

Report No. 3432-COM

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# The Comoros Current Economic Situation and Prospects

(In Two Volumes) Volume I

May 27, 1982

Country Programs Department  
Eastern Africa Region

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CURRENCY EQUIVALENTS

Yearly Average

Currency Unit = Comorian Franc (CF)

<u>Annual Average</u>	<u>CF 1 = US\$</u>	<u>1 US\$ = CF</u>
1975	0.0047	214.32
1976	0.0042	238.98
1977	0.0041	245.67
1978	0.0044	225.64
1979	0.0047	212.72
1980	0.0047	211.30 <u>1/</u>

FISCAL YEAR

January 1 to December 31

WEIGHTS AND MEASURES

Metric System

1 kilometer	=	0.62 mile
1 square kilometer	=	0.3861 mile
1 hectare	=	2.47 acres
1 ton	=	1,000 kilograms
1 kilogram	=	2.2046 pounds

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1/ US\$1 = CF 205.00 was used in this report.

TITLE : COMOROS: CURRENT ECONOMIC SITUATION AND PROSPECTS

COUNTRY : COMOROS

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SECTOR : COUNTRY ECONOMIC

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ABSTRACT: : This report in two volumes is the second economic report prepared by the Bank on the Comoros Islands. Since statistical information is scarce in the Comoros, this report has attempted to provide national account estimates (Annex III, Vol. II) and a consolidation of government finances (Annex II, Vol. II). Volume I reviews all sectors of the economy, identifies major development issues and makes a number of policy recommendations. It also attempts to provide a development scenario for economy over the next five years. Based on a list of projects under consideration for external financing (Annex IV, Vol. II), it discusses the magnitude of government efforts necessary to mobilize domestic savings. It also projects Balance of payment projections and discusses the Comoros' needs for external assistance and the terms of such assistance.



This report is based on the findings of an economic mission which visited The Comoros during November/December 1980.

The mission consisted of:

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P. Vabre, external debt and  
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Mrs. Z. Bozkurt, public finance



THE COMOROS  
CURRENT ECONOMIC SITUATION AND PROSPECTS

VOLUME I

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## GLOSSARY OF ABBREVIATIONS

EEDC	Comoros Power and Water
CTA	Central Tax Administration
SNMC	National Maritime Shipping in Comoros
IGR	General Income Tax
TCA	Corporate Income Tax
SNH	Hydrocarbons Enterprise
IN	National Printing Company
IEC	European Investment Bank & The Comorian Currency Board
INE	National Institute for Education
CADER	Support Center to Rural Development
CEFADER	Federal Center for Assistance to Rural Development
ISFC	International Standard Industrial Classification
IRAT	Tropical Agriculture Research Institute
EEC	European Economic Commission
EDF	European Development Fund



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TABLE JA  
COMOROS - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	COMOROS			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) <sup>a</sup>	
	1960	1970	MOST RECENT ESTIMATE	LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA
TOTAL	2.2				
AGRICULTURAL	1.1				
GNP PER CAPITA (US\$)	90.0	160.0	220.0 *	238.3	794.2
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	22.9	44.0	51.3	70.5	707.5
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	205.0	282.0	394.0	.	.
URBAN POPULATION (PERCENT OF TOTAL)	5.1	7.7	11.0	17.5	27.7
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			0.80	.	.
STATIONARY POPULATION (MILLIONS)			1.38	.	.
YEAR STATIONARY POPULATION IS REACHED			2135	.	.
POPULATION DENSITY					
PER SQ. KM.	93.2	128.2	179.1	27.7	55.0
PER SQ. KM. AGRICULTURAL LAND	205.0	270.0	366.7	73.7	130.7
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	45.0	45.3	43.7	44.8	46.0
15-64 YRS.	52.3	52.0	54.1	52.4	51.2
65 YRS. AND ABOVE	2.7	2.7	2.2	2.9	2.8
POPULATION GROWTH RATE (PERCENT)					
TOTAL	3.0/c	3.2/c	3.7/c	2.6	2.8
URBAN	7.3	7.4	7.6	6.5	5.1
CRUDE BIRTH RATE (PER THOUSAND)	48.2	46.9	44.7	46.9	46.9
CRUDE DEATH RATE (PER THOUSAND)				19.3	15.8
GROSS REPRODUCTION RATE				3.1	3.2
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	..	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	..	100.0	99.0	89.5	89.9
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)					
	90.0	96.0	81.0	90.2	92.3
PROTEINS (GRAMS PER DAY)	36.0	39.0	33.0	52.7	52.8
OF WHICH ANIMAL AND PULSE	9.0	9.0	9.0	17.8	16.1
CHILD (AGES 1-4) MORTALITY RATE	31.6	28.7	25.4	27.3	20.2
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	42.6	44.6	46.9	45.8	50.8
INFANT MORTALITY RATE (PER THOUSAND)	..	..	..	..	..
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	..	50.0	23.9	27.4
URBAN	..	..	53.0	55.0	74.3
RURAL	..	..	20.0	18.5	12.6
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	..	50.0	26.2	..
URBAN	..	..	..	63.5	..
RURAL	..	..	..	20.3	..
POPULATION PER PHYSICIAN	18636.4	14842.1	..	31911.8	13844.1
POPULATION PER NURSING PERSON	5317.0/d	2410.3	..	3674.9	2898.6
POPULATION PER HOSPITAL BED					
TOTAL	497.6	504.5	..	1238.8	1028.4
URBAN	..	61.3	..	272.8	423.0
RURAL	..	1281.7	..	1745.2	3543.2
ADMISSIONS PER HOSPITAL BED	..	17.8	..	..	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	..	..	20.0/e	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

\* Provisional data: to be revised according to recent economic mission estimates.

TABLE 3A  
COMOROS - SOCIAL INDICATORS DATA SHEET

	COMOROS			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) <sup>/a</sup>		
	1960	/b	MOST RECENT 1970 /b ESTIMATE /b	LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA	
<b>EDUCATION</b>						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY:	TOTAL	14.0	33.0	85.0	56.4	73.7
	MALE	23.0	46.0	99.0	70.7	96.8
	FEMALE	4.0	21.0	71.0	50.1	79.0
SECONDARY:	TOTAL	1.0	3.0	8.7	10.0	16.2
	MALE	2.0	4.0	..	13.6	25.3
	FEMALE	0.2	1.0	..	6.6	14.8
VOCATIONAL ENROL. (% OF SECONDARY)		..	2.0	..	8.0	5.3
PUPIL-TEACHER RATIO						
	PRIMARY	41.0	42.0	54.0	46.5	36.2
	SECONDARY	17.0	20.0	25.0/ <u>g</u>	25.5	23.6
ADULT LITERACY RATE (PERCENT)		..	58.4/ <u>f</u>	..	25.5	..
<b>CONSUMPTION</b>						
PASSENGER CARS PER THOUSAND POPULATION						
		..	..	..	2.9	32.3
RADIO RECEIVERS PER THOUSAND POPULATION						
		2.4	85.1	104.7	32.8	69.0
TV RECEIVERS PER THOUSAND POPULATION						
		..	..	..	1.9	8.0
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION						
		..	..	..	2.8	20.2
CINEMA ANNUAL ATTENDANCE PER CAPITA		0.1	0.4	..	1.2	0.7
<b>LABOR FORCE</b>						
TOTAL LABOR FORCE (THOUSANDS)						
		80.6	103.3	140.0	.	.
FEMALE (PERCENT)						
		36.5	35.6	34.8	34.1	36.7
AGRICULTURE (PERCENT)						
		70.0	67.0	64.4	80.0	56.6
INDUSTRY (PERCENT)						
		19.0	21.0	22.8	8.6	17.5
PARTICIPATION RATE (PERCENT)						
	TOTAL	39.3	36.6	35.5	41.7	37.2
	MALE	50.6	47.7	47.1	54.3	47.1
	FEMALE	28.4	25.8	24.3	29.2	27.5
ECONOMIC DEPENDENCY RATIO		1.2	1.3	1.3	1.2	1.3
<b>INCOME DISTRIBUTION</b>						
PERCENT OF PRIVATE INCOME RECEIVED BY						
	HIGHEST 5 PERCENT OF HOUSEHOLDS	..	..	..	..	..
	HIGHEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	..
	LOWEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	..
	LOWEST 40 PERCENT OF HOUSEHOLDS	..	..	..	..	..
<b>POVERTY TARGET GROUPS</b>						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
	URBAN	..	..	..	136.0	381.2
	RURAL	..	..	..	84.5	156.2
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
	URBAN	..	..	..	99.1	334.3
	RURAL	..	..	..	61.2	137.6
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)						
	URBAN	..	..	..	39.7	..
	RURAL	..	..	..	68.8	..

.. Not available  
 . Not applicable.

## NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1976 and 1979.

/c Due to immigration population growth rate is higher than rate of natural increase; /d 1962; /e Percentage of population; /f 1966; /g 1973.

## DEFINITIONS OF SOCIAL INDICATORS

**Notes** Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

**LAND AREA** (thousand sq. km)

**Total** - Total surface area comprising land area and inland waters.

**Agricultural** - Estimate of agricultural land area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1978 data.

**GNP PER CAPITA (US\$)** - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis), 1960, 1970, and 1979 data.

**ENERGY CONSUMPTION PER CAPITA** - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita, 1960, 1970, and 1979 data.

**POPULATION AND VITAL STATISTICS**

**Total Population, Mid-Year (thousands)** - As of July 1, 1960, 1970, and 1979 data.

**Urban Population (percent of total)** - Ratio of urban to total population, different definitions of urban areas may affect comparability of data among countries, 1960, 1970, and 1979 data.

**Population Projections**

**Population in year 2000** - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

**Stationary population** - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

**Year stationary population is reached** - The year when stationary population size has been reached.

**Population Density**

**Per sq. km.** - Mid-year population per square kilometer (100 hectares) of total area, 1960, 1970 and 1979 data.

**Per sq. km. agricultural land** - Computed as above for agricultural land only, 1960, 1970 and 1978 data.

**Population Age Structure (percent)** - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population, 1960, 1970, and 1979 data.

**Population Growth Rate (percent) - total** - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-79.

**Population Growth Rate (percent) - urban** - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-79.

**Crude Birth Rate (per thousand)** - Annual live births per thousand of mid-year population, 1960, 1970, and 1979 data.

**Crude Death Rate (per thousand)** - Annual deaths per thousands of mid-year population, 1960, 1970, and 1979 data.

**Gross Reproduction Rate** - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates, usually five-year averages ending in 1960, 1970, and 1979.

**Family Planning - Acceptors (thousands)** - Annual number of acceptors of birth-control devices under auspices of national family planning program.

**Family Planning - Users (percent of married women)** - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

**FOOD AND NUTRITION**

**Index of Food Production per Capita (1969-71=100)** - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights, 1961-65, 1970, and 1979 data.

**Per capita supply of calories (percent of requirements)** - Computed from energy equivalent of net food supplies available in country per capita per day. Net supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1979 data.

**Per capita supply of protein (grams per day)** - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey, 1961-65, 1970 and 1979 data.

**Per capita protein supply from animal and pulse** - Protein supply of food derived from animals and pulses in grams per day, 1961-65, 1970 and 1979 data.

**Child (ages 1-4) Mortality Rate (per thousand)** - Annual deaths per thousand in age group 1-4 years, to children in this age group, for most developing countries data derived from life tables; 1960, 1970 and 1979 data.

**HEALTH**

**Life Expectancy at Birth (years)** - Average number of years of life remaining at birth; 1960, 1970 and 1979 data.

**Infant Mortality Rate (per thousand)** - Annual deaths of infants under one year of age per thousand live births.

**Access to Safe Water (percent of population) - total, urban, and rural** - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. Excreta disposal may include fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

**Access to Excreta Disposal (percent of population - total, urban, and rural)** - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

**Population per Physician** - Population divided by number of practicing physicians qualified from a medical school at university level.

**Population per Nursing Person** - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

**Population per Hospital Bed - total, urban, and rural** - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing, principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO principal/general hospitals, and rural hospitals local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

**Admissions per Hospital Bed** - Total number of admissions to or discharges from hospitals divided by the number of beds.

**HOUSING**

**Average Size of Household (persons per household) - total, urban, and rural** -

A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

**Average number of persons per room - total, urban, and rural** - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

**Access to Electricity (percent of dwellings) - total, urban, and rural** - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

**EDUCATION****Adjusted Enrollment Ratios**

**Primary school - total, male and female** - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations, normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

**Secondary school - total, male and female** - Computed as above, secondary education requires at least four years of approved primary instruction, provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age, correspondence courses are generally excluded.

**Vocational enrollment (percent of secondary)** - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

**Pupil-teacher ratio - primary and secondary** - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

**Adult literacy rate (percent)** - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

**CONSUMPTION**

**Passenger Cars (per thousand population)** - Passenger cars comprise motor cars seating less than eight persons, excludes ambulances, hearses and military vehicles.

**Radio Receivers (per thousand population)** - All types of receivers for radio broadcasts to general public per thousand of population, excludes unlicensed receivers in countries and in years when registration of radio sets was in effect, data for recent years may not be comparable since most countries abolished licensing.

**TV Receivers (per thousand population)** - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

**Newspaper Circulation (per thousand population)** - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

**Cinema Annual Attendance per Capita per Year** - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

**LABOR FORCE**

**Total Labor Force (thousands)** - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable, 1960, 1970 and 1979 data.

**Female (percent)** - Female labor force as percentage of total labor force.

**Agriculture (percent)** - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1979 data.

**Industry (percent)** - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force, 1960, 1970 and 1979 data.

**Participation Rate (percent) - total, male, and female** - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1979 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

**Economic Dependency Ratio** - Ratio of population under 15 and 65 and over to the total labor force.

**INCOME DISTRIBUTION**

**Percentage of Private Income (both in cash and kind)** - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

**POVERTY TARGET GROUPS**

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

**Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural** - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

**Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural** - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

**Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural** - Percent of population (urban and rural) who are "absolute poor".



COMOROS - ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1979

ANNUAL RATE OF GROWTH (% , constant prices)

	<u>US\$ Mln.</u>	<u>%</u>	<u>1976-79</u>	<u>1979</u>
GNP at Market Prices	92.4	100.0	3.9	3.6
Gross Domestic Investment	24.8	26.8	16.3	27.1
Gross Domestic Saving	11.5	12.4	20.5	47.5
Current Account Balance	-12.8	-13.8	.	.
Exports of Goods, NFS	19.8	21.4	-0.1	34.2
Imports of Goods, NFS	33.1	35.8	4.4	25.1

OUTPUT IN 1979

	<u>Value added</u>	
	<u>US\$ Mln.</u>	<u>%</u>
Agriculture	42.3	42.1
Industry	13.4	13.3
Services	44.8	44.6
Total	100.5	100.0

GOVERNMENT FINANCE

	<u>Central Government</u>	
	<u>CF Mln.</u>	<u>% of GDP</u>
	<u>1979</u>	<u>1979</u>
Current Receipt	2563	12.0
Current Expenditures	5308	24.8
Current Deficit	-2745	-12.8
Capital Expenditure	2989	14.0
External Assistance	5761	26.9

MONEY, CREDIT and PRICES

	<u>1978</u>	<u>1979</u>	<u>1980</u>
			<u>(June)</u>
	<u>(Million of CF outstanding end period)</u>		

Money and Quasi Money	2424	3548	4016
Bank Credit to the Government	86	174	732
Bank Credit to Private Sector	2203	2254	3234

(Percentage or Index Numbers)

Money and Quasi Money as % of GDP	14.3	16.6	16.3
GDP Price Deflator (1979 = 100)	86.9	100.0	110.8
Annual percentage changes in			
GDP Price Deflator	15.6	15.1	10.8
Bank Credit to the Government	-77	102	320
Bank Credit to Private Sector	10	2	43.5

Note: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

. Not applicable



COMOROS - TRADE PAYMENT AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1978	1979	1980 e/
	<u>(US\$ Million)</u>		
Exports of Goods, NFS	12.2	19.7	12.8
Imports of Goods, NFS	21.3	32.3	44.8
Resource Gap (deficit -)	-9.1	-12.6	-32.0
Interest Payments (net)	-0.1	..	..
Other Factor Payments (net)	-1.5	-1.2	-1.6
Net Transfers	11.1	1.0	9.2
Balance on Current Account	0.4	-12.8	-24.4
Net MLT Borrowing	3.3	15.2	24.5
Disbursements	3.9	15.2	24.5
Amortization	0.6	-	-
Others <sup>1/</sup>	0.5	-0.2	-0.1
Change in Reserves	-4.2	-2.2	0.0
(- = increase)			

MERCHANDISE EXPORTS (AVERAGE 1977-79)

	US\$ mln.	%
Ylang-Ylang essences	2.8	23.5
Vanilla	6.1	51.3
Copra	0.9	7.6
Cloves	1.8	15.1
Other commodities	0.3	2.5
Total	11.9	100.0

EXTERNAL DEBT, DECEMBER 31, 1979

	US\$ Mln.
Public Debt, incl. guaranteed	38.7
Non-Guaranteed Private Debt	..
Total Outstanding & Disbursed	38.7

DEBT SERVICE RATIO FOR 1979 <sup>2/</sup>

Memo item

	1978	1979	1980
Imports of Petroleum Products	1.9	1.8	4.3

	%
Public Debt, incl. guaranteed	1.3
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	1.3

IBRD/IDA LENDING, (March 31, 1981) (US\$ Mln.)

<u>RATE OF EXCHANGE</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
US\$1.00 = CF	225.64	212.72	211.30
CF 1 = US\$	0.0044	0.0047	.0047

	<u>IBRD</u>	<u>IDA</u>
Outstanding & Disbursed	.	4.8
Undisbursed	.	5.4
Outstanding incl. Undisbursed	.	10.2

e/ Estimates

<sup>1/</sup> Including errors and omissions

<sup>2/</sup> Ratio of Debt Service Payments to Exports of Goods and Non-Factor Services

.. not available

. not applicable



## SUMMARY AND CONCLUSIONS

### Structural Characteristics of the Economy

- i. The Comoros Archipelago consists of four main islands stretching over an area of 270 km<sup>2</sup> north of the Mozambique channel; the distance between islands ranges from 50 km to 90 km. With a per capita income of US\$260 in 1979, the Federal Islamic Republic of the Comoros is one of the poorest countries in the world and is considered by the United Nations to be among the least developed. The Archipelago is densely populated with 400,000 inhabitants in an area of 2,166 km<sup>2</sup>. The population density (185 inhabitants/km<sup>2</sup>) is among the highest in the Eastern Africa Region, particularly when the ratio of population to cultivable land (325 inhabitants/km<sup>2</sup>) is taken into account. The islands are volcanic in origin, fairly rugged, and covered with lush vegetation. They have a maritime, tropical climate and receive over two meters of rain in the rainy season. Their topography creates several micro-climates, as a result of which a variety of crops can be cultivated.
- ii. Agriculture occupies the vast majority of the people, and over 80 percent of the population live in rural areas. Most cultivation is of food-stuffs for local consumption, the main food crops being coconuts, rice, cassava and pulses. However, about 10 percent of the cultivated area is planted with high-value cash crops, the most important being ylang-ylang, coconut, vanilla, and cloves. These cash crops and copra account for virtually all export earnings. Prevailing farming methods are inefficient and yields are low. As a consequence, food production is insufficient to meet local needs and food imports absorb nearly all the entire export revenues. Protein foods, especially meat and fish, form a small part of the diet and malnutrition is widespread.
- iii. The existing cropping patterns are inappropriate to the country's agricultural resource base and nutritional needs. However, studies have shown that replacing rice by a combination of maize, pigeon peas and sweet potatoes is highly desirable. EDF is financing a project to develop maize production. Providing that the results of this project are as beneficial as projected, the Government should take measures to replicate this type of project and otherwise to adopt such mixed cultivation patterns, and in particular to substitute maize for rice cultivation. Vegetable production needs also to be encouraged.
- iv. There is limited scope for replacing export crops by food crops, since many food crops are grown in association with export tree crops and lands suitable for tree plantation are not always suitable for food crops. There is however scope for developing new tree crops for export. In particular the possibility of developing fruit production as an alternative to ylang-ylang and vanilla should be explored. Lychees, corossol and mangoes already grow in the Comoros, but other fruits like macademia nuts could also prove to be technically feasible and economically viable.

1/ The Comoros Archipelago comprises 4 islands. However, unless specified future reference in this report to Comoros or the Comoros apply to the three islands of Grande Comore, Anjouan and Mohéli.

- v. Land resources are overutilized in some areas and underutilized in others. For example, parts of Anjouan are so densely populated that agricultural land is faced with severe erosion. On the other hand, Moheli has large tracts of fertile land not yet cultivated. Given these conditions, new policy initiatives, including possibly some form of land resettlement, are needed to ensure that the scarce land resources are more fully exploited and that none are left underutilized.
- vi. Non-agricultural activities are limited. The very small processing and manufacturing sector consists mainly of the distillation of ylang-ylang into perfume essences, a small soft drink bottling plant, a sawmill and a soap factory. To stimulate foreign investment in industry, the Government has prepared an Investment Code to be submitted to Parliament for approval. Although tax incentives appear generous, the Investment Code may have only a limited impact because most existing commercial and industrial ventures are granted similar, if not better, tax privileges. Furthermore, the size of enterprise for which the Code provides incentives might be too large for the Comorian market.
- vii. Population pressure is a serious problem in that it has led to extensive deforestation and land erosion by inducing farmers to extend cultivation to higher slopes of the hills. Between 1968 and 1974 forest areas declined by 44 percent; in the most densely populated island, Anjouan, the decline was 69 percent. Since then, the situation has further deteriorated. Erosion is aggravated by existing farming methods, particularly by the lack of terracing. Population growth has also increased the demand for firewood, imposing more strain on the forests. In August 1980, the Government undertook a census, with assistance from the United Nations Fund for Population Activities. However, more active steps regarding the control of population growth will require overcoming political and religious obstacles. The population is currently estimated to be growing by about 3.7 percent annually. At this rate the population and the man to land ratio would more than double by the year 2000.
- viii. Although statistical data are scanty, the available information indicates that nutritional and health conditions are extremely poor. It is estimated that one-half of all children die before reaching the age of four. Most children suffer from malnutrition and intestinal parasites. About 80 percent of the adult population suffers from malaria, and a high incidence of tuberculosis and leprosy is also reported. The Ministry of Health is unable to cope with the situation because of its limited facilities, the inadequate supplies of drugs, and the shortage of middle-level qualified personnel to carry out health improvement programs.
- ix. School enrollments had already started expanding rapidly before independence, and by 1978-79 primary school enrollments exceeded 80 percent of the population in the 7-12 age group. The system is however patterned on that of France and is not well suited to the Comoros' needs. As a result, there is a severe shortage of adequately trained personnel, particularly in agriculture, health, public administration and industry.

x. Transport, both internal and external, has always been a problem for the Comoros. International sea transport is rendered costly and irregular by the smallness and isolation of the islands. This situation is aggravated by the absence of a deepwater port and by the lack of a natural site for port development. Hence, large ships are reluctant to call at Comorian ports and cargo has to be transhipped through the ports of neighboring countries, with more costs and delays. Given the Comoros' dependence on foreign trade, this is a heavy economic burden, mitigated only in part by the use of air freight for high-value export items. Sea transport between the islands depends mostly on small steamers and dhows and is also hampered by the lack of adequate port infrastructure. Within the islands, transport is limited by the lack of reliable road connections between the coast and the hinterland. Because of this, farmers have difficulty in bringing perishable crops to markets in time. Recent assistance from several multilateral and bilateral agencies, including IDA, is helping to improve the road transport situation.

xi. Since independence, the Government has given priority to the completion of the coastal ring roads. There is little need to further expand the network of paved roads. Priority should be placed on upgrading secondary earth roads. Developing feeder roads connecting the plateaux of the interior with the coastal towns is essential to rural development and the marketing of food production. The Government is considering building about 250 km of secondary and tertiary roads by 1985. This is a commendable objective which is financially supported by IDA. Another area of priority for the Government is the maintenance of the existing road network. Road maintenance has been carried out irregularly because of inefficient organization and insufficient equipment and funds. IDA has financed two road maintenance projects in 1979 and 1981 to improve this situation.

xii. Despite the distance from Europe, the potential for tourism exists. Tour operators and foreign investors are eager to sign contracts with the Government. The Government should be cautious in engaging in such ventures and should carefully assess the net benefits for the country itself (vis-a-vis the returns to the foreign investors) to be sure they are greater than their total costs. These ventures should yield at least a net surplus when all import bills have been met and interests and dividends on foreign capital have been paid. Moreover, the Government should also seek to maximize the local value added for tourism through developing agriculture, livestock and fish production.

#### Recent Developments and Key Policy Issues

xiii. Although Government current outlays have been reduced considerably since independence, they still exceeded Government revenues in 1979. Wages and salaries account for about 46 percent of Government current expenditures, with purchases of goods and services accounting for another 36 percent. Transfers and government subsidies to the rest of the economy appear relatively small, the latter taking the form principally of tax exemptions.

xiv. No consistent trends are discernible in exports, savings, agricultural production or stocks, all of which have fluctuated considerably over the period. A few trends, however, are particularly notable, namely: (i) the increases in investment, public consumption, and imports which were facilitated by resumed capital inflows and balance of payments support; and (ii) on the production side, the surge in construction activity accompanied by near stagnation in other sectors of the economy.

xv. The immediate post-independence period was marked by an acute recession which was halted only in 1977 when new foreign assistance became available to replace French financial and administrative assistance that was suddenly terminated after independence. During 1977-78, GDP grew about 3.5 percent per annum, which meant a slight decline in per capita income, given the high rate of natural population growth and the repatriation of about 20,000 Comorians expelled from Madagascar. The economy recovered in 1979 (with GDP growing by 9.5 percent) mainly as a consequence of the resumption of budgetary support from France, the reconstitution of the administrative services (which generated further employment and stimulated internal demand), favorable world prices for Comoros' major export commodities, and the implementation of a number of investment projects initiated by the previous Government with the support of Arab States such as Kuwait.

xvi. Economic activity in 1980 was less buoyant as GDP growth slowed down to an estimated 4.3 percent. The decline was mainly due to a fall in export of goods and services by about 30 percent in real terms (back to about the 1978 level), caused by a virtual stoppage in vanilla exports. The Government had encouraged exporters not to export vanilla, in an unsuccessful attempt to keep prices at the unprecedentedly high level of 1979. A main source of economic growth was the substantial rise in public investment, which increased by an estimated 50 percent above the 1979 level.

xvii. With respect to the balance of payments, the current account balance turned from slightly positive in 1978 to a progressively larger deficit of US\$13 million or 13 percent of GDP in 1979 and an estimated US\$24 million in 1980. These deficits were financed by increased capital inflows from official sources. After stagnating at around US\$8-10 million over the 1976-78 period, merchandise exports increased to US\$18 million in 1979 (when vanilla exports nearly trebled in value) but fell by 40 percent in 1980 to a current price level of about US\$11 million. Customs records for the first ten months of 1980 indicate that there was a substantial setback in 1980 export earnings, as all exports declined in this period. Clove exports were however reported to have picked up considerably in the last two months of the year, so that clove exports for the year as a whole likely exceeded the 1979 level.

xviii. Food and consumer goods account for about 70 percent of Comoros' merchandise imports. Rice has traditionally represented a large share of imports, accounting for more than 20 percent of total imports over the last decade. Rice imports declined in volume under the Soilih administration, when foreign exchange was scarce, but increased by about 16 percent in 1979. The low share of intermediate goods imports reflects the small scale of Comoros' industrial sector and the low level of investment in machinery and equipment. A large increase in capital goods imports in 1980 reflected mainly investment in road construction financed by external aid agencies.

xix. When the Soilih administration dismissed 70 percent of the civil servants, budgets were no longer prepared and expenditures were decreed at intervals. The first post-independence budget was only adopted in mid-1979, a year after the present Government came to power. Most archives and official records were destroyed by the previous Government; hence, it has not been possible to ascertain the evolution of government revenues and expenditures for the period between independence and the beginning of 1979.

xx. Although total government outlays have been curtailed since independence, they were still almost three times the level of government domestic revenues in 1979; the current and overall deficits were covered almost entirely by large inflows of external assistance comprising both project and non-project aid. Foreign aid disbursements (grants and loans) amounted to almost twice the level of capital expenditures. Government tax revenues represent only a small share of GDP (11 percent); these depend mainly on indirect taxes on foreign trade. The heavy reliance on indirect taxation on foreign trade is partly due to the low level of taxable domestic production and income, but it also results from the low recovery rate of direct taxes, which ranges from 74 percent for the tax on profits to 7 percent for the general turnover tax. The Government has taken an important step to improve tax administration by creating the Central Tax Administration (CTA), which is supposed to determine the basis for indirect taxes, prepare fiscal regulations governing indirect taxes, and assist the Islands' governments in designing legislation for direct taxes and their enforcement. The Government is now receiving IMF technical assistance in this field.

xxi. Public enterprises suffer from inadequate organizational structure and a lack of managerial skills. At present, their financial accounts are sparse and unreliable. Available evidence indicates that there is a complicated network of unpaid debts within the public sector. The Government therefore needs to undertake immediate action to improve the financial performance of the public sector. In particular, the accounting services of the enterprises need to be strengthened and financial controls established.

xxii. Urgent action is needed to improve the performance of the parastatal sector. The legal framework within which public enterprises are to operate has to be better defined, the accounting services of the enterprises strengthened, and a system of financial controls established. Stricter financial discipline needs to be imposed, and the practice of building up debts within the public sector abolished. Finally, tax exemptions should be abolished and replaced by budgetary subsidies explicitly provided for in the budget.

xxiii. The Government could improve its budgeting system by consolidating the Islands' budget with the Federal budget. At present, there is no provision in the Federal budget for financing the deficits of the Islands; these deficits have to be met by cash resources held at the Treasury. To control the volume of recurrent budgetary expenditure, the Government should also integrate foreign assistance into the budgetary process and avoid the unbudgeted use of foreign financial assistance. The budgetary and the planning processes should be integrated to avoid investments that do not suit the country's objectives and priorities.

xxiv. Given the limited administrative capabilities of the Government, the dual objectives of reducing the administrative burden and of promoting efficient allocation could be served by a greater reliance on fiscal policy vis-a-vis direct price control. For example, the solution of the food problem depends largely on a major shift of Comorian food consumption from rice to maize. By introducing a tax on rice which could be progressively increased as maize production develops, the Government would discourage rice consumption and stimulate the demand for maize. The proceeds of this tax could even be used to subsidize temporarily the consumer price for maize. Furthermore, the present system of price control on consumer goods has led to scarcities and distortions in the distribution of essential food products.

xxv. Although electricity rates have been raised to CF 53 per kwh in December 1980 from a CF 41 per kwh, (rates unchanged since 1975) they are well below the cost of production. The price of electricity needs to be set at a level which covers production cost and unpaid bills while the number of unpaid bills should be reduced.

xxvi. The new Government has reformulated the objectives set out by its predecessor, and Presidential statements have outlined the very general and overall framework of its development strategy. Food self-sufficiency remains in principle the number one priority, but the Government also attaches high priority to four other objectives: (i) developing port and road infrastructure, (ii) developing energy and water resources, (iii) improving health and beginning to address the population problem; and (iv) improving the quantity and quality of technical skills. At present, the objectives are stated only in qualitative terms; it remains for the Government to translate them into quantitative targets and to prepare action programs aimed at their realization.

xxvii. The mission believes that these general priorities are on the whole appropriate and should be reflected in the development plan to be elaborated by the recently established National Planning Commission with the assistance of a group of foreign experts financed by the United Nations. The main development priority should be agricultural rehabilitation and expansion of production of basic foodstuffs and export crops. Achievement of this objective would entail: (i) expansion of maize production to reduce imports of rice; (ii) development of new export crops; and (iii) expansion of fisheries and small livestock production to reduce meat imports and improve the protein intake of the population. Additional priority objectives should include the strengthening of export and marketing institutions, reforestation, soil erosion control, and regulation of land ownership rights. In the area of public health, high priority is clearly warranted for malaria eradication, tetanus vaccination, and improving supply of potable water. With respect to population control, it remains for the Government to formulate a policy and program for family planning -- a task in which the World Bank and/or other donors will clearly be prepared to provide technical and financial assistance. The thrust of educational development should emphasize vocational and technical training geared to the economic realities and requirements of the country. And with respect to infrastructural development, the emphasis on port and road construction seems warranted, although in light of the large scale and heavy cost of the projects underway and envisaged, particular attention needs to be given to appraising the economic return of such projects.

## Prospects

xxviii. The near term economic prospects for Comoros are rather modest. An illustrative scenario developed by the Bank mission foresees the possibility of a 4.5 percent annual growth in the period 1981-85 (i.e. around one percent in terms of GDP per capita), assuming that agriculture will grow somewhat less than 4 percent per annum, industry at 6 percent and the rest of the economy at perhaps 5 percent. These growth rates may prove to be on the optimistic side, but feasible given the low yields of agricultural production, the small size of the industry sector, and the high level of investment contemplated during the period by both Government and aid donor agencies.

xxix. After a poor performance in 1980, exports are likely to recover in 1981. But since the sluggishness of world market conditions for Comorian export commodities is likely to continue, exports have been projected to grow in volume by no more than 1 percent annually over 1981-85. The demand for imports can be expected to remain high throughout the period 1981-85. Capital goods imports are projected to continue at a high level as the higher investment levels are maintained; imports of raw materials and intermediate goods are expected to keep up with the projected expansion of economic activity. Imports of petroleum products are projected to grow in volume at 7 percent per annum. Food imports are projected to remain at the same level throughout the period. Imports of other consumer goods have been assumed to remain constant in volume. Import prices have been projected in line with Bank price projections. Altogether, the import bill is projected to increase at almost 11 percent per annum.

xxx. Assuming that the present deficit on services will continue to rise, the balance of goods and non-factor services is projected to show a cumulative deficit of about US\$200 million over 1981-85. This deficit will have to be financed by external assistance. Several aid agencies are currently extending financial and technical assistance to the Comoros. France has resumed her assistance, and aid from other sources has also been growing. Major donors include the African Development Bank Group, IDA, Arab Funds, the United Nations Development Program (UNDP), the European Development Fund and France. Unless major changes take place in the relationship of the Federal Islamic Republic with its major aid partner, a reduction in the level of aid is unlikely. Thus, the Bank mission has projected aid flows to remain constant, in real terms, i.e., to keep pace with world inflation in current prices. The external debt of the Comoros is projected to remain relatively small in its amount and concessionary in its terms, owing to the predominance of ODA transfers and the absence of commercial bank lending.

xxxi. The Comoros will have to continue to rely on foreign financial and technical assistance, on terms as concessionary as possible. Current revenues are insufficient to run government services. The Bank mission has projected that government domestic revenues would increase from CF 2.6 billion in 1979 to CF 7.8 billion in 1985 on the assumption that the recovery rate of direct taxes will increase, thus the share of taxes in GDP would increase from 11 percent in 1979 to 15.5 percent in 1985.

xxxii. Growth prospects will also depend on the Government's ability to design and implement appropriate development programs, mobilize domestic resources, and strengthen the institutions and improve their administrative capacity. The administration has experienced severe shortages of qualified staff and has a very limited capacity for project preparation and implementation. Aid agencies should be prepared to finance a large proportion of local cost, if the lack of local funds is not to impede the successful implementation of external assistance.

## I. INTRODUCTION

1.1 This is the second World Bank economic report on the Comoros. The first report, 1/ which comprised a general introduction to the economy of the Comoros Islands, reflected the findings of an economic mission that visited the country in December 1976, a year after independence. Since then, the country has undergone a series of political shocks which have disrupted the economy in general and the administrative infrastructure in particular. Because of this, as well as because of a shortage of data, there is insufficient information for a thorough analysis to be made of recent trends in Comoros' economic development. Insofar as the data permit, however, this report reviews the current economic situation and assesses the major development issues and economic prospects of the three islands under Federal Government administration (see below); the report's view of demographic issues, on the other hand, refers to all four islands.

1.1 The Comoros Archipelago has a strategic location astride one of the principal sea lanes from the Gulf to the Cape route around Africa. The Archipelago consists of four main islands stretching over an area of 270 km<sup>2</sup> north of the Mozambique channel. The distance between islands ranges from 50 km to 90 km. Grande Comore, at the northern end, lies 280 km off the coast of Africa while Mayotte, at the southern tip, is located at 310 km from Madagascar. The Government of the Islamic Federal Republic of the Comoros 2/ has effective control over three of the four islands.

1.3 With its lush vegetation growing on fertile soil and mild tropical climate, the Comoros islands look like paradise. On these volcanic mountainous islands a wide variety of crops can be grown--from tropical fruits and spices on the low-lands to vegetables and cereals in the temperate higher zones. Rainfall is abundant, and the maritime and mountain environments temper the hardship of the tropical climate.

1.4 Despite these favorable natural conditions, Comoros is among the poorest countries in the world, with a per capita income of only US\$260 in 1979. The Archipelago is heavily populated, with 400,000 inhabitants in an area of 2,166 km<sup>2</sup>. The population density (185 inhabitants/km<sup>2</sup>) is among the highest in the Eastern Africa Region, particularly when the ratio of population to cultivable land (325 inhabitants/km<sup>2</sup>) is taken into consideration. The latter ratio ranges from 78 inhabitants per km<sup>2</sup> on Moheli to 522 inhabitants per km<sup>2</sup> on Anjouan.

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1/ The Comoros, Problems and Prospects of a Small, Island Economy published in July 1979 provides detailed account of the geography, history and economy of the islands which is not repeated in this report.

2/ Unless otherwise specified future reference in this report to Comoros or the Comoros apply to the three islands of Grande Comore, Anjouan and Moheli.

1.5           The three islands have different characteristics. Grande Comore, the largest of the islands and the capital and administrative center of the Republic, still has an active volcano. Anjouan, which is especially overpopulated, has steep hillsides and a serious soil erosion problem. Moheli, on the other hand, has wide and fertile valleys and a thick forest cover; it is also both the least populated and the least developed of the islands.

## II. RECENT DEVELOPMENTS

2.1 The period since Comoros' accession to independence has been relatively short and has been marked by a series of political and economic disruptions from which the country is now slowly recovering. On July 6, 1975, the Comorian Parliament unilaterally proclaimed the independence of the whole archipelago, despite the opposition of the representatives of Mayotte, who had indicated their desire to remain under French administration. On August 30, 1975, Ahmed Abdallah, the first President, was overthrown by Ali Soilih, who mounted a military expedition against Anjouan to consolidate his control over the country. Encouraged by his success in November 1975, Ali Soilih attempted another expedition to rally Mayotte to his Government, but was repelled by the French garrison. The French refused further negotiations on the transfer of their administrative responsibilities in Mayotte, and withdrew all military and technical assistance personnel from Grande Comore, Anjouan and Moheli. Relationships between the two Governments were broken. A referendum held in Mayotte in February 1976 resulted in a majority voting in favor of remaining under French administration, while the population of the other islands voted in favor of independence.

2.2 The new Government faced a difficult situation. Government services were disorganized (most of them being left unmanned by the withdrawal of French expatriates), and government financial resources were reduced severely when France suspended its budget assistance. A United Nations mission which visited the country in December 1975 issued an urgent appeal for economic assistance. Despite the difficult situation, the Government launched a program to modernize the social structure of the country through a series of social reforms that were met with passive resistance by a large part of the population. To obtain the support of Comorian youth, the Government established a highly decentralized government system which gave major responsibilities to a number of young people. The more secular ideological framework for the intended new society was revealed in 1978 in the country's first development plan. The country was divided into new administrative territorial units, the Moudirias, which were given responsibility for agricultural production, crop marketing, education, health and local services. In the meantime, the former administrative services were dismantled. Most of the civil servants were dismissed, and a wholesale destruction of Government archives was carried out. The Central Government was restructured into four Ministries (Presidence, External Affairs, Home Affairs, and Planning) and staffed with the few remaining civil servants.

2.3 Acute financial difficulties, poor economic management, constant shortages of food, and the introduction of revolutionary changes, taken together, led to general dissatisfaction. Political unrest was widespread, and confrontations between the conservative elements of the population and the youth became more frequent and more serious. In May 1978, Soilih was overthrown and Ahmed Abdallah was restored to power. A new constitution was adopted in October 1978 and Ahmed Abdallah was once again confirmed as president in elections held in December 1978.

2.4 The Islamic Republic of the Comoros is now slowly recovering from the post-independence political disruptions. However, the administration is still weak. The scars left from the post-independence period are numerous and will take time, patience and effort to heal.

#### Recent Economic Developments

2.5 The immediate post-independence period was marked by an acute recession which was halted only in 1977, when new foreign assistance became available to replace the French financial and administrative assistance whose sudden termination had precipitated the economic decline. After the fall of the Soilih administration, economic activity resumed at a quick pace. The recovery was stimulated by several factors, viz: the substantial budgetary support from France and the reconstitution of the administrative services, which generated further employment and stimulated internal demand; favorable world prices for Comoros' major export commodities; and the implementation of a number of investment projects initiated by the previous government.

2.6 Table 1 summarizes the movement in selected macroeconomic variables <sup>1/</sup> over the period 1977-80. As may be seen, no consistent trends are discernible in exports, savings, agricultural production or stocks, all of which have fluctuated over the period. A few trends are however, particularly notable, namely: (i) the increases in investment and public consumption and imports which were facilitated by resumed capital inflows and balance of payment support; and (ii) on the production side, the surge of construction activity, accompanied by near stagnation in other sectors of the economy.

2.7 Over the two-year period 1977-78, GDP grew at the moderate pace of 3.5 percent per annum. Given the high rate of population growth, augmented by substantial immigration in this period, per capita income declined over the period. Exports of goods and non-factor services (see Table 1) declined at an annual average rate of about 14 percent, while imports declined also, but at a slower pace of 4.6 percent per annum. Investments grew at about 11 percent per annum, mainly on account of stock accumulations resulting from the decline in exports, since fixed investment only increased at an average of 4.3 percent per annum.

2.8 In contrast, 1979 was a year of recovery, with GDP growing at 9.5 percent as exports grew by 34 percent in real terms as a result of exceptional exports of vanilla. The shortfall of Madagascar's vanilla production benefited the Comoros, which was able to export larger quantities of its vanilla at higher prices. Conversely, imports of goods and services grew by 25 percent as France resumed its budget support and investment projects negotiated by the Soilih administration were implemented. Investments increased nearly 30 percent over the level of 1978, while stocks of capital goods and consumer goods were being replenished.

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<sup>1/</sup> There are no official national accounts estimates. The Ministry has made some preliminary estimates for 1976-1980 which are presented in Annex IV.

Table 1: GDP: STRUCTURE AND GROWTH, 1977-80

	1979		Annual Growth Rate <sup>1/</sup>			
	CF Million	As percent of GDP	1977	1978	1979	1980 (est.)
Agriculture	8,991	42.0	11.3	-7.3	8.3	3.9
Manufacturing	1,033	4.8	3.4	-1.1	2.6	4.0
Construction	1,738	8.1	15.3	2.3	10.1	18.6
Trade	5,368	25.1	2.6	0.3	9.8	-1.4
Public Administration	3,069	14.4	-29.0	79.1	17.8	7.7
Other	1,187	5.6	4.5	4.0	4.2	3.3
<u>GDP</u> <sup>2/</sup>	21,386	100.0	4.0	3.0	9.6	4.3
<u>Resource Gap</u>	2,828	13.2	..	..	..	..
Imports of goods and NFS	7,050	32.9	-1.5	-7.6	25.1	21.8
Exports of goods and NFS	4,222	19.7	6.2	-30.0	34.2	-39.1
<u>Resource Availability and Use</u>	24,214	113.2	1.8	7.1	10.0	17.0
<u>Consumption</u>	18,931	88.5	1.6	4.5	6.0	8.0
Public	4,392	20.5	-7.1	15.7	9.9	12.1
Private	14,539	68.0	4.1	1.6	4.9	6.7
<u>Investment</u>	5,282	24.1	2.8	20.2	27.1	49.3
Fixed Investment	4,591	21.5	8.5	0.5	14.6	22.4
Change in stocks	691	3.2	..	..	..	..
<u>Domestic Savings</u>	2,455	11.5	31.9	-10.2	47.5	-24.0

<sup>1/</sup> In 1979 prices

<sup>2/</sup> At market prices

.. Not applicable

Source: Tables 2.2 and 2.4 in Statistical Annex

2.9 The country's performance for 1980 was less buoyant, with GDP growth estimated to have been around 4 percent. The main source of growth was the enlarged public investment program. Fixed investment is estimated to have increased by about 50 percent in real terms over its 1979 level. The decline in the GDP growth rate was mainly due to a fall in exports by about 30 percent in real terms over 1979 (back to about the 1978 level), caused by the virtual stoppage in vanilla exports. The Government had encouraged exporters not to export vanilla in an unsuccessful attempt to keep prices at the unprecedented high level they had reached in 1979. Although imports of goods and non-factor services grew at a slower pace in 1980 than in 1979, they still rose by about 22 percent in real terms. Import growth was facilitated in both years by the higher flows of external capital in the form of both project and non-project assistance.

2.10 With higher economic growth, domestic consumption increased sharply, particularly in the public sector following the reconstitution of administrative services. In 1979-80, per capita private consumption rose by an average of nearly 3 percent per year, in contrast to the decline experienced in the previous two years.

2.11 Domestic savings have always been low in the Comoros, although they are at a level comparable to countries with similarly low per capita incomes. Reflecting the insecurity prevailing under the Soilih regime and the decline of per capita consumption, domestic savings declined to slightly above 8 percent of GDP in 1976 and remained at that level until 1978. During the resumption of economic activity, the savings rate rose to about 11 percent of GDP in 1979. In 1980, with the expanding consumer demand, increased imports and the drastic decline in exports, the savings rate dropped again to about 8 percent.

#### The External Sector

2.12 Table 2 summarizes the balance of payments for the period 1978-80. It shows a small deterioration in the balance of goods and non-factor services in 1979, although export performance improved somewhat. The deficit nearly tripled in 1980, however, as exports registered a severe setback and imports increased on account of a strong domestic demand for consumer goods, and an acceleration in road construction. The increase in official transfers (grants from foreign governments and international institutions) was partly offset by increased transfers abroad from resident private sources (salary remittances from expatriates and profit repatriations). The current account balance moved from a slightly positive position in 1978 into increasingly large deficits in 1979 and 1980. Public capital inflows increased steadily, in line with progress in the implementation of the large road construction program. Comoros built up its foreign exchange reserves in 1978 and again in 1979.

2.13 Comoros' trade balance is perennially in deficit, with the level of imports and the actual size of the deficit depending mainly on the availability of foreign assistance. The level of imports is clearly conditioned more by the amount of foreign resources available than by the level of

export earnings. The trade deficit declined in 1976 following the reduction of foreign assistance, whereas the deficit increased again when financial support from Arab sources started substituting for French assistance.

Table 2: Balance of Payments Summary 1978-80  
(CF millions)

	<u>1978</u>	<u>1979</u>	<u>1980 (est.)</u>
Merchandise exports	2,103	3,688	2,282
Merchandise imports	3,161	4,749	6,581
<u>Trade deficit</u>	<u>-1,058</u>	<u>-1,061</u>	<u>-4,299</u>
Services, net	-1,371	-1,873	-2,809
Transfers, net	2,517	218	1,945
of which: public	3,424	2,612	4,201
private	-907	-2,394	-2,256
<u>Current account balance</u>	<u>88</u>	<u>-2,716</u>	<u>-5,163</u>
Medium and long-term capital	738	3,228	5,184
of which grants	n.a.	605	912
Other capital	-333	-54	-21
Change in reserves (- increase)	-956	-458	0
<u>Memorandum items</u>			
Current account balance as % of GDP	0.5	-12.7	-20.9
Debt service ratio	1.5	1.3	4.0

Source: Statistical Annex Table 3.1.

2.14 Comoros' export performance depends on four commodities: ylang-ylang, vanilla, cloves and copra; together, these account for 98 percent of total exports. Export receipts have been relatively stable, with increases in one or another commodity being offset by declines in others. With the exception of 1979, the total value of Comoros' exports has stagnated at around CF 2 billion since independence. Customs records for the first ten months of 1980 indicate a substantial setback in that year, as all exports declined excepting cloves. For more details on Comoros exports, see Annex I.

2.15 Food and consumer goods account for about 70 percent of Comoros' merchandise imports. Traditionally, rice has represented a large share of imports, accounting for more than 20 percent of total imports over the last decade. Rice imports declined in volume under the Soilih regime when foreign exchange was scarce, but increased by about 38 percent in 1978 and 16 percent in 1979. With the resumption of budgetary assistance, meat imports, which had been reduced in the 1975-77 period at the cost of destocking the national herd, more than doubled in volume in 1978. After a 20 percent decline in 1979, they rose again in 1980.

2.16 The low level of intermediate and capital goods imports reflects the weakness of Comoros' industrial sector and the low level of investment in machinery and equipment. A breakdown of imports of raw materials and capital goods is not available from official sources. The increased imports of both capital goods and intermediate products in 1979 and 1980 reflects largely the investment efforts in road construction financed by the aid agencies.

2.17 The Comoros received substantial financial and technical assistance 1/ in 1977-80, with a growing share being provided by France which resumed her assistance in mid-1978. Total grants, in form of budgetary support, direct provision of technical assistance, and financing of equipment and supplies amounted in 1979 to about CF 3.9 billion (equivalent to 80 percent of export receipts and 55 percent of import payments) in 1979, and to CF 5.4 billion in 1980. Total French aid disbursements in 1980 amounted to CF 2.4 billion, as compared to only CF 1.7 billion in 1979. The outstanding disbursed, external public debt amounted to about CF 12.5 billion at the end of 1980, of which 1.9 billion is reportedly to be cancelled by the French Government in the near future. An additional amount of CF 9.5 billion has been contracted but is still not disbursed. Most assistance has been granted on concessionary terms, about 40 percent of it from Arab sources. Debt service is therefore minimal, and accounted in 1979 for about 0.6 percent of total debt outstanding (including undisbursed) and for about 1.3 percent of the export of goods and services.

2.18 The Comoros belongs to the Franc zone, and the Comorian Franc is convertible into the French Franc at the rate of 50 CF to 1 FF. Funds are moved freely within the Franc zone between the Comoros and France its major trade partner.

#### Public Finances

2.19 Because of the lack of data, it is not possible to analyze the Government's finances before 1979. Most archives and official records have been destroyed by the Soilih government; hence, it is not possible to ascertain the levels and changes in government revenues and expenditures for the period between independence and the beginning of 1979. During the two years 1979 and 1980, however, the salient feature of the Comoros' public finances

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1/ Details of aid programs are given below in the sectoral reviews.

has been the size of the overall deficit, which averaged about 25 percent of GDP and which was financed nearly entirely by foreign assistance. Foreign aid disbursements in 1978-79 amounted to about twice the level of public sector capital expenditures. The analysis presented in this section refers to the consolidated finances of the Federal Government, the budgets of the Island Governments, and the foreign assistance program.

2.20 With the virtual dismantling of the civil service under the Soilih government, the administration was handed over to inexperienced youths. The management of the economy was reduced to a level of improvisation. Budgets were no longer prepared, and expenditures were decreed at intervals by ordinance. The first national budget was adopted only in July 1979, a year after the present Government came to power. During the interim period, the Government operated on a hand-to-mouth basis, and decisions on expenditures were made independently of any budgetary framework. As the Government had to rely on budgetary subsidies from France and on what few taxes could be collected, arrears were accumulated and the Government resorted to confiscating the deposits that various public sector institutions had with the treasury.

2.21 In 1979, Government tax revenues represented only a small share (11 percent) of GDP and comprised mainly indirect taxes on foreign trade. Taxes on imports in that year accounted for more than 63 percent of total tax revenues, while taxes on exports accounted for another 25 percent. The heavy reliance on indirect taxation, i.e. of foreign trade, is partly due to the low level of taxable domestic production and the small number of wage earners. But it also results from the low recovery rate of direct taxes, given the weakness of the local tax administration. In 1979 the taxes actually collected represented only 72 percent, 39 percent and 7 percent of what was forecast in the budget for the profit tax, the general income tax and, the turnover tax, respectively. Furthermore, on the basis of the national accounts data, the mission estimates that the yield from the tax on profits and the turnover tax could have been considerably higher than what was actually collected. In any event, it is evident that there is considerable scope for increasing the receipts from direct taxes, even if the tax rates were to remain at their present moderate level.

Table 3: Government Domestic Revenue  
(CF million)

	<u>1974</u>	<u>1979</u>	<u>1980</u> (9 months)
Indirect Taxes on Foreign Trade	1292.0	2253.8	1476.2
Other Indirect Taxes	84.0	83.2	147.2
Direct Taxes	323.0	96.8	100.9
Non Taxes Revenues	322.0	129.4	178.4
Total Govt Domestic Revenues	<u>2021.0</u>	<u>2563.2</u>	<u>1902.7</u>

Source: Table at 5.2 in the Statistical Annex and Table 20 in "The Comoros, Problems and Prospects of a Small Island Economy." IBRD July 1979.

2.22 The fiscal administration of the Comoros is disorganized owing in part to the lack of qualified staff in the tax administration and more importantly the lack of the requisite political will to enforce existing taxes. Moreover, the tax system is administered sporadically, sometimes in apparent disregard of legal provisions. Tax laws are modified by fiat, and tax exemptions accorded without any demonstrated financial or economic rationale. Many commercial enterprises have stopped paying taxes in anticipation of a promulgation of a new Investment Code currently under preparation. Finally, influential taxpayers have limited their tax payments to a small fraction of what they should have paid. The net result has been the low recovery rates noted above.

2.23 The Government has recently taken an important step to improve tax administration by creating the Central Tax Administration (CTA), which is supposed to determine the basis for indirect taxes, prepare fiscal regulations governing indirect taxes, and assist the local island governments in designing fiscal legislation for direct taxation and its enforcement. The Government is now receiving IMF technical assistance in these fields.

2.24 Although Government current outlays have been reduced considerably since independence, they still exceeded Government revenues in 1979. Wages and salaries account for about 46 percent of Government current expenditures, with purchases of goods and services accounting for another 36 percent. Transfers and government subsidies to the rest of the economy appear relatively small, the latter taking the form principally of tax exemptions.

2.25 In 1979, 30 percent of current expenditures directly supported by the local and federal governments were allocated to health and education taken together, and 21 percent to administrative and other services, and 10 percent to defense. The shares allocated for agriculture and industry (1 percent each) and for transport and tourism (3 percent) were minimal. Insufficient funds are allocated to meet maintenance and operating costs, resulting in underutilization of existing facilities and a deterioration of physical assets, particularly in agriculture, roads, education, and health. The shortage of recurrent funds particularly affects agricultural extension services and training facilities. Similarly, the funds earmarked through the Road Fund for road maintenance are well below requirements. The relatively large share of current expenditure devoted to education does not reflect a basic needs-oriented policy, since a large share of the budgetary resources allocated to the sector provides for free boarding facilities during secondary schooling <sup>1/</sup> and for scholarships abroad for most secondary school leavers. At the same time, primary schools have few instructional materials, while hospitals lack medicine and other supplies. The Government is aware of the situation and has taken some steps to remedy it. For example, the Government

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<sup>1/</sup> The allocation for boarding facilities have reportedly been suppressed in the 1981 budget, but have been replaced by scholarship for boarding students.

has decided since January 1980 to earmark a portion of taxes on gasoline for financing road maintenance. Further steps are being considered among which a 30 percent increase in the taxes on gasoline and a new tax on diesel oil for automotive use, also to be earmarked to the Fund.

2.26 To government budgeted current expenditures 1/ should be added current expenditures directly financed by external assistance (See Table 4) which in 1979 were equal to nearly 50 percent of the Government's own expenditures. Thus the current account deficit of the consolidated account of local governments, federal government and external assistance amounted in 1979 to some CF 2.74 billion--equivalent to about 15 percent of GDP. Most public capital expenditures are not reported in the Government's own budget insofar as they are directly financed by external assistance. However, in the consolidated analysis, they form part of the Government expenditures and therefore the total budget deficit for 1979 reached CF 6.3 billion (25 percent of GDP). Preliminary estimates for the first nine months of 1980 show a further worsening of the deficit reaching CF 7.3 billion (i.e. 30 percent of GDP).

2.27 As the above table shows, the deficit was financed mainly by external assistance in the form of grants or concessional assistance; domestic borrowing accounted only for a small part of the financing.

2.28 The bulk of capital expenditures is being directly financed by foreign donors. Capital expenditures budgeted by the Federal Government have been relatively modest, representing 19 percent of total public investment outlays. These consist mainly of buildings, minor public works and local contributions to aid-financed development projects. These budgeted investment expenditures are also financed by external sources, since the country is unable to generate domestic revenues to finance capital expenditures. The main sources are French aid, Stabex and counterpart funds generated from EEC and Chinese merchandise grants. As external finance was concessional and budgetary aid available, the Government did not refuse any project proposed by foreign assistance, even if the total requirements for local counterpart funds exceeded the domestic resources available.

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1/ Federal Government and local governments.

Table 4: Fiscal Developments 1979-80  
(Million of CF)

	<u>1979</u>	<u>1980</u> (for 9 months) Estimates
Domestic Revenues	2563.2	1902.1
Current Expenditures of which	5307.7	4576.4
(Budgeted Current Expenditures)	(3660.7)	(2761.4)
(Current Expenditure Financed by External Resources) <u>1/</u>	(1647.0)	(1815.0)
<u>Current Deficit</u>	2744.5	2674.3
Capital Expenditures of which	2989.2	4542.0
(Budgeted Expenditures)	(571.5)	(544.6)
(Expenditures financed directly by external resources)	(2417.7)	(3997.4)
Change in Government Liabilities	648.2	47.6
<u>Overall Deficit Financed by:</u>	<u>6381.9</u>	<u>7263.9</u>
External Financing	5761.0	6967.2
Grants	(3838.3)	(4059.8)
Loans	(1922.7)	(2907.5)
Domestic Financing	620.9	296.7

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Source: Table 5.1 in Statistical Annex.

1/ Does not include budgetary assistance provided by foreign aid institutions, hence the total expenditures financed by external resources are lower than the total of foreign assistance.

2.29 The largest share of investments in the past two years went to infrastructure, mainly roads (over 70 percent). Agriculture was relatively neglected, receiving only 5 to 8 percent of total public investments.

Table 5: Sectoral Distribution of Public Capital Expenditures, 1979-80  
(in million CF)

	<u>1979</u> <u>Actual</u>	%	<u>1980</u> <u>(Provisional)</u> <u>Estimates</u>	%
Agriculture	164	5	456	8
Industry	42	1	169	3
Tourism	-		-	
Transport	2449	76	4247	70
Telecommunication	21	1	42	1
Energy & water supply	21	1	85	1
Health	127	4	191	3
Education	79	2	174	3
Miscellaneous	318	10	692	11
<b>Total</b>	<u>3221</u>	<u>100</u>	<u>6056</u>	<u>100</u>

Source: Table IV in Annex II.

2.30 Furthermore, the Government should improve its budgeting system by consolidating the Islands' budget with the Federal budget. At present, there is no provision in the Federal budget for financing the deficits of the Islands; these deficits have to be met by cash resources held at the Treasury. Furthermore, to control the volume of recurrent budgetary expenditures resulting from new investment, the Government also needs to integrate foreign assistance into the budgetary process and to avoid the unbudgeted use of foreign financial assistance. Action also needs to be taken to integrate the budgetary and the planning processes to avoid investments that do not suit the country's objectives and priorities.

### Parastatals

2.31 Comorian public enterprises 1/ suffer from an inadequate organizational structure and a lack of managerial skills. Their institutional framework is undefined and most of them do not have legal statutes. They are run by general managers appointed by, and responsible to, the Government. They do not have boards of directors, which results in a lack of management accountability. It is almost impossible to determine the amount and the structure of their equity capital. Up-to-date financial accounts are sparse and unreliable. The available information indicates the existence of a complicated network of unpaid debts within the public sector.

2.32 An example of this network is provided in the petroleum importing agency, SNH. As the electricity tariff has been kept below cost for "social" considerations and only 30 percent of consumers pay their electricity bills, the electricity and water company (EEDC) has been unable to pay its SNH fuel bill. Besides EEDC and other parastatals, the State itself is very slow in settling its debts to SNH. In 1980, SNH's accounts receivable from consumers amounted to CF 811 million, equivalent to 68 percent of the company's total assets. To avoid further deterioration of its financial situation, the response of SNH has been to withhold tax payments to the Government. Similarly the Government owed Air Comores CF 105 million in 1979, while Air Comores' tax debt to the Government amounted to CF 40 million. These payment arrears incurred by the public enterprises and the Government not only introduce a major element of instability in public finance, but also cause a lack of confidence in public institutions.

2.33 The Government needs to take urgent action to improve the performance of the parastatal sector. The legal framework within which public enterprises operate has to be better defined, the accounting services of the enterprises strengthened, and a system of financial controls established. Stricter financial discipline needs to be imposed, and the practice of building up debts within the public sector abolished. Finally, tax exemptions should be abolished and replaced by budgetary subsidies explicitly provided for in the budget.

2.34 To ensure that the above measures are implemented the Government should establish a qualified corps of auditors to audit the accounts of all agencies; it should compel public and large private companies to submit accounts within three months after the end of the fiscal year, so that their performance can be audited and their taxes properly assessed.

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1/ There are six parastatals in the Comoros: (i) the Electricity and Water Company (Electricite et Eaux des Comores EEDC); (ii) National Printing Office (Imprimerie Nationale); (iii) Petroleum Importing and Marketing Organization (Societe Nationale des Hydrocarbures, SNH); (iv) Air Comores; (v) CREDICOM, a financial institution for term-lending; and (vi) the National Bank of Comoros. In addition, the existing four hotels are publicly-owned but privately managed. The Government holds shares in three major companies SOCOVIA (meat imports), STICOM (telecommunications), and BAMBAO (commerce, agriculture, industry).

### Money and Credit

2.35 In 1979, the money supply increased by 46 percent. This increase was almost entirely explained by the increase in net foreign exchange reserves by CF 458 million; the increase in domestic credit was relatively small (6 percent). Data for the first six months of 1980 indicate an accelerated growth in domestic credit as claims on the private sector rose by some CF 1 billion (43 percent) while net claims on government rose by some CF 550 million (fourfold). Also in the first half of 1980, foreign assets declined by CF 78 million while the money supply increased by 28 percent.

### Pricing Policy

2.36 Like many other countries with low per capita incomes, the Government of the Comoros Islands has sought to control the prices of major commodities. Indeed, official policy is to control the prices of all products. Profit margins are set at the wholesale and retail level. The result is that goods which would normally be available on the official market tend to be hoarded and diverted to the black market where prices are higher.

2.37 Producers, exporters and traders are required to submit to the Price Commission an analysis of their costs of production. But for a number of imported products, the administration is in no position to challenge the cost estimates provided by the importers. World prices, exchange rates, and other cost elements fluctuate and can easily be inflated. Furthermore, in many instances, when the price proposed by the importer or the exporter is considered by the Commission to be too high, the Government has compromised and granted tax exemptions to compensate for its setting of lower prices; cement and rice are two specific examples.

2.38 Price controls are not sufficiently flexible to adjust prices to variations in demand and supply, and official consumer prices may remain for long periods well below actual production cost levels. Consequently products for which this is the case tend not to be marketed on the official market. In this way controls harm the interests of the consumers.

2.39 Another issue relating to the price controls is the existence of de facto monopolies over certain types of exports and imports. For example, only a few companies are authorized to export vanilla. Prospective exporters have to demonstrate that they have at least ten tons of produce to obtain an export license. By restricting access to export markets, the Government restricts competition among exporters. The Government would be well advised to stimulate greater competition among importers and to liberalize access to trading activity.

2.40 The Government would be well advised to switch from a policy of price control to a policy in which prices would serve as the principal instrument for equilibrating demand and supply. On the other hand, certain

well conceived pricing policies, including those effected through changes in taxes and subsidies, may be appropriate to the pursuit of specific economic and social objectives. For example, as mentioned in para. 3.8, the solution of the food problem depends largely on effecting a major shift of Comorian food consumption from rice to maize. By introducing a tax on rice, which could be progressively increased as maize production develops, the Government would discourage rice consumption and stimulate the demand for maize. The proceeds of this tax could even be used to subsidize temporarily the consumer price for maize.

### III. SECTORAL ISSUES

3.1 This section reviews briefly the various sectors of the economy in terms of their key problems, possible lines of policy action, and their investment programs.

#### Agriculture

3.2 Most cultivation of foodstuffs is for local consumption, the main food crops being coconut, rice, cassava and pulses. However, about 10 percent of the cultivated area is planted with high value cash crops, the most important being ylang-ylang, coconut, vanilla, and cloves. These cash crops and copra account for virtually all exports. The farming methods used are inefficient and yields are low. As a consequence, food production is insufficient and food imports absorb almost the entire export revenue. Protein foods, especially meat and fish, form a small part of the diet and malnutrition is widespread.

3.3 Agriculture is the largest sector in the economy and, within this sector, nearly 60 percent of the production is for subsistence. The sector as a whole contributes over 40 percent of GDP and accounts for nearly all commodity export earnings. Between 80 to 90 percent of the population depend on agriculture for their livelihood. In addition, most of the industries are based on simple processing of agricultural products. Modern agriculture is concentrated on export crops, which account for only 24 percent of the value of total agricultural production.

3.4 Good agricultural land is relatively scarce in the Comoros. According to a land survey conducted in 1976 (in Moheli, Anjouan and Grande Comore), out of 170,000 ha only 17,000 ha were then suitable for food crop production. Another 41,000 ha could be upgraded for additional food crop production, while another 45,200 ha are suitable for tree plantations. But 66,700 ha were deemed to be of such low quality that they would remain uncultivated while about one-third of this area should be reforested.

3.5 There is considerable scope for making better use of land and water resources to improve production, provide productive employment, and establish a basis for long-term growth of the sector. Land resources are overutilized in some areas and underutilized in others. For example, parts of Anjouan are so densely populated that agricultural land is faced with severe erosion. On the other hand, Moheli has large tracts of fertile land not yet cultivated. Given these conditions, new policy initiatives, including possibly some form of land redistribution, are needed to ensure that the scarce land resources are more fully exploited and that none are left unutilized.

3.6 Agricultural productivity is extremely low, especially in food crops. Cultivation methods are rudimentary. Land tilled with traditional tools is only superficially loosened. Improved seeds are unknown and crops are seldom rotated. Fertilizers are not used, and thus soil is not regenerated

and loses many of its nutrients. Cropping patterns are far from optimal, and crops traditionally cultivated in association are not necessarily compatible. Rodents and other pests take a heavy toll on crops in general, yet the use of pesticides is unknown. The overall result is extremely low yields in most cases, as shown in the following table.

Table 6: Yields for Main Foodcrops  
kg/ha

	<u>Comoros</u>	<u>Madagascar</u>	<u>Swaziland</u>	<u>Normal Yields</u>
Rice, mountain	400	1,700	1,100	700-800
Maize	600	1,100	1,500	500-1,000
Cassava	6,000	6,500	n.a.	3,000-1,500
Banana	8,000	n.a.	n.a.	1,500-4,500
Pigeon peas	300	n.a.	n.a.	800-1,800
Taro	8,000	n.a.	n.a.	8,000-15,000
Sweet Potato	3,000	4,500	4,700	3,000-10,000

Source: IRAT and FAO Production Year Book, Manuel de l'Agronome (BDPA).

3.7 These low yields are partly a consequence of the inadequacy of extension services. The Government has created the CEFADER (Centre Federal d'appui au developpement rural) at the federal level, and the CADER (Centre d'appui au developpement rural) at the regional level. Each CADER should provide extension services to 20 - 25 villages. At present, only four CADERS are planned, and their staffing is less than complete. This initiative deserves to be encouraged and extended even if at present results reflect the lack of competent staff and recruitment difficulties due to budgetary constraint.

3.8 Studies prepared in connection with the EDF maize project have shown (i) that the existing cropping patterns are inappropriate to the country's agricultural resource base and nutritional needs, and (ii) that replacing rice by a combination of maize, pigeon peas and sweet potatoes is highly desirable. The yields for maize are higher than yields for mountain rice, while maize is more nutritious. The EDF maize project, which started in 1978, is aimed at developing the production of maize, sweet potatoes and pigeon peas, in associated cultivation, over an area of 2,000 ha by 1983. Its targets are to produce 4,000 tons of maize, 1,000 tons of pigeon peas and 4,000 tons of sweet potatoes. At full production, these will substitute for about 6,500 tons of imported rice. If successful, the project would be extended to cover larger areas, with paddy to be replaced by a rotation of maize and pigeon peas. At present, rice covers an area of about 9,300 ha, as compared to 3,300 ha for cassava and 2,300 ha for maize. By replacing rice with a combination of maize and pigeon peas, the Comoros could produce an additional 28,000 tons of cereals and pulses by the year 2000.

3.9 Even at existing low yields, more land could be brought under cultivation by developing food crop cultivation under the taller trees (coconut and ylang-ylang). Good yields could be obtained by improving

cultivation methods, through use of fertilizer, proper rotations and mingling compatible crops to make better use of existing land. Some experiences of vegetable cultivation in pilot farms are extremely encouraging; and farmers should be induced to develop vegetable production. The demand exists in urban areas, but there is no marketing and no transportation system from the production area to the consumption centers. Thus, there is a need for the Government to develop the feeder road system and assist farmers in marketing their products by creating marketing cooperatives.

3.10 Another issue is soil erosion. Population pressure has led to extensive deforestation and erosion as the growing numbers of farmers have been forced to extend cultivation to higher slopes of the hills. Between 1968 and 1974, forest areas have declined by 44 percent. In the most densely populated island, Anjouan, the decline was 69 percent. It is reported that the situation has further deteriorated. In some parts of the islands, land is so scarce that even slopes of over a 30 percent incline are being cultivated. With the tropical rainfall, this is causing severe soil erosion, and wide areas under food crop cultivation need rehabilitation. With the assistance of the World Food Program the Government has undertaken a rural development program focussed on soil rehabilitation. Given the results of the rehabilitation effort in the CADER's zones, this four year program (1981-84) is likely to yield noticeable results. But the rehabilitation program depends on the peasant being given some tenurial rights, so that he will be guaranteed the right to continue working the land once he has rehabilitated it.

3.11 The distribution of land ownership is now uneven and governed by Koranic tradition. About 20 percent of the land belongs to company estates, 40 percent to the Government, and 40 percent to Comorian individuals. The imbalance between the land owned by Government and estates on one side and by Comorian families on the other is even stronger, since most of the land belonging to individual Comorians is concentrated in a few families who live in towns and do not directly cultivate it. A small fraction of land forms the village reserves, which are allocated according to customary law. Each family is allocated a traditional plot, which, over the years, has become too small as the population has grown. As a consequence of the land shortage, a system of share cropping was instituted, and salaried manpower has developed on estates and private holdings.

3.12 There is limited scope for replacing export crops by food crops, since many food crops are grown in association with export tree crops and lands suitable for tree plantation are not always suitable for food crops. The experience in Anjouan, where landless people moving into estate plantations have uprooted trees to replace them by food crops, is not encouraging, insofar as yields per hectare on the estates are much lower than the average yields for the country. Furthermore, erosion problems in some areas are such that it is difficult to replace tree plantation by food crops successfully without a minimum of investment that farmers are now unable to finance.

3.13 An alternative would be to develop new tree crops for exports. It would be appropriate to explore the possibility of developing fruit production as an alternative to ylang-ylang and vanilla. Lychees, corossol and mangoes already grow in the Comoros, but other fruits like macadamia nuts could also be envisaged. The profitability of a lychees project has been demonstrated in the case of Mauritius, whose soil composition and climate is similar to the Comoros. Demand is relatively strong in the world market. The unit value of the product on the world market is even high enough to justify air shipment. The replacement of ylang-ylang by such crops would be justified. Rough calculations show that the income per hectare planted with lychees is about CF 2.8 million, as compared to CF 200,000 for ylang-ylang. But since it takes seven to eight years for these alternative trees to come into production, farmers would have to wait for a corresponding period before they could expect a substitute income. Thus, a progressive replacement program of ylang-ylang trees has to be designed for the farmer to maintain sufficient income in the intervening period.

3.14 A striking feature of Comorian food consumption is its lack of animal protein. The deficit in fish and meat is met at present by steadily growing imports. In the future it could be met partly by limited cattle and poultry raising without displacing other crop cultivation. The potential for extensive livestock development is limited to Moheli. Cattle raising is not well adapted to the volcanic soil and the lava rocks of Grande Comore which can cause injuries. In Anjouan the scarcity of land prevents fodder cultivation. Sheep and goats are more adapted and could be developed in Grande Comore. To the extent that cereal production is increased, there is also a potential for poultry development. Fishing is another potential source of protein. The fish catch is only 4,000 tons per year and could be increased by improving fishing methods and by providing fishermen with better equipment. With more powerful boats, fishermen could have access to areas further away from the coast and increase the time they spend on actually fishing by reducing the time spent rowing. A small fishing project undertaken by the Government with AfDF financing (US\$5.9 million for 1981-86) is a step in the right direction.

3.15 Since 1976 the agricultural sector has received large amounts of external assistance (financial and technical). Projects financed by foreign aid represent nearly all of the ongoing projects under execution by the Ministry of Production. There are currently six principal ongoing projects: a Smallholder Maize Project (US\$2.5 million, 1978-83) financed by the European Development Fund (EDF); a Vanilla and Cloves Investment Project (US\$7.6 million, 1977-82) financed by the African Development Fund (AfDF); a Coconut Rehabilitation and Rodent Control Project (US\$5.2 million, 1980-85) financed by IDA; the first phase of the Rural Development Center Program financed by the UNDP (US\$2.5 million, 1980-82); a Small Livestock Project cofinanced by the EDF, UNDP and UNICEF (US\$1.3 million). In addition a Pilot Rural Development Project for the Nioumakele Peninsula on Anjouan financed by the EDF (US\$600,000, 1980-82) has been appraised and will soon begin operating.

3.16 A series of subprojects in various stages of preparation were identified by a FAO programming mission to the Comoros in 1979 and/or by government agencies and by various aid donor missions, and could be considered for further development of the agricultural sector. Identified subprojects are:

- further development of food crop production, in particular vegetables and irrigated rice (5th EDF/IDA)
- development of livestock through rehabilitation of existing ranches (RDA)
- reforestation and strengthening of the forestry institution (FAO/SIDA)
- production and exportation of fresh fruit based products (UNDP/FAO/UNCTAD)
- creation of a small-scale sugar industry (UNCTAD)
- creation of semi-industrial fisheries (UNCTAD)
- provision of agricultural credit (UN Capital Development Fund)
- construction and maintenance of feeder roads (WFP)
- provision of training in the agricultural and veterinary fields through creation of a training center (see also Education sector)
- supply of agricultural tools and equipment and fertilizers to be integrated within the above projects, or as part of general equipment supplies (e.g. the Chinese loan, RFA)
- construction of marketing facilities (e.g. covered market in Moroni, UN Capital Development Fund)
- study to promote marketing of export crops (4th EDF)
- reform of the marketing system of food crops (pricing, unit system, packaging, etc.)

These various project elements need to be appraised so that they could be implemented separately within an integrated rural development project. The mission recommends that the Government review them with the aim of establishing their relative priorities, so that they could be incorporated in an action program for agriculture.

## Industry

3.17 The formal industrial sector is extremely small. It accounts for less than 4.5 percent of GDP and employs about one thousand workers. Most industrial activities are linked to processing and conditioning of export crops. The rest of the sector is devoted to domestic needs, mainly craftsmanship. Handicraft activities are widespread in the Comoros. Basket weaving, furniture making, outrigger canoe construction, pottery, and hut construction are the most frequent activities. However, it is difficult to quantify the share of these activities in GDP since they form part of the village traditional life, i.e. the subsistence economy.

3.18 Most industrial plants are rudimentary and consist mainly of stills for ylang-ylang distillation and kilns for drying copra and vanilla. In the past, large firms held a near monopoly in the processing industries, but sharp increases in the cost of fuel oil have led them to reduce their activities. This in turn has led to the establishment of a number of small producers who use local fuel wood, often illegally cut from the nearby forests.

3.19 Besides the export related industries, the industrial sector includes about 20 sawmills (three of which are reasonably modern), a printing plant, a soft drink bottling plant, a soap factory, and a small plastic plant. The last three plants, set up in 1975, have already experienced some difficulties due to lack of industrial experience and qualified personnel, insufficient working capital and inability to compete with imported products.

3.20 Industrial development is hampered by the small size of the domestic market, especially since that market is fragmented among the three islands. It is also hindered by poor infrastructure, and by high transport costs (due to the distance from both supply sources and potential export markets) and by the inadequacy of port facilities. In addition, extreme lack of skills of the labor force, the high illiteracy, poor health of the work force, and lack of administrative skills militate against any substantial industrial development.

3.21 Investment during the last two years in the industrial sector was very limited and came mostly from local financing. It included in particular:

- (i) the use of hydroelectricity for stills in Anjouan and the installation of a heat pump unit for stills in Grande Comore;
- (ii) the extension of the soap factory (\$0.2 million);
- (iii) the construction of a bakery (\$0.2 million);
- (iv) the building of warehouses and offices for the construction industry (\$0.2 million).

3.22 To stimulate foreign investment the Government has prepared an Investment Code to be submitted to Parliament for approval. Investors who

invest in the so called "priority sectors" (job creation for 150 Comorians or investment of CF 150 million and job creation for 50 Comorians) are granted a series of tax privileges for a period of 3 to 5 years. If the investments exceed CF 500 million over a three-year period, especially foreign investments, the Government will provide other special tax privileges. Although the tax incentives appear generous, the Investment Code may have a limited impact on investments since most existing commercial or industrial ventures are granted similar, if not better, tax privileges. Furthermore, the size of the enterprise for which the Code provides incentives might be too large for the Comorian market.

3.23 Another Government initiative to stimulate industrial investment is the creation of a Development Bank. It is hoped that this new bank, to be jointly financed by the French CCCE, the European Investment Bank and the Comorian Currency Board (IEC), would be able to provide financing to a number of small-scale industrial projects. However, the profitability of this bank may be affected by the limited availability of industrial projects over the next few years.

3.24 Possible industrial projects to be financed by the Development Bank include a sandal factory (US\$0.5 million), a jeans factory (US\$0.5 million), a mattress factory (US\$0.2 million), a paint factory (US\$0.7 million), a fruit pulp and juice factory, miscellaneous artisanal activities, further expansion of the construction industry, extension of the print shop, and further improvement in the processing of high value export crops. In addition, a salt extraction project for local consumption will also be under consideration (US\$0.9 million).

### Tourism

3.25 The scenery of the Comoros is dramatic and yet unspoiled. The Archipelago's tropical climate, luxuriant vegetation, varied marine fauna, wild deserted beaches and still unpolluted waters display attractive features to tourists in search of untrodden vacation sites. Despite its distance from Europe, the potential for tourism exists. Tour operators and foreign investors are eager to sign contracts with the Government.

3.26 The present size of the tourism sector is very small. Some 1,500 and 1,300 <sup>1/</sup> tourists visited Comoros in 1978 and 1979, respectively. The present hotel capacity comprising only four hotels totalling 90 rooms is limited. But the existing hotel capacity is not, at present, a constraint to tourism expansion, since the occupancy ratio was less than 20 percent in 1979. However occupancy does not seem to have increased in 1980. The major obstacle to promoting tourism is the insufficient transport connections with the rest of the world. At present, an Air France Boeing 727 flies from Paris once a week; Air Tanzania has two weekly connections with Dar es Salaam, and Air Comores has two flights weekly to and from Reunion and Mayotte and one flight weekly to and from Mombassa. These do not, however, operate regularly.

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<sup>1/</sup> 90 percent of them were businessmen.

3.27 Although the existing four hotels are state-owned, the Government does not have a clearly defined policy on how the country's tourism industry should be developed and managed. The Soilih administration created Comortours, a company whose prime responsibility was to promote tourism in the Comoros and to centralize purchases for the hotel industry. But because of poor financial management, supplies for the hotel industry were insufficient and existing equipment deteriorated severely owing to lack of maintenance. The Government is now in the process of liquidating the company. In the meantime new managers have been appointed to the four hotels. Their contracts range from salaried employment to profit sharing. In practice, the Government does not exert any control on the management and the accounts are not audited on a regular basis.

3.28 A tourism development plan was prepared by consultants in 1974, but its recommendations have not been implemented. Three tourism projects totaling about CF 1 billion are currently under consideration. These involve expanding the existing capacity of Hotel Itsandra in Grande Comore and Hotel Al Amal in Anjouan, (adding 60 rooms) and constructing 10 bungalows in Moheli, which does not yet have any hotel accommodation. The French CCCE is considering financing this program. Some thought is also being given to the construction of a luxury hotel with a capacity of 100 rooms, in Moroni. The cost would be around CF 1 billion. The Government would like to take a 51 percent participation in this investment to be financed by foreign private interests. The Government should, however, be cautious in engaging in such ventures, and should carefully assess them to ensure that the net benefits for the country itself (vis-a-vis the returns to the foreign investors) are greater than their total costs. These ventures should yield at least a net surplus when all import bills have been met and interest and dividends on foreign capital have been paid. Moreover, the Government should also seek to maximize the local value added for tourism through developing agriculture, livestock and fish production.

### Transport

3.29 Transport, both internal and external, has always been a problem for the Comoros. International sea transport is rendered costly and irregular by the smallness and isolation of the islands. This situation is aggravated by the absence of a deep water port and the lack of a natural site for port development. Hence, large ships are reluctant to call at Comorian ports and cargo has to be transshipped through the ports of neighboring countries, with more costs and delays. Given the Comoros' dependence on foreign trade, this is a heavy economic burden, mitigated only in part by the use of air freight for high-value export items. Sea transport between the islands depends mostly on small steamers and dhows and is also hampered by the lack of adequate port infrastructure. Within the islands transport is limited by the lack of reliable road connections between the coast and the hinterland.

3.30 Transportation in the Comoros is expensive and unreliable but critical, since the country depends heavily on foreign trade and needs to export crops grown at different altitudes. Because of the absence of a

natural deep sea port which would permit large ships to call, Comoros relies on foreign ports for transshipment to its own small ports (Mutsamudu and Moroni). The transport problem is compounded by the country's being an archipelago. Each island needs good access. Even if adequate facilities were built on one island, the others would still depend on costly transshipments.

3.31 Intra-island transportation is also difficult. Because of the island's volcanic origin, their topography is very rugged and their rocky coastlines prevent small boats from anchoring safely, except on a few beaches. Thus, coastal shipping has not developed; instead, coastal ring roads have been built to facilitate the export of cash crops to the ports. Only a few feeder roads connect the hinterlands to the shore, thereby limiting the marketing of food crops.

3.32 The Comoros relies on maritime transportation for imports and exports. About 10 to 12 coasters (300-400 tons capacity) service the Comoros and 50 to 60 dhows (5-20 tons capacity) carry lighter and inter-island traffic. Larger ships calling only infrequently at the Comoros deliver mainly cement from Kenya and rice from the Far East. The national shipping company (SNMC) owns two ships, the Moinantsi (430 T) and the Tritonis (80 T) which navigate between islands or to Madagascar and Mombassa. The ships need extensive maintenance and overhauling. SNMC also leases the Bilinga (1,500 T) for shipping to France and South Africa. But for fear of being impounded for late payments, this boat does not leave Comoros' territorial waters. It is currently berthed at Mutsamudu and is in urgent need of repairs which cannot be done in the Comoros. The National Petroleum Company (SNH) has recently purchased a 600 T vessel.

3.33 Port facilities are inadequate to handle ships over 400 T in Grande Comore or over 600 T in Anjouan. Larger ships must anchor offshore and be loaded and unloaded by dhows. This is a slow and unreliable process, especially in poor weather or during the monsoon season, and causes high 1/ handling charges and freight rates.

3.34 Since independence, a series of preinvestment studies have been undertaken (i) to determine the economic attractiveness of investments in the port subsector and (ii) to prepare detailed designs of the selected projects. Three main projects, designed to lessen the isolation of the islands and to foster regular inter-island exchange of goods and transportation, are being considered:

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1/ The Central Bank estimates at 30 percent the difference between FOB and CIF prices to account for freight handling charges, insurance and losses.

- (i) transformation of the Mutsamudu Port into an international port (US\$40.0 million) to be financed partly by a loan from BADEA and AfDB;
- (ii) upgrading of the Moroni Port and the creation of a port at Fomboni (Moheli) (US\$20 million), each to be financed partly under the 5th EDF program and;
- (iii) purchase of a vessel to insure regular traffic between the islands (US\$0.5 million).

The mission was not in a position to evaluate the economic justification of these projects and therefore could not assess their relative priority vis-a-vis other projects under consideration.

3.35 International air traffic is vital to the Comoros insofar as it constitutes the major mode for both passenger traffic and shipment of ylang-ylang essence and vanilla exports. To overcome the maritime traffic constraints, the French administration developed Comoros' air services. Each island has an airport, and an international airport has recently been built in Grande Comore. Two DC 4's received at Independence are now out of service and have been replaced by a Fokker 27 capable of carrying about 24 passengers. This capacity is well below existing needs, and the Government is considering the purchase of a second Fokker. Air Comores, the national airline, is facing financial difficulties, and the development of further activities is conditioned on adopting stricter management and financial discipline. To ease Air Comores' difficult financial situation, the Government is seeking a greater participation from Air France, which at present owns 51 percent of the shares of Air Comores. Further investment in airport facilities appears to have a low priority, given relatively greater need for new investment in agriculture and infrastructure in general. Nevertheless, the Government is seeking extended financing for the following projects:

- (i) upgrading of the Hahaya runway and the completion of the airport, to be financed by France;
- (ii) provision of additional equipment for the Anjouan and Moheli airports.

3.36 Since independence, the Government has given priority to the completion of the coastal ring roads. The rugged topography makes the development of roads difficult and costly. The paved road network was expanded from 105 km in 1970 to 451 km in 1980, a remarkable achievement. Concessional loans from Saudi Arabia, Kuwait, African Development Fund and the OPEC Fund, totalling about US\$45 million, have been used to finance studies, engineering, construction and supervision of these roads, as well as some maintenance equipment. Compared to other Eastern Africa countries, the density of paved roads is high (200 m/km<sup>2</sup>). Since the vehicle fleet is estimated at around 1,800, the vehicle density is four per kilometer, one of the lowest in the world. There is little need to further expand the network of paved roads. Priority should be placed on upgrading secondary earth roads.

Developing feeder roads connecting the plateaux of the interior with the coastal towns is essential to rural development and the marketing of food production. The Government is considering building about 250 km of secondary and tertiary roads by 1985, an objective which is financially supported by IDA.

3.37 Another area of priority for the Government is the maintenance of the existing road network. Road maintenance was carried out irregularly, because of inefficient organization and insufficient equipment and funds, until the start of the first IDA road maintenance project (US\$5 million) in early 1979. The cost of paved road construction is extremely high, and without proper maintenance investment will be jeopardized. Earth roads require more attention since soil erosion destroys them continuously. A second road maintenance project has been approved by the Board of IDA.

#### Telecommunications and Postal Services

3.38 Existing telecommunication installations are inadequate to provide reliable communications among the various islands. Inter-island communications pass by radio and by telegraph, and their quality is poor. Communications with the rest of the world depend on a one-way radio link with Antananarivo and two two-way radio links with Paris.

3.39 The European Development Fund has financed studies of internal and inter-island telecommunications (US\$0.4 million). Technical studies have been carried out for the installation of a VHF network for inter-island communications; the investment needed is considerable (US\$0.8 million) since a number of high pylons will have to be constructed. A loan was signed in March 1980 with BADEA for US\$1.6 million to finance partly the project; EDF is financing US\$3.3 million while the remaining funds US\$3.1 million are likely to be provided by the Kuwait Fund.

3.40 The installation of new automatic exchanges in the main cities would require a total investment of US\$13.0 million. In the longer term (1998) the Government is considering the installation of an earth station to receive satellite transmissions and thereby improve international communications.

3.41 There are at present only seven post-offices, four of which are on Grande Comore, two on Anjouan and one on Moheli. Their functions are limited to mail and money order services; the proposal to extend their responsibilities to the management of a new savings bank has not borne fruit. In order to improve postal services in rural areas, the purchase of 14 vehicles that would serve as mobile post-offices is under consideration.

#### Energy

3.42 The Comoros faces the general energy problems which are common to countries with similarly low levels of development and limited endowment of energy resources, namely (i) a high petroleum import bill resulting from the recent price increases and (ii) a rapid depletion of fuel wood

supplies resulting from the substitution of wood for other energy sources. In addition, Comoros lacks the institutions either to perform proper energy planning or to manage efficiently the sector.

3.43 Petroleum imports are estimated to have reached CF 915 million (US\$4.5 million) in 1980, or 10 percent of total imports. Government pricing policy on petroleum is sound and follows closely the pricing policy of European governments. Gasoline is currently priced at CF 150 per liter (US\$2.70 per gallon). The Government was considering raising it to 200 FC at the end of 1981. The main problem affecting this part of the energy sector is the lack of petroleum storage facilities, resulting in an uncertainty of supply.

3.44 Most of the traditional sector of the economy uses fuel wood and charcoal for its domestic needs. Wood is collected in an uncontrolled manner, which rapidly depletes the limited forestry resources. Average per capita wood consumption for energy purposes has been estimated at 0.7 m<sup>3</sup> by a FAO mission. At this rate of consumption, the forestry resources will soon be depleted if the Government does not undertake a reforestation program. The problem is aggravated by the substitution of fuel wood for high cost fuel oil by artisanal distilleries.

3.45 Electrical power is supplied by thermal power stations operated by a parastatal company, "Electricite et Eaux des Comores" (EEDC). Total available installed capacity in Grande Comore is 2400 kw, and 1350 kw in Anjouan. Moheli is supplied only by isolated generators.

3.46 Electricity consumption supplied by EEDC reached about 4600 kwh in 1979 and 5100 in 1980 after growing at a 6 percent annual rate over the period 1975-79. Given the low level of industrial development, electricity is consumed mostly for lighting purposes. Although electricity rates were raised to CF 80 per kwh in October 1981. In addition, since only a few consumers actually pay their bills, EEDC is still incurring heavy financial losses (see para. 2.32). Hence the Government and EEDC need to work out and then implement a financial program and appropriate pricing and other policies to restore the financial viability of EEDC. In the meantime, greater efforts should be made to collect unpaid bills and to enforce the collection of future bills.

3.47 On its part, EEDC will need to improve the transmission network to reduce high losses, complete the Moheli thermal power station, rehabilitate the Mutsamudu power plant and add an additional unit at Voidjou to adequately supply the electrical energy demand in the short term. The Government should meanwhile seek to investigate the possibilities for developing alternative and renewable energy resources. Grande Comore has a potential for geothermal energy development which needs to be more fully assessed, both technically and financially. Under the most optimistic assumptions, a project would take at least six to eight years to become operational.

3.49 Anjouan and Moheli have a hydroelectric potential which could be partially tapped. Detailed feasibility studies have just been completed for the installation of a 3 x 1500 kw power plant and regulating reservoir in Anjouan and a 275 kw power plant in Moheli. The World Bank has not yet appraised them and thus cannot assess their economic viability. Other possible energy sources to be investigated include the gasification of coconut husks currently wasted or burned at a low efficiency, and the use of solar energy. Finally, the Government needs to encourage the use of more efficient energy e.g. with better stoves, or through the installation of heat pumps in distilleries.

#### Water Supply

3.50 While rain is abundant, although irregular, water supply is insufficient throughout the Comoros and poses a problem for both people and animals. In Anjouan and Moheli, where perennial water streams exist, the population living along those streams has an ample supply. But, natural springs are rare, and water becomes a problem for those far from the streams. Peasants have to carry water for domestic consumption over several kilometers. Man-made wells are too few and the drilling capacity is insufficient to reach aquifers. The problem is even more acute in Grande Comore, where the lava rocks are too porous to support any permanent water course. The rain infiltrates the soil and is absorbed by the lava rock 1/ and then gradually reaches the sea. The population has overcome the water problem by constructing water tank storages, using the "fombous" 2/, the water which wells up from underground sources at the shore and coconut milk ("coco-boire") 3/. Cattle satisfy their water needs by drinking from the "fombous" and from chopped banana trees whose trunks constitute a natural water storage. Well drilling in Grande Comore is extremely costly because of the basaltic soil. Existing wells have to be drilled between 30 and 90 meters deep. Rain storage tanks are the most commonly used but these entail serious health problems insofar as their contaminated water is a major source of gastroenteritis and other intestinal parasites. Most tanks are old and need to be repaired. Most of them were built with cheap materials and because they are buried at too shallow depth, they are often cracked by seismic shocks. Furthermore, their capacity is limited as water is only collected on small areas (e.g. roofs of mosques or administrative buildings).

3.51 Another method recently suggested by FAO is the use of volcano craters as natural water tanks. A promising experiment was undertaken at Maoueni where a mixture of sand and clay secures the water tightness of the reservoir. But this water, collected on the slope of Lagrille, is still subject to contamination. Major towns have their own water systems. A recently

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1/ 1 meter of lava rock absorbs 300 mm of rainfall.

2/ Less salted, fresh water floats on the sea water which circulates and impregnates the basis of the island.

3/ It can only be substituted for drinking purposes, not for cooking or other natural water uses.

completed EDF-financed project enables water to be pumped into public reservoirs from a well sunk 2 km inland, thus assuring Moroni and its vicinity of a year-round water supply. China and various multilateral organizations have financed the installation of water tanks in rural cities. The UNDP is financing a general water resource study (at a cost of US\$345,000) to evaluate the islands' water supply potential and to develop a water resource development master plan. In the meantime the Government is considering the undertaking of feasibility studies for the rehabilitation and extension of the water supply system in Mutsamudu (Anjouan) and Fomboni (Moheli).

### Education

3.52 The education structure calls for two years of pre-school education in Koranic schools, six years of primary education, three years of lower secondary education and four years of upper secondary education. Higher education is provided in 19 different foreign countries, with the plurality of students in France and Algeria. Of the estimated 550 students attending higher education institutions, only about 2 percent are studying agriculture. It is reported that a large proportion of students going abroad do not return home. A Ministry of Education was recently established, but the central staff consists of only a few overworked officials.

3.53 Enrollment has increased rapidly from a total of 15,000 students in 1970 to 70,000 in 1979-80. Enrollments and participation rates by educational level are estimated as follows: primary education, 56,000 students (including over-aged children and repeaters); equivalent to about 100 percent of the population aged 7 to 12; lower secondary education, 7,100 or 36 percent of 13 to 15 year olds, and upper secondary education, 1,900 or 8.0 percent of 16 to 19 year olds. Enrollment rates are very high for a country at the Comoros' stage of development. However, the quality, efficiency and economic relevance of the education system are low.

3.54 While dropout and repetition rates at the primary level are low, the quality of primary education is poor. Only 25 percent of all primary school teachers are fully trained. While the official policy is to provide free primary school textbooks, a lack of recurrent funds has reduced substantially the number of books per student. The physical infrastructure is very poor; most schools consist of one room and thatch structures, and many function on triple shifts. All books are imported and the curriculum is not adapted to the Comorian social or economic environment.

3.55 To improve primary education, the Government intends to centralize all primary teacher training in a new school to be located in Anjouan. The effective operation of this school will be essential for the long-term improvement of the primary school system.

3.56 At the upper secondary level, the Government's official policy is to provide a terminal, occupationally oriented education to most students. However, this objective is not being achieved because the curricula are

inappropriate, teachers are not available <sup>1/</sup>, and jobs for graduates (in either government or the private sector) are scarce. Students therefore prefer the academic stream in the hope of getting overseas scholarships and possibly remaining abroad.

3.57 The Government will continue to provide a large share of the limited budgetary funds to finance recurrent expenditures, and to rely on foreign assistance to finance capital expenditures. Of particular importance is the recently signed agreement with the African Development Fund to carry out a project (at a cost of US\$8.8 million) to construct primary school classrooms, practical subjects workshops in lower secondary schools, and a National Institute for Education (INE); the project will also provide related scholarships, training and technical assistance. In addition, France is assisting in pre-service training of junior secondary teachers, curriculum development and in-service training, the provision of secondary school textbooks and in augmenting the power of the local radio station. UNDP/UNESCO experts are assisting in educational planning and curriculum development.

3.58 IDA appraised and approved a credit for an education project which will include the construction of a primary teacher training college, health training school and textbooks for primary education.

3.59 The Government would like to undertake additional projects to complement the above projects. These include:

- (i) expansion of the primary school classroom construction program (US\$4.1 million);
- (ii) expansion of a recently initiated experimental program of school gardens for primary schools, and its extension to artisanal activities (US\$7.1 million); and
- (iii) expansion of the program of practical subject workshops in lower secondary schools (US\$1.0 million).

#### Population and Health

3.60 Although statistical data are scanty, available information indicates that the population growth rate is extremely high, and that nutritional and health conditions are extremely poor. It is estimated that one-half of all children die before reaching age four. Most children suffer from malnutrition and intestinal parasites. About 80 percent of the adult population suffers from malaria, and a high incidence of tuberculosis and leprosy are

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<sup>1/</sup> The secondary school system is almost entirely dependent on expatriate teachers (financed by Arab League, Agence de Cooperation Culturelle et Technique, (France), APEFE (Belgium), Entraide Universitaire Mondiale (Canada), WHO, and UN volunteers.

also reported. The Ministry of Health is unable to cope with the situation because of its limited facilities and supplies, and the shortage of middle-level qualified personnel to carry out health improvement programs.

3.61 Until the results of the August 1980 census become available, there will remain considerable uncertainty about the size of the population, which was believed to be around 400,000 in 1980. Two major demographic features of the Comoros are: (i) the very high rate of population growth, which accelerated between 1950 and 1980, and (ii) the consequent high ratio of children to adults.

3.62 According to the limited data available, the rate of population growth appears to have gradually accelerated from about 3 percent annually in the period 1950-55 to nearly 4 percent in the years 1975-80. This increase resulted both from a faster reduction in mortality rates than in birth rates and from the return from Madagascar of some 20,000 Comorians in 1977. If the population were to continue to grow at 3.7 percent annually (the currently estimated rate of natural increase) the Comoros population would approximately double by the year 2000. To keep up with the present low standards of living, school facilities, food production, employment creation, housing, and general services to be provided by the Government, would have to expand at the same rate as population growth.

3.63 Another feature of the Comoros' demography is the high ratio of children to adults. The population is extremely young. Forty-four percent are less than fifteen years old and 64 percent less than twenty five years old. Between 1975 and 1980, the population under fifteen years of age has increased by an estimated 28,600.

3.64 Although the Government has recognized that the Comoros does indeed face a population problem, it does not yet have an explicit policy on birth control and family planning. Contraception services are available but only provided on a limited scale because of lack of supplies and the lack of trained personnel to deliver family planning methods. Little is known about the extent of actual or potential demand for family planning services. At present, only about 1.5 percent of married women of reproductive age are believed to be practicing contraceptive methods. There is some evidence that a growing number of abortions is occurring among urban women, in large part under unsatisfactory medical and hygienic conditions.

3.65 The population issue is of the utmost importance for Comoros' future. The Government would be well advised to seek the assistance of specialized agencies to analyze population trends, to design a population control program and implement it.

3.66 The health condition of the population is poor, and malnutrition is widespread. A study on food consumption conducted in 1965 evaluated the average per capita caloric intake per day at 2100. Coconut, rice, banana and cassava account for 78 percent of the calory intake. Animal protein intakes are grossly insufficient. Malaria affects 90 percent of the population in

one form or another, although tuberculosis and leprosy <sup>1/</sup> are not uncommon. Weakened by malnutrition and malaria, the population is less able to resist viruses and other illnesses. Diarrhea and intestinal parasites are endemic and along with tetanus contribute to the high rate of child mortality. Syphilis and other venereal diseases are reportedly becoming a major health problem.

3.67 Health conditions could be improved through better dissemination of information about nutrition, improvements in water supply and through a restructuring and strengthening of existing health services. Medical facilities are rudimentary and often do not function properly owing to the lack of qualified personnel, equipment, and medical supplies. The total number of hospital beds is 755, i.e. one for every 460 inhabitants as compared to 1,239 for low income Africa south of the Sahara. There are only three hospitals, ten secondary hospitals and medical centers, four maternity clinics. The Ministry of Health objective is to have 52 health posts. Medical personnel comprise only 28 physicians and specialized medical personnel (including dental and laboratory technicians), 108 nurses, 13 midwives and 100 auxiliary personnel. Medical supplies are virtually unobtainable through official channels and doctors resort to international charitable institutions to obtain the bare minimum. Patients have to purchase their drugs from private drugstores or medicine peddlers, to whom a large part of the meagre official supplies is diverted.

3.68 Expatriate medical staff are provided by Italy, Canada, France, WHO, "Les Amis du Pere Damien", the Red Cross, and the UN Volunteer Program. Investments in the health sector have been limited. The EDF has provided US\$0.6 million for restoration of hospitals and radiological and sterilization equipment; Germany has provided ambulances; and various multilateral and bilateral agencies have donated medicine.

3.69 Hospitals are badly in need of rehabilitation and additional equipment. The Government is considering in the long term (1990) the construction of a new hospital in Moroni. It will probably not prove feasible to begin construction for several years; however, one should weigh the priority of the type of investment versus preventive medicine investments and particularly the financing of a malaria eradication program. WHO has performed a feasibility study and is allocating US\$4.0 million of its ordinary budget 1981/82 for this program estimated to cost about US\$5.5 million to be disbursed in five years.

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<sup>1/</sup> The population affected by leprosy and tuberculosis is estimated at 2500 and 1000 persons respectively.

#### IV. DEVELOPMENT ISSUES AND PROSPECTS

##### Institutional Constraints

4.1 As noted in Chapter I, the process whereby the Comoros achieved its independence was a disruptive one, and the political and administrative consequences have been profound. The 1978 constitution gave considerable autonomy to the individual islands. The President retains authority over the federal administration, but the islands' Governors (who are elected directly) enjoy wide administrative and political powers.

4.2 Dual authority prevails in the entire administrative system. The Government appoints the civil servants of the federal administration, and, in turn, the Governors appoint their own administrations. The functions of the two administrations tend to overlap. For example, in the case of agricultural extension services, the line of authority and the division of responsibility for staff vis-a-vis line functions are blurred as between the CEFADER which is responsible at the federal level, and the CADERS which are responsible for implementing the program at the level of the island governments. In education, the Federal Government sets the policies but teachers' salaries are paid from the budgets of the island governments.

4.3 Each island prepares and adopts its own budget which is submitted to the Federal Assembly for approval, only if it forecasts a financial deficit. The islands collect direct taxes and receive a percentage of indirect taxes levied by the Federal Government; they cannot however receive external assistance without approval from the Federal Government.

4.4 The Comoros islands, despite their high population density, still offer possibilities for settlement on unoccupied lands, particularly on the island of Moheli. The resettlement of people from one island of the federation to another was not foreseen in the Federal Constitution, but legislation to facilitate the movement of people and their homesteading on vacant lands should be considered by the federal legislature. The support of local governments will be essential in any such federally sponsored effort and will require that resettlement be made economically attractive to the receiving island government.

##### Manpower

4.5 Skilled manpower resources are scarce. The number of qualified personnel is insufficient for the needs of the economy, and the labor force is generally young and inexperienced. Even those who have received adequate training abroad have little chance of receiving supplementary on-the-job training owing to the general lack of technical expertise. Government salaries are extremely low and bear little relation to job performance and ability; staff are often obliged to supplement their income through outside activities

since salaries are sometimes paid only after long delays. Under such circumstances, it is not surprising that the morale of the civil service should suffer.

4.6. Intermediate and lower level technicians are in great demand. Administrative and secretarial staff are scarce, and this too contributes to the low productivity. For example, there is not more than a handful of qualified accountants; record books are therefore not maintained properly, and financial controls are almost impossible to enforce.

4.7 Technical assistance is widely used as a substitute for local manpower, but the weakness of the civil service often limits severely the effectiveness of foreign technicians. The absence of Comorian counterparts in particular reduces the benefits which should be derived from technical assistance. In some cases, the shortage of domestic talent is so acute that the use of inadequately supervised technical assistance even becomes disruptive. Familiarizing expatriates with the Comorian environment is a time-consuming task for the few qualified top Comorian managers. Hence, the Government should in general hire only those expatriates who will remain in the Comoros for a minimum period of two years and who are assigned to priority tasks. The Government and the countries providing foreign assistance should also be aware that the costs to the Government may exceed the benefits that the Government can draw from the expert services. Providing the expatriate with an office, secretarial support, housing and transport facilities represents a heavy financial burden for the country.

#### Development Priorities

4.8 The interim development plan prepared by the Soilih Government stressed food self-sufficiency as the major development priority and allocated lower priority to export development and employment creation. The plan document did not specify the policy measures to achieve these objectives nor did it spell out the financial implications. Despite its political nature, however, it provided a useful framework for negotiating financial assistance from foreign governments.

4.9 The new Government has reformulated the objectives set out by its predecessor, and Presidential statements have outlined the very general and overall framework of its development strategy. Food self-sufficiency remains in principle the number one priority, but the Government also attaches high priority to four other objectives: (i) developing port and road infrastructure, (ii) developing energy and water resources, (iii) improving health and beginning to address the population problem; (iv) improving the quantity and quality of technical skills; and (v) regional development. At present, the objectives are stated only in qualitative terms; it remains for the Government to translate them into quantitative targets and to prepare action programs aimed at their realization.

4.10 The mission believes that these general priorities are on the whole appropriate and should be reflected in the development plan to be elaborated

by the recently established National Planning Commission with the assistance of a group of foreign experts financed by the United Nations. The main development priority should be agricultural rehabilitation and expansion of production of basic foodstuffs and export crops. Achievement of this objective would entail: (i) expansion of cereals and leguminous production to reduce imports of rice; (ii) development of new export crops; and (iii) expansion of fisheries and small livestock production to reduce meat imports and improve the protein intake of the population. Additional priority objectives should include the strengthening of export and marketing institutions, reforestation, soil erosion control, and regulation of land ownership rights. In the area of public health, high priority is clearly warranted for malaria eradication, tetanus vaccination, and improving the supply of potable water. With respect to population control, it remains for the Government to formulate a policy and program for family planning -- a task in which the World Bank and/or other donors will clearly be prepared to provide technical and financial assistance. The thrust of educational development should emphasize vocational and technical training geared to the economic realities and requirements of the country. And with respect to infrastructural development, the emphasis on port and road construction seems warranted, although in light of the large scale and heavy cost of the projects underway and envisaged, particular attention needs to be given to appraising the economic return of such projects. As far as regional development is concerned the objective is to adopt a policy of efficient use of land to meet both the demographic pressure and the food self-sufficiency goal. This would also imply some improvement in housing.

#### Prospects

4.11 The economic prospects of the Federal Islamic Republic of the Comoros are rather modest in the foreseeable future. There are not many development alternatives, and the lack of resources makes it all the more important that such resources as are available -- including foreign assistance -- should be allocated efficiently. In any event, the Comoros will have to continue to rely heavily on concessionary foreign assistance in the near future to achieve even a modest rate of growth. A preliminary illustrative scenario developed by the Bank mission envisages that 4.5 percent annual economic growth might be achieved over the period 1981-85 (i.e. 1.0 percent in terms of GDP per capita). <sup>1/</sup> Agriculture is projected to grow at about 3.9 percent per annum, a rate which seems feasible given the present low yields of agricultural production, the encouraging results of the EEC maize project, the expected impact of the IBRD coconut improvement and rodent control project, and the potential impact of other projects under consideration. Given the very small size of the industrial sector, the status of government negotiations with foreign partners to establish a Development Bank and other considerations noted earlier, industrial growth has been projected to increase progressively

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<sup>1/</sup> It is to be emphasized that the projections set forth in this Chapter represent only one seemingly plausible scenario of the economy's evolution over the next several years. They do not represent a forecast or planning guidelines, but rather an initial attempt to organize some fragmentary information in a quantitative macroeconomic framework as a basis for discussion and as a building block for future analysis.

from 4 percent in 1980 to 8 percent in 1985. Reflecting the high investment level contemplated for the period, the mission has assumed that the rest of the economy may grow at 5 percent a year.

4.12 The realization of this growth and the further development of infrastructure over the period 1981-85 might involve total fixed capital investment on the order of magnitude of CF 37 billion (in constant 1979 prices), <sup>1/</sup> with investment averaging about 27-28 percent of GDP over the period. The implicit capital output ratio is 6.5, reflecting the high share of the slow gestating infrastructure in the investment program. The scenario also envisages that the resource gap would fall from 24 percent of GDP in 1981 to 21 percent in 1985. Consumption is shown to remain at around 90 percent of GDP; the projected fall in domestic savings (from 8 percent of GDP in 1980 to 6.4 percent in 1985) is seen to be a likely consequence of continuous deterioration in the terms of trade (see table 8).

Table 7: Projected Resources Availability and Uses  
(billions of 1979 CF)

	1980	1981	1985	1981-1985 average annual growth rate
GDP	22.4	23.4	27.9	4.5
Terms of Trade	-0.2	-0.8	-0.8	-
Gross Domestic Income	22.2	22.6	27.1	-
Exports of Goods and NFS valued at import prices	-2.5	-3.5	-3.7	1.7
Imports	8.3	8.4	9.4	2.9
Resource Gap	5.8	4.9	5.6	3.5
Consumption	20.1	20.8	25.2	4.9
Fixed Investment	5.6	6.7	7.7	2.8
Public	4.9	5.7	6.0	1.05
Private	0.7	1.0	1.7	11.1
Changes in Stocks	2.3	-	-	-
Domestic Savings	2.1	1.8	1.9	1.9

Source: Mission projections.

<sup>1/</sup> The figures shown here and below are essentially based on the mission's assumptions concerning prospective aid and domestic resource availabilities and its largely qualitative assessment of the country's absorptive and implementation capacities as they relate to projects under preparation or consideration.

Financing of the Public Investment Program

4.13 Without prejudging the results of studies to be undertaken by the Planning Commission, the Bank mission has reviewed a preliminary list of projects potentially suitable for external financing. This list was prepared by the Government for a donors' conference held in early 1981 in Addis Ababa under the sponsorship of the United Nations (see Annex III). The list was mainly intended as a "shopping list" to be presented to aid-giving agencies. The mission has supplemented it with information on major ongoing projects as provided by Government services and bilateral and multilateral aid agencies. Based on its estimates of future implementation rates of ongoing projects and on declared intentions of donor agencies, the mission estimates that the public investment program might amount to around CF 45 billion (\$214 million) over the period 1981-85 (see table 8). These figures are significantly lower than the figures presented by the Government in September 1981 at the UN Conference on less developed countries. The first tranche of the action program for the 1980's considers a total investment of US\$414 million.

4.14 The projected investment in infrastructure reflects mainly the Comoros' need to facilitate trade and communications inside and outside the country (see paras. 3.29-3.37). With the exception of road construction already started, most of this investment corresponds to new road and port projects to be started during the projection period. The investment in ports and airports reflects the Government's concern for lessening the country's isolation. As noted earlier the Mission recommends that the Government review carefully the composition of the prospective large scale investment to establish relative priorities as based upon rates of return, and as established within a context of realistic estimates of resource availabilities.

Table 8: Public Investment Program 1981-85  
(CF million at current prices)

	Total	%	of which new projects
Agriculture	9773	21.5	4940
Industry	191	0.4	191
Tourism	700	1.5	700
Transportation	18889	41.6	14776
-Roads	9794	21.6	5703
-Ports	6678	14.7	6678
-Airports	2417	5.3	2395
Telecommunications	2629	5.8	912
Energy & Water Supply	5809	12.8	5809
Health & Population	2078	4.6	1738
Education	4049	8.9	2417
Miscellaneous	1293	2.9	170
<b>TOTAL</b>	<b>45411</b>	<b>100.0</b>	<b>31653</b>

Source: Table 5.5 in Statistical Annex

4.15 The indicated share of investment in agriculture represents about 22 percent of total investment, compared to only 5 percent in 1979. Such a shift in the composition of public investment would appear to be fully warranted in view of the need to develop food production and agricultural exports; on the other hand, a greater shift seems unlikely to be feasible in view of the present limited absorptive capacity of the sector. The shares allocated to industry (0.4 percent) and tourism (1.5 percent) are minimal since most investments in these sectors are envisaged to take place in the private sector. The mission has assumed that the Government would limit its role in these areas mainly to creating an environment conducive to private activity. The development of artisanal export-oriented industries based on the Comoros' comparatively low wage labor is critical to absorb the growing labor force which cannot be accommodated in agriculture.

4.16 Government domestic revenues have been projected to increase from CF 2.6 billion in 1979 to about CF 7.8 billion in 1985. This would involve an average annual growth rate of 10 percent in real terms and could be achieved through improving the collection of direct taxes without changing the tax rates. [This is feasible and the share of taxes in GDP would only have to grow from 11 percent in 1979 to about 15.5 percent in 1985.] Current government expenditures (including technical assistance) have been projected to increase in real terms in line with GDP growth. The budgetary current deficit would therefore increase progressively to CF 5.4 billion in 1985. Capital expenditures have been assumed to rise by 20 percent in 1981 (reflecting the increased foreign assistance available from a variety of sources) and then to remain constant in real terms over the period. The overall public sector deficit is therefore projected to increase from 26 percent of GDP in 1979 to nearly 28 percent in 1985. This deficit would have to be financed by external assistance. The mission has assumed that two thirds of external financing will be in the form of grants, both for technical assistance and direct budget support. Project financing in the form of loans on concessional terms and grants are assumed to come mainly from various traditional aid sources; i.e., France, EDF and the Arab funds.

Table 9: Projected Government Budget  
(CF billion) 1/

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1985</u>
Domestic Revenues	2.56	2.54	3.65	7.82
Current Expenditures	5.30	6.10	7.02	12.26
Current Deficit	-2.74	-3.56	-3.97	-5.44
Capital Expenditures	3.00	6.06	6.87	10.95
Overall Deficit	-6.38 <u>2/</u>	-9.62	-10.24	-15.39
Grants <u>3/</u>	3.84	5.05	5.76	8.48
Loans	1.92	4.27	4.48	6.91
Domestic Financing	0.60	0.40		

1/ This projection is in current prices assuming a 10 percent annual inflation rate for the period 1981-85.

2/ Includes changes in government liabilities.

3/ Includes technical assistance, budget support and grants for project financing.

Source: Table 5.6 in Statistical Annex

### Balance of Payments

4.17 After their poor performance in 1980, exports are likely to recover in 1981. But, in view of the limited world demand for Comoros export commodities, exports have conservatively been projected to grow in volume by no more than 1 percent annually over the period 1981-85. Moreover, prices for Comoros' major export commodities are projected to rise at a slower rate than the world inflation index. Thus, export receipts in nominal terms have been projected to increase at an average rate of only 9.3 percent over the period 1981-85.

4.18 The demand for imports can be expected to remain high throughout the period 1981-85. Capital goods imports would be maintained at a high level corresponding directly to the envisaged level of investment. Imports of raw materials and intermediate goods are assumed to grow pari passu with the projected overall expansion of economic activity. Imports of petroleum products have been projected to grow in volume at 7 percent per annum. Food imports have been projected to remain at the same level throughout the period on the assumption that the projected increase in imports of some food products will be offset by a reduction of rice imports as maize production is progressively substituted for rice. The feasibility of this target depends critically on the success of the Maize Project and the Government's adoption of a price policy to encourage a shift in food consumption patterns. Imports of other consumer goods have been assumed to remain constant in volume, on the assumption that the Government would increase the rate of taxation for such products to discourage their consumption. While the realism of this particular assumption is questionable, it will in any event be necessary for the Government to

restrict the growth of such imports in order for the country to achieve its investment and growth targets. Import prices have been assumed to evolve in line with IDA projections for major commodities. Altogether, over the period 1981-85, the import bill is projected to increase on average at almost 11 percent per annum. As a result of these trends the deficit in the balance of goods and services is likely to increase from about US\$31 million in 1981 to US\$50 million in 1985. Prospects beyond 1985 will depend on further progress in rice substitution and Government success in developing new export commodities (see para. 3.8).

Table 10: Merchandise Imports

	<u>Current US\$ million</u>		<u>In Percent</u>	
	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>
Food	13.6	22.5	31.9	31.9
Other consumer goods	11.3	15.6	26.5	22.0
Petroleum	4.3	9.4	10.0	13.3
Other intermediate goods	8.0	14.2	19.0	22.2
Capital Goods	<u>5.3</u>	<u>8.9</u>	<u>12.5</u>	<u>12.6</u>
TOTAL	42.5	70.6	100.0	100.0

Source: Table 3.7 Statistical Annex

#### Capital Requirements

4.19 Assuming that the present deficit on services will rise gradually, the mission's projections show deficits in the balance of goods and non-factor services aggregating roughly US\$200 million for the period 1981-85. Barring any major change in the Government's relationship with France, the Comoros would continue to receive large amounts of budgetary support and technical assistance from France. The mission has thus projected net current transfers (including official) to remain constant in real terms over the period, which would correspond to an aggregate level of 62 million in current dollars. Since most aid received in the past was in the form of grants or concessional assistance with long grace periods, the amount of amortization to be repaid over the period is expected to be only of the order of US\$3.5 million. Accounting for the need to maintain foreign exchange reserves at about two months of imports, capital requirements are projected at about US\$150 million over the period.

Table 11: Illustrative Program for External Capital Flow  
(Millions of US\$)

	1980	1981	1982	1983	1984	1985	Total 81-85
<u>Disbursements</u>	<u>24.1</u>	<u>22.1</u>	<u>26.3</u>	<u>29.8</u>	<u>34.9</u>	<u>37.9</u>	<u>151.0</u>
from New Loans	20.1	9.1	14.3	15.7	21.2	27.8	88.1
from Existing Loans	15.9	11.4	6.3	6.6	5.9	4.8	35.0
from Grants	4.0	1.6	5.7	7.5	7.8	5.3	27.9
<u>Commitments</u>		<u>27.8</u>	<u>36.7</u>	<u>38.0</u>	<u>40.0</u>	<u>33.0</u>	<u>175.5</u>
Loans		21.8	30.7	32.0	34.0	27.0	145.5
Grants		6.0	6.0	6.0	6.0	6.0	30.2

Source: Mission Projections

4.20 Thus, the Comoros will continue to need substantial flows of external capital in the near future. About US\$35 million is expected to be drawn from loans already contracted. An additional US\$88 million would have to be mobilized from new loans to be contracted in 1981-85. This level of disbursement would call for aggregate commitments of around US\$175 million over the period i.e. an average of perhaps US\$35 million per year. The mission believes that this is feasible, given the interest expressed by a number of bilateral and multilateral aid agencies. The illustrative program presented in Table 11 gives an idea of the relative share of grants and concessional loans to be committed over the period 1981-85.

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Table 1.1 - POPULATION, EMPLOYMENT, AND  
SELECTED SOCIAL INDICATORS <sup>1/</sup>

( in thousands)

	<u>1950</u>	<u>1955</u>	<u>1965</u>	<u>1975</u>	<u>1980</u>	<u>2000</u>
<u>Population</u>						
Total Population	152	176	240	333	404	637
<u>Population Structure</u>						
1 to 15 years old	67.0	78.4	109.4	147.9	176.5	246.5
15 to 24 years old	28.9	33.4	44.7	65.3	83.3	127.6
<u>Employment Estimates</u>						
Labour force	63.9	71.7	91.2	121.4	145.0	229.4
<u>Selected Social Indicators</u>						
Birth rate (per thousand)	44.2	43.4	41.9	40.1	40.9	32.8
Mortality rate (per thousand)	31.7	28.5	23.2	17.7	16.0	12.0
Life expectancy (years)	41.0	42.0	44.0	46.0	48.0	58.5

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<sup>1/</sup> All four islands

Source: United Nations and World Bank Projections.

Table 2.1: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT CURRENT PRICES, 1976-80  
(CF millions)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Farming, husbandry, fishing, forestry	5,689	6,734	7,195	8,991	10,224
Manufacturing	690	766	885	1,033	1,195
Electricity, gas, water	70	80	88	90	110
Construction and public works	935	1,123	1,379	1,738	2,354
Trade <sup>1/</sup> , hotels, bars, restaurants	3,332	3,682	4,211	5,368	5,886
Transport and communications	213	236	281	333	379
Banks, insurance, real estate	364	405	496	597	687
Public administration	1,437	1,099	2,291	3,069	3,675
Other services	109	124	146	167	194
<u>GDP at market prices</u>	<u>12,839</u>	<u>14,249</u>	<u>16,972</u>	<u>21,386</u>	<u>24,704</u>
Net indirect taxes	1,263	1,532	1,904	2,511	2,119
GDP at factor cost	11,576	12,737	15,068	18,875	22,585
<u>GNP at market prices</u>	<u>12,361</u>	<u>13,771</u>	<u>16,494</u>	<u>19,656</u>	<u>23,148</u>

1/ Including import duties and taxes

Source: Mission estimates

Table 2.2: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT 1979 PRICES, 1976-80  
(CF millions)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Farming, husbandry, fishing, forestry	8,047.0	8,955.3	8,299.0	8,991.3	9,345.3
Manufacturing	984.1	1,017.7	1,006.6	1,033.0	1,074.3
Electricity, gas, water	70.0	80.0	88.0	89.7	92.9
Construction and public works	1,337.7	1,543.0	1,579.1	1,738.1	2,061.1
<sup>1/</sup> Trade, hotels, bars, restaurants	4,753.4	4,877.2	4,890.3	5,368.4	5,293.5
Transport and communications	303.5	313.0	319.5	333.0	340.7
Banks, insurance, real estate	518.9	536.4	564.6	596.5	618.1
Public administration	2,049.4	1,455.0	2,605.9	3,068.9	3,304.9
Other services	154.9	164.9	166.3	167.0	174.1
<u>GDP at market prices</u>	<u>18,218.9</u>	<u>18,942.5</u>	<u>19,519.3</u>	<u>21,385.9</u>	<u>22,304.9</u>
Net indirect taxes	1,791.4	2,010.6	2,191.0	2,510.6	1,912.5
GDP at factor cost	16,427.5	16,931.9	17,328.3	18,875.3	20,392.4
<u>GNP at market prices</u>	<u>17,533.3</u>	<u>18,312.4</u>	<u>18,980.4</u>	<u>19,655.9</u>	<u>20,891.7</u>

1/ Including import duties and taxes.

Source: Mission estimates

Table 2.3: GROSS DOMESTIC PRODUCT BY EXPENDITURE AT CURRENT PRICES, 1976-80  
(CF millions)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Private final consumption	9,182	10,296	12,098	14,540	17,267
Public consumption	2,605	2,607	3,512	4,392	5,474
Gross fixed capital formation	2,569	2,903	3,497	4,591	6,416
Changes in stocks	-222	-403	131	691	2,521
Exports of goods and services	2,994	3,474	2,767	4,222	2,767
Imports of goods and services	4,289	4,628	5,033	7,050	9,741
GDP at market prices	<u>12,839</u>	<u>14,249</u>	<u>16,972</u>	<u>21,386</u>	<u>24,704</u>

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Source: Mission estimates

Table 2.4: GROSS DOMESTIC PRODUCT BY EXPENDITURE AT 1979 PRICES, 1976-80  
(CF millions)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Private final consumption	13,097.2	13,636.6	13,860.2	14,538.7	15,516.1
Public consumption	3,716.6	3,452.9	3,995.0	4,392.2	4,923.1
Gross fixed capital formation	3,675.7	3,987.4	4,005.7	4,591.2	5,618.2
Change in stocks	- 316.6	- 533.7	149.0	691.0	2,267.1
Export of goods and services	4,235.1	4,496.9	3,145.7	4,222.4	2,570.3
Imports of goods and services	6,189.1	6,097.6	5,636.3	7,049.6	8,589.9
<u>GDP at market prices</u>	<u>18,218.9</u>	<u>18,942.5</u>	<u>19,519.3</u>	<u>21,385.9</u>	<u>22,304.9</u>

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Source: Mission estimates

Table 2.5 ORIGIN AND USES OF RESOURCES AT CURRENT MARKET PRICES, 1979  
(CF millions)

PRODUCTS	Production	Imports c.i.f.	Origin		TOTAL	Uses						TOTAL	Change in Stock	Exports
			Production	Trade Margin Imports		Inter- mediate	Consumption Final	Adminis- tration	Enter- prises	Adminis- tration	House- hold			
1. Agricultural products	9382.7	--	2342.0	--	11,724.7	991.9	7009.0	--	--	--	--	--	35.7	3688.1
2. Manufactured goods and handicrafts	1894.0	6506.0	131.0	4229.8	12,760.8	4917.5	5991.1	--	567.4	629.5	--	1196.9	655.3	--
- Food, drinks and tobacco	425.0	2357.6	25.0	1321.2	4128.8	400.1	3628.7	--	--	--	--	--	100.0	--
- Textiles	564.0	534.7	--	256.6	1355.3	435.2	749.1	--	--	--	--	--	171.0	--
- Chemicals	100.0	125.4	20.0	61.4	306.8	89.8	217.0	--	--	--	--	--	--	--
- Wood and paper	420.0	--	86.0	--	506.0	15.0	358.0	--	78.0	55.0	--	133.0	--	--
- Minerals	--	145.4	--	104.7	250.1	250.1	--	--	--	--	--	--	--	--
- Petroleum products	--	385.4	--	824.8	1210.2	943.0	200.4	--	--	--	--	--	66.8	--
- Mechanical & electrical equipment	235.0	1584.4	--	823.9	2643.3	1183.1	208.3	--	489.4	574.5	--	1063.9	188.0	--
- Miscellaneous	150.0	1373.1	--	837.2	2360.3	1601.2	629.6	--	--	--	--	--	129.5	--
3. Power, gas, water	244.6	--	--	--	244.6	139.1	105.5	--	--	--	--	--	--	--
4. Construction	3531.2	--	--	--	3531.2	136.9	--	--	363.3	2522.7	508.5	3394.3	--	--
5. Hotels and restaurants	493.7	--	--	--	493.7	175.0	89.0	--	--	--	--	--	--	229.7
6. Transports	929.2	368.6	--	--	1297.8	665.3	355.4	--	--	--	--	--	--	277.1
7. Banks	1162.8	175.0	--	--	1337.8	559.6	750.7	--	--	--	--	--	--	27.5
8. Public administration	4537.9	--	--	--	4537.9	145.7	--	4392.2	--	--	--	--	--	--
9. Other services	320.0	--	--	--	320.0	82.0	238.0	--	--	--	--	--	--	--
TOTAL	<u>22,496.1</u>	<u>7049.6</u>	<u>2673.0</u>	<u>4229.8</u>	<u>36,248.5</u>	<u>7813.0</u>	<u>14,538.7</u>	<u>4392.2</u>	<u>930.5</u>	<u>3152.2</u>	<u>508.5</u>	<u>4591.2</u>	<u>691.0</u>	<u>4222.4</u>

Source: Mission Estimates

Table 2.6 - GDP PRICE DEFLATORS, 1976-80

(1979 : 100)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Agriculture <u>1/</u>	70.7	75.2	86.7	100.0	109.4
Construction <u>2/</u>	69.9	72.8	87.3	100.0	114.2
Gross Domestic Capital Formation <u>2/</u>	69.9	72.8	87.3	100.0	114.2
Consumer Prices <u>3/</u>	70.1	75.5	87.9	100.0	111.2
Exports	70.7	77.3	88.0	100.0	107.7
Imports <u>4/</u>	69.3	75.9	89.3	100.0	113.4
GDP deflator	70.5	75.2	86.9	100.0	110.8

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1/ Wages and salaries index.

2/ Average of price indices for steel and consumer prices.

3/ Weighted index of agricultural prices and unit value of manufactured goods for EEC.

4/ Weighted index of unit value of manufactured goods exported from European Economic Community and other industrial countries.

Source: Mission estimates.

Table 3.1: BALANCE OF PAYMENTS, 1978-80  
(CF millions)

	1978			1979			1980 est.		
	Debit	Credit	Balance	Debit	Credit	Balance	Debit	Credit	Balance
Goods, f.o.b.	3,161	2,103	- 1,058	4,749	3,688	- 1,061	6,581	2,282	- 4,299
Freight and insurance	1,169	278	- 891	1,757	200	- 1,557	2,434	-	- 2,434
Other transportation, travel	483	362	- 121	368	307	- 61	470	433	- 37
Interest on debt	23	-	- 23	1	-	- 1	-	-	-
Government, n.e.s.	138	-	- 138	107	-	- 107	135	-	- 135
Other services	222	24	- 198	175	28	- 147	256	53	- 203
<u>Total for goods and services</u>	<u>5,196</u>	<u>2,767</u>	<u>- 2,429</u>	<u>7,157</u>	<u>4,223</u>	<u>- 2,934</u>	<u>9,876</u>	<u>2,768</u>	<u>- 7,108</u>
Private transfers	1262	355	- 907	2,684	290	- 2,394	2,626	370	- 2,256
of which: wage-earners; remuneration	(429)	(355)	(- 74)	(664)	(290)	(- 374)	(700)	(370)	(- 330)
Public transfers	-	3,424	3,424	264	2,876	2,612	300	4,501	4,201
<u>Total, current account</u>	<u>6,458</u>	<u>6,546</u>	<u>+ 88</u>	<u>10,105</u>	<u>7,389</u>	<u>- 2,716</u>	<u>12,802</u>	<u>7,639</u>	<u>- 5,163</u>
Long-term capital	147	885	738	-	3,228	3,228	-	5,184	5,184
Amounts unpaid	-	463	463	-	-	-	-	-	-
Others (incl. errors and omissions)	333	-	- 333	54	-	- 54	21	-	- 21
<u>Total, capital account</u>	<u>480</u>	<u>1,348</u>	<u>868</u>	<u>-</u>	<u>-</u>	<u>3,174</u>	<u>-</u>	<u>-</u>	<u>5,163</u>
Overall balance	-	-	956	-	-	458	-	-	0
<u>Change in net reserves</u> (- increase)	-	-	<u>- 956</u>	-	-	<u>- 458</u>	-	-	0

Sources: Institut d'Emission des Comores (IEC) and mission estimates.

Table 3.2: MERCHANDISE EXPORTS AT CURRENT PRICES, FOB, 1976-1980  
(CF millions)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1980</u>
					<u>(10 months) (Estimate)</u>	
Ylang-ylang essence	618.0	587.1	637.9	708.4	321.9	486.0
Extra	(299.1)	(265.0)	(318.0)	..	(227.7)	..
1st category	(40.3)	(29.0)	(45.5)	..	(43.8)	..
2nd category	(28.2)	(18.7)	(19.0)	..	(16.5)	..
3rd category	(246.4)	(262.4)	(247.6)	..	(15.2)	..
Solid	(4.0)	(12.0)	(7.8)	..	(13.7)	..
Essence of basil	14.5	17.8	14.0	14.7	62.6	63.0
Other essences	23.7	33.6	19.8	20.1	0.6	5.0
Vanilla	464.9	1084.6	736.8	2272.1	49.7	192.0
Copra	122.7	133.4	205.3	254.2	78.8	138.0
Cloves	812.0	294.1	452.2	446.4	908.1	1374.0
Cocoa	5.1	9.7	3.6	6.3	1.6	4.0
Coffee	17.4	16.9	10.8	9.1	1.2	9.0
Miscellaneous	145.7	25.7	22.2	13.3	10.9	11.0
<u>Total exports</u>	<u>2224.0</u>	<u>2202.9</u>	<u>2102.6</u>	<u>3745.1</u>	<u>1435.4</u>	<u>2282.0</u>

Source: Comorian authorities

Table 3.3: VOLUME OF MERCHANDISE EXPORTS, 1976-1980

(in Metric Tons)

	1976	1977	1978	1979	1980 (10 months)	1980 (estimate)
Ylang-ylang essence	73.1	60.0	61.1	72.7	20.9	32.0
Extra	19.6	15.6	18.5	--	11.8	--
1st category	4.1	2.5	3.8	--	3.5	--
2nd category	3.7	2.2	2.2	--	1.6	--
3rd category	45.5	39.1	36.2	--	2.3	--
Solid	0.2	0.6	0.4	--	1.7	--
Essence of basil	1.1	1.4	1.1	1.2	8.3	8.0
Other essences	1.1	0.7	1.1	1.2	0.1	1.0
Vanilla	124.1	230.4	116.9	179.9	3.3	25.0
Copra	2322.6	1317.2	2060.5	2290.8	720.5	1266.0
Cloves	880.2	219.9	329.6	342.0	581.8	880.0
Cocoa	10.7	12.0	8.1	14.7	3.0	8.0
Coffee	31.7	18.2	22.8	15.7	2.0	16.0
Miscellaneous	2859.2	239.3	181.8	431.8	105.7	106.0
<u>Total exports</u>	<u>6303.8</u>	<u>2099.1</u>	<u>2783.0</u>	<u>3350.0</u>	<u>1445.6</u>	<u>2342.0</u>

Source: Comorian authorities

Table 3.4: MERCHANDISE IMPORTS AT CURRENT PRICES. C.I.F., 1976-1980  
(CF millions)

	1976	1977	1978	1979 <sup>1/</sup>	1980 <sup>2/</sup>	1980 (estimate)
<u>Food products</u>	<u>1264.6</u>	<u>1150.5</u>	<u>2004.0</u>	<u>2278.1</u>	<u>1108.2</u>	<u>2871.0</u>
Meat	147.4	144.4	343.1	547.4	136.0	577.0
Rice	600.5	564.7	1049.1	1091.7	717.0	1508.0
Flour	73.1	40.3	131.1	125.4	58.8	140.0
Sugar	130.5	75.4	161.0	264.6	42.0	367.0
Miscellaneous	317.1	325.7	319.7	249.0	154.4	279.0
<u>Finished products</u>	--	<u>1184.1</u>	<u>1042.5</u>	<u>(1976.1)</u>	--	<u>2400.0</u>
Tobacco	43.0	54.9	22.2	79.5	10.8	--
Pharmaceuticals	81.2	45.6	62.3	125.1	34.9	--
Textiles	183.5	186.3	245.1	534.7	--	--
Automobiles	37.7	103.9	49.7	398.4	326.7	--
Miscellaneous	--	793.4	623.2	(838.4)	--	---
<u>Petroleum products</u>	<u>349.8</u>	<u>513.0</u>	<u>432.5</u>	<u>325.4</u>	<u>375.9</u>	<u>915.0</u>
Aviation fuel	34.2	42.0	40.5	--	--	---
Automobile fuel	115.2	152.8	95.3	--	179.3	---
Gas-oil	148.0	167.8	142.8	--	196.6	---
Miscellaneous	52.4	150.4	153.9	--	--	---
<u>Raw materials and semi-finished products</u>	--	<u>529.7</u>	--	<u>(1201.1)</u>	--	<u>1700.0</u>
Products of animal or vegetable origin	--	3.6	4.1	(5)	--	--
Mineral products	--	16.9	24.7	(30)	--	--
Cement	131.1	160.4	222.3	145.4	122.1	--
Iron and steel	25.2	173.9	--	520.7	--	--
Miscellaneous	--	174.9	325.7	(500)	--	--
<u>Capital goods</u>	--	<u>675.9</u>	<u>276.0</u>	<u>665.3</u>	--	<u>1129.0</u>
Farm equipment	--	48.9	2.7	--	--	--
Industrial equipment	--	627.0	273.3	--	--	--
<u>Total imports</u>	<u>5118.6</u>	<u>4053.2</u>	<u>4209.8</u>	<u>6506.0</u>	<u>2773.3</u>	<u>9015.0</u>

-- Not available

1/ Figures in parentheses = mission estimates.

2/ First six months

Source: Comorian authorities and mission estimates.

Table 4.1:

EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1979  
 DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS  
 (IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR CREDITOR COUNTRY	D E B T O U T S T A N D I N G			I N A R R E A R S	
	DISBURSED	UNDISBURSED	TOTAL	PRINCIPAL	INTEREST
MULTILATERAL LOANS					
AFRICAN DEV. FUND	1,291	11,684	12,975	-	-
BADEA/ABEDA	10,000	-	10,000	-	303
IDA	2,463	2,537	5,000	-	-
OPEC SPECIAL FUND	1,000	1,000	2,000	-	-
SAFA (SP AR FUND AF)	500	-	500	-	5
TOTAL MULTILATERAL LOANS	15,254	15,221	30,475	-	308
BILATERAL LOANS					
ABU DHABI	383	679	1,062	-	-
CHINA	2,878	10,489	13,367	-	-
FRANCE	8,422	110	8,532	1,900	648
KUWAIT	7,880	5,302	13,182	-	-
SAUDI ARABIA	3,897	10,368	14,265	-	-
TOTAL BILATERAL LOANS	23,460	26,948	50,408	1,900	648
TOTAL EXTERNAL PUBLIC DEBT	38,714	42,169	80,883	1,900	956

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.  
 (2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS.

Table 4.2:

## SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1980  
 DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS  
 (IN THOUSANDS OF U.S. DOLLARS)

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS			CANCEL-LATIONS	ADJUST-MENT *
	(1)	(2)	(3)	(4)	PRINCIPAL (5)	INTEREST (6)	TOTAL (7)	(8)	(9)
1975	4,292	4,867	1,939	899	410	114	524	-	-220
1976	4,722	6,176	28,243	14,600	406	122	528	-	-215
1977	18,485	33,798	8,372	4,636	250	112	362	77	1,746
1978	23,395	43,589	11,572	3,635	82	103	185	-	3,262
1979	28,051	58,341	21,848	10,272	-	248	248	-	694
1980	38,714	80,883	23,448	20,151	-	525	525	7,995	-1,159
1981	50,357	95,177	-	-	-	-	-	-	-
* * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * *									
1981	50,357	95,177	-	11,339	197	662	859	-	2
1982	61,498	94,982	-	6,226	255	710	965	-	-
1983	67,471	94,727	-	6,500	283	736	1,019	-	1
1984	73,687	94,445	-	5,912	1,341	768	2,109	-	-
1985	78,257	93,104	-	4,812	1,446	782	2,228	-	1
1986	81,625	91,659	-	3,672	3,674	786	4,460	-	-1
1987	81,623	87,984	-	2,606	3,657	770	4,427	-	2
1988	80,572	84,329	-	1,814	3,727	749	4,476	-	-
1989	78,660	80,602	-	1,041	4,053	722	4,775	-	-3
1990	75,643	76,546	-	903	4,071	683	4,754	-	5
1991	72,480	72,480	-	-	4,106	648	4,754	-	-1
1992	68,373	68,373	-	-	4,105	607	4,712	-	-2
1993	64,266	64,266	-	-	4,079	572	4,651	-	1
1994	60,188	60,188	-	-	4,054	534	4,588	-	-3
1995	56,131	56,131	-	-	4,054	495	4,549	-	2
1996	52,079	52,079	-	-	2,747	461	3,208	-	-4
1997	49,328	49,328	-	-	2,724	420	3,144	-	4
1998	46,608	46,608	-	-	2,756	383	3,139	-	-
1999	43,852	43,852	-	-	2,004	351	2,355	-	-2
2000	41,846	41,846	-	-	2,069	331	2,400	-	2

\* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 5.1: OVERALL FISCAL PERFORMANCE  
(CF millions)

	1979 _____	1980 (9 months estimates)
<u>Domestic Revenues</u>	<u>2563.2</u>	<u>1902.1</u>
<u>Current Expenditures</u>	<u>-5307.7</u>	<u>-4576.4</u>
- Budget Current Expenditures	3660.7	2761.4
- Current Expenditure financed by external resources	1647.0	1815.0
a. Technical assistance	1011.0	1012.0
b. Merchandise	567.0	705.0
c. Fellowships	69.0	98.0
<u>Current Deficit</u>	<u>-2744.5</u>	<u>-2674.3</u>
<u>Capital Expenditures</u>	<u>-2989.2</u>	<u>-4542.0</u>
- Budgetary expenditures	571.5	544.6
- Capital Expenditure financed by foreign assistance	2417.7	3997.4
<u>Change in Government Liabilities</u>	<u>- 648.2</u>	<u>- 47.6</u>
<u>Overall Deficit</u>	<u>-6381.9</u>	<u>-7263.9</u>
FINANCED BY:		
<u>External Financing</u>	<u>5761.0</u>	<u>6967.2</u>
- Grants	3838.3	4059.8
- Loans	1922.7	2907.4
<u>Domestic Financing</u>	<u>620.9</u>	<u>296.7</u>
- Borrowing from the Bank	149.7	386.4
- Special Treasury Accounts	139.9	- 117.7
- Borrowing from the Public	331.3	28.0

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Source: 1979 and 1980 Budgets, Treasury Accounts, and mission estimates.

Table 5.2: CONSOLIDATED BUDGET  
DOMESTIC REVENUES

	<u>1979</u>		<u>1979</u>		<u>1980</u>		<u>1980</u>	
	<u>Budget</u>	<u>%</u>	<u>Actual</u>	<u>%</u>	<u>Budget</u>	<u>%</u>	<u>Actual for</u>	<u>9 months %</u>
Indirect Taxes (from trade) of which	<u>1584.7</u>	(68)	<u>2253.8</u>	(88)	<u>1945.3</u>	(71)	<u>1476.2</u>	(78)
Import Taxes	1251.4		1612.2		1536.8		1357.9	
Export Taxes	333.3		641.6		408.5		118.3	
Other Indirect Taxes of which	<u>394.0</u>	(17)	<u>83.2</u>	(3)	<u>399.6</u>	(15)	<u>147.2</u>	(8)
Business License Tax	77.0		38.2		77.0		45.4	
TCA	199.0		13.4		138.4		23.6	
Direct Taxes of which	<u>136.0</u>	(6)	<u>96.8</u>	(4)	<u>158.7</u>	(6)	<u>100.9</u>	(5)
IBD	79.5		57.0		90.5		69.4	
IGR	56.3		21.8		68.2		31.5	
Other	--		18.0		--		--	
Non-tax Revenues	<u>205.9</u>	(9)	<u>129.4</u>	(5)	<u>242.4</u>	(9)	<u>178.4</u>	(9)
TOTAL	<u>2320.7</u>	(100)	<u>2563.2</u>	(100)	<u>2746.0</u>	(100)	<u>1902.7</u>	(100)

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Source: Comorian Authorities

Table 5.3: CONSOLIDATED CURRENT GOVERNMENT EXPENDITURES  
(CF millions)

	<u>1979</u> <u>Budget</u>	<u>1979</u> <u>Actual</u>	<u>1980</u> <u>Budget</u>
Wage & salaries	<u>1814.8</u>	<u>1674.5</u>	<u>2679.9</u>
Federal Government	762.2	717.0	1220.4
Islands	1052.6	957.5	1459.5
Goods & Services	<u>1320.8</u>	<u>1308.5</u>	<u>2178.8</u>
Federal Government	890.4	994.5	1099.2
Islands	430.4	314.0	1079.6
Transfer & subsidies	<u>335.3</u>	<u>189.9</u>	<u>351.4</u>
Federal Government	335.3	187.3	290.2
Islands	--	2.6	61.2
Public debt	<u>73.2</u>	<u>34.1</u>	<u>80.0</u>
Federal Government	73.2	34.1	80.0
Islands	--	--	--
Unclassified	<u>88.9</u>	<u>453.6</u>	<u>124.7</u>
Federal Government	48.4	453.6	57.3
Islands	40.6	--	67.4
Total	<u>3633.0</u>	<u>3660.6</u>	<u>5414.8</u>
Federal Government	2109.5	2386.5	2747.1
Islands	1523.5	1274.1	2667.7

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Source: Comorian Authorities

Table 5.4: CONSOLIDATED CURRENT GOVERNMENT EXPENDITURE BY FUNCTION  
 (CF. millions)

	<u>1979</u> <u>Budget</u>	<u>1979</u> <u>Actual</u>	<u>1980</u> <u>Budget</u>	<u>1980</u> <u>Actual</u> (for 9 months)	<u>1981</u> <u>Budget (excluding</u> <u>Mohéli)</u>
Administrative and Other Services	890.8 (25%)	786.7 (21%)	991.7 (18%)	563.6 (20%)	1030.8 (17%)
Finance	503.7 (14%)	335.8 (9%)	598.7 (11%)	256.4 (9%)	537.4 (8%)
Foreign Affairs	88.7 (2%)	50.3 (1%)	167.7 (3%)	51.9 (2%)	169.2 (3%)
Public Works	304.6 (8%)	275.9 (8%)	611.0 (11%)	251.6 (9%)	545.1 (9%)
Agriculture & Industry	39.5 (2%)	50.3 (1%)	88.7 (2%)	49.7 (2%)	93.8 (2%)
Defense	386.8 (11%)	359.5 (10%)	708.4 (13%)	339.8 (12%)	658.2 (11%)
Transport & Tourism	118.4 (3%)	118.5 (3%)	156.9 (3%)	94.6 (3%)	426.8 (7%)
Health & Education	1222.6 (34%)	1063.4 (29%)	1898.5 (35%)	958.6 (35%)	2349.1 (37%)
Unclassified	78.3 (2%)	620.2 (17%)	193.2 (4%)	195.2 (7%)	433.9 (7%)
<b>Total</b>	<u>3633.4</u>	<u>3660.6</u>	<u>5414.8</u>	<u>2761.4</u>	<u>6244.3</u>

Source: Comorian Authorities

Table 5.5 : PUBLIC INVESTMENT PROGRAM, 1981-85  
(CF millions)

	1981	1982	1983	1984	1985	1981-85	
						Total	of which new investment
Agriculture	1632	1908	1972	1908	2353	9773	4940
Industry	-	85	106	-	-	191	191
Tourism	212	276	212	-	-	700	700
Transportation	3244	3561	3392	3816	4876	18889	14776
-Roads	3010	1929	1081	1654	2120	9794	5703
-Ports	212	1060	1802	1696	1908	6678	6678
-Airports	22	572	509	466	848	2417	2395
Telecommunications	297	382	551	954	445	2629	912
Energy and Water Supply	742	827	1272	1272	1696	5809	5809
Health and Population	382	339	509	424	424	2078	1738
Education	254	339	890	1484	1081	4049	2417
Miscellaneous	530	403	276	42	42	1293	170
Total	<u>7293</u>	<u>8120</u>	<u>9180</u>	<u>9900</u>	<u>10917</u>	<u>45411</u>	<u>31653</u>

Source: Mission estimates.

Table 5.6 - PROJECTIONS OF OVERALL GOVERNMENT OPERATIONS, 1979-85  
(CF. billions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Domestic Revenues	2.56	2.54	3.65	5.04	6.0	6.46	7.82
Current Expenditures	5.30	6.10	7.02	8.05	9.27	10.66	12.26
Current Deficit	- 2.74	- 3.56	-3.37	-3.01	-3.27	-4.20	-4.44
Capital Expenditures	3.0	6.06	6.87	8.09	9.12	9.90	10.95
Overall Deficit	- 6.38 <sup>2/</sup>	- 9.62	-10.24	-11.10	-12.39	-14.10	-15.39
Grants <sup>3/</sup>	3.84	5.05	5.76	6.73	7.66	8.35	8.48
Loans	1.92	4.27	4.48	4.37	4.73	5.75	6.91
Domestic Financing	0.62	0.40	-	-	-	-	-

1/ This projection assumes a 10 percent annual inflation rate for the period 1981-85.

2/ Includes changes in government liability

3/ Includes Technical Assistance and Budget support and grants for project financing

Source: Mission projections

Table 6.1 MONETARY SURVEY  
(CF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u> <u>30/6/80</u>
<u>Foreign Assets (net)</u>	<u>1355</u>	<u>1813</u>	<u>1735</u>
Institut d'Emission	1383	1614	1175
Commercial Bank	-28	199	560
<u>Domestic Credit</u>	<u>2289</u>	<u>2428</u>	<u>3966</u>
Claims on Government (net)	86	174	732
Claim in private sector of which	2203	2254	3234
Rediscounts	(1159)	(738)	(1277)
<u>Other</u>	<u>-1220</u>	<u>-693</u>	<u>-1685</u>
<u>Money Supply (broad)</u>	<u>2424</u>	<u>3548</u>	<u>4016</u>
Currency Outside Banks	1471	1748	2196
Demand Deposits	904	1710	1577
Quasi-money	49	90	243

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Source: Institut d'Emission des Comores (IEC)

Table 6.2: SHORT-TERM CREDIT DISTRIBUTION BY ACTIVITY  
(CF.. millions)

	<u>1978</u>	<u>1979</u>
Agricultural crop financing	<u>277.7</u>	<u>126.3</u>
Vanilla	164.0	47.2
Copra	--	20.8
Cloves	13.1	13.9
Ylang-Ylang	100.6	44.4
Export Financing	<u>470.7</u>	<u>151.9</u>
Vanilla	174.3	73.0
Copra	24.6	72.0
Cloves	106.8	--
Ylang-ylang	156.7	--
Other	--	6.6
Manufacture & handicrafts	--	<u>7.6</u>
Commerce (including imports)	<u>1239.9</u>	<u>1634.0</u>
Construction & Services	<u>170.0</u>	<u>160.3</u>
Individuals	--	103.9
Total	<u>2158.6</u>	<u>2184.0</u>

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Source: 1978 IMF, 1979, Banque des Comores

Table 7.1: Trends in Agricultural Production, 1975-1979  
(in tons)

	1975	1976	1977	1978	1979
<u>Cereals</u>					
Rice (paddy)	3,281	3,375	3,484	3,661	3,700
Maize	1,316	1,353	1,469	1,545	1,800
Cassava	20,853	21,455	23,261	24,466	25,000
Taro	1,168	1,207	1,303	1,368	1,500
Yam	1,418	1,459	1,582	1,662	2,000
Potatoes	3,003	3,090	3,350	3,523	4,200
<u>Fruits</u>					
Bananas	26,775	27,548	29,868	31,415	32,000
Coconut	16,200	16,200	16,200	16,200	16,200
Other	1,918	1,974	2,140	2,251	2,300
<u>Export Crops</u>					
Vanilla (green)	1,055	620	1,150	585	900
Ylang-ylang	65	73	60	61	73
Other perfume	2	2	2	2	2
Copra	1,417	2,323	1,317	2,061	2,750
Cloves	521	880	220	330	342
Cacao	21	11	12	8	15
Coffee	61	32	18	23	16
<u>Meat and Fish</u>					
Beef	770	770	1,100	800	800
Other meat	270	270	405	292	290
Fish	3,400	3,553	5,600	5,600	5,000
<u>Other</u>					
Milk	238	245	265	279	300
Eggs (thousand)	550	600	600	600	700
Wood (thousand of m <sup>3</sup> )	541	565	599	643	685

Source: Comorian authorities

Table 7.2 : PRICES OF CASH CROPS  
(CF /kg)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
<u>Vanilla</u>						
- Producer price	360	300	450	500	600	900
- F.O.B. price	2946	3266	3477	4706	6500	9566
<u>Ylang Ylang</u>						
- Producer price (flower)	40	40	45	46	40	40
- F.O.B. price:						
. Extra (essence)	9562	14360	15254	16988	18000	18000
. 3rd quality (essence)	5117	5425	5415	6714	5000	7000
<u>Cloves</u>						
- Producer price	800	500	600	800	600	750
- F.O.B. price:						
. Cloves	1138	1106	1036	1381	1425	1500
. Crowns	292	226	171	147	150	150
<u>Copra</u>						
- Producer price	90	45	35	60	40	40
- F.O.B. price	146	90	52	101	105	105

Comments:

1. Vanilla - Producer price is for green vanilla.  
F.O.B. price is for prepared vanilla.  
On average 5 kg of green vanilla yields 1 kg of prepared vanilla.
2. 1979 prices are given by way of indication. Only vanilla prices were officially set at that time.
3. Price setting - Producer price is set each year at the start of the season. The official price is the floor price. Buyers may buy at price higher than the floor price. This is set in the light of the world market for the product concerned. F.o.b. price is not officially set but left to the exporter's discretion.

Source: Comorian Authorities and Mission estimates.

Table 7.3: Principal Agricultural Products

Year 1979

	Quantity (m. tons)			Unit Price (CFA/kg)	Value of Production (CFA million)			Commer- cial margin (CFA mln)	Purchase Price (CFA million)
	Non- Market	Marketed	Total		Non- Market	Marketed	Total		
<u>Cereals</u>					<u>276.0</u>	<u>6.0</u>	<u>282.0</u>	<u>6.0</u>	<u>2.0</u>
Rice (paddy)	3,700	--	3,700	60	222.0	--	222.0	--	2.0
Maize	1,800	200	2,000	30	54.0	6.0	60.0	6.0	-
<u>Starch products</u>					<u>932.5</u>	<u>402.5</u>	<u>1335.0</u>	<u>207.0</u>	<u>1.3</u>
Cassava	17,500	7500	25,000	40	700.0	300.0	1000.0	150.0	1.1
Taro	1,050	450	1,500	50	52.5	22.5	75.0	9.0	--
Yams	1,400	600	2,000	25	35.0	15.0	50.0	9.0	--
Sweet potatoes	2,900	1300	4,200	50	145.0	65.0	210.0	39.0	0.2
<u>Fruits</u>					<u>1628.0</u>	<u>376.0</u>	<u>2004.0</u>	<u>276.0</u>	<u>2.1</u>
Bananas	26,000	6000	32,000	50	1300.0	300.0	1600.0	180.0	1.7
Coconuts (000s)	13,000	3200	16,200	15	195.0	48.0	243.0	64.0	0.3
Other fruits	1,900	400	2,300	70	133.0	28.0	161.0	32.0	0.1
<u>Vegetables</u>					<u>308.0</u>	<u>75.0</u>	<u>383.0</u>	<u>39.0</u>	<u>4.0</u>
Pigeon peas	2,700	400	3,100	90	243.0	36.0	279.0	20.0	2.0
Mung beans	300	100	400	90	27.0	9.0	36.0	5.0	..
Tomatoes	200	200	400	70	14.0	14.0	28.0	6.0	..
Other vegetables	300	200	500	80	24.0	16.0	40.0	8.0	..

(cont.)

Table 7.3 (cont.) Principal Agricultural Products (Branch 1)

Year 1979

	Quantity (m. tons)			Unit Price CFA/kg	Value of production (CFA million)			Commer- cial margin (CFA million)	Purchase price (CFA million)	
	Non- Market	Marketed	Total		Non- Market	Marketed	Total			
<u>Export products</u>						<u>2409.3</u>	<u>2409.3</u>	<u>1335.8</u>	<u>3745.1</u>	
Vanilla	--	900.0	900.0	1,500	--	1350.0	1350.0	922.1	2272.1	
Ylang-ylang essence	--	72.7	72.7	6350	--	461.6	461.6	246.8	708.4	
Other vegetable essences	--	2.4	2.4	10,220	--	24.5	24.5	10.3	34.8	
Copra	--	2,750.0	2,750.0	60	--	165.0	165.0	89.2	254.2	
Cloves	--	342.0	342.0	1,130	--	386.5	59.9	59.9	446.4	
Cocoa	--	15.0	15.0	300	--	4.5	4.5	1.8	6.3	
Coffee	--	16.0	15.0	400	--	6.4	6.4	2.7	9.7	
Miscellaneous	--	433.0	433.0	25	--	10.8	10.8	8.0	13.8	
<u>Meat and fish</u>						<u>1223.0</u>	<u>327.0</u>	<u>1550.0</u>	<u>163.0</u>	<u>1713.0</u>
Beef	700	100.0	800.0	470	329.0	47.0	376.0	8.0	384.0	
Other meat and poultry	240	55.0	290.0	600	144.0	30.0	174.0	5.0	179.0	
Fish	3,000	1,000.0	4,000.0	250	750.0	250.0	1000.0	150.0	1150.0	
<u>Miscellaneous</u>						<u>41.5</u>	<u>7.5</u>	<u>49.0</u>	<u>4.0</u>	<u>53.0</u>
Milk	250	50.0	300.0	70	17.5	3.5	21.0	2.0	23.0	
Eggs (000s)	600	100.0	700.0	40	24.0	4.0	28.0	2.0	30.0	
<u>Forestry (Wood in m<sup>3</sup>)</u>	571,000	114,200.0	685,200.0	2000	1142.0	228.4	1370.4	91.4	1491.8	
<u>Total</u>				<u>555</u>	<u>5551.0</u>	<u>3831.7</u>	<u>9382.7</u>	<u>2122.2</u>	<u>11,504.9</u>	

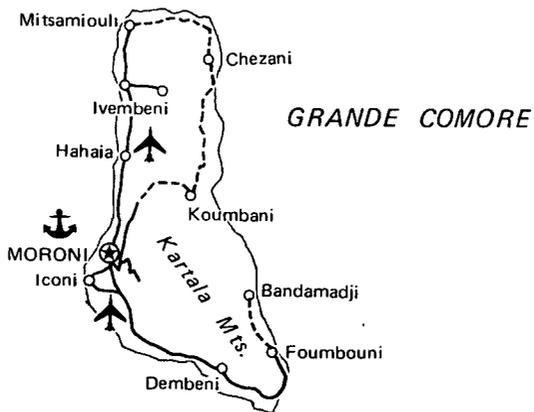
Source: Comorian Authorities and Mission estimates.

Table 7.4: VALUE OF AGRICULTURAL PRODUCTIONS  
(CF millions)

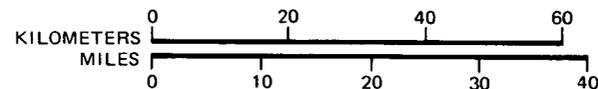
	Unit price C.F.A./kg	1976	1977	1978	1979
<u>Cereals</u>					
Rice	60	203	209	220	222
Maize	30	41	44	46	54
<u>Vegetables</u>					
Cassava	40	858	930	979	1000
Taro	50	60	65	68	75
Yams	25	36	40	42	50
Sweet potatoes	50	155	168	176	210
<u>Fruits</u>					
Bananas	50	1377	1483	1571	1600
Coconuts	15	243	243	243	243
Other fruits	70	138	150	158	161
<u>Export products</u>					
Vanilla (green)	1500	930	1725	878	1350
Ylang-ylang essence	6350	464	381	388	462
Other vegetable essences	10220	22	21	22	25
Copra	60	139	79	124	165
Cloves	1130	994	249	374	386
Cocoa	300	3	4	2	5
Coffee	400	13	7	9	6
<u>Meat and fish</u>					
Beef	470	362	517	376	376
Other meats	600	162	243	175	174
Fish	250	888	1400	1400	1250
<u>Miscellaneous</u>					
Milk	70	17	19	20	21
Eggs	40	24	24	24	28
Wood	2000	1130	1198	1286	1370
Total	-	<u>8259</u>	<u>9199</u>	<u>8581</u>	<u>9233</u>
Volume Index (1979 = 100)	-	89.5	99.6	92.3	100.0

Source: Mission estimates.

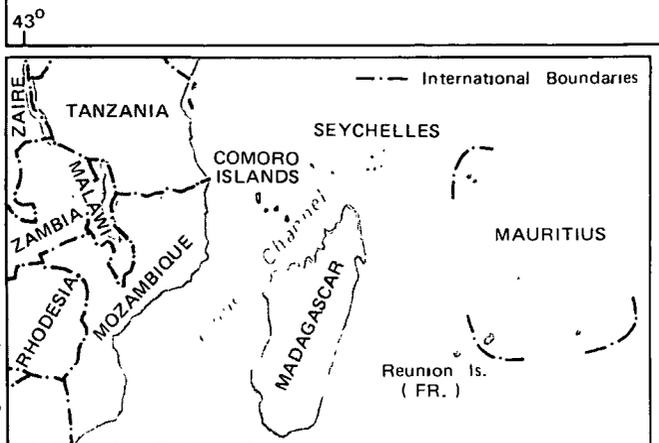
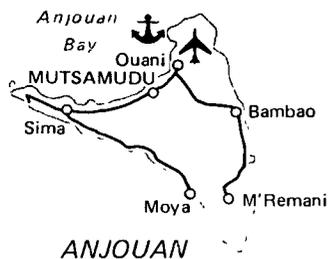
# COMORO ISLANDS



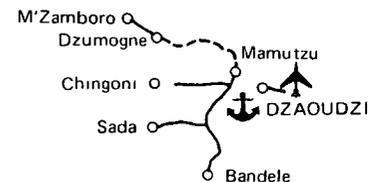
- ⊕ CAPITAL CITY
- OTHER TOWNS
- EXISTING ROADS
- - - ROADS UNDER CONSTRUCTION
- ⚓ PORTS
- ↑ AIRPORTS



Mozambique



## MAYOTTE



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