. The latter is expected to help overcome opposition to reform by allowing key decision makers (politicians and civil servants) access to training, coaching and mentoring in the areas of leadership, change management, communication and consensus building. Support will be provided through the restructured EGTA project, non-lending technical assistance and DPOs and linked with activities supported by other development partners including AfDB, the IMF, and UNDP. The result is expected to be a further increase in the use

¹⁸ The Integrated Financial Management Information System is being jointly financed by IDA and AfDB.

of the automated payroll system and clarification of the roles of the Union and Islands governments regarding the civil service.

Results Area 3: Statistical Capacity Building

58. **Comoros faces a huge statistical gap and lacks capacity to produce statistical data, undermining government's capacity to design, implement, monitor and evaluate policies (see Annex 4).** The law to modernize the national statistical system was adopted in March 2011 and established the National Council of Statistics (NCS) and envisions the creation of the National Institute of Statistics and Economic Studies and Demographics (INSEED). However, since adoption of the law, little progress has been made. The forthcoming DPO supports the adoption of a decree to make the NCS operational while a recently approved grant from the Trust Fund on Statistical Capacity Building is supporting reform of the statistical system, including: (i) strengthening the capacity of the staff in the Department; (ii) strengthening dissemination of statistics; (iii) support for the preparation of the national census in 2014; and (iv) support for the creation of the INSEED. This will be complemented by support provided by other donors and through the Southwest Indian Ocean (SWIO) Fisheries operation that will establish a fisheries information system to improve statistics on catch, fish stocks, fishing communities and other fisheries-related data.

Results Area 4: Social Protection

59. **Given the Comoros high level of poverty and the likelihood that policies to stimulate growth and employment will take some time to bear fruit, there is a need to strengthen programs to assist the poor and vulnerable immediately.** At present however, there are very few social protection programs. Those which exist (cash-for-work, for example) are largely financed by donors and there are large gaps in coverage (for example, nutrition). The ongoing ECR project which supports cash for work through the FADC provides short term employment to the most vulnerable people affected by a succession of crises (oil crisis, food crisis, Anjouan embargo, etc.) while at the same time the activities help to maintain critical infrastructure (e.g. rural roads) and protect the environment. Under the CPS, the Bank program will build on this success and international experience to help Comoros develop a social protection strategy and design appropriate programs. A follow-on social protection operation is planned for FY15. Comoros can draw from the rich experiences in the region, including post-conflict countries, where innovative social assistance programs have been combined with training and access to basic services. In addition to generating short-term employment opportunities, consideration will be given to supporting households over a longer period of time with a view towards their productive development. Consideration will also be given to developing conditional cash transfer mechanism to address demand side constraints in health, nutrition and education.

Results Area 5: Disaster Risk Management

60. **Given the vulnerability to natural disasters and climate change there is a need to strengthen institutions and practices.** The 2012 floods highlighted the vulnerability of Comoros, as a small island state and revealed major gaps in disaster risk management. Comoros has moved to strengthen disaster risk management institutions by creating a civil security directorate and establishing a national platform for disaster risk reduction in order to move away from *ad hoc* disaster response to *ex ante* disaster risk reduction and preparedness. The ongoing

‘Mainstreaming Disaster Risk Reduction for Sustainable Poverty Reduction in the Comoros’ project supports the strengthening of these institutions and seeks to mainstream disaster risk reduction into national policies. This is implemented in partnership with the United Nations Development Programme (UNDP) and complements support in disaster risk management provided by other development partners such as the European Union (EU) and Agence Française de Développement (AFD). To further strengthen knowledge in risk reduction, this project as well as two regional projects, both funded by grants from the Global Facility for Disaster Reduction and Recovery (GFDRR)¹⁹, will support risk and vulnerability assessments for high-risk areas, establishing a national risk profile and inter-island knowledge exchange and cooperation in disaster risk management. This information will be used to establish an open-source data platform for natural hazard information and will facilitate the formulation of a country specific disaster risk financing strategy. Further support will be provided in contingency planning and disaster preparedness in selected communities, in follow up to the flood impact assessment and training provided in 2012, with an emphasis on data preparedness and capacity building.

2. Pillar 2: Shared Growth and Increased Private Sector Employment

Results Area 1: Strengthened Infrastructure

61. **Improving power supply is critical for achieving faster growth and poverty reduction.** The acute power supply situation is due to a number of linked factors: poor billing and collection practices, difficulties with the purchase of fuel, and inability to carry out periodic and appropriate maintenance on generators. These factors are all linked to the operational and technical performance of Gestion de l’Eau et l’Electricité aux Comores (Water and Power Utility in Comoros (MA-MWE)). The AfDB has taken a lead role in the sector and is leading overall coordination. The Bank, the EU, and AFD have agreed on specific areas of focus within the overall engagement in the sector. Qatar is also coordinating with the AfDB to provide significant funding while the Export-Import Bank of India has extended financing for expanded generation capacity. Within this framework, the Bank is focusing its engagement on supporting the development of MA-MWE’s commercial and financial performance. The US\$5 million Electricity Sector Recovery Project (ESR) will finance technical assistance to improve the utility’s technical, commercial, financial and operational performance and to implement the proposed program of investments. The project is expected to result in increased collections and reduced losses which, in addition to contributing to fiscal consolidation, will over time lead to an increase in the availability and reliability of power. This in turn will facilitate investment and job creation.

62. **Comoros has embarked on a wide-ranging program of reform in the telecommunications sector** based on a roadmap that encompasses privatization of the incumbent operator, Comoros Telecom, licensing of a second operator, creation of independent Internet Services Providers (ISPs) and introduction of additional competition, and strengthening of the regulator. The CPS will continue Bank Group support for this process through IFC advisory services and IDA financing. With IFC advisory support, Government has submitted to the National Assembly legislation to privatize Comoros Telecom. Under the Fourth Phase of the

¹⁹ ‘Support for the Establishment for a Technical Center for Disaster Risk Reduction and Climate Change Adaptation’ and the ‘Indian Ocean Islands Catastrophe Risk Profiling & Financing Initiative’ (pipeline).

Regional Communications Infrastructure Project (RCIP-4), approved in September 2013, IDA is providing technical assistance to support sector reforms and increasing connectivity by financing Comoros' participation in the FLY-LION3 cable that links Comoros with Mayotte and Madagascar. The latter will enhance competition by enabling a future second operator, as well as future ISPs, to gain access to international connectivity at equivalent prices to those offered to Comoros Telecom. Implementation of RCIP-4 is expected to better integrate Comoros within the region, facilitating an increase in regional trade and better competitiveness internationally. This is expected to reduce retail prices and increase internet access from both fixed and mobile platforms. By facilitating cheaper access to the internet, the project will promote employment and over time will improve Government's efficiency and transparency by enabling e-Government applications. Improved access and quality of ICT services will also have positive social benefits by reducing isolation and enhancing economic activities in poorer rural areas and by creating additional opportunities for women entrepreneurs to own ICT-related SMEs.

Results Area 2: Increased Employment and Income from Fisheries

63. **The PRGSP prioritizes the fisheries sector as one of the sectors with significant potential to generate growth and employment.** With the support of multiple donors including the EU, Japan and Qatar, efforts to date have centered on modernization of the fleet and key facilities along with training and technical assistance in fisheries management. An ongoing JSDF grant managed by the Bank targets poorer fishing communities and provides capacity building in conservation and collaborative resource management. The Economic Reform DPO also supported improvement in sector governance by introducing systematic disclosure of fishing agreements, licenses and related revenues. The CPS envisages further support to the sector, complementing the activities of other donors, through the South West Indian Ocean Fisheries Governance and Shared Growth Program (SWIOFish), an IDA regional project that will also include Tanzania, Mozambique, and Seychelles and is aimed at increasing shared benefits from economic growth based on sustainable fisheries and coastal marine resources by: (i) strengthening capacity to manage fisheries at the national and regional level; (ii) investing to increase the profitability and sustainability of fisheries and value chains, and boost the value-added captured by Comoros and the other SWIO countries; (iii) supporting policies that improve the sharing of benefits derived from sustainable use of marine living resources in particular through pro-poor and community fisheries; and (iv) building robust and cost-effective regional cooperation on fisheries. The primary program beneficiaries are the coastal artisanal fishing communities. About half the fisheries labor force are women, who are mostly engaged in processing and marketing but also have an important role in managing household finances, and shoreline collection of shellfish.

Results Area 3: Improving the Business Environment and Investment Climate

64. **Building on initial progress made under IFC's Investment Climate program, the Bank and IFC will continue to provide analytic and advisory support to improve the business and investment climate.** With IFC support, the government continues to implement reforms to improve the business environment and unlock binding constraints to private sector development. This includes the development of small business, development of improved financial tools (i.e., leasing) to support SMEs, and the creation of alternative business dispute resolution mechanisms. Bank and IFC advisory services will continue to support legal and

regulatory reforms with a focus on the public enterprise and banking sectors, and in land reform. For IFC, a major near-term focus will be on supporting the implementation of reforms to facilitate leasing. Bank ESW on Growth and Employment will explore the constraints and opportunities in the priority growth sectors identified by government with a view to identifying the critical reforms and investment needed to spur investment and job creation.

65. Strengthening the capacity of Government and the private sector will be featured in the strategy. Both Government and the private sector lack technical know-how and institutional capacity to conceive, prepare, market and execute projects requiring investment finance, such as for development of infrastructure or promising value chains in industries, such as agribusiness, fisheries, tourism and derivative businesses in construction, transportation, ICT and professional support services. Ongoing and recently completed technical assistance financed by the Public-Private Infrastructure Advisory Facility (PPIAF) and the Global Partnership on Output-Based Aid (GPOBA) trust funds focuses on the potential for public-private partnerships (PPPs) in water and sanitation and solid waste management. During the CPS, the Bank Group will seek to mobilize additional trust funds to assist in strengthening the legal and regulatory framework for PPPs and build capacity for PPP project development. In addition, encouraging and supporting entrepreneurship through pilot programs and special funding facilities supported by technical assistance (e.g. Business Plan Competition) will also be considered to complement IFC training and education programs for entrepreneurs. These efforts would be complemented by policy reforms advanced through the DPO series.

66. The Bank Group will support efforts by Comoros to increase the contribution of remittances by facilitating transfers, exploring the feasibility of creating a diaspora bond and supporting complementary strengthening of the financial sector. Comoros' large diaspora offers a significant opportunity to support development by increasing direct investments, improving access to foreign savings of the diaspora, establishing contacts to promote trade and investment, and transferring technology. Currently, informal transfers account for approximately 80 percent of remittances due to the high cost of formal channels (up to 10 percent of the principal). As with other potential investors and trading partners, diaspora members seeking to invest in or trade with Comoros are constrained by the poor business environment in the country. Focus group discussions with the Comorian diaspora in France facilitated by the Bank indicate that there is considerable interest in harnessing remittances for productive investment. During the CPS period, the Bank and IFC will work with Government and partners to reduce the transaction cost of transferring remittances and to facilitate diaspora access to investment opportunities at home. Complementary assistance to stabilize and strengthen the banking system, including the fast-growing microfinance sector will be supported by trust funds from the Financial Sector Reform and Strengthening (FIRST) initiative. Similarly, the FIRST trust fund could support the technical strategy for modernization of financial infrastructure such as the payments systems architecture for clearing and settlement of transactions, which would also enable the economy to benefit more efficiently from mobile payments, remittance flows, credit reporting and financial transactions with the largest commercial trading partners.

E. Implementing the FY14-17 Country Assistance Strategy

67. **The national IDA allocation for the CPS period is expected to be about US\$25 million based on an indicative average annual IDA financing over FY2014 to FY2017 period of US\$6 million²⁰.** The CPS period encompasses the final year of IDA16 and the full IDA17 allocation. The CPS financing program leverages national IDA resources with an estimated US\$29.4 million in regional IDA funds (through the RCIP-4 and the planned SWIOFish projects) for an overall CPS IDA envelope of about US\$60 million.

68. **The CPS will feature a mix of instruments in support of the proposed program.** As outlined above, a series of DPOs will form the core of the Bank financing program and will be designed to deepen and sustain the reform process initiated under the HIPC process with a focus on strengthening economic governance, enhancing transparency across the Union and island governments, and improving efficiency in key infrastructure sectors (electricity and ICT). Complementary technical assistance will be critical to the success of the DPO instrument and the ongoing EGTA operation will continue to be important in this regard. The planned DPO series of US\$3 million per year together with the planned social protection operation in FY15 accounts for about two thirds of the expected national IDA17 allocation. The balance of the IDA program will be programmed later on the basis of analytical work to be carried out in FY14 and FY15 and the Government's new poverty reduction strategy. The CPS results framework will be updated accordingly at the time of the CPS Progress Report.

Table 5: Proposed IDA Lending Program

	FY 14		FY 15		FY 16	FY 17
	IDA	Regional IDA	IDA	Regional IDA ¹	IDA	IDA
Pillar 1: Increased Public Sector Capacity						
Social Protection			3.0			
Economic Governance Reform DPO (series)	3.8		3.0		3.0	3.0
Economic Governance TAL (AF)	3.5					
Pillar 2: Shared Growth and Increased Employment						
Energy Sector Recovery	5.0					
Southwest Indian Ocean Fisheries Governance			1.2	8.3		
Regional Comm. Infrastructure – Phase 4	0.8	21.2				
Total	13.1	21.2	7.2	8.3	3.0	3.0

1/ Regional IDA allocation is notional. The actual allocation will depend on eligibility of project activities for Regional IDA funding

²⁰ The amounts shown in outer years are indicative only. Actual allocations will depend on: (i) total IDA resources available, (ii) the country's performance rating, GNI per capita, and population; (iii) the terms of IDA assistance (grants/credits) and the allocation deductions associated with Multilateral Debt Relief Initiative (MDRI) annual debt service foregone; (iv) the performance, other allocation parameters, and IDA assistance terms for other IDA borrowers; and (v) the number of IDA-eligible countries.

69. **Knowledge activities will play a central role in the CPS Program.** Raising the efficiency and effectiveness of public expenditure is a high priority for Comoros but further analysis is needed to help define options for prioritizing expenditure, expanding revenue mobilization and improving management of existing resources. An early priority will therefore be to complete a PER to help define the reform program. This will be complemented by technical assistance in debt and public investment management. The Statistical Development and Mapping Service Delivery TA activities will help to generate the critical information needed to support decision making and monitor results and will be closely coordinated with partners. These will also help pave the way for a Poverty and Gender Assessment to be prepared once required household survey data is available.

70. **Diagnostic ESW will also be important to help develop the reform agenda under Pillar 2.** The planned Growth and Employment ESW will seek to identify key bottlenecks including policies, skills, and technology that need to be addressed in support of the Government’s growth and employment creation agenda. The aim will be to develop specific reforms and investment opportunities in the sectors with the greatest potential for growth and employment creation such as agribusiness and tourism. During the CPS, the Bank will explore South-South learning opportunities with a view to sharing experience of other small island states that have managed to overcome obstacles similar to those faced by Comoros.

Table 6: CPS Selected Knowledge Services Program, FY14-17

CPS Pillars	FY14-17
Pillar 1 Increased Public Sector Capacity	Public Expenditure Review Debt Management TA (TF) Supporting Statistical Development TA (TF) Mapping Service Delivery TA Governance and Anti-Corruption TA Poverty and Gender Assessment Comoros Policy Notes Series Multi-hazard Risk Assessment (TF)
Pillar 2 Shared Growth and Increased Employment	Growth and Employment ESW Comoros Policy Notes Series Private Sector Development TA Banking Sector Legal Framework TA (TF) PPP Preparation and Execution Framework TA

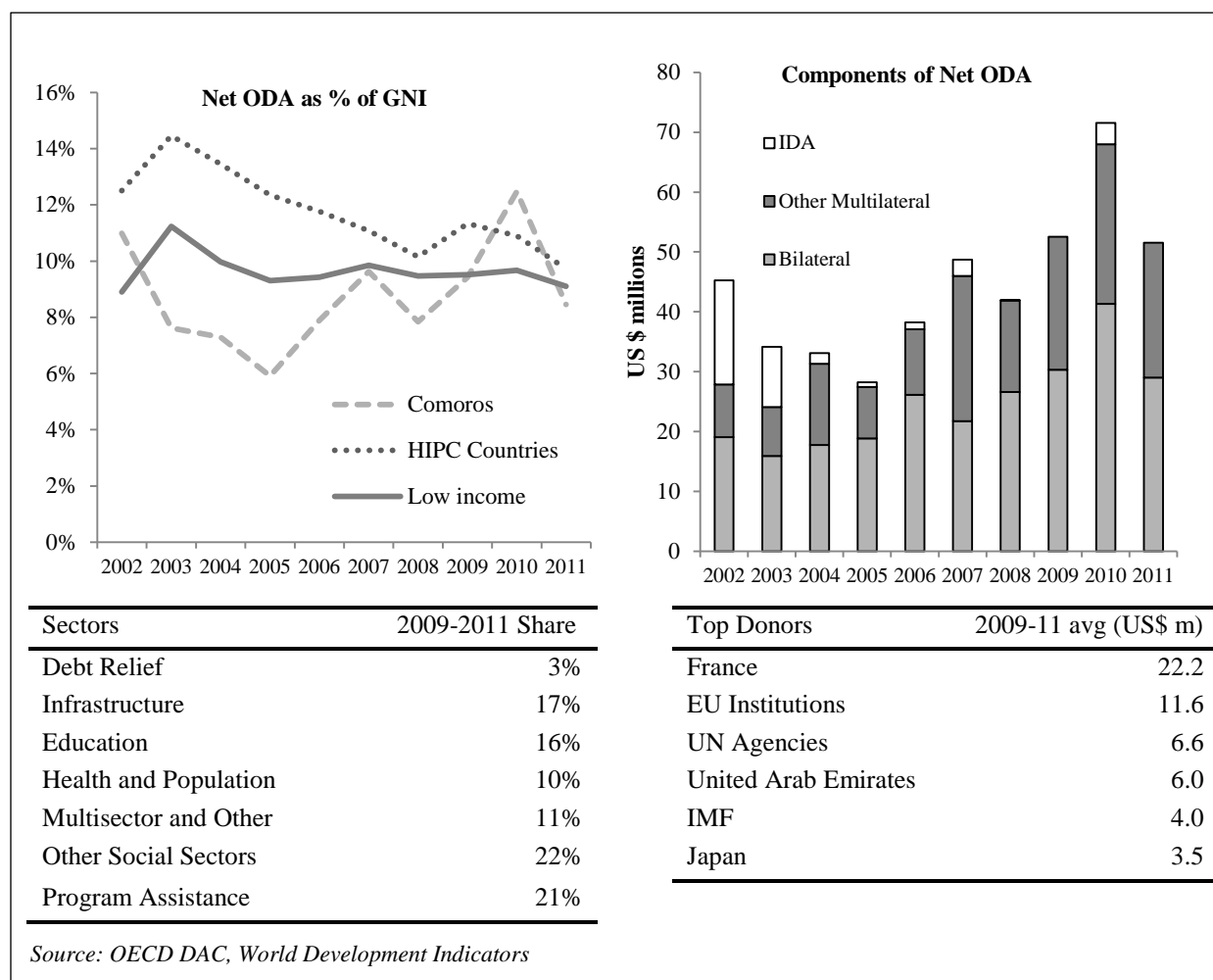
F. Partnerships and Donor Coordination

71. **Like many small countries, Comoros is highly dependent on donor support.** Overall donor support is equal to 10 percent of GDP and in some sectors donor support accounts for far more than government resources. For example, donors contribute more than 80 percent of the funds allocated to the health sector. There is a consensus among government and donors that more could be done to harmonize donor efforts and improve results. Recent efforts to strengthen harmonization include the creation of Development Partners Forum (DPF) in May 2013, under the leadership of the UNDP. Coordination takes place at the sector level, including in public financial management, energy, telecoms, support on statistics, governance and anti-corruption and social sectors. The DPF has tried to involve and open the dialogue to non-traditional donors,

which has been limited to date. During the CPS period, the Bank Group will support Government's efforts to strengthen the coordination mechanisms now in place and fully engage the donor community around the PRGSP agenda.

72. The Bank Group is a relatively small donor in Comoros and needs to coordinate its efforts closely with other development partners to improve its impact. The most active development partners are France, the EU, and UN agencies (see Box 2). Arab League donors have played an important role. A donor conference held in Doha in March 2010 on investment and development of the Comoros resulted in pledges of around US\$540 million, mainly from Arab countries, through bi-lateral financing, and private and NGO investment, notably in the social sectors. An 'Arab Committee' was formed under the leadership of Qatar to lead the realization of Doha projects in the sectors of health, airport security and rehabilitation, road infrastructure, fisheries, agriculture, and transport. Several Arab League countries including Kuwait and Saudi Arabia are also providing budget support.

Box 2: Official Development Assistance to Comoros



73. **The CPS program seeks to position Bank support in areas that are well aligned with the efforts of other donors and where the Bank can make a unique and catalytic contribution.** For example in the power sector, while the Bank's support to the sector is relatively small compared with other support currently being discussed (US\$5 million compared with US\$23 million from the AfDB, US\$10 million from Qatar and a line of credit of US\$41.6 million with Export-Import Bank of India, the Bank's support is targeted at important policy-making institutions of the sector, further supported by DPOs. Similarly, support for key structural reforms and strengthening governance (especially PFM reforms) are expected to have far-reaching benefits although the level of financing will be relatively modest.

III. Risks and Mitigation

74. **Renewed political instability is the main risk to achievement of CPS objectives.** While the country will not have a new presidential election until 2016, the legislative campaign will start in 2015 and fragility in the political environment remains a challenge. Renewed instability would result in a slowdown or reversal of the Government's reform program and the delivery of planned financing under the CPS. The Union government is well aware that careful attention to the political economy of inter-island fiscal tensions requires steps to foster trust among the parties and continued consensus building. Donors, including the Bank, have only limited capacity to mitigate this risk. Nevertheless, support by the international community for a constructive dialogue between the Union and Island governments can help. The CPS program's focus on increasing transparency in economic governance will also help mitigate this risk by contributing to greater trust and reducing tensions over issues related to the sharing of resources across the islands.

75. **There is a risk that the Government's reform program could stall because of complacency or internal opposition to reforms.** Reaching the HIPC completion point was a major achievement and there is a risk that this could be seen as a culmination rather than the starting point for further reforms. Some reforms (e.g., civil service and State-Owned Enterprise (SOE) restructuring) are almost certain to trigger strong opposition. A concerted effort among the donor community accompanied by substantial financial and technical assistance to carry out these reforms will help the Government to persevere. Moreover, a more dynamic communication strategy from both the government and donors, providing examples of similar reforms implemented in peer countries, will provide a more balanced picture of the long-term gains of the reforms beyond the short-term costs. Financial assistance, particularly the DPO series, will be contingent on implementation of reforms and therefore will also serve to reinforce the process, but delivery of IDA financing, particularly DPOs, would be delayed by a slowdown or reversal of reforms.

76. **Capacity constraints could undermine reforms and weaken project implementation.** The Government's reform agenda is highly ambitious in light of the limited institutional, technical, and financial resources at its disposal. The lack of government implementation capacity is a critical challenge and could undermine achievement of project outcomes or prior actions delaying CPS program implementation. The authorities and donors are tackling this issue by: (i) coordinating and, when possible, consolidating their interventions, including through a new informal platform and consultation of development partners implemented in Moroni under

the leadership of the UNDP; (ii) providing significant parallel technical assistance and capacity-building interventions; and (iii) focusing the reform agenda on a limited number of achievable measures. The Bank has also stepped up its engagement through more frequent missions in order to address implementation constraints.

77. Comoros remains vulnerable to a worsening of the global economic context, especially in the Euro zone. The main channel of impact is that of remittances (about 25 percent of GDP), with a large Comorian community living in France. However, remittances remained buoyant in recent years despite the 2008 global crisis and subsequent slowdown in European economies. Price shocks on key import commodities, notably oil and food, could also depress growth and unsettle external and fiscal balances. Even with stronger growth and continued efforts to stay the course on fiscal consolidation, the Government lacks the fiscal space needed to adjust to external shocks if and when they occur. To address this, in consultation with development partners, the timing and sequencing of budget support provided under the CPS will be adjusted as needed to reflect economic circumstances.

78. Comoros' vulnerability to natural hazards and climate change remains a constant threat. Cyclones, floods, landslides and sea level rise are among the natural hazards that will become more erratic and severe as climate change intensifies, while a major volcanic eruption in the coming decade cannot be ruled out. These risks can be mitigated by a set of measures that Comoros and its partners are working on in terms of assessing the risks, adopting mitigating and adaptive measures, and strengthening institutions and capacities for preparedness, including early warning and response. A key element of success will be the intra-island coordination as well as cooperation with neighboring Indian Ocean states. The flexible design of the CPS will allow the Bank to respond dynamically in case significant exogenous shocks materialize.

Annex 1: Comoros CPS Results Matrix

Country Development Goals	Issues and Obstacles	CPS Objectives and Indicators	Bank Group Program (and Partners)
Pillar 1: Increased Public Sector Capacity			
Enhance Public Financial Management (in terms of increased efficiency, accountability and transparency in the use of public and donor resources)	<p>PFM information systems are rudimentary and obsolete</p> <p>Budget preparation is delayed and the process is non-participatory</p>	<p><i>Improved Public Financial Management</i></p> <ul style="list-style-type: none"> • The composition of budget expenditure deviates from the original budget by less than 5% (PEFA PI-2 rating increases from D (2007) to D+ (2016)) • Budget execution reports are published (on the web or national media) regularly and include social sectors and/or priority sectors • Cash management plans integrating the Union and island treasuries are operational by 2016 <p><i>Enhanced transparency in the fight against corruption</i></p> <ul style="list-style-type: none"> • Percentage of senior officials with completed, publicly available Asset Declaration Forms increases from 30% (2013) to 80 % (2015). 	<p><u>Ongoing</u> Economic Governance TAL <i>Institutional Capacity Building Project (AfDB)</i></p> <p><u>Lending</u> Economic Governance TA Additional Financing Economic Governance Reform DPO</p> <p><u>AAA</u></p> <p>Public Expenditure Review Public Investment Policy Note Governance and Anti-Corruption TA</p>
Undertake Civil Service Reform	<p>High wage bill and frequent salary arrears</p> <p>Weak checks and balances in civil service recruitment</p>	<p><i>Strengthened civil service management</i></p> <ul style="list-style-type: none"> • The share of civil servants paid through the automated payroll system increases from 50% (2010) to 90% (2015) • Inter-islands arrangement clarifying hiring authority and payment responsibility concluded by 2015 	<p><u>Ongoing</u> Economic Governance TAL</p> <p><u>Lending</u> Economic Governance TAL Additional Financing</p>
Strengthen Statistical Capacity	<p>Weak capacity to produce statistical data contributes to a lack of transparency and evidence-based planning and policy making</p>	<p><i>Increased capacity to gather and release statistics in accordance with international standards</i></p> <ul style="list-style-type: none"> • WB Index of Statistical Capacity increases from 44 (2012) to 50 (2017) 	<p>Statistical Strengthening TA</p> <p>Mapping for Evidence-Based and Equitable Social Service Delivery (TA)</p> <p><i>Institutional Capacity Building Project (AfDB)</i></p>

Country Development Goals	Issues and Obstacles	CPS Objectives and Indicators	Bank Group Program (and Partners)
Reduce Social Vulnerability	<p>The policy and institutional framework for social protection are unclear and not guided by an overall strategy</p> <p>Lack of short term employment opportunity for vulnerable.</p> <p>Existing social protection programs have limited scope and coverage</p>	<p><i>Improved effectiveness of social protection programs to enhance the resilience of poor to shocks.</i></p> <ul style="list-style-type: none"> Revised Social Protection Policy adopted. Number of people benefitting from cash-for-work and basic services/infrastructure increases from 43,000 to 53,000 by 2016. 	<p><u>Ongoing:</u> Emergency Crises Response Project</p> <p><u>Lending</u> Social Protection Project (FY15)</p> <p><u>AAA</u></p> <p>Poverty and Gender Assessment</p> <p>Mapping for Evidence-Based and Equitable Social Service Delivery</p>
Improve Management of Disasters and Climate Risks	<p>Poor regulatory and policy framework. Limited knowledge of areas at risk to a variety of natural disasters. Limited capacity of governmental actors to effectively intervene, coordinate and communicate; lack of baseline data to assess impact of floods; limited awareness and preparedness of the affected communities, local and central government institutions.</p>	<p><i>Improved regulatory framework for DRR</i></p> <ul style="list-style-type: none"> Development and adoption of a national DRR policy and a strategy for its implementation. <p><i>Improved knowledge base on natural hazards</i></p> <ul style="list-style-type: none"> National multi-hazard disaster profile in place and open risk information data platform established, operational and accessible to all. <p><i>Improved surveillance, coordination and communication</i></p> <ul style="list-style-type: none"> Early warning tested and operational, for both volcanic and meteorological hazards 	<p><u>AAA</u> National DRM Project</p> <p>Regional Project to strengthen DRM capacity and knowledge exchange</p> <p>Regional Disaster Risk assessment and Financing Initiative Project</p>
Pillar 2: Shared Growth and Increased Employment			
Enhance reliability of electrical supply	<p>Electricity supply is sporadic due to high technical and commercial losses that leave MAMWE unable to finance fuel and maintenance</p>	<p><i>Improvement in the commercial and financial performance of the electricity sector</i></p> <ul style="list-style-type: none"> MAMWE collection rate improves from 55% to 70% by 2017 MAMWE total losses reduced from 45% to 37.5% by 2017 	<p><u>Lending</u></p> <p>Energy Sector Recovery Project (FY14) <i>Comoros – Energy Sector Support Programs (AfDB)</i></p>

Country Development Goals	Issues and Obstacles	CPS Objectives and Indicators	Bank Group Program (and Partners)
Improve International Telecom Connectivity	Basic communications and Internet services are not affordable due to lack of connectivity to global fiber optic broadband infrastructure and lack of competition in voice and data services	<p><i>Increased access and voice/internet connectivity</i></p> <ul style="list-style-type: none"> • Number of Internet subscribers (fixed & mobile) increases from 5,400 to 66,000 by 2017 • Number of licensed internet service providers increases from 1 to 4. • Number of licensed telecom operators increases from 1 (2013) to 2 (2015) 	<p><u>Lending</u> Regional Communications Infrastructure Program (FY14)</p> <p>IFC Transaction Advisory services</p>
Increase Income and Employment from Fisheries	Overexploitation, ecosystem degradation, illicit fishing activities, and lack of local participation in value chains.	<p><i>Strengthened capacity of governments and coastal communities to effectively manage selected priority fisheries</i></p> <ul style="list-style-type: none"> • Number of new bilateral and/or multilateral protocols on fisheries entered into by Comoros (Baseline: 0 ; Target: 2) • Management Plans with measures to control fishing efforts for priority fisheries developed. (Baseline: 0 ; Target: 1) 	<p><u>Ongoing</u> Coastal Resources Co-Management for Sustainable Livelihood (JSDF)</p> <p><u>Lending</u> Southwest Indian Ocean Fisheries Project (FY15)</p>
Increase private sector income and employment	<p>Regulatory burden is high</p> <p>Weak regulation of financial sector Limited financial product offerings and payments infrastructure</p> <p>Weak capacity for investment project launch and realization</p>	<p><i>Improved policy and regulatory environment in targeted areas</i></p> <ul style="list-style-type: none"> • Cost to register a business reduced by 50% by 2017 • Strengthened Legal and Regulatory Framework for PPPs adopted 	<p><u>IFC Advisory</u></p> <p>Investment Climate Advisory services</p> <p>Improving Youth Employability for Private Sector Development (JSDF)</p> <p><u>AAA</u> Growth and Employment ESW Banking Sector Reforms TA PPP Preparation and Execution Framework TA Diaspora Finance Options</p>

Annex 2: Debt Sustainability Analysis Update

1. **This debt sustainability analysis (LIC-DSA) updates the assessment included in the HIPC completion point documentation,²¹ using the forward-looking debt sustainability framework (DSF) for low-income countries.** In line with the previous DSA exercise, the present analysis concludes that Comoros is in high risk of debt distress and debt dynamics remain vulnerable to a number of shocks over the projection period.

2. **Comoros reached the decision point of the HIPC Initiative in July 2010 and was granted debt relief by a number of multilateral and bilateral creditors, following the completion point in December 2012.** The authorities have continued making good faith efforts toward completing agreements with Paris Club and non-Paris Club bilateral creditors, as well as other official and commercial creditors on the provision of debt relief on terms compatible with the relief accorded under the November 2009 Paris Club Agreement and in the context of the HIPC Initiative. Understandings have now been reached with all the major non-Paris Club creditors, representing 16 percent of the total nominal stock of debt at end-2011. This includes, the Abu Dhabi Fund for Development, the Arab Bank for Development in Africa, the Islamic Development Bank, the Kuwait Fund, the Saudi Fund for Development, and Mauritius. One new loan (US\$41.6 million) was contracted in 2013 for project financing, but fell slightly below concessionality benchmark established under the ECF.

Text Table 1. Nominal of Stock of External Debt (Millions of U.S. dollars; end-of-period)		
	2012 ¹	2013 ²
Total external debt	130.9	172.3
<i>Multilateral creditors</i>	96.7	96.6
IMF	14.7	14.7
IDA	10.7	10.6
AfDB	0.0	0.0
BADEA	28.3	28.3
Other multilateral creditors	43.1	43.0
<i>Official Bilaterals</i>	32.5	74.0
Paris Club creditors	5.0	5.0
Non-Paris club creditors	27.6	69.1
UAE	0.0	0.0
Mauritius	0.6	0.5
Kuwait	27.0	27.0
India ³	0.0	41.6
<i>Commercial creditors</i>	1.6	1.6

¹ After HIPC and MDRI relief. Part of the debt was still under restructuring/negotiation.
² Following Paris Club cancellation of all of its HIPC-eligible debt, rescheduling of short-term debt in arrears, and restructuring non-Paris club debt.
³ Disbursements are expected over a 4-year period, starting in 2014.

²¹ *Union of the Comoros—Enhanced Initiative for Heavily Indebted Poor Countries—Completion Point Document and Multilateral Debt Relief Initiative (EBS/12/155, 12/03/12).*

3. **The present value of the stock of debt at 20.2 percent of GDP slightly exceeds that in the last DSA prepared in December 2012, reflecting some depreciation of the exchange rate.** The DSA takes into account all debt relief granted to date by multilateral organizations, Paris Club creditors, and the current status of relief provided by non-Paris Club creditors. The DSA also adds arrears that are now falling due but were not included in previous estimates. Also adding to the debt profile are the remaining credits and loans with Paris Club creditors of original maturity of one year or less for which the cancellation rate was only 47 percent. Finally, the new assessment is based on a discount rate of 5 percent, in line with the approved changes to the framework.

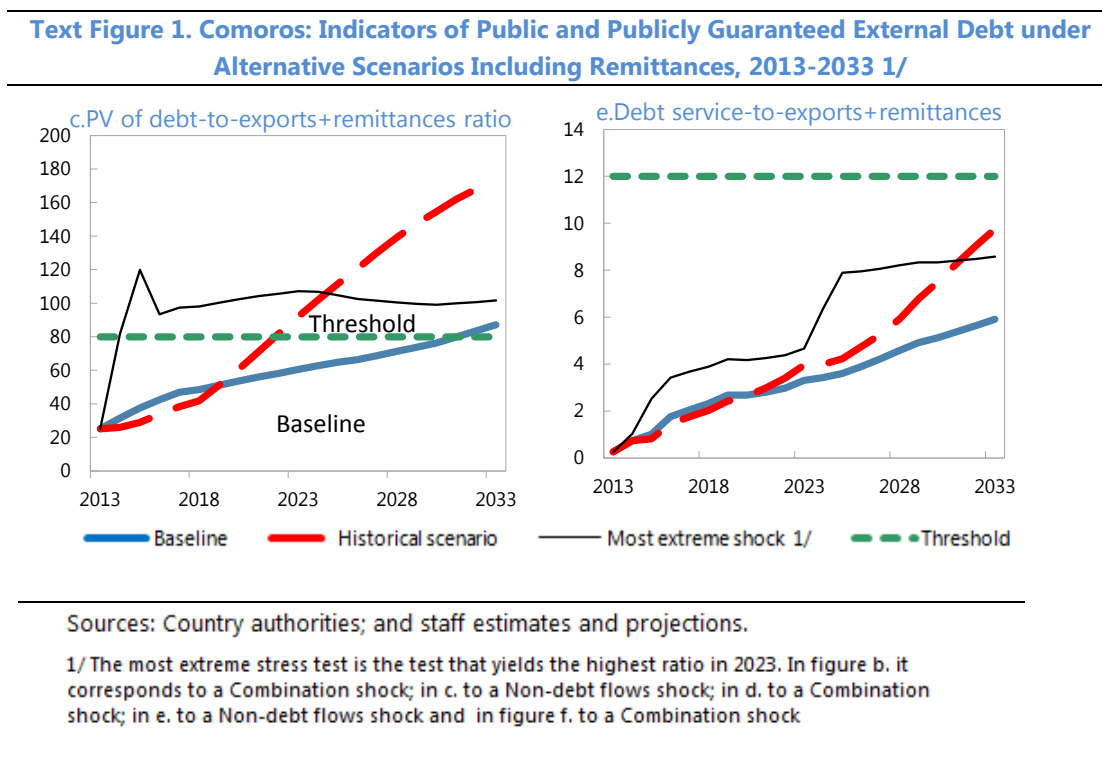
4. **The baseline macroeconomic assumptions for the current DSA are consistent with the macroeconomic framework underlying the current ECF arrangement** (see main document tables 1 and 4). Real GDP growth is projected to accelerate over the medium term to 4 percent per year, CPI inflation over the long-term is projected to remain stable at around 3 percent per year, the current account deficit (including official grants) is expected to widen in 2014 on account of lower exports reflecting decline in commodity prices, and higher import volume associated with capital spending and projected increase in import prices for food and energy products, before it gradually declines, converging to about 7 percent of GDP over the projection period, remittances and FDI are projected to remain robust, fiscal consolidation is expected to continue over the medium term, and financing are assumed to be covered initially assumed mostly on grant terms, followed by loan financing for the concessionality level gradually drops during the projection period.

Baseline

5. **Under the baseline scenario, most external debt indicators for Comoros are projected to remain below their relevant indicative thresholds over the medium term** (Table 1a, Figure 1a). The present value of debt to GDP and revenues and debt service indicators are projected to remain below critical benchmarks over the projection span. However, compared to the external debt indicators in the last analysis, the current analysis shows some deterioration. Specifically, the debt to exports ratio is increasing at a faster pace, breaching the critical benchmark by the end of this decade, reflecting more conservative assumptions about export growth. The present value (PV) of public and publicly guaranteed (PPG) external debt to exports ratio is projected to be about 65 percent in 2013, below the critical benchmark, and gradually increases to above the 100 percent threshold for most of the projection period. In addition to the

base effect, debt service is higher compared to the previous analysis, reflecting the service falling due on arrears that had been assumed to be cancelled, but were not part of the final debt relief.

6. **Relevant debt ratios are substantially better when including remittances** (Text Figure 1). Including remittances, which account for some 20 percent of GDP and have been remarkably stable in recent years, the present value of external debt to exports is projected to be substantially lower than in the base case at around 25 percent in 2013, and although gradually increasing, remains below the 100 percent threshold over the projection period. The ratio of debt service to exports (plus remittances) similarly shows a substantially better picture.



Sensitivity Analysis

7. **The external debt outlook remains vulnerable to shocks, especially shocks to non-debt creating flows (e.g. FDI) and a combination of several other shocks** (Table 1b, and Figure 1b). The policy thresholds for three key ratios are breached under the most extreme stress tests for a prolonged period of time. Both the PV of external debt-to-GDP and the PV of external debt-to-revenues indicators deteriorate significantly under the scenario assuming a shock to non-

debt creating flows.²² In addition, the PV of debt-to-exports ratio is vulnerable to a combined-shock scenario entailing weaker GDP growth, lower exports, and subdued non-debt creating flows.

8. **The inclusion of Comoros' domestic public debt in the analysis does not significantly alter the dynamics of debt burden indicators** (Table 2a, 2b). Under the baseline scenario, the PV of total public debt-to-GDP is projected to increase moderately, but remain around 30 percent of GDP, over the medium term, reaching 35 percent by the end of the projection span. However, the present value of total public debt-to-revenue (including grants) ratio is projected to increase steadily over time, reaching rather high levels (82 percent) over the medium term. Further, the evolution of public debt indicators is sensitive to a wide range of shocks (Table 2b). The dynamics of debt appears unsustainable when key variables are kept at historical levels. While no full information on contingent liabilities is available, based on partial data, it seems that their effects are more than adequately covered in the effects of a 10 percent shock to debt creating flows in 2014.

9. **The results of the assessment highlight the paramount importance of continued efforts in fiscal consolidation and structural reforms to achieve higher growth and ensure debt sustainability.** To that end, more efforts to diversify the economy and increase the scope for private sector contribution to key sectors, underpinned by steady progress in developmental and capacity building, will help sustain the growth momentum going forward.

Conclusion

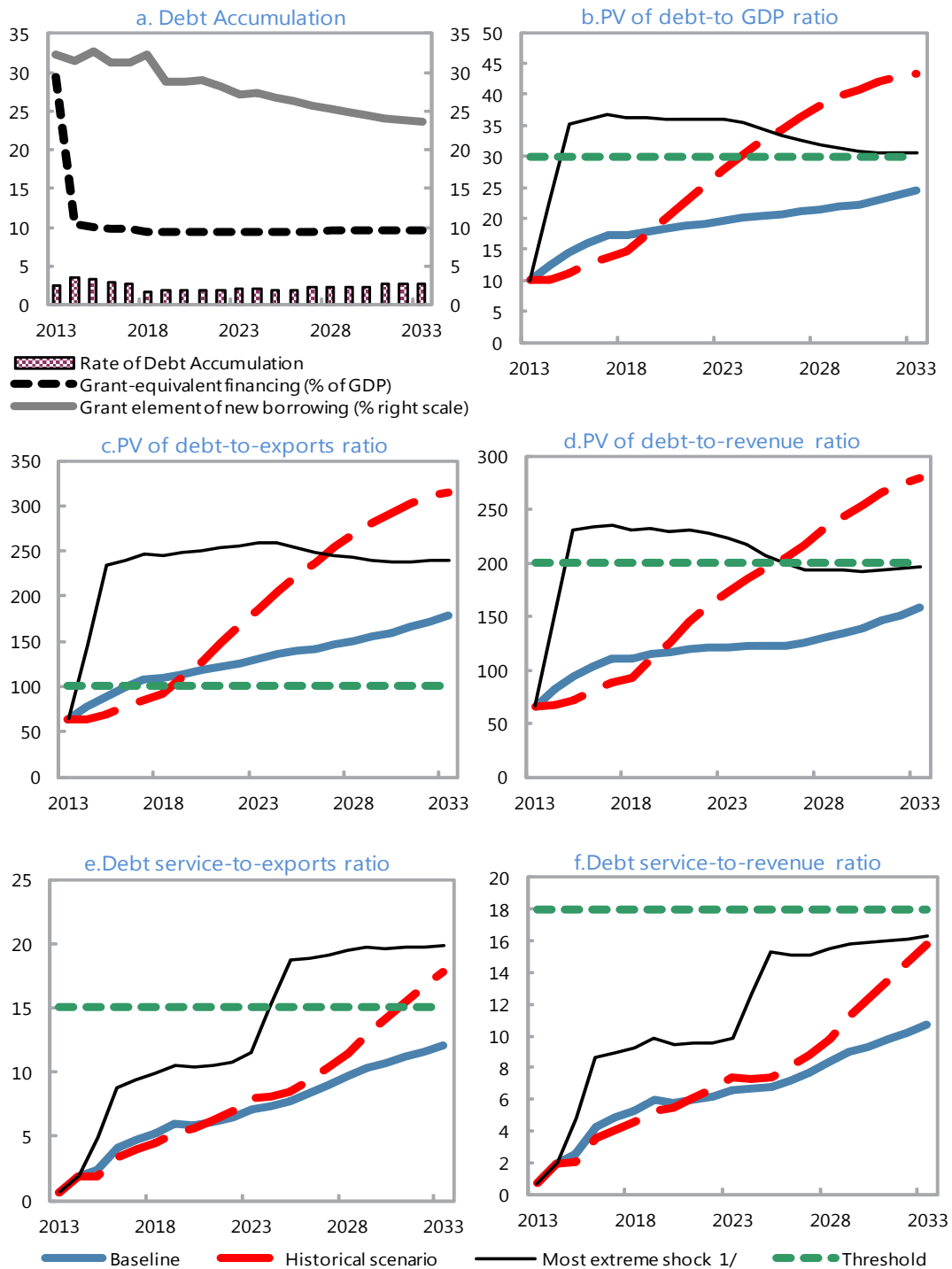
10. **The DSA indicates that Comoros remains in high debt distress, despite debt relief following the HIPC completion point in December 2012.** Under the baseline scenario the debt ratio and debt service indicators are rising gradually over the medium-term, increasing the risk of breaching critical benchmarks. Further, the stress tests indicate serious risks to sustainability.

11. **Ensuring sustainability and improving the external debt outlook will depend on maintaining sound macroeconomic policies.** The inclusion of Comoros' domestic debt in the

²² In light of exceptional amount of grants in 2013, the analysis assumes a smaller grant amount, as projected in 2014, which stabilizes the primary deficit at 1.1 percent of GDP over the projection span.

analysis reinforces the conclusions of the external DSA and stresses the risks to debt prospects absent prudent policies to build the necessary buffers to be able to weather the effects of external shocks. In this context, it is essential that the authorities continue current efforts to strengthen public finance management, reform state-owned enterprises, and improve the investment climate so as to lay the foundation for rapid sustainable economic growth and ensure robust debt sustainability in the face of volatile shocks.

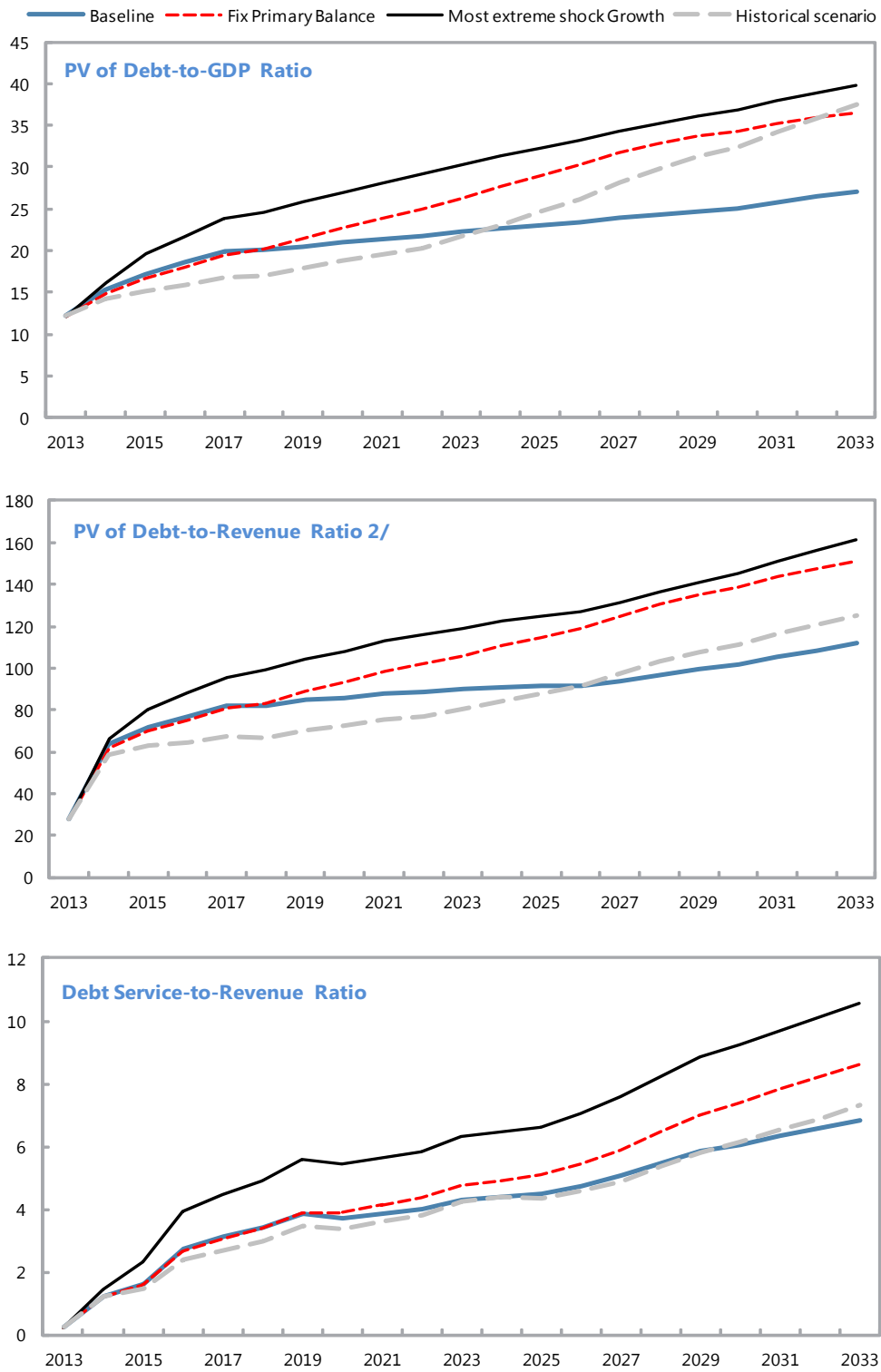
Figure 1a. Comoros: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2033. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Combination shock and in figure f. to a Combination shock

Figure 1b. Comoros: Indicators of Public Debt Under Alternative Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023.

2/ Revenues are defined inclusive of grants.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2010-2033 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical ^{6/} Standard ^{6/}		Projections								2019-2033	
	2010	2011	2012	Average	Deviation	2013	2014	2015	2016	2017	2018	2013-2018 Average	2023	2033	Average
External debt (nominal) 1/	49.2	44.7	18.9			20.2	22.7	25.1	26.7	27.9	27.7		28.6	32.6	
<i>of which: public and publicly guaranteed (PPG)</i>	49.2	44.7	18.9			20.2	22.7	25.1	26.7	27.9	27.7		28.6	32.6	
Change in external debt	-2.7	-4.5	-25.8			1.3	2.5	2.3	1.7	1.2	-0.2		0.4	0.7	
Identified net debt-creating flows	3.4	0.3	3.2			2.9	7.3	6.0	4.5	4.4	3.6		0.8	2.5	
Non-interest current account deficit	5.3	9.1	3.5	6.2	2.7	6.0	10.4	8.8	7.1	6.9	5.9		2.5	3.7	2.9
Deficit in balance of goods and services	34.2	33.9	39.0			37.5	36.5	33.6	31.1	29.2	27.8		22.6	20.4	
Exports	15.7	16.2	14.9			15.6	15.8	16.1	16.2	16.1	15.9		14.9	13.7	
Imports	49.9	50.2	53.9			53.1	52.3	49.7	47.3	45.3	43.7		37.5	34.1	
Net current transfers (negative = inflow)	-28.9	-24.9	-35.4	-21.5	7.5	-31.5	-26.2	-24.9	-24.0	-22.2	-21.6		-20.0	-16.9	-19.1
<i>of which: official</i>	-8.9	0.0	0.0			-2.8	1.0	1.3	1.2	1.2	1.2		0.3	0.3	
Other current account flows (negative = net inflow)	0.0	0.0	-0.2			0.0	0.1	0.1	0.0	-0.1	-0.3		-0.1	0.2	
Net FDI (negative = inflow)	-1.5	-3.8	-1.7	-1.3	1.2	-2.6	-2.4	-2.3	-2.1	-1.9	-1.8		-1.1	-0.5	-0.9
Endogenous debt dynamics 2/	-0.3	-5.0	1.5			-0.5	-0.6	-0.6	-0.6	-0.6	-0.5		-0.5	-0.7	
Contribution from nominal interest rate	0.4	0.3	0.4			0.1	0.2	0.3	0.3	0.4	0.5		0.6	0.8	
Contribution from real GDP growth	-1.0	-1.0	-1.4			-0.6	-0.7	-0.8	-0.9	-1.0	-1.1		-1.2	-1.5	
Contribution from price and exchange rate changes	0.3	-4.4	2.5			...	...	...	...	...	...		...	...
Residual (3-4) 3/	-6.1	-4.8	-29.0			-1.5	-4.8	-3.7	-2.8	-3.2	-3.8		-0.5	-1.8	
<i>of which: exceptional financing</i>	...	0.0	-22.6			...	...	...	...	...	...		...	...
PV of external debt 4/	...	...	8.4			10.0	12.3	14.4	16.0	17.2	17.3		19.6	24.4	
In percent of exports	...	...	56.5			64.1	78.0	89.2	98.4	107.0	109.2		131.1	177.8	
PV of PPG external debt	...	...	8.4			10.0	12.3	14.4	16.0	17.2	17.3		19.6	24.4	
In percent of exports	...	...	56.5			64.1	78.0	89.2	98.4	107.0	109.2		131.1	177.8	
In percent of government revenues	...	...	43.6			65.9	82.1	94.4	103.5	110.5	110.6		121.3	157.5	
Debt service-to-exports ratio (in percent)	11.4	10.0	10.6			0.7	1.8	2.4	4.1	4.7	5.2		7.1	12.1	
PPG debt service-to-exports ratio (in percent)	11.4	10.0	10.6			0.7	1.8	2.4	4.1	4.7	5.2		7.1	12.1	
PPG debt service-to-revenue ratio (in percent)	12.5	10.1	8.2			0.7	1.9	2.5	4.3	4.8	5.3		6.6	10.7	
Total gross financing need (Billions of U.S. dollars)	0.0	0.0	0.0			0.0	0.1	0.1	0.0	0.1	0.0		0.0	0.2	
Non-interest current account deficit that stabilizes debt ratio	8.0	13.6	29.3			4.7	7.8	6.5	5.5	5.7	6.1		2.1	3.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	2.1	2.2	3.0	1.8	1.3	3.5	4.0	4.0	4.0	4.0	4.1	3.9	4.4	5.1	4.6
GDP deflator in US dollar terms (change in percent)	-0.6	9.8	-5.2	7.4	9.4	5.6	4.3	4.2	4.2	4.0	4.1	4.4	3.3	3.3	3.3
Effective interest rate (percent) 5/	0.8	0.8	0.8	0.6	0.2	0.5	0.8	1.2	1.4	1.6	2.0	1.3	2.3	2.8	2.4
Growth of exports of G&S (US dollar terms, in percent)	10.1	15.7	-10.3	9.3	15.0	14.3	9.9	10.5	9.1	7.3	7.1	9.7	6.6	8.0	7.0
Growth of imports of G&S (US dollar terms, in percent)	6.3	12.7	5.0	15.8	11.7	7.6	6.7	3.0	3.2	3.5	4.5	4.8	6.7	8.1	6.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	32.3	31.5	32.8	31.3	31.2	32.3	31.9	27.1	23.6	26.3
Government revenues (excluding grants, in percent of GDP)	14.3	16.1	19.3			15.2	15.0	15.2	15.4	15.6	15.7		16.1	15.5	16.1
Aid flows (in Billions of US dollars) 7/	0.1	0.0	0.1			0.2	0.1	0.1	0.1	0.1	0.1		0.1	0.3	
<i>of which: Grants</i>	0.1	0.0	0.1			0.2	0.1	0.1	0.1	0.1	0.1		0.1	0.3	
<i>of which: Concessional loans</i>	...	...	...			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			29.5	10.5	10.1	9.9	9.8	9.4		9.5	9.6	9.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			93.8	77.9	78.0	78.7	79.9	86.1		81.9	75.6	80.7
Memorandum items:															
Nominal GDP (Billions of US dollars)	0.5	0.6	0.6			0.7	0.7	0.8	0.8	0.9	1.0		1.4	3.1	
Nominal dollar GDP growth	1.5	12.2	-2.4			9.4	8.4	8.4	8.3	8.2	8.4	8.5	7.8	8.5	8.0
PV of PPG external debt (in Billions of US dollars)	...	...	0.1			0.1	0.1	0.1	0.1	0.2	0.2		0.3	0.8	
(PVT-PVt-1)/GDPt-1 (in percent)	...	...	...			2.5	3.4	3.3	2.9	2.7	1.6	2.7	2.1	2.8	2.2
Gross workers' remittances (Billions of US dollars)	0.1	0.1	0.2			0.2	0.2	0.2	0.2	0.2	0.2		0.2	0.4	
PV of PPG external debt (in percent of GDP + remittances)	...	...	6.7			8.0	10.0	11.7	13.1	14.3	14.5		16.7	21.3	
PV of PPG external debt (in percent of exports + remittances)	...	...	20.8			25.1	31.5	37.4	42.4	46.9	48.5		60.6	87.1	
Debt service of PPG external debt (in percent of exports + remittance)	...	...	3.9			0.3	0.7	1.0	1.8	2.1	2.3		3.3	5.9	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g)] / (1+g+\rho+gp)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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

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

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

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

Table 1b.Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033

(In percent)

	Projections							2033
	2013	2014	2015	2016	2017	2018	2023	
PV of debt-to GDP ratio								
Baseline	10	12	14	16	17	17	20	24
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	10	10	11	13	14	15	28	43
A2. New public sector loans on less favorable terms in 2013-2033 2	10	13	16	19	21	21	26	36
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	10	13	15	17	18	19	21	26
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	10	14	19	21	22	22	23	25
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	10	13	16	18	20	20	22	28
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	10	23	34	35	36	35	35	28
B5. Combination of B1-B4 using one-half standard deviation shocks	10	22	35	36	37	36	36	30
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	10	17	20	22	24	24	28	34
PV of debt-to-exports ratio								
Baseline	64	78	89	98	107	109	131	178
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	64	64	68	77	86	92	186	315
A2. New public sector loans on less favorable terms in 2013-2033 2	64	84	101	115	128	134	173	260
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	64	78	90	99	107	110	132	179
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	64	103	163	173	184	186	212	253
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	64	78	90	99	107	110	132	179
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	64	146	213	217	222	221	232	207
B5. Combination of B1-B4 using one-half standard deviation shocks	64	146	235	239	246	245	259	239
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	64	78	90	99	107	110	132	179
PV of debt-to-revenue ratio								
Baseline	66	82	94	103	110	111	121	157
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	66	67	72	81	88	93	173	279
A2. New public sector loans on less favorable terms in 2013-2033 2	66	88	107	121	133	135	160	230
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	66	85	101	111	119	119	130	169
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	66	93	126	133	139	138	144	164
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	66	88	107	118	125	126	138	179
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	66	154	226	228	229	224	215	184
B5. Combination of B1-B4 using one-half standard deviation shocks	66	148	230	234	236	231	223	197
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	66	116	133	146	156	156	171	222

Table 1b. Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033 (continued)
(In percent)

Debt service-to-exports ratio								
Baseline	1	2	2	4	5	5	7	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	1	2	2	3	4	4	8	18
A2. New public sector loans on less favorable terms in 2013-2033 2	1	2	2	4	5	6	8	18
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	1	2	2	4	5	5	7	12
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	1	2	4	7	8	8	11	18
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	1	2	2	4	5	5	7	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	1	2	4	8	8	9	10	18
B5. Combination of B1-B4 using one-half standard deviation shocks	1	2	5	9	9	10	11	20
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	1	2	2	4	5	5	7	12
Debt service-to-revenue ratio								
Baseline	1	2	3	4	5	5	7	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	1	2	2	4	4	5	7	16
A2. New public sector loans on less favorable terms in 2013-2033 2	1	2	2	5	6	7	7	16
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	1	2	3	5	5	6	7	11
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	1	2	3	5	6	6	7	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	1	2	3	5	5	6	7	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	1	2	5	8	9	9	9	16
B5. Combination of B1-B4 using one-half standard deviation shocks	1	2	5	9	9	9	10	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	1	3	4	6	7	7	9	15
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	26	26	26	26	26	26	26	26
Sources: Country authorities; and staff estimates and projections.								
1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.								
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.								
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).								
4/ Includes official and private transfers and FDI.								
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.								
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.								

Table 2a.Comoros: Public Sector Debt Sustainability Framework, Baseline Scenario, 2010-2033

(In percent of GDP, unless otherwise indicated)

	Actual			Average ^{5/}	Standard ^{5/} Deviation	Estimate						Projections			
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt 1/	51.4	47.2	21.2			22.4	25.7	27.9	29.3	30.6	30.4		31.3	35.3	
<i>of which: foreign-currency denominated</i>	49.2	44.7	18.9			20.2	22.7	25.1	26.7	27.9	27.7		28.6	32.6	
Change in public sector debt	-3.3	-4.3	-26.0			1.2	3.3	2.2	1.4	1.2	-0.2		0.4	0.7	
Identified debt-creating flows	-7.6	-7.4	-13.7			-19.9	-0.1	-0.2	-0.7	-1.0	-1.3		-1.9	-1.3	
Primary deficit	-7.4	-1.8	-3.9	-0.4	3.3	-18.3	1.5	1.5	1.1	0.8	0.6	-2.1	-0.2	0.6	0.0
Revenue and grants	29.2	23.6	28.9			43.7	24.1	23.9	24.1	24.2	24.4		24.8	24.2	
<i>of which: grants</i>	14.9	7.5	9.6			28.6	9.1	8.7	8.7	8.7	8.7		8.7	8.7	
Primary (noninterest) expenditure	21.7	21.8	25.0			25.4	25.6	25.4	25.2	25.1	24.9		24.6	24.7	
Automatic debt dynamics	-0.2	-5.7	1.3			-1.6	-1.6	-1.7	-1.8	-1.8	-1.8		-1.6	-1.9	
Contribution from interest rate/growth differential	-2.9	-3.0	-2.2			-1.3	-1.4	-1.5	-1.6	-1.6	-1.6		-1.6	-1.9	
<i>of which: contribution from average real interest rate</i>	-1.8	-1.9	-0.8			-0.5	-0.5	-0.5	-0.5	-0.5	-0.4		-0.3	-0.2	
<i>of which: contribution from real GDP growth</i>	-1.1	-1.1	-1.4			-0.7	-0.9	-1.0	-1.1	-1.1	-1.2		-1.3	-1.7	
Contribution from real exchange rate depreciation	2.8	-2.6	3.5			-0.3	-0.3	-0.2	-0.2	-0.2	-0.2		...	...
Other identified debt-creating flows	0.0	0.0	-11.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	-11.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	4.3	3.2	-12.3			21.1	3.4	2.5	2.1	2.2	1.1		2.2	2.0	
Other Sustainability Indicators															
PV of public sector debt	2.2	2.5	10.7			12.2	15.3	17.2	18.6	19.8	20.0		22.3	27.1	
<i>of which: foreign-currency denominated</i>	0.0	0.0	8.4			10.0	12.3	14.4	16.0	17.2	17.3		19.6	24.4	
<i>of which: external</i>	...	...	8.4			10.0	12.3	14.4	16.0	17.2	17.3		19.6	24.4
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	-3.4	1.9	0.0			-16.1	3.8	4.6	4.4	4.0	3.8		3.3	4.7	
PV of public sector debt-to-revenue and grants ratio (in percent)	7.7	10.6	37.2			27.8	63.3	72.1	77.1	81.8	82.2		89.8	112.1	
PV of public sector debt-to-revenue ratio (in percent)	15.7	15.5	55.6			80.2	101.8	113.1	120.6	127.5	127.6		138.2	174.9	
<i>of which: external 3/</i>	...	...	43.6			65.9	82.1	94.4	103.5	110.5	110.6		121.3	157.5
Debt service-to-revenue and grants ratio (in percent) 4/	6.1	6.9	5.5			0.2	1.2	1.6	2.7	3.1	3.4		4.3	6.8	
Debt service-to-revenue ratio (in percent) 4/	12.5	10.1	8.2			0.7	1.9	2.5	4.3	4.8	5.3		6.6	10.7	
Primary deficit that stabilizes the debt-to-GDP ratio	-4.2	2.5	22.1			-19.5	-1.8	-0.8	-0.3	-0.4	0.8		-0.6	-0.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.1	2.2	3.0	1.8	1.3	3.5	4.0	4.0	4.0	4.0	4.1	3.9	4.4	5.1	4.6
Average nominal interest rate on forex debt (in percent)	0.8	0.8	0.8	0.6	0.2	0.5	0.8	1.2	1.4	1.6	2.0	1.3	2.3	2.8	2.4
Average real interest rate on domestic debt (in percent)	-4.2	-4.5	-2.5	-3.6	1.4	-3.0	-3.1	-3.1	-3.1	-3.1	-3.2	-3.1	-3.2	-3.2	-3.2
Real exchange rate depreciation (in percent, + indicates depreciation)	5.6	-5.7	8.2	-2.8	7.8	-2.0
Inflation rate (GDP deflator, in percent)	4.4	4.7	2.6	3.8	1.5	3.1	3.2	3.2	3.2	3.2	3.3	3.2	3.3	3.3	3.3
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	0.0	0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Grant element of new external borrowing (in percent)	32.3	31.5	32.8	31.3	31.2	32.3	31.9	27.1	23.6	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2b.Comoros: Sensitivity Analysis for Key Indicators of Public Debt 2013-2033

	Projections							
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	12	15	17	19	20	20	22	27
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	12	14	15	16	17	17	22	38
A2. Primary balance is unchanged from 2013	12	15	17	18	20	20	26	37
A3. Permanently lower GDP growth 1/	12	15	17	19	20	21	24	34
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	12	16	20	22	24	25	30	40
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	12	16	19	21	22	22	24	28
B3. Combination of B1-B2 using one half standard deviation shocks	12	15	18	20	22	23	28	37
B4. One-time 30 percent real depreciation in 2014	12	19	20	21	22	22	23	28
B5. 10 percent of GDP increase in other debt-creating flows in 2014	12	23	24	25	26	26	28	30
PV of Debt-to-Revenue Ratio 2/								
Baseline	28	63	72	77	82	82	90	112
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	28	58	63	65	67	67	80	125
A2. Primary balance is unchanged from 2013	28	62	70	75	81	83	106	151
A3. Permanently lower GDP growth 1/	28	64	73	78	84	85	98	138
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	28	66	80	88	96	99	119	161
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	28	68	81	85	90	90	96	116
B3. Combination of B1-B2 using one half standard deviation shocks	28	64	73	81	88	91	110	149
B4. One-time 30 percent real depreciation in 2014	28	78	84	87	89	89	94	115
B5. 10 percent of GDP increase in other debt-creating flows in 2014	28	94	101	105	108	108	111	124
Debt Service-to-Revenue Ratio 2/								
Baseline	0	1	2	3	3	3	4	7
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	0	1	1	2	3	3	4	7
A2. Primary balance is unchanged from 2013	0	1	2	3	3	3	5	9
A3. Permanently lower GDP growth 1/	0	1	2	3	3	3	5	8
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	0	1	2	3	4	4	5	9
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	0	1	2	3	3	4	4	7
B3. Combination of B1-B2 using one half standard deviation shocks	0	1	2	3	3	4	5	9
B4. One-time 30 percent real depreciation in 2014	0	1	2	4	4	5	6	11
B5. 10 percent of GDP increase in other debt-creating flows in 2014	0	1	3	4	4	4	5	8

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Annex 3: Partnerships

1. **Based on its relatively modest financing and lack of on-the-ground presence in Comoros, the Bank needs to coordinate its efforts closely with other development partners to maximize its impact.** The most active development partners are France, the European Union (EU), UN agencies, the United Arab Emirates, and the IMF. Under the ISN, the Bank tended to stay within its comparative advantage, focusing on economic governance and social development. More recently it has engaged in energy, fisheries, and telecommunications (the latter thanks to the ability to leverage regional IDA resources). Other important areas are covered by other donors (e.g., regional integration by the EU and natural disasters and climate change by France and social sectors by the UN). Table 1 provides an overview of the areas of donor engagement in Comoros.

2. **In September 2009, the IMF’s Executive Board approved a three-year SDR 13.57 million (about US\$21.5 million) arrangement under the ECF (then known as PRGF) for Comoros.** The decision enabled Comoros to draw US\$6.7 million from the IMF immediately. In December 2008, the IMF had already provided US\$3.4 million under its Exogenous Shocks Facility (ESF) and US\$1.7 million in Emergency Post-Conflict Assistance (EPCA), aimed at alleviating the immediate macroeconomic impacts of the global economic and food price crisis. The ECF arrangement is supporting a medium-term economic program that is geared toward: (i) accelerating recent progress in fiscal consolidation and restoring external viability; (ii) promoting financial sector soundness; (iii) strengthening institutions and governance; and (iv) improving the investment climate. The sixth and final review under the ECF was carried out in December 2013 and the authorities and IMF are discussing a successor program.

3. **AfDB reengaged in Comoros with a new Interim Strategy for 2009-10, after Comoros cleared their US\$24 million arrears in December 2008.** Following the interim strategy, a new Country Strategy Paper (CSP) was approved by AfDB’s Board for 2011-15 in line with the Poverty Reduction and Growth Strategy (PRGS). The CSP is aimed at consolidating peace, diversifying the economy and creating jobs. The AfDB strategy for the Comoros focusses on a single pillar: *Energy Sector Development in Support of Economic Diversification*. A mid-term review of the AfDB strategy was carried out in October 2013. While highlighting delays in achieving the CSP target of an increase in access to electricity from 45 percent in 2011 to 60 percent in 2013, the review reports major achievements in the energy sector during FY13 including the adoption of an energy strategy and action plan and adoption of a new petroleum law.

4. **France has traditionally been the largest donor to Comoros, with currently US\$36.5 million in active commitments.** France was also instrumental in helping Comoros clear its arrears to the AfDB. France’s total disbursement by 2012 reached US\$28 million and additional commitment of US\$45 million is planned over FY13-14. France is in the process of approving a new partnership framework document which focuses on three key sectors namely health, sustainable development, and support for growth. These sectors are complemented by another ‘transversal’ sector comprising supportive actions for the strengthening of governance as well as improvement in literacy through a better mastering of the French language.

5. **Under the 10th EDF, the EU is supporting the Comoros' development strategy defined in the Poverty Reduction and Growth Strategy (PRGS), identifying ways of enabling the country to consolidate its foundations for sustainable development.** With an envelope of US\$66 million, the EU is concentrating its assistance on two priority areas for 2008-13: (i) the development of transport infrastructure to restart the economy by facilitating trade and the development of agriculture and the private sector; and (ii) education, in particular technical and vocational training and access to schools for everyone (especially girls), following on from the action started under the 9th EDF.

6. **The focus of the United Nations System (UN) in Comoros is on supporting progress toward reaching the MDGs.** The UN system's priorities under the 2008-2012 United Nations Development Assistance Framework (UNDAF) are: (i) growth and poverty reduction; (ii) basic social services (health, education); (iii) environment and sustainable development; and, (iv) peace and social cohesion. Total support over the 2008-2012 period from UN agencies' core funds was US\$56million. Projects include: support to local civil society organizations, capacity building support to the Union Parliament, and support to the implementation of the national gender strategy, sustainable land management, water and sanitation, fight against malaria, and agriculture services. The UNDAF is fully aligned with the 2010-14 PRGS in line with the Paris Declaration. This alignment has taken into account the priorities of the country as defined in the 2009-2014 PRGS and in the other national strategic documents promoting and planning the MDGs.

7. **In addition, there are several non-traditional donors active in Comoros.** These include China, which supports the education, health, energy, transport and tourism sectors largely through construction-type activities. Several Arab League countries including Kuwait and Saudi Arabia are providing budget support. Iran is providing assistance in agriculture and the United Arab Emirates are providing assistance to the health sector. A donor conference held in Doha in March 2010 on investment and development of the Comoros resulted in pledges of around US\$540 million, mainly from Arab countries, through bi-lateral financing, private and NGO investment notably in the social sectors. An 'Arab Committee' was formed under the leadership of Qatar to lead the realization of Doha projects in the sectors of health, airport security and rehabilitation, road infrastructure, fisheries, agriculture, and transport. Major investment projects realized to date include fisheries (US\$22 million), roads (US\$50 million) and construction of hospitals in Anjouan and Moheli (US\$50 million). The Saudi Fund will also put US\$50 million of which 5 million in the form of aid on the social sectors, 15 million on trade, and 30 million in the form of loan on infrastructure. The Islamic Bank reaffirmed its engagement of US\$150 million.

8. **Enhanced donor coordination is crucial to improve aid effectiveness in Comoros.** In Comoros, donor coordination is often challenging due to the limited amount of donor presence on the ground and low government capacity to monitor and coordinate donor activities. Enhanced coordination between donors is necessary in order to avoid duplication and reduce transaction costs for the government. In early 2013, donors agreed to enhance coordination in line with process of developing the next PRSP for 2015-19, the Strategy for Accelerated Growth and Sustainable Development (Stratégie de Croissance Accélérée et de Développement Durable).

The process involves the creation of technical sectoral groups (Groupes techniques Sectoriels (GTS)) organized around government priorities to integrate their activities. With UN support, the Planning Commission has initiated discussions among donors, government entities, civil society and the private sector through a Permanent Technical Steering Committee that will review progress under the PRGS and guide the development of the SCADD.

Table 1: Areas of Donor Engagement in Comoros

Support Areas	AfDB	Arab League	China	EU	France	Global Fund	IMF	Iran	Libya	UN System*	Japan	UAE	USA	WBG
Economic Growth and Diversification														
Private Sector														X
Tourism			X		X									
Agriculture				X				X		X				
Fisheries											X			X
Infrastructure														
Energy	X		X											X
Telecommunications														X
Transport		X	X	X	X				X					
Water	X	X	X	X	X				X					
Improving Access to Basic Social Services and Resilience of Households														
Education		X	X	X	X				X	X			X	
Health		X	X		X	X		X				X		
Social Development/ Protection				X	X					X			X	
Strengthening Governance and Institutional Capacity														
Economic Governance/ Public Administration	X			X			X							X
Public Finance	X				X		X							X

* UNDP, UNICEF, UNFPA, WHO, IFAD, UNCTAD

Annex 4: Strengthening Statistics: Challenges and the Way Forward

1. The Union of Comoros has developed a National Strategy for the Development of Statistics (NSDS) to modernize the statistics system and improve the availability and reliability of statistics. The country has undertaken reforms to improve its statistics system including efforts to strengthen the institutional and legal framework as well as to improve data collection and processing. The National Statistics Strategy (NSDS) is aligned with the Poverty Reduction and Growth Strategy Paper which seeks, *inter alia*, to strengthen the country's monitoring and evaluation system.

2. Comoros' statistical system is faced with three challenges. First, the national statistics system is centralized and is not integrated with line ministries; production of statistics has only involved the Direction Générale de la Statistique and the ministry in charge of monitoring and evaluation. Second, the lack of current basic statistics has hampered policy decision making in Comoros. The most recent population census and household survey were conducted in 2003. National accounts continue to use the 1968 System of National Accounts (SNA) and the consumer price index only covers Moroni, the capital city. Finally, inadequate training of statisticians and the lack of qualified statistical officers jeopardize efforts to collect and produce good quality statistics. The national accounts do not properly capture the large informal segment of the economy and the inflation rate does not reflect the realities of the different islands. The lack of updated population and poverty statistics impedes targeting of social programs.

3. Some progress has been made in implementing the NSDS. On the legislative side, the law on statistics was adopted on March 26, 2011 and promulgated on July 14, 2011. The law provides for the establishment of the NSC through the transformation of the National Directorate of Statistics, currently under the supervision of the General Commissariat of Planning, into an autonomous National Institute of Statistics and Economic Studies and Demographics (INSEED). However, much remains to be done to fully implement the NSDS.

4. In response to the increased demand for credible statistics on Comoros, the government has requested the Bank's assistance to strengthen the implementation of the NSDS. The Bank's Trust Fund for Statistical Capacity Building will support this reform approach, including a comprehensive review of the production of core statistics and stronger coordination of donor support, to place the Comorian Statistics System on the path to becoming a world-class statistics provider.

5. The Bank's support on statistics is organized around four pillars:

(i) ***Support for Implementation of the NSDS.*** The Bank will support implementation of the NSDS as well as the institutional set-up of the new Statistics system through the design of a system to monitor inputs, outputs and outcomes of the NSDS action plan, the validation system and the validation of baselines of selected indicators. This will be carried out through operationalization of the National Statistics Council (NSC) to improve coordination among all stakeholders involved in the production of statistics and spearhead the transformation of the current National Directorate of Statistics into the autonomous INSEED. Support will include assisting in the design of the organizational structure of the INSEED, specification of its roles and responsibilities, and facilitating the transition from the DNS to INSEED.

(ii) ***Dissemination and Access to Data.*** Second, the Bank will support dissemination and access to data through the establishment of a website for the statistical office, including: (i) providing training activities to strengthen the capacity of staff from DNS and other sector statistical units to write statistical texts for the website; and (ii) support to the website, including website maintenance.

(iii) ***Support for Data Production.*** Third, production of data will be strengthened through: (i) the design of a permanent system of household and poverty surveys; and (ii) the organization of a study tour for DNS population census managers on the use of personal digital assistant and the directives to combine population and agriculture censuses.

(iv) ***Statistics Training.*** Finally, the Bank will support the local statistics school, by conducting a two-year pilot training, through: (i) the establishment and operation of a statistics training school within the state university; (ii) the acquisition of necessary equipment; and (iii) the evaluation of the training.

Annex 5: Planned ISN Outcomes and Results

Planned ISN Outcomes and Milestones	Actual ISN Outcomes and Milestones
Outcome 1. Contribute to increase access to basic social and economic services	
<u>Milestone:</u> 5,000 students enrolled in FADC built/rehabilitated schools or classrooms by 2014 Over 90 percent of people in project areas with access to improved water	Partially Achieved. As of November 2013, 68 classrooms have been rehabilitated and 3,700 students enrolled Partially Achieved. 10,800 people in project areas have been provided with access to an improved water source.
Outcome 2. Increase access to short-term employment in crises affected areas	
<u>Milestones:</u> Provide employment to at least 5,000 beneficiaries among poor segments of the population Ensure that at least half of beneficiaries are women	Mostly Achieved. As of November 2013, 96 cash-for-work sub-projects were implemented, providing direct benefits to 4,839 individuals. Achieved. 51% of beneficiaries are women
Outcome 3. Improved efficient and transparent use of public resources through enhanced public finance management	
<u>Milestones:</u> A new legal and institutional framework for PFM is adopted Expenditures for priority sectors compared with original approved budget does not deviate more than 5%	Achieved. A new Public Financial Management Bill (Loi des Opérations Financières de l'Etat) was adopted in August 2012. The new Law represents a significant improvement as it provides more clarity in the roles and responsibility of the federal government and autonomous islands in the management and accountability of public finances. Not Achieved. Sectoral classification of the budget was not possible for 2013. PEFA PI-2 rated NS
Outcome 4. Improved management of the public service	
<u>Milestones:</u> Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation	Partially Achieved. Government is now paying 89% of civil servants through the automated payroll system.

Annex 6: PEFA Indicators, 2007 and 2013

	Indicator	2007 Score	2013 Score
A. PFM OUT-TURNS: Credibility of the Budget			
P1-01	Aggregate expenditure out-turn compared to original approved budget	A	B
P1-02	Composition of expenditure out-turn compared to original approved budget	D	NS
P1-03	Aggregate revenue out-turn compared to original approved budget	C	C
P1-04	Stock and monitoring of expenditure payment arrears	D+	D+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency			
P1-05	Classification of the Budget	C	C
P1-06	Comprehensiveness of information included in budget documentation	C	D
P1-07	Extend of unreported government operations	C	D
P1-08	Transparency of inter-governmental fiscal operations	C	C
P1-09	Oversight of aggregate fiscal risk from public sector entities	D+	D
P1-10	Public access to key fiscal information	D	C
C. BUDGET CYCLE			
C(i) Policy-based Budgeting			
P1-11	Orderliness and participation in the annual budget process	D+	C+
P1-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C
C(ii) Predictability and Control in Budget Execution			
P1-13	Transparency of tax-payers' obligations and liabilities	D+	B
P1-14	Effectiveness of measures for tax-payer registration and tax assessment	D+	C
P1-15	Effectiveness in collection of tax payments	D	D+
P1-16	Predictability in the availability of funds for commitment of expenditures	D+	D+
P1-17	Recording and management of cash balances, debt and guarantees	D+	D+
P1-18	Effectiveness of payroll controls	D	C+
P1-19	Competition, value for money and controls in procurement	D	D+
P1-20	Effectiveness of internal controls for non-salary expenditure	D	D+
P1-21	Effectiveness of internal audit	D	D+
C(iii) Accounting, Recording and Reporting			
P1-22	Timeliness and regularity of accounts reconciliation	D	D
P1-23	Availability of information on resources received by service delivery units	D	D
P1-24	Quality and timeliness of annual financial statements	D+	D+
P1-25	Quality and timeliness of in-year budget reports	D+	D+
C(iv) External Scrutiny and Audit			
P1-26	Scope, nature and follow-up of External Audit	D+	C
P1-27	Legislative scrutiny of the annual budget law	D+	D+
P1-28	Legislative scrutiny of external audit reports	D	D
D. DONOR PRACTICES			
D-1	Predictability of Direct Budget Support	NA	NA
D-2	Financial information provided by Donors for budgeting and reporting on project aid	Pending	D
D-3	Proportion of aid that is managed by use of national procedures	Pending	D

Annex 7: Selected Indicators of Bank Portfolio Performance and Management

As Of Date
1/14/2014

Indicator	2011	2012	2013	2014
Portfolio Assessment				
Number of Projects Under Implementation ^a	2	2	3	3
Average Implementation Period (years) ^b	0.7	1.7	2.0	2.3
Percent of Problem Projects by Number ^{a, c}	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	0.0	0.0	0.0
Disbursement Ratio (%) ^e	45.1	54.4	48.6	25.0
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	20	2
Proj Eval by OED by Amt (US\$ millions)	131.1	22.1
% of OED Projects Rated U or HU by Number	42.1	0.0
% of OED Projects Rated U or HU by Amt	40.1	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 8: Summary of Non-Lending Services

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
Problem Driven Political Economy Analysis	FY13	125	G,D,B,P	K,PS
Debt Management Reform Plan	FY13	97	G,D,B	K,PS
HIPC Completion Point	FY12	50	G,D,B	K,P
Comoros Policy Notes Series	FY13	60	G,D,B	K,P,PS
Flood Impact Assessment	FY13	105	G,D,B	K,P,PS
Political Economy of Civil Service Reform	FY13	100	G,B	K,P,PS
Underway				
Public Investment Mgt Policy Note	FY14	66	G,D,B,P	K,PS
Private Sector Development Policy Notes	FY14	75	G,D,B,P	
Social Policy Notes	FY14	185	G,D,B	
Improving Private Sector Mgt in W&S	FY14	200	G,D,B	
Addressing Problems of Mun. Solid Waste Mgt	FY14	333	G,D,B	
Governance and Anti-Corruption TA	FY14	50	G,D,B	
Planned				
Mapping Service Delivery TA	FY15	100	G,D,B,P	
Public Expenditure Review	FY15	300	G,D,B,P	
Debt Management TA	FY16	50	G,B	
Poverty and Gender Assessment	FY16	300	G,D,B,P	
Growth and Employment ESW	FY17	300	G,D,B,P	

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

Annex 9: Operations Portfolio (IBRD/IDA and Grants)

Closed Projects 22

IBRD/IDA *

Total Disbursed (Active)	6.99
of which has been repaid	0.00
Total Disbursed (Closed)	43.34
of which has been repaid	25.16
Total Disbursed (Active + Closed)	50.34
of which has been repaid	25.16
Total Undisbursed (Active)	11.93
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	11.93

Active Projects

Project ID	Project Name	<u>Last ISR</u>			<u>Original Amount in US\$ Millions</u>				<u>Difference Between Expected and Actual Disbursements</u>	
		Supervision Rating			IBRD	IDA	Cancel.	Undisb.	Orig.	Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>	<u>Fiscal Year</u>						
P102376	KM-Economic Governance TAL	S	S	2011		5.3		3.9	0.31	
P131659	KM-Electricity Sect. Recovery Proj(FY14)	#	#	2014		5.0		5.1	0.03	
P120631	KM-Emergency Crises Response Project	S	S	2010		8.3		2.9	-0.23	
Overall Result						18.6		11.9	0.12	

Annex 10: Trust Fund Mobilization

Trust Fund Name	Grant Amount	Avail. Balance	Program Source	Closing Date
Comoros Flood Impact Assessment and Recovery Planning (TF013009)	110.00	5.69	GFDRR	FY14
Improving Private Sector Management of Water Supply (TF013644)	103.50	1.91	PPIAF	FY14
Addressing Challenges of Municipal Solid Waste in Moroni (TF014527)	333.20	299.74	GPOBA	FY15
Improving Private Sector Management of Water Supply Phase II (TF015278)	66.50	22.91	PPIAF	FY14
Emergency Food-Security and Unemployment Support through Cash-for-Work (TF097191)	2,600.00	9.93	JSDF	FY15
Coastal Resources Co-Management for Sustainable Livelihood (TF098850)	2,999.40	2,315.86	JSDF	FY15
Total	6,212.60	2,964.54		

Annex 11: Country at a Glance

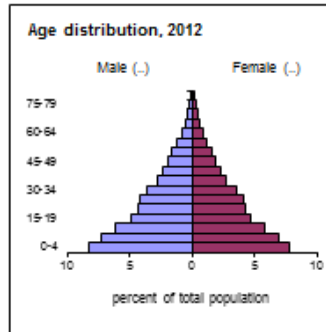
Comoros at a glance

3/13/14

Key Development Indicators

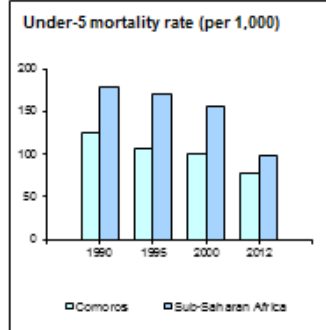
(2012)

	Comoros	Sub-Saharan Africa	Low income
Population, mid-year (millions)	0.72	911	846
Surface area (thousand sq. km)	1.9	24,262	16,198
Population growth (%)	2.5	2.7	2.3
Urban population (% of total population)	28	37	28
GNI (Atlas method, US\$ billions)	0.6	1,230	499
GNI per capita (Atlas method, US\$)	840	1,350	590
GNI per capita (PPP, international \$)	1,210	2,227	1,383
GDP growth (%)	3.0	4.3	6.3
GDP per capita growth (%)	0.5	1.5	4.0



(most recent estimate, 2005–2012)

Poverty headcount ratio at \$1.25 a day (PPP, %)	46	48	48.3
Poverty headcount ratio at \$2.00 a day (PPP, %)	65	70	74.3
Life expectancy at birth (years)	61	56	62
Infant mortality (per 1,000 live births)	58	64	56
Child malnutrition (% of children under 5)	..	21	22
Adult literacy, male (% of ages 15 and older)	81	69	69
Adult literacy, female (% of ages 15 and older)	71	51	54
Gross primary enrollment, male (% of age group)	123	104	111
Gross primary enrollment, female (% of age group)	112	96	106
Access to an improved water source (% of population)	95	64	69
Access to improved sanitation facilities (% of population)	35	30	37

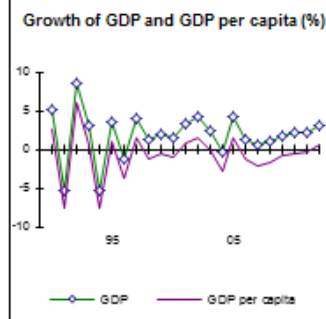


Net Aid Flows

	1980	1990	2000	2012
<i>(US\$ millions)</i>				
Net ODA and official aid	43	45	19	69
<i>Top 3 donors (in 2012):</i>				
France	12	24	11	24
European Union Institutions	3	7	4	12
Japan	0	4	2	7
Aid (% of GNI)	34.8	18.0	9.3	11.5
Aid per capita (US\$)	138	109	35	96

Long-Term Economic Trends

Consumer prices (annual % change)	..	..	5.6	1.8
GDP implicit deflator (annual % change)	14.6	2.2	3.4	2.6
Exchange rate (annual average, local per US\$)	211.3	272.3	534.0	382.9
Terms of trade index (2000 = 100)	0	111	100	111



1980–90 1990–2000 2000–12
(average annual growth %)

Population, mid-year (millions)	0.3	0.4	0.5	0.7	2.7	2.5	2.6
GDP (US\$ millions)	124	250	202	596	2.8	1.2	1.9
		<i>(% of GDP)</i>					
Agriculture	34.0	41.4	48.6	46.3	4.0	2.6	1.4
Industry	13.2	8.3	11.5	12.1	-2.9	3.9	2.8
Manufacturing	3.9	4.2	4.5	4.7	4.9	1.6	1.7
Services	52.8	50.3	39.9	41.6	3.1	-0.7	2.4
Household final consumption expenditure	79.2	78.7	94.0	105.9	3.0	3.7	..
General gov't final consumption expenditure	30.9	24.5	11.7	15.3	1.8	-3.4	..
Gross capital formation	33.2	19.7	10.1	12.4	-4.2	-2.8	..
Exports of goods and services	8.7	14.3	16.7	15.3	9.3	-1.4	..
Imports of goods and services	51.9	37.1	32.5	51.8	-0.2	0.2	..
Gross savings	..	-1.3	9.9	-3.8	..	..	..

Note: Figures in italics are for years other than those specified. .. indicates data are not available.
a. Country poverty estimate is for earlier period.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade*(US\$ millions)*

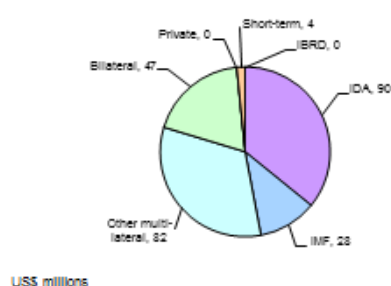
	2000	2012
Total merchandise exports (fob)	14	11
Total merchandise imports (cif)	-43	-171
Net trade in goods and services	-32	-162
Current account balance	0	-58
as a % of GDP	-0.2	-3.8
Workers' remittances and compensation of employees (receipts)	..	..
Reserves, including gold	43	195

Central Government Finance*(% of GDP)*

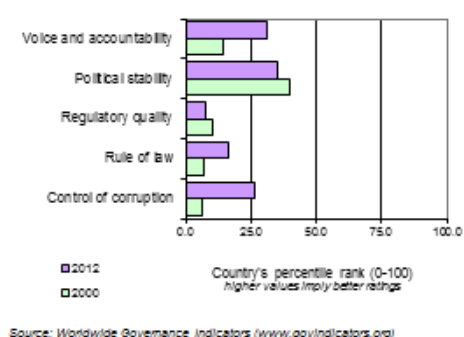
	2000	2012
Current revenue (including grants)	10.2	29.2
Tax revenue	9.0	3.2
Current expenditure	12.5	16.4
Overall surplus/deficit	-1.9	7.0
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows*(US\$ millions)*

	2000	2012
Total debt outstanding and disbursed	227	251
Total debt service	3	12
Debt relief (HIPC, MDRI)	155	50
Total debt (% of GDP)	112.3	42.1
Total debt service (% of exports)	9.1	4.2
Foreign direct investment (net inflows)	0	17
Portfolio equity (net inflows)	0	0

Composition of total external debt, 2012**Private Sector Development**

	2000	2012
Time required to start a business (days)	..	20
Cost to start a business (% of GNI per capita)	..	150.0
Time required to register property (days)	..	30
Ranked as a major constraint to business (% of managers surveyed who agreed)		
n.a.
n.a.
Stock market capitalization (% of GDP)
Bank capital to asset ratio (%)

Governance indicators, 2000 and 2012**Technology and Infrastructure**

	2000	2012
Paved roads (% of total)	77.0	..
Fixed line and mobile phone subscribers (per 100 people)	1	43
High technology exports (% of manufactured exports)	0.5	7.7

Environment

	2000	2012
Agricultural land (% of land area)	78	83
Forest area (% of land area)	4.3	1.4
Terrestrial protected areas (% of land area)	0.7	10.1
Freshwater resources per capita (cu. meters)	2,158	1,714
Freshwater withdrawal (% of internal resources)	0.8	0.8
CO2 emissions per capita (mt)	0.16	0.20
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	16.8
Energy use per capita (kg of oil equivalent)	..	65

World Bank Group portfolio*(US\$ millions)*

	2000	2012
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	71	90
Disbursements	2	0
Total debt service	2	1
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	..	..
Disbursements for IFC own account	..	..
Portfolio sales, prepayments and repayments for IFC own account	..	..
MIGA		
Gross exposure	..	..
New guarantees	..	..

Note: Figures in italics are for years other than those specified.
 .. indicates data are not available. - indicates observation is not applicable.

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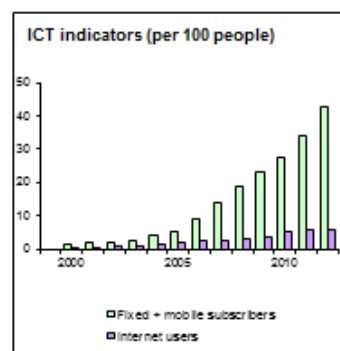
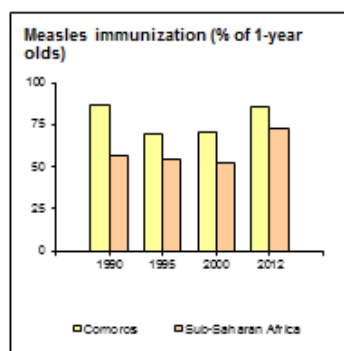
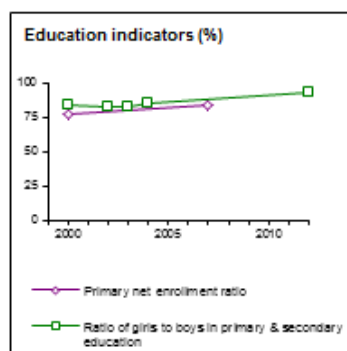
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

Comoros

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Comoros			
	1990	1995	2000	2012
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	<i>16.2</i>	<i>22.3</i>	25.0	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	<i>63</i>	76	<i>83</i>
Primary completion rate (% of relevant age group)	<i>44</i>	<i>46</i>	<i>53</i>	<i>60</i>
Secondary school enrollment (gross, %)	<i>24</i>	<i>25</i>	32	73
Youth literacy rate (% of people ages 15-24)	..	..	80	<i>86</i>
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	84	93
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	<i>18</i>	..	..
Proportion of seats held by women in national parliament (%)	0	<i>0</i>	<i>0</i>	3
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	124	107	99	78
Infant mortality rate (per 1,000 live births)	87	76	71	58
Measles immunization (proportion of one-year olds immunized, %)	87	69	70	85
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	440	380	340	<i>280</i>
Births attended by skilled health staff (% of total)	..	<i>52</i>	62	82
Contraceptive prevalence (% of women ages 15-49)	..	<i>21</i>	26	19
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.1	2.1
Incidence of tuberculosis (per 100,000 people)	54	46	39	34
Tuberculosis case detection rate (% of all forms)	63	58	58	49
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	87	90	92	<i>95</i>
Access to improved sanitation facilities (% of population)	18	22	28	<i>35</i>
Forest area (% of land area)	6.4	5.4	4.3	<i>1.4</i>
Terrestrial protected areas (% of land area)	..	..	0.7	10.1
CO2 emissions (metric tons per capita)	0.2	0.2	0.2	<i>0.2</i>
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	29.6	..	..	<i>16.8</i>
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.8	0.9	1.3	3.3
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	39.5
Internet users (per 100 people)	0.0	<i>0.0</i>	0.3	6.0
Households with a computer (%)	<i>0.8</i>	6.4



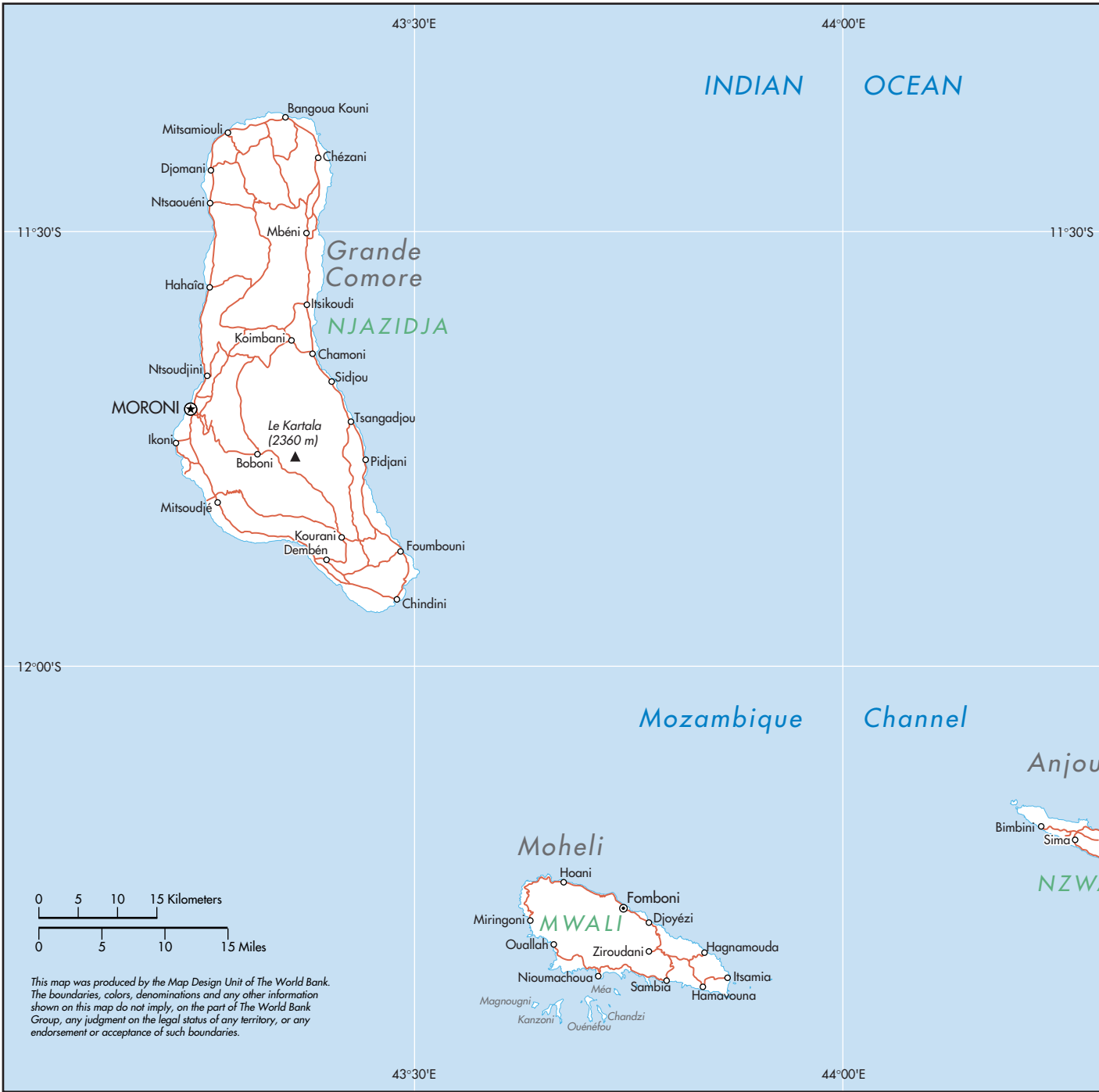
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Development Economics, Development Data Group (DECDG).

COMOROS

- SELECTED CITIES AND TOWNS
- ⊙ ADMINISTRATIVE SEATS
- ⊗ NATIONAL CAPITAL
- MAIN ROADS



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