Report No. 6690-COM

The Comoros
The Arduous Path to Economic Growth: The Need for Adjustment

August 14, 1987

South Central and Indian Ocean Department
Africa Region

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Document of the World Bank

CURRENCY EQUIVALENTS

Annual Average

The Comoros belongs to the "franc zone" and the Comorian franc is tied to the French franc at FF 1 = CF 50.

Year	CF 1 = US$	US$1 = CF
1982	0.00304	329
1983	0.00262	382
1984	0.00229	437
1985	0.00223	448
1986	0.00289	346
1987 (4 months)	0.00332	301

The 1986 exchange rate is used in this report for projections.

FISCAL YEAR

January 1 to December 31

WEIGHTS AND MEASURES

Metric System

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

This report is based on the findings of a World Bank economic mission which visited the Comoros from November 29 to December 20, 1986. The mission was composed of:

Mr. Devaux	Mission Leader
Mrs. Eap	Economist
Mr. Bui Quang	Balance of Payments
Mr. Bheenick	Public Investment Program
Mr. Demangel	Public Finance
Mr. Rakotobe	National Accounts

Mr. Ouadraogo of the Islamic Development Bank joined the mission from December 13 to 20, 1986. Mr. Jebrin Al Jebrin of the Saudi Development Fund participated in the discussions of the main conclusions of the mission members from January 26 to 28, 1987.

Mrs. Virginia Minter assumed responsibility for processing the various drafts.

Some of the data and conclusions of this report are drawn from other World Bank missions.

The report was discussed with the Comorian authorities during the period from June 19 to 23, 1987. The original version of this report was written in French.

ABBREVIATIONS AND ACRONYMS

US$	=	United States dollar
CF	=	Comorian franc
FF	=	French franc
ha	=	hectare
kg	=	kilogram
Km	=	kilometer
ABEDA	=	Arab Bank for Economic Development in Africa
ACP	=	African, Caribbean, and Pacific
ADB	=	African Development Bank
BEES	=	Bureau d'études économiques et statistiques
BDPA	=	Bureau pour le développement de la production agricole
CADER	=	Centre d'appui au développement rural
CARE	=	United States private non-profit organization
CCCE	=	Caisse centrale de coopération économique
CEFADER	=	Centre fédérale d'appui au développement des Comores
CREDICOM	=	Société de crédit pour le développement des Comores
FAC	=	Fonds d'aide et de coopération
FAO	=	Food and Agriculture Organization of the United Nations
EDF	=	European Development Fund
UNICEF	=	United Nations Children's Fund
GDP	=	Gross domestic product
IBRD	=	International Bank for Reconstruction and Development
IDA	=	International Development Association
IDB	=	Islamic Development Bank
ONICOR	=	Office national pour l'Importation et la commercialisation du riz
OPEC	=	Organization of Petroleum Exporting Countries
OPT	=	Office des postes et télécommunications
SCH	=	Société comorienne des hydrocarbures
SNI	=	Société nationale d'imprimerie
SNTA	=	Société nationale des transports aériens
SOCOTEL	=	Société comorienne d'hôtel
SOCOVIA	=	Société comorienne d'importation des viandes et des produits alimentaires
SONATRAM	=	Société nationale des transports maritimes
STAC	=	Société des tabacs et allumettes
TARI	=	Tropical Agriculture Research Institute
UNDP	=	United Nations Development Program
WFP	=	World Food Program

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COMOROS - ECONOMIC INDICATORS

Mid-1986 Population (mlls.) 0.407
1986 Per Capita GNP in US$ 310

July 1987

	A. Share of Gross Domestic Product (%) (from current price data)				B. Growth Rates (% per annum) (from current price data)		
	1983	1984	1985	1986	1984	1985	1986
Gross Domestic Product c.p.	100.0	100.0	100.0	100.0	4.2%	2.7%	2.1%
Agriculture	35.0	34.6	36.1	37.4	3.6%	4.8%	3.3%
Industry	14.2	15.3	14.1	12.9	7.0%	-3.9%	0.4%
(Manufacturing)	3.6	3.7	3.7	3.7	7.3%	4.5%	8.1%
Services	50.8	50.0	49.8	49.6	3.7%	3.1%	1.6%
Resource Balance	-26.2	-56.6	-38.8	-27.1	91.8%	-26.0%	-17.9%
Exports G&NFS	19.8	9.0	17.4	16.4	-30.0%	67.0%	5.1%
Imports G&NFS	46.0	65.6	56.2	43.5	48.9%	-10.6%	-10.8%
Total Expenditures	126.2	156.6	138.8	127.1	24.2%	-7.5%	-3.8%
Total Consumption	97.2	110.8	109.2	103.5	20.0%	1.4%	-3.7%
Private Consumption	68.7	82.5	79.4	75.9	26.2%	-1.2%	-3.1%
Public Consumption	28.4	28.3	29.8	27.6	4.9%	8.9%	-5.2%
Gross Domestic Investment	29.0	45.8	29.7	23.6	36.2%	-29.9%	-4.2%
Fixed Investment	26.7	33.5	26.1	20.9	6.7%	-15.5%	-4.2%
Changes in Stock	2.3	12.3	3.6	2.7	..	-68.8%	-4.2%
Gross Domestic Savings	2.8	-10.8	-9.2	-3.5	..	11.0%	66.9%
In Millions of CF (at constant 1985 prices)							
Gross Domestic Product	48083	50102	51437	52536			
Terms of Trade Adjustment	1701	-912	0	333			
Net Factor Income	-1211	-1332	-1275	-1232			
Gross Domestic Income	48573	47858	50162	51637			

C. Price Indices

Consumer Prices				
Comorian Family	84.6	94.6	100.0	108.3
Expatriates	81.9	90.7	100.0	114.0
GDP Deflator	88.4	93.7	100.0	107.1

D. Other Indicators

Growth Rates				
Population	3.3	3.3	3.3	3.3
Labor Force	..	..	..	..
GDP	..	4.2	2.7	2.1
Private Consumption	..	26.2	-1.2	-3.1
Import Elasticity				
Imports (G&NFS) / GDP	..	11.6	-4.0	-5.1

	1983-86
ICOR (period average)	15.2

	Volume Index (1985 = 100):				Value at Current Prices (millions US$)			
E. Merchandises Exports	1983	1984	1985	1986	1983	1984	1985	1986
Vanilla	97.8	14.4	100.0	140.3	9.3	1.3	10.5	15.4
Cloves	101.4	97.4	100.0	52.6	8.3	4.1	3.1	1.9
Ylang-Ylang	80.3	83.6	100.0	89.3	1.5	1.3	1.5	1.7
Coprah	105.5	75.3	100.0	4.5	0.2	0.1	0.1	.0
Others	..	..	..	..	0.2	0.1	0.6	1.0
Total Exports FOB	..	..	..	..	19.5	6.9	15.7	20.0
F. Merchandises Imports								
Food (Rice and Meat)	62.7	125.0	100.0	123.3	8.7	7.6	6.1	7.1
Petroleum Products	99.7	155.5	100.0	161.5	3.5	4.7	3.2	3.4
Others	..	..	..	..	30.1	30.1	29.3	26.9
Total Imports CIF	..	..	..	..	37.4	42.4	38.7	37.3

G. Balance of Payments	(millions US$)			
Exports GANFS	21.6	8.6	18.0	23.6
Goods (FOB)	19.5	7.0	15.7	20.0
Non-Factor Services	2.1	1.5	2.3	3.6
Imports GANFS	40.8	52.0	49.1	53.6
Goods (FOB)	37.4	42.4	38.7	37.3
Non-Factor Services	3.3	9.5	10.4	16.3
Resource Balance	-19.2	-43.4	-31.1	-30.0
Net Factor Income	-9.8	-17.8	-16.6	-14.9
(Interests)	0.2	-0.3	-1.2	-0.8
Net Current Transfers	17.9	28.5	31.3	30.5
Current Account Balance	-11.1	-32.7	-16.3	-14.4
Long-Term Loans (net)	18.5	23.1	20.4	18.6
Other Capital	-3.6	0.6	-1.6	0.6
Errors and Omissions	-1.5	1.5	5.1	1.0
Change in Reserves (- indicates increase)	-2.4	7.6	-7.6	-5.8
As shares of GDP:				
Resource Balance	-17.2	-40.3	-27.1	-18.5
Interests	0.2	-0.3	-1.0	-0.5
Current Account Balance	-9.9	-30.4	-14.2	-8.9
Memorandum Items:				
Official X-Rate (CF/ US$)	381.06	436.96	449.26	346.3
GDP (mil. US$)	111.5	107.5	114.5	162.5

" = Not available

H. Budget	Shares of GDP (%) 1983	1984	1985	1986	Annual Growth Rates 1983 - 86	1983	1984	1985	1986
Current Receipts	16.1	14.8	12.6	15.0	5.7%		1.8%	-6.5%	29.7%
Current Expenditures	32.9	31.4	32.5	31.9	9.2%		5.7%	13.5%	7.2%
Current Budget Balance	-16.7	-16.6	-19.9	-16.9	12.2%		9.9%	31.3%	-7.0%
Capital Receipts	0.0	0.0	0.0	0.0					
Capital Expenditures	16.8	21.9	18.7	13.0	0.1%		43.4%	-6.2%	-23.9%
Overall Deficit	-33.6	-38.5	-38.6	-29.9	6.1%		26.7%	10.0%	-15.2%
Grants	19.2	19.1	21.6	19.4	11.6%		10.0%	24.9%	-2.7%
External Borrowing	13.8	18.9	15.7	10.8	0.1%		51.4%	-8.8%	-25.0%
Domestic Borrowing	0.6	0.9	2.4	1.0			49.1%	207.5%	-53.7%

I. External Capital Flows, Debt and Debt Burden	Debt Outstanding & Disbursed (US$ mil.) 1983	1984	1985	1986	Debt Service (US$ mil.) 1983	1984	1985	1986
Public & Publicly Guaranteed LT	84.9	105.6	124.3	156.3	1.4	2.7	3.1	5.5
Official Creditors	84.5	105.6	124.2	156.2	1.4	2.7	3.1	5.5
Multilateral	75.5	92.7	108.5	134.7	1.3	2.6	3.0	4.9
of which IBRD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which IDA	10.2	14.1	18.7	24.2	0.1	0.1	0.1	0.1
Bilateral	8.9	12.9	15.7	21.5	.0	0.1	0.2	0.7
Private Creditors	0.4	0.2	0.1	0.2	..	..	..	..
Suppliers	..	..	..	..	..	..	..	..
Financial Markets	0.4	0.2	0.1	0.2	..	..	..	..
Non-Guaranteed LT	..	..	..	..	..	..	..	..
Total LT	84.9	105.8	124.3	156.3	1.4	2.7	3.1	5.5
Bank and IDA Ratios								
Debt Outstanding	100.0	100.0	100.0	100.0				
1. IBRD as % of total	0.0	0.0	0.0	0.0				
2. IDA as % of total	12.1	13.3	15.0	15.5				
3. IBRD + IDA as % of total	12.1	13.3	15.0	15.5				
LT Debt Service	100.0	100.0	100.0	100.0				
1. IBRD as % of total	0.0	0.0	0.0	0.0				
2. IDA as % of total	4.4	2.8	3.3	2.7				
3. IBRD + IDA as % of total	4.4	2.8	3.3	2.7				
DOD to Exports Ratios								
1. Long Term Debt/Exports	393.6	1230.8	689.9	662.4				
2. IMF Credit/Exports	..	..	..	..				
3. Short Term Debt/Exports	..	..	..	..				
4. Total Debt/Exports	393.6	1230.8	689.9	662.4				
DOD to GDP Ratios								
1. Long Term Debt/GDP	76.1	98.5	108.6	96.2				
2. IMF Credit/GDP	..	..	..	..				
3. Short Term Debt/GDP	..	..	.	..				
4. Total Debt/GDP	76.1	98.5	108.6	96.2				
Debt Service/ Exports								
1. Public & Guaranteed LT	6.3	25.0	15.0	20.0				
2. Non-Guaranteed LT	..	..	..	..				
3. Total LT Debt Service	6.3	25.0	15.0	20.0				
4. IMF Rep.+ Serv. Chgs	..	..	..	..				
5. Interests on ST Debt	..	..	..	..				
3. Total (LT)	6.3	25.0	15.0	20.0				
3. ST Debt Service/Exports	..	..	..	..				

SUMMARY AND CONCLUSIONS

i. The salient features of the Comoros can be summarized as follows: a small country made up of several islands, a young and rapidly increasing population, and high population density. Poor health conditions and extensive malnutrition are responsible for a life expectancy of only 54 years. The low level in education has resulted in a low level of economic activity, high unemployment and heavy dependence on technical assistance. The country's lack of natural resources, coupled with its remoteness and vulnerability to natural calamities and external shocks, exacerbates the difficulties facing the Government.

ii. The Comoros is one of the world's poorest countries. In spite of substantial external aid (approximately US$130 per inhabitant), per capita GDP is only about US$300.

iii. The long-term economic and financial strategy has to take into account the specific circumstances of the Comoros. One reality which must be kept in mind is that debt service absorbs a large part of the Government's resources. An attempt should, therefore, be made to mobilize more domestic resources and to cut spending wherever possible. (The expenditures directly financed by the Government are often insufficient to cover the operation of its agencies.) An effort to rehabilitate public finance and improve its management is, therefore, imperative and constitutes the key to future economic development. The Government is aware of this situation, and the 1987 budget reflects its determination to correct it. The austerity policy adopted reflects both the Government's willingness to progressively trim the deficit (from 39% of GDP in 1985 to 25% in 1987) and the reduced availability of aid from certain donors.

iv. Restoring the financial situation is vital, but this task cannot be undertaken by the Government without the help of the international community. The Comoros could not be expected to be able to function if foreign aid, which has covered between 40% and 50% of the State's current expenditures to date, were to dry up. A concerted effort must be made, therefore, to reach an agreement on the amount of this aid in the context of a multi-year program and the annual national budget. Moreover, it is difficult to halt public investments; at best they could be cut back. The solution is more rational use of the resources made available to the State and strict economic criteria to select public investment projects.

v. While it is clear that reform and austerity measures are essential for restoring the economy and finances of the Comoros, such measures are not sufficient to assure a resumption of steady economic growth. Longer-term adjustments are necessary to create the framework for sustainable economic development. The yields of traditional cash crops must be improved and steps must be taken to encourage the development of new ones. Priority must be given to food security while maximizing return from each individual plot of land. Measures need to be taken to shift consumption habits toward domestic food products. Marketing channels must be improved to ensure a better distribution of domestic products at a lower cost. Last, but not least, the Comoros' long-term goal must be export-oriented industrialization.

vi. Agriculture is the leading sector of the economy; it contributes 40% of GDP and employs about 80% of the labor force. Introduced during the French colonial period, rice has become the main food staple. Although rice cultivation occupies one third of the area devoted to food crops, domestic rice production meets only 10% of the demand, and the rest has to come from imported rice. Yields of hill-grown rice are particularly low (paddy 300 kg/ha), and its cultivation is a major cause of soil erosion. The retail price of rice includes an implicit tax that ought to deter consumption, since the consumer price is three times the world price. It is particularly important to discourage the non-economic cultivation of local rice and to improve the production of domestic food products. A more in-depth study of the problems related to pricing and marketing of food products would be advisable. At the same time, it would be desirable to continue to improve cultivation methods of traditional food crops (cassava, sweet potatoes, bananas, bread-fruit, pigeon peas, etc.) through agricultural research and specialized extension services to train farmers.

vii. The World Bank's agriculture sector report of 1984 showed that land use at present is far from optimum to maximize income for both the farmers and the country. Income per hectare from cash crops is well above that earned from subsistence crops. Therefore, the cultivation of cash crops should be encouraged. Since international demand for the traditional cash crops (ylang-ylang, vanilla, and cloves) is so sluggish that higher production does not necessarily mean higher earnings, it is particularly urgent to introduce new cash crops and to diversify agricultural production. Spices (pepper, cinnamon, cardamon) and certain Indian Ocean tropical fruits (lychees, soursops) seem to offer attractive possibilities.

viii. A good part of the population has no land, while large estates remain undeveloped. It is urgent for the Government to reach an agreement with the owners so that either the plantations be rehabilitated and modernized or the land be redistributed.

ix. The absence of adequate marketing channels (whether for agricultural or fisheries products) constitutes a major problem in the supply process. Private enterprise should be encouraged. Legislation should be introduced to define the role of marketing cooperatives and to encourage them by facilitating access to credit. In addition, Government should take measures to guarantee access to the market for newcomers and encourage direct sales by producers.

x. The Comorian economy is fragile and the prospects for growth in the next few years are limited. Crop yields are low and world demand for the traditional cash crops is sluggish. Tourism has some potential, but its development is not very encouraging due to the large investment that would be necessary and the low value added for the country. Labor-intensive export processing industry seems the most promising course in the long run. The Government needs to take steps to attract foreign investment, and the Investment Code should be revised to offer more attractive incentives to foreign investors. A promotion and publicity campaign should be undertaken, and approval procedures for new investment projects should be simplified. Still, in the immediate future (the next

five or six years), it would be unrealistic to expect these measures to have much impact on the economy, and economic growth will probably remain around 3-3.5% per year, i.e., in line with the rate of population growth.

xi. The Investment Code should be revised to make it as attractive as those of the Indian Ocean countries that have succeeded in attracting labor-intensive export industries. Approval procedures must be simplified. Promotional campaigns should be undertaken in countries facing restrictive import quotas or having industrial minorities interested in emigrating to countries able to offer them reasonable political security in exchange for new job-creating investments.

xii. Another major constraint to overcome is the weakness of the civil service. Salaries are generally low and, in the past, civil servants were often paid several months late. Such conditions are not conducive to the efficient functioning of the civil service or the motivation of staff. With nearly 8,000 employees, the State is the biggest employer. Unfortunately, a large number of civil servants are not sufficiently qualified. If competent staff are to be motivated, their salaries should be raised to a reasonable level. To do this without unduly increasing the total wage bill, the number of civil servants would have to be cut back to a degree that would be socially and politically acceptable. The Government should continue its efforts to review the individual status of its employees, simplify staff regulations, and abolish certain categories such as fixed-term, auxiliary, and volunteer staff that burden the administrative services. At the same time, a special task force of high-level Comorians could be recruited outside of ordinary channels to serve as special advisers in key ministries such as Economy and Finance, Planning, and Production. This team, supported by short-term consultants, would be provided with appropriate office equipment and qualified local support staff. In view of the Government's financial difficulties, the cost of this operation should be borne by international assistance, at least for the next few years. However, the Comorian authorities expressed their concern about the establishment of this task force: first, it might create a negative impact on Government's effort to restructure the civil service administration; and second, it might create a distinction among various classes of Comorians which would be politically difficult to accept.

xiii. Like most small island nations, the Comoros depends heavily on technical assistance. As the level of qualification of most civil servants is insufficient, foreign technicians have to be brought in. Unfortunately, the permanent technical assistance personnel is not always efficiently used. In many cases, expatriates do not have Comorian counterparts and, after a while, they tend to lose motivation and effectiveness. Therefore, technical assistance should be critically reviewed and short-term technical consultants be encouraged whenever possible.

xiv. Given the weakness of Comorian management, donors, concerned with efficiency in the short term, have often set up a parallel structure by establishing project-management units. The CEFADER/CADER structure is one example, but the same phenomenon can be found in other sectors (health, education, etc.). It would be preferable to strengthen the administrative

capacity of the Government and to improve its productivity rather than multiplying the agencies.

xv. The CEFADER/CADER system, established in 1980, performs functions that are handled by the Ministry of Agriculture in other countries. Close examination of the CEFADER/CADER organization shows that the proliferation of responsibilities assigned to it has transformed a dynamic institution into something no longer readily manageable. CEFADER/CADER manages the coconut and rural development projects financed by IDA, together with the maize project financed by EDF. It receives aid from the Caisse Centrale de Coopération Economique and from FAC, which provide some technical assistance personnel. CARE, UNICEF, FAO, and WFP finance all sorts of activities: the promotion of women, improved nutrition, soil conservation and erosion control, and smallholder credit. The multiplicity of aid sources, each with its own requirements, creates a variety of administrative and budgetary problems that hinder the smooth operation of the agricultural extension services. Therefore, activities not directly connected with the agricultural extension services should be placed under the relevant ministries and institutions, such as Health and Population, Education, and the Development Bank.

xvi. The fact that some CEFADER/CADER staff are paid directly by different aid programs or receive salary supplements from certain donors creates differences among members of the same department. This underscores the need for the various donors to coordinate their assistance within the framework of an integrated work program drawn up by the Government with assistance from main donors.

xvii. One of the critical problems facing the Comoros is the country's overdependence on external aid. External aid covers between 40% and 60% of the Government's current expenditures. Although there is no rapid solution to the problem, the Government should make considerable effort to mobilize higher domestic financial resources. Yet, foreign aid will have to continue at a high level for the next ten to fifteen years.

xviii. In the next few years, the Comorian economy will continue to depend not only on substantial financial and technical assistance, but also on the Government's willingness to improve the management of public finances. Revenues should be increased and expenditures trimmed. Efforts should be focused on mobilizing domestic resources and increasing tax receipts. Tax collection should be reinforced and the tax base correctly estimated. The reform of the General Tax Administration and the improvement of the Customs Administration are steps in the right direction, but these efforts will have to be intensified. In the short term, the following measures are necessary to increase budgetary revenues and reduce expenditures:

a. Collect the turnover tax from all taxpayers liable to it.

b. Collect the tax on profits after auditing of businesses' accounts.

c. Intensify Government's efforts to reduce smuggling and continue to improve the operation of the Customs Administration.

d. Institute a 100% tax on rice and petroleum products to capture part of the difference between the domestic price and the world price.

e. Keep the increase of personnel expenses below the inflation rate.

f. Progressively reduce technical assistance expenses as a certain number of posts held by expatriates are gradually filled by Comorian personnel.

g. As regards public enterprises, liquidate SOCOVIA and implement the rehabilitation plan prepared, with French technical assistance, for the Comorian Postal and Telecommunications Services and the Electricity and Water Corporations. In addition, improve management of public enterprises and conduct complete audit of the various enterprises, with settlement of arrears and their consolidation into long-term debts.

xix. Under those conditions, the Government's current account deficit would rise from CF 9.9 billion in 1986 to CF 10 billion in 1990, which represents a decline from 19% to 17% of GDP. The consolidated revenues of the Central Government, the governorates and the Stabilization Fund would increase by about 7% in real terms each year, from CF 8.4 billion in 1986 to CF 14 billion in 1990. Current expenditures, on the other hand, would rise by only 1% on average in real terms, from CF 18.3 billion in 1986 to CF 24 billion in 1990.

xx. At Independence, the Comoros had practically no infrastructure, and one of Government's priorities was to provide the country with the necessary infrastructure to support economic development. Availability of financing seems to have been the main criterion for project selection, and the Government felt that, given the magnitude of the needs, no well-intentioned offer should be turned down. The result today is that a number of investments are oversized or nonproductive, and that Comoros has contracted an external debt which exceeds the repayment capacity of the country. Nevertheless, the question is not to halt public investments but rather to scale them down. The solution is <u>a more rational use of resources made available to the State and strict economic criteria for selecting investment projects</u>.

xxi. Should the Government resolutely embark on export-oriented industrialization, and adopt policies to encourage cash crops diversification and to modify the population's dietary preferences, economic growth could gradually accelerate from 2.6% in 1987 to 4.5-5% by 1995. In the short term, agriculture will remain the chief sector of economic activity, and growth in that sector will continue to reflect the impact of the maize and coconut projects. In the longer term, growth in the sector will depend on the success of the agricultural diversification policy to be pursued by the Government. Given the weakness of the manufacturing sector at present, a growth rate of 9% or 10% per year over the next five years already reflects considerable efforts. Should Government adopt a strategy for attracting foreign investors and encourage

export industries, a growth rate of 10-15% per year would not then be impossible, given the present small size of the sector. Nevertheless, taking into consideration the limited growth potential of the construction industry, which is seriously affected by the slowdown of investment, and a moderate growth in the water supply and electricity sectors, industrial growth could accelerate from 4.6% in 1987 to 5% in 1995. Projected growth in tourism reflects an effort by the two hotel companies to increase the occupancy rate through promotional campaigns with travel agents in the Indian Ocean region to induce tourists traveling in the region to spend a few days in the Comoros.

xxii. The Comoros' debt service ratio is projected to increase from 20% in 1986 to about 34% by 1990. Although this ratio might not appear excessive when compared with some countries in Africa and South America, it exceeds by far the long-term repayment capacity of the Comoros. In these circumstances, alternative debt relief scenarios would have to be considered to reduce the country's debt burden.

xxiii. The balance of payments prospects for the coming years remain bleak. Global demand for the traditional products is not expected to rebound, and, barring a recovery in the market for cloves, no appreciable improvement in exports appears likely. Imports, by contrast, will continue to grow faster than exports. Taking into account the debt service requirements, it is estimated that for 1988-90 the Comoros will need about US$60-65 million per year. These funds should continue to come largely from grants and soft-term loans from bilateral and multilateral sources, and disbursements of ongoing projects. The amount of new loans to be contracted each year would be about US$25 million.

xxiv. In conclusion, the path to development is arduous and calls for sustained efforts and sacrifices from both the Comorians and the international community. It is important that a "compact" be reached between the Comorian Government and friendly countries and institutions. The austerity policy should be intensified to ensure that available resources, domestic or external, are put to the most effective use on the basis of the above reform measures which the Comorian Government undertakes to implement. It would be desirable if, in recognition of this effort, the friendly countries and institutions that responded generously to the Comoros' appeal following Independence would consider either forgiving the debt (which, after all, is rather small) or taking imaginative steps to ease the debt burden (such as long-term deposit of funds with the Central Bank, or annual budgetary subsidies in an amount equal to the debt service). In addition, the donors should undertake to provide new aid on exceptional terms (grants or quasi-grants) so as not to further increase the country's debt service burden. The development of the Comoros is a long-haul operation and today's choice of economic policies will shape the future, even if the impact of those policies does not materialize for a number of years.

I. INTRODUCTION

1.1 This is the third economic report prepared by the World Bank on the Comoros. The first, "Problems and Prospects of a Small, Island Economy" (1979) gave a general description of the country and set out the main problems facing it immediately after Independence. The second, "Current Economic Situation and Prospects" (1982) based on the conclusions of an economic mission at the end of 1980, provided a quantitative picture of the Comorian economy and its development prospects, in spite of the poor quality of the statistical data. The present report attempts to analyze the recent economic trends and to formulate the broad outlines of a development strategy, while taking into account the imperative need for the Government to adopt a policy of economic recovery and financial stability. However, its purpose is not to provide an exhaustive view of the Comoros; the reader is referred to the preceding reports for more details.

1.2 The Comoros Archipelago consists of four major islands: Grande Comore, Anjouan, Mohéli, and Mayotte. It occupies a strategic position at the North Mozambique Channel, at an equal distance from the coasts of Africa and Madagascar. Mayotte is still under French administration. In this report, all references to the Islamic Republic of the Comoros or simply to the Comoros will exclude Mayotte, unless otherwise noted.

1.3 The islands are of recent volcanic origin and are distinguished by their very rugged terrain. The peak of Kartala on Grande Comore is 2,300 m high, while Mtingui on Anjouan reaches 1,575 m. They enjoy a maritime climate and microclimates: tropical along the coast and cooler in the uplands. The heavy rainfall (more than two meters) and the fertility of the volcanic soil are responsible for the abundant and luxuriant vegetation on the islands. However, the islands are subject to the effects of frequent tropical cyclones in this part of the Indian Ocean.

1.4 The Comorian population is the product of various invasions that have swept the country in the course of the ages: African, Arab, Persian, and Malagasy. The occupation of Mayotte in 1843 marked the beginning of French colonization. Attached to Madagascar in 1908, the Comoros did not obtain the status of colony until 1946. The independence process did not really begin until 1973, with the signing of the Franco-Comoros agreement that provided for a referendum in five years. However, this process, precipitated by the unilateral proclamation of Independence in 1975, was marked by a series of political troubles that affected the country until the fall of the Soilih Government in 1978.

1.5 The adoption of the Constitution by referendum in October 1978 marked the return to political stability. Nevertheless, the scars left by the period 1975-78 have aggravated the economic difficulties with which the country has had to contend. To permit the return of Mayotte, which has remained under French administration, the Constitution of 1978 provided for a federation of the governorates of the three islands, which were virtually autonomous territorial entities. To counter the separatist

tendencies that were emerging in the island councils, and to ensure uniform national administration and equitable distribution of budgetary resources, institutional amendments were made to the constitution in 1982. The powers of the Federal Government were broadened, and the division of responsibilities between the governorates and the Federal Government was more precisely defined. The governors of the islands are no longer elected but appointed by the President of the Republic, on the proposal of the council of each island. Tax revenues are now collected by the Federal Government and the governorates receive budget allocations. Civil servants, finally, are no longer responsible to the governors but directly to the Federal Government, from which they receive their salaries.

1.6 At the time of the second report, "Current Economic Situation and Prospects", the Comoros was emerging from the political upheavals that had followed Independence. An economic recovery was under- way thanks to the normalization of bilateral relations with France and the resumption of substantial budgetary aid. Job creation and the reconstitution of the administrative services were providing a strong stimulus to domestic demand. The implementation of a number of investment projects undertaken by the previous Government was contributing appreciably to economic growth.

1.7 Some concern was expressed on the Comoros' ability to service the external debt. It was not clear whether the Government would be capable of servicing the debt contracted to finance the road projects, together with the rehabilitation and construction of the ports, when export prospects remained modest and imports continued to increase to meet the needs of the population.

1.8 The second report also noted that the Comoros would continue to depend on external financial and technical assistance for the years ahead and stressed the need for the Government to appreciably boost its tax revenues in order to cover its current expenditures.

1.9 After a brief analysis of recent economic trends (Chapter II), the present report identifies the main constraints to economic development (Chapter III). An analysis of the sources of potential growth is presented in Chapter IV. Chapter V reviews the short- and medium-term prospects for the economy, discusses their financial consequences, and makes a number of policy recommendations.

1.10 The statistical data are extremely sketchy and hardly reliable. This report has attempted to gather all available information, to process it, and make it homogeneous and coherent; but in many cases it was not possible to improve the quality of the basic data. A major effort should be undertaken by the Government and the international community to improve the quality of the statistical data and to proceed with a number of studies and surveys.

II. RECENT ECONOMIC TRENDS

A. Slowdown of Economic Growth

2.1 The 1983-86 period was marked by a slowdown of economic growth. Infrastructure investments, which had provided the main impetus for growth in the preceding years, slowed considerably toward the end of the period when some large-scale projects were completed. This had direct repercussions on GDP growth, which slackened from 4.2% in 1984 to 2.7% in 1985. Preliminary estimates indicate a GDP growth of only 2.1% in 1986.

2.2 The slowdown in infrastructure investments was reflected in a rapid decline of activity in the construction and civil works sector, whose share of GDP declined from 9.8% in 1983 to 8.3% in 1986. This reduction was offset by rising agricultural and fisheries output, which constitutes the key factor of growth. Although there are no reliable agricultural statistics, maize production is estimated to have risen from 2,700 tons in 1983 to 3,900 tons in 1986. The appreciable increase in output of some agricultural products reflects some improvement in the marketing of those products and the impact of the agricultural extension efforts supported by the EDF, CCCE and IDA projects. A similar movement is apparent in livestock and fisheries. Production of eggs and poultry has increased under the combined effect of the maize project and the poultry-farming projects financed by EDF. Fisheries production, encouraged by a Japanese project, has risen by approximately 7% per year. Though very small, the industrial sector, including water and electricity production, has increased nearly 7% per year.

2.3 Table I summarizes the trends of the principal economic aggregates over the period 1983-1986. The slowdown of GDP combined with the sluggish growth of imports meant that fewer resources were available in the economy. This led to a downturn in consumption and a considerable fall in savings from 4% of GDP in 1983 to a negative figure in 1984.

2.4 Statistics on savings, particularly private savings, are obtained as the residual of a number of aggregates whose estimates are not necessarily accurate. Table II shows some important points. First, it clearly brings out the share of foreign aid in gross domestic product. Second, it shows that the shortfall between public savings and public investment is financed essentially by foreign savings but that a part of private savings nonetheless serves to help cover that shortfall. And third, it points out the effects on the economy of the 1984 slump in vanilla prices, the accumulation of forced stocks by exporters, and the general fall in revenues, which led to lower domestic savings.

TABLE I. RESOURCE AVAILABILITY AND USE

	-----1985----- Millions of CF	% of GDP	Annual Change[1/] 1984 %	1985 %	1986 %	Annual Growth Rate 1983-86[1/] %
Agriculture	18,577	36.0	3.8	4.8	3.3	4.0
Industry, water, electricity	2,360	4.6	7.9	5.1	6.9	6.7
Construction, civil works	4,877	9.5	6.6	-7.7	-2.7	-1.5
Commerce, hotels, restaurants	13,147	25.5	5.1	3.7	3.1	4.0
Public admin.	9,442	18.4	2.7	1.9	0.7	1.8
Other services	3,034	6.0	0.6	4.7	-0.4	1.6
Gross Dom. Prod.	51,437	100.0	4.2	2.7	2.1	3.0
Resource Gap	19,966	38.8	n.a.	n.a.	n.a.	n.a.
Exports of goods and NFS	8,943	17.4	-30.0	67.2	5.1	7.0
Imports of goods and NFS	28,909	56.2	48.9	-10.6	-10.8	5.9
Total Resource Availability	71,403	138.8	24.0	-7.0	-3.8	3.5
Consumption	56,151	109.2	20.0	1.4	-3.8	5.5
Public	15,310	29.8	4.9	8.9	-5.2	2.7
Private	40,841	79.4	26.2	-1.2	-3.1	6.5
Investment	15,252	29.7	36.3	-30.0	-4.1	-3.0
GFCF	13,410	26.1	6.6	-15.5	-4.1	-4.7
Changes in stocks	1,842	3.6	438.9	-68.8	-4.2	17.3

1/ At 1985 prices.

Source: United Nations Economic Commission for Africa (UNECA), and IBRD mission.

TABLE II. MACROECONOMIC INDICATORS, 1983-1986
(in percentages of GDP)

	1983	1984	1985	1986 (Est.)
Foreign Savings				
Foreign exchange gap	-26.2	-56.6	-38.8	-27.1
Private Sector				
Gross domestic investment	7.5	21.3	8.0	7.7
Fixed capital formation	5.2	9.0	4.4	5.0
Changes in stocks	2.3	12.3	3.6	2.7
Domestic savings	19.5	5.8	10.7	13.4
Investment-savings	-12.0	15.5	-2.7	-5.7
Public Sector				
Gross fixed capital formation	21.5	24.5	21.7	15.9
National Savings	-16.6	-16.6	-19.9	-16.9
Current revenues	16.2	14.8	12.6	15.0
Current expenditures	32.8	31.4	32.5	31.9
Investment-savings	38.0	41.0	41.6	32.8
Public and Private				
Investment-savings	26.0	56.5	38.9	27.1
Memo Item				
Share of gross domestic investment financed by foreign savings	116.0	126.0	118.4	114.9

B. Balance of Payments Deficit

2.5 Except for 1984, when substantial deterioration occurred, the balance of payments situation has remained almost unchanged. The current account deficit fluctuated around 10% of GDP and was more than offset by net external capital flows. As a result, reserves increased steadily. However, this performance was less brilliant than it might appear, for the State was unable to service the external debt and accumulated a sizable amount of arrears. Table III presents a summary of the balance of payments.

2.6 Exports that fluctuate considerably with international demand. With the closing of the Malagasy market for Comorian copra following the economic recession, Comorian exports now depend on only three agricultural commodities, the international demand for which fluctuates considerably. From US$19.6 million in 1982, merchandise exports fell to US$7 million in 1984 and did not recover until 1986 with an estimate of US$20 million.

2.7 The fall in exports in 1984 reflects the collapse of vanilla exports. Under the Vanilla Agreement concluded by the chief producers and users in May 1984, the price for Comorian vanilla was set at US$69.50 per kilogram. This price, which represented a substantial increase over the

price negotiated in previous years, should have been a strong incentive for Comorian exporters. Unfortunately, this increase encouraged foreign importers to draw down their stocks and the steady appreciation of the dollar led Comorian exporters to delay their shipments in the hope of obtaining higher prices in Comorian francs. Export volume did not pick up until late 1985, when the Comorian exporters agreed, at the request of foreign importers, to give a rebate of nearly 15% on the dollar price. Vanilla exports were exceptional in 1986, when the Comorian exporters succeeded in negotiating a certain sales volume directly with the United States vanilla extractors, without going through the usual exporters. The considerable improvement in prices (which moved up from US$57.8/kg at the end of 1985 to US$70/kg at the end of 1986) and an increase in the volume exported, produced record export earnings of US$15.4 million in 1986.

2.8 Clove exports in 1983 offset the decline of vanilla exports as the result of an unusually high price for cloves and difficulties in trade relations between Madagascar and Indonesia, the leading consumer of cloves. In 1984, however, while the export volume remained at about the 1983 level, the export price dropped nearly 50% as the Malagasy cloves that had not been exported in 1983 came onto the market, and Indonesian demand slowed. The export volume held up in 1985 despite the steady fall in prices and did not begin to diminish until 1986, by which time the exporters had brought producer prices down to the prevailing world level.

TABLE III. BALANCE OF PAYMENTS SUMMARY
(Millions of US$)

	1982	1983	1984	1985	1986 (Est.)
Exports FOB	19.6	19.5	7.0	15.7	20.0
Imports FOB	-22.8	-24.3	-29.7	-25.7	-26.1
Trade balance	-3.2	-4.8	-22.7	-10.0	-6.1
Services, net	-24.7	-24.1	-38.5	-35.6	-38.7
Transfers, net	16.9	17.9	28.5	31.3	28.4
Current balance	11.1	-11.1	-32.7	-14.3	-16.5
Med. and long-term capital	16.2	18.5	23.1	20.5	18.6
Other capital 1/	-0.3	-5.0	2.1	1.4	1.7
Changes in reserves	-4.9	-2.4	7.6	-7.6	-3.8
Memo item					
Current account balance as percentage of GDP	-10.1%	-9.9%	-30.4%	-12.5%	-10.2%
Debt service ratio	3.7%	5.8%	25.0%	15.4%	19.7%

1/ Including errors and omissions.

Source: Central Bank and IBRD mission estimates.

2.9 Ylang-ylang exports, on the other hand, fluctuated little during the period. Output also remained largely static and adjusted to the depressed price level.

2.10 Imports greatly exceed exports. It is difficult to detect a trend in imports as different factors play an important role in determining the level of imports: export performance, availability of foreign aid, nature of investments in progress, population growth, the need to renew stocks, and the minimum volume of products that can be ordered because many goods can be imported only by ship and it is unfeasible and inefficient to charter a vessel for very small quantities. The available data at the time of the mission on the composition of imports only cover about a third of all imports. They nevertheless show a considerable increase in cement imports from 1981 to 1984 followed by a slackening when the civil works program slowed. The volume of rice and petroleum imports reflects various shipment arrivals and does not represent economic trends.

2.11 The balance of services in the Comoros is usually negative and strongly influenced by the cost of transport and insurance, which is extremely high (over 40% of the FOB value of imports), because of the relative isolation of the archipelago, the absence of a deepwater port in Moroni and the need to unload merchant vessels offshore with the aid of dhows. Even disregarding 1984, a year in which exports collapsed and imports reached a new record, the deficit on the goods and services balance is considerable (30% of GDP on average from 1982 to 1986).

2.12 Between 1982 and 1985 net transfers doubled, reflecting the considerable increase in foreign technical assistance since 1983 as well as remittances from expatriate Comorians helping their families who were affected by the vanilla slump in 1984. The size of the net transfers helps to keep the current account deficit lower than that of the goods and services balance. The current account deficit is nevertheless considerable and has had to be financed by sizable drawings on loans obtained abroad. These drawings gathered momentum from 1982 to 1984 with the implementation of the road investment program and the construction of the port of Mutsamudu, then tapered off from 1984 to 1986 as the roads program drew to an end.

2.13 Rapid growth of external borrowings. External borrowings have increased rapidly in recent years, as a consequence of the surge in investment outlays. The total debt, outstanding and disbursed, rose from US$68 million in 1982 to US$156 million at the end of 1986 (96% of GDP). The undisbursed amount (US$48 million) can be expected to be drawn down rapidly over the next three years. Among the multilateral development aid agencies, the African Development Bank emerges as the largest creditor, with 20% of the current debt. IDA ranks second with 15%, followed by BADEA (12%). The two largest bilateral creditors are the Kuwait Fund and the Saudi Fund, which hold 15% and 14% of the total debt, respectively. The Caisse Centrale de Coopération Economique (CCCE) ranks third with 10% of the debt. The financial institutions of the Arab countries hold nearly 51% of the outstanding debt (Statistical Annex, Tables 4.1 and 4.2).

2.14 Although most of the external loans are on concessional terms, Comoros has experienced serious problems in servicing its debt obligation and the Government is now accumulating arrears on payments. The majority of the loans are long-term, with maturities of 15 to 50 years and interest below 2%. The loans with the hardest terms are from the CCCE for public enterprises (14 years maturity with 5-year grace period and 5% interest), and a loan from the African Development Bank for the financing of the port of Mutsamudu (16 years maturity with 4-year grace period and 7% interest). The debt service obligations rose steadily from US$0.9 million in 1982 to US$5.5 million in 1986, representing about 20% of total export earnings. The service on the debt contracted for the port of Mutsamudu alone amounts to US$1.3 million, or nearly 5% of export earnings.

2.15 The financial situation has become critical and Government has not been able to meet its debt service obligations. Estimates of accumulated arrears have increased from US$0.9 million in 1984 to US$2.6 million in 1986. In addition, arrears on postal transactions accumulated during the period 1982-86 are about US$2.5 million.

C. Public Finance Deficit

2.16 The size of the deficit continues to be the central feature of the public finances. This deficit grew from 26% of GDP in 1982 to almost 39% in 1985 (compared to 13% and 6% for Mauritius during the same period). It was only in 1986 that the Government has deliberately pursued a policy of austerity. According to the preliminary estimates, the overall deficit was reduced to around 30% of GDP in 1986. This deficit has been practically entirely financed by external aid, which is equal to about twice the State's capital expenditures. The figures presented in this section (see Table IV) are slightly different from those to which Comorian authorities are generally accustomed, because the analysis relates to the consolidated data for the finances of the Federal Government,[1] the governorates and the foreign aid programs. The accounts of the General Tax Administration, the Stabilization Fund, the Retirement Fund and the Chamber of Commerce have also been consolidated.

2.17 Tax receipts remain small in relation to GDP (between 11% and 13% of GDP, compared to 22% for Mauritius and 14% for Madagascar) and are derived essentially from indirect taxes on external trade. Direct taxes only account for a small portion of tax revenues (9% in 1984 and 13% in 1985). Import duties represent about 55%, and export duties 20%, of taxes collected. The dependence of Government revenues on duties on foreign trade stems from the general weakness of the economy, the small number of taxpayers and the prevalence of tax evasion. As an example, in 1985 fewer than 12,850 taxpayers paid income tax. Tax collection rates are extremely low. According to the data furnished to the mission on the basis of information contained in AGI (General Tax Administration) files, the amounts actually collected in 1985 represented 24% of the tax base established for the income tax, about 50% of the profits tax base and 35% of the turnover tax base.

1/ Since 1986, the national budget has also consolidated financial operations involving external aid, but considers the grants and loans used to finance them as receipts.

2.18 Tax administration is weak because of lack of qualified personnel, inadequate equipment, and lack of authority for tax administration personnel to enact the law or to perform the necessary verifications.

2.19 The Government has recently taken important measures to upgrade the operations of the tax administration. The General Tax Administration, which was created in 1981 to standardize tax collection and make it more equitable throughout the various islands, has now been abolished and replaced by an Office of Taxes and Land Registry (Direction des Impôts et du Cadastre) under the direct authority of the Minister of Finance to ensure effective implementation of the tax system. The Government has also appointed an expatriate to head the Customs Administration to minimize the many pressures to which a national at that level can be subjected.

2.20 The means available are nevertheless still quite insufficient. The Office of Taxes has no computer and its staff, which is too small, often lacks sufficient training to carry out the required verifications. The Customs Administration does not have the vehicles or means of communication needed to intercept smugglers who traffick with the neighboring islands. The talks on collaboration in the prevention of evasion and smuggling being held with neighboring countries are expected to lead to an agreement that will make it possible to reduce evasion in a good number of cases by stopping it at its source.

TABLE IV. PUBLIC FINANCES: CONSOLIDATED DATA[1/]
(CF billions)

	1982	1983	1984	1985	1986 (Prel.)	1987 (Budg.)	1987 (Est.)
Current receipts	4.80	6.86	6.95	6.50	8.43	10.52	9.01
Tax revenues	4.11	5.24	5.73	5.72	7.09	8.98	7.66
Non-tax revenues	0.69	1.62	1.22	0.78	1.34	1.54	1.35
Current expenditure	10.40	13.95	14.75	16.74	17.96	19.99	19.99
Budgetary	5.51	7.71	7.81	9.21	10.19	11.69	11.69
Extrabudgetary	4.89	6.24	6.94	7.53	7.77	8.30	8.30
Current deficit	5.60	7.09	7.80	10.24	9.53	9.47	10.98
Investment expenditure	4.41	7.17	10.26	9.63	7.33	4.64	4.65
Budgetary	0.07	0.57	0.84	0.56	0.63	0.77	0.78
Extrabudgetary	4.34	6.60	9.42	9.07	6.70	3.87	3.87
Overall deficit	10.01	14.26	18.06	19.87	16.86	14.11	15.62
External financing	10.05	14.04	17.86	19.32	17.00	13.22	13.22
Grants	5.93	8.17	8.99	11.23	10.93	11.20	11.20
Loans	4.12	5.86	8.87	8.09	6.07	2.02	2.02
Domestic financing	-0.04	0.27	0.40	1.23	0.57	1.38	2.91
Banks	-0.32	-0.05	0.32	0.53	0.15	0.22	0.22
Other	0.28	0.31	0.08	0.69	0.42	0.16	2.67
Memo Item							
Current deficit as % of GDP	14.8	16.7	16.6	19.9	16.9	16.8	19.5
Total deficit as % of GDP	26.4	33.5	38.5	38.6	30.0	25.0	27.8

1/ Federal Government, governorates, Stabilization Fund, Retirement Fund, General Tax Administration, Chamber of Commerce, and expenditures of the external aid agencies.

2.21 The figures on non-tax receipts reflect a settlement of reciprocal debts between enterprises in 1983 and 1984, sales of gold confiscated by customs in 1984 and the transfer of the profits of certain enterprises in 1985 (ONICOR and SCH).

2.22 The Government has recently taken a number of measures to improve the functioning of the customs administration. A convention was signed on May 29, 1987 with France to reduce smuggling with neighboring islands, although the official implementation of the convention remains to be defined. The Government has also changed the procedure for temporary

duty-free admission of some imports, and established a bonded warehouse system. A computerized management information system is being implemented and the introduction of the customs acquittal will ensure that all merchandise coming into the country has appropriate customs clearance.

2.23 Current expenditures (budgetary and extrabudgetary) exceed current Government revenues; nevertheless their growth in the period 1982-86 was slightly below that of revenues. The rise in current expenditure derives basically from the higher personnel costs resulting from a continuous increase in the number of Government employees and the steady expansion of technical assistance. Wages and salaries more than doubled from 1982 to 1986, reflecting the growing number of civil servants and grade creep, since the pay scale remained unchanged throughout the period. Procurement of goods and services almost doubled in nominal terms between 1982 and 1986. The relatively low increase in current budgetary outlays for goods and services (23% in real terms) was due to the fact that an ever-growing proportion of such purchases was financed by foreign aid. The rise in interest payments was particularly steep, since they tripled over 1982-86, whereas transfer payments rose by only 10% in nominal terms, actually a decline of 15% in real terms.

2.24 From 1982 to 1985 spending on education rose from 19% to 22% of total expenditures, while spending on health and agriculture dropped from 12% to 11% and from 14% to 11% of total expenditure, respectively. The proportion of education financed by foreign aid remained virtually unchanged, while domestic resources covered a larger part of expenditure on health, providing 25% of the funds in 1985 as compared with approximately 7% in 1982. By contrast, foreign aid financed a growing proportion of current expenditures on agriculture (86% in 1985 versus 62% in 1982), thus reflecting the participation of the various donors in the operation of the CADER/CEFADER system.

2.25 Investment outlays are essentially financed outside the budget through foreign aid programs. The Government's contribution, while often symbolic, has nevertheless increased, rising from less than 2% in 1982 to nearly 9% in 1986. This contribution often takes the form of provision of sites, construction of buildings or execution of small public works by local enterprises.

2.26 The overall deficit during the period was financed almost entirely by external aid; domestic financing covered only 3% of the total. French budgetary aid, Stabex and the sale of multilateral and bilateral food aid accounted for more than 55% of this external financing. The remaining 45% was financed with the help of loans and credits on moderate terms, even though they appear excessive in relation to the Comorian situation. Domestic financing was accomplished through borrowings from the Central Bank, but also by allowing payments of arrears to accumulate and mobilizing deposit accounts with the Treasury. Government employees were paid as much as two to four months late and often with cash vouchers which the Treasury could only honor after considerable delay. The issuance of these vouchers in fact created a parallel currency worth less than the official currency and which the public has tended to use where possible for payment of taxes. Recently, the situation has improved and since May 1987 salaries have been paid on time.

2.27 Furthermore, the Government has recently established a national commission to survey all domestic debt as a first step toward restoring liquidity. The commission has nearly completed its work and studies are under-way on how this debt should be consolidated.

D. Public Enterprise Management[2]

2.28 Public enterprises are a cause for concern, although some progress has been made. Their legal and institutional framework has been defined and the legal status of a number of them has now been clarified. The fact remains that they continue to suffer from an inadequate administrative structure and a lack of managerial staff.

2.29 All public enterprises[3] now submit their balance sheets to the unit responsible for public enterprises at the Ministry of Finance. The balance sheets have been consolidated in Table V:

2/ For more details on the condition of the enterprises, the reader is referred to working papers prepared by consultants for the mission, which are available upon request.

3/ Société Comorienne des Hydrocarbures (SCH), Office des Postes et Télécommunications (OPT), Société comorienne d'importation des Viandes et des produits alimentaires (SOCOVIA), Eau et Electricité des Comores, Comotel, Office National pour l'Importation et la Commercialisation du Riz (ONICOR), Société Nationale des Transports Aériens (SNTA), Aéroport, Société des Tabacs et Allumettes (STAC), Société Nationale d'Imprimerie (SNI), Al Watwani (weekly newspaper)

TABLE V. PUBLIC ENTERPRISES: CONSOLIDATED DATA[1/]
(Millions of CF)

	1983	1984	1985	1986 (Est.)
Net operating income	1,130.0	-27.8	847.9	1,109.4
Grants received	630.6	806.4	479.1	616.2
Net external borrowing	1,171.8	1,454.4	1,657.2	1,165.5
Net domestic borrowing	79.3	624.9	-232.5	-296.1
Total available resources	3,011.7	2,857.9	2,751.7	2,595.0
Applications:				
Investments	2,723.7	2,507.6	2,311.1	2,100.0
Technical assistance	288.0	350.3	440.6	495.0
Memo items				
Taxes paid	898.1	1,608.4	1,378.0	1,162.0
Subsidies received	34.0	40.0	110.9	10.0

1/ Includes only non-financial public enterprises.

Source: Statistical Annex, Table 5.5.

2.30 Three enterprises generally generate sizable profits: Société Comorienne des Hydrocarbures (SCH), Société des Tabacs et Allumettes (STAC) and Office National pour l'Importation et la Commercialisation du Riz (ONICOR). With cereal prices falling on the world market, ONICOR posted a surplus of CF995 million in 1986 as compared with CF550 million in 1985. Although no accounting data are available for SCH in 1986, the surplus resulting from the decline of oil prices on world markets can be estimated at roughly CF2 billion. STAC's earnings are more modest but could be increased considerably if smuggling from Mayotte were reduced.

2.31 Two enterprises are consistently in deficit: Office des Postes et Télécommunications (OPT) and Comotel. OPT has faced severe financial difficulties due to unplanned personnel increases, arrears owed by the State and other public enterprises, and the sizable postal debt. A study financed by the Caisse Centrale de Coopération Economique proposes a rehabilitation plan. Comotel's deficit is essentially the result of the low hotel occupancy rates (less than 30%); to break even it needs an occupancy rate of at least 80%. Combined with investments financed with external aid, this gives rise to a sizable deficit and payment arrears that are ultimately assumed by the State.

2.32 A significant effort has been made in the management of Electricité et Eaux des Comores (the electric power and water utility), and the firm implementation of cutting off electricity users who do not pay has proved to be an effective solution. SNTA (air transport) maintains its precarious financial equilibrium only because it uses expatriate technical assistance personnel paid directly by foreign aid. The Government has recently liquidated SONATRAM (maritime transport), and

it would be desirable if the same were to be done with SOCOVIA (the meat import company).

2.33 The problem of reciprocal debts between the State and the enterprises continues to affect the cash flow of all the enterprises, even though some steps have already been taken. Therefore, a complete audit of the situation should be made and the accounts settled. There is no reason for the Comorian Government to assume the entire costs alone. Certain arrears should be converted into long-term debt and the main donors should make a financial contribution to this rehabilitation effort.

E. Currency and Prices

2.34 It is difficult to discern a trend in the monetary situation. Since December 1981, various developments have seriously disturbed the equilibrium of the monetary situation: the liquidation of CREDICOM, the closure of the Commercial Bank of the Comoros and its replacement by the International Bank of the Comoros (1981), the creation of the Development Bank, and the collapse of vanilla exports in 1984.

2.35 The money supply grew by 75% from December 1981 to December 1985, more than twice as fast as the GDP growth at current prices. This increase essentially resulted from the rise in net external assets, which more than doubled during the same period. The increase in credit to the economy during the period was fairly small following the drop in 1985. This drop essentially reflected decreased activity on the part of the Commercial Bank in financing the vanilla harvest and the improvement in the cash flow of ONICOR, which was able to repay the rice-import credit in full by the end of the year. Net claims on the State rose as deposits by the State with the banking system diminished and the amount of Central Bank advances increased steadily.

2.36 The figures for the first nine months of 1986 confirm the movement begun in the course of 1985 and reflect the Government's stabilization efforts. The decrease in the availability of credit is largely due to the continuous improvement in ONICOR's and SCH's cash flow and the fact that some vanilla exporters turned to foreign financing. Rising reserves reflect the improved performance of vanilla exports.

2.37 Price changes were relatively moderate during the period, according to the various indicators available. Interest rates for term deposits and savings accounts are commensurate with the inflation rate. Rediscount rates, on the other hand, are lower, while the real rates charged by the Commercial Bank are positive as a result of the substantial margin (4 to 10 points) charged by the latter to cover its costs.

2.38 The Comoros subscribes to the franc zone and consequently the Comorian franc is directly pegged to the French franc (FF1 = CF50). This limits the choice of monetary policies. In fact, adjustments of the exchange rate cannot be made independently of the exchange rate of the other members in the zone. In this context, discipline in the management of public finances becomes a critical factor. According to a recent study by the International Monetary Fund, the Comoros' effective exchange rate appreciated by 30% from 1980 to 1987. This mainly reflects the

fluctuations of the U.S. dollar in relation to European currencies and particularly the French franc, to which the Comorian franc is tied. Given the weakness of the industrial sector, recent exchange-rate movements have hardly had any impact on short-term prospects for exports of industrial products, but over the longer term such movements could have adverse effects, especially if an industrialization policy is embarked upon. The only short-term problem is the producer price for vanilla, which might make exporting vanilla unprofitable for exporters, but a lower price would have a negative impact on production.

2.39 Recent trends. The trends registered in 1986 seem to have continued in 1987 and the deterioration may have accelerated due to external factors. Capital outlays are likely to be considerably reduced because Government has decided to reduce investment expenditures, but also because delays in debt servicing have a negative impact on the clearing of outstanding loans. Furthermore, the appreciation of the Comorian franc vis-à-vis the US dollar will tend to reduce the export earnings expressed in Comorian francs and will have a negative impact on budgetary revenues. The decline in the income of vanilla producers hit by the decline of producer prices will further reduce domestic demand and further depress the overall economic activity.

III. BACKGROUND TO THE CHALLENGE FACING THE COMOROS

A. A Small Country

3.1 With an area of 1,860 km^2 and a population[1] estimated at 425,000 in 1987, the Comoros is a small country in the Indian Ocean. The fact that its territory is spread over three islands exacerbates the problems common to all small countries. Each island has its own characteristics and traditions, and the issue of bringing the country out of isolation has both a domestic and an international dimension.

B. High Population Density

3.2 With 288 inhabitants per km^2, Comoros is one of the most densely populated countries in Africa after Mauritius, Réunion, the Seychelles and Rwanda. The population density varies from one island to another: 405 inhabitants per km^2 on Anjouan, 197 per km^2 on Grande Comore and 91 per km^2 on Mohéli.

C. High Population Growth

3.3 According to the 1980 census, the annual population growth rate is 3.3%, one of the highest in the world. At this rate, the population is doubling every 20 years, and demographic pressure, already very high, is rapidly becoming unbearable. Although about 100,000 Comorians are living outside the country, current opportunities for emigration are quite limited. Inter-island migration, from Anjouan to Mohéli or Grande Comore, seems difficult due to the marked differences in tradition. Emigration to France, where many Comorian expatriates live, is now far less easy than before, whether directly or via Mayotte, as has been the case since Independence. The traditional emigration to neighboring countries (Madagascar, Tanzania) is no longer possible, given the economic problems these countries face and due to the incidents that have occurred (emergency repatriation of 18,000 Comorians living in Majunga in 1977).

D. A Young Population

3.4 Comoros has a young population with an average age of 22.8 years. The age pyramid is very flat: 47% of the population is under age 15 and 57% under age 20. This young population constitutes a heavy burden for the Government in terms of provision of education and health facilities, as well as requirements for investments, employment opportunities and demand for foodstuffs.

E. Poor Health Status

3.5 The very high birth rate (46/1,000) is offset by a mortality rate (16/1,000) that is also very high. The infant mortality rate is one of the

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1/ The population of each island, according to the 1980 census, has been projected at its own historical growth rate.

highest in the world (122/1,000). Health is generally poor: malaria is endemic and affects about 80% of the population. Malnutrition is common: calorie intake which differs from one island to another averages only 1,754 calories per day. These health problems are reflected in a life expectancy at birth of less than 54 years.

F. Low Education Level

3.6 Illiteracy is high with almost half of the population being illiterate. School enrollment rates[2] are also very low: 17.5% for males and 12.1% for females. Only 38% of children aged six to 14 years are in school, and their attendance is often irregular or made difficult by the long distances they have to walk to school.

G. High Unemployment

3.7 The vast majority of Comorians live in rural areas in a subsistence economy. The rate of participation in the active labor force is relatively low, although underestimated. According to the 1980 census figures, less than 80% of the population over the age of 12 is employed. Unemployment is especially high in urban areas and among young people (30% of those between ages 15 and 19 and 19% of those between ages 20 and 24). Only 43% of men and 24% of women are considered to be full members of the active labor force: every 100 economically active persons in 1980 were estimated to be supporting 237 persons who were not employed, as against 183 in 1966.

H. Heavy Dependence on Technical Assistance

3.8 Despite its high unemployment rate, the Comoros, like many small island countries, is heavily dependent on foreign technical assistance. The country's small size means two things: first, a full range of qualifications is not available in all disciplines; and second, when there is a supply of individuals qualified in a particular discipline, the scarcity of career development opportunities at home drives them overseas in search of better prospects. The outcome in practice is that the Comoros is forced to rely on the services of a large number of expatriate technicians, while numerous qualified nationals remain abroad. The ratio of expatriates or technical assistance personnel working in the Comorian Government is particularly high.

I. Lack of Natural Resources

3.9 At present, the country is not known to possess any mineral deposits. Energy resources, other than geothermal energy, are limited; there are no petroleum deposits. The sole resources are the forests and vegetal wastes. Solutions that would tap the potential of the archipelago's active volcanoes exceed by far both the financial capacity of the Comoros and its energy needs.

2/ Gross rates: school population over total population.

J. Rapid Soil Erosion

3.10 Population pressure is extreme, particularly on Anjouan. Steep hillside areas have gradually been cleared to make room for crops. Even slopes with gradients of over 30% are cultivated. In the absence of plant cover, the arable soil is being progressively washed out to the sea, to such an extent that after the rain the coasts are ringed with mud, which is slowly silting up the mouths of the rivers. The soil is no longer able to retain moisture and is becoming progressively drier, while streams are drying up and the volume of water in the rivers is decreasing. Reforestation and erosion control are Government priorities, for which assistance is being received from CARE and IDA.

K. Isolation

3.11 Like other island nations in the Indian Ocean, the Comoros is remote from major world markets, a factor that reduces its development potential. The archipelago is approximately 9,000 km from Europe, 16,000 km from the United States, 9,000 km from Australia, and 10,000 km from Japan. It also lies away from the principal shipping routes, which makes transportation costs particularly high. The Comoros can only alleviate this handicap by keeping wage costs lower than in the countries with which it competes.

L. Vulnerability to External Shocks

3.12 Like all small countries, and tropical islands in particular, the Comoros exports a limited number of agricultural products and imports almost all the consumer goods, petroleum products, and raw materials. Its imports are therefore particularly sensitive to external crises and to the deterioration of the terms of trade.

M. Inadequate Infrastructure

3.13 It was not until the late 1960s that the Government began building a network of all-weather roads. Upon Independence, the country had only 250 km of paved roads and 400 km of earth roads. The road program was funded mostly with external financial assistance. The ring roads on each of the three islands are now almost completed, although feeder roads to the interior are still lacking and many regions remain isolated.

3.14 The very steep terrain, abrupt slopes, and volcanic rock formations furrowed with gullies by the tropical rains, make road building and maintenance very costly. Roads have to be surfaced to prevent heavy gullying; but costly structures can be avoided by incorporating roads with steep gradients. As the tropical rains tend to wash roads away, adequate drainage is essential. Roads and feeder tracks generally get damaged during the wet season and annual repairs are substantial.

3.15 Up until a few years ago, the country had no deepwater port and supplies have been brought in through either transshipment to smaller vessels in neighboring countries or unloading offshore into dhows. With external financing, the Government has just completed a port on Anjouan which should be fully operative in the very near future. This port will

provide a point where cargo for the other two islands can be transshipped. In Moroni, cargo continues to be offloaded in high sea, while Mohéli can be supplied only by means of dhows or small flat-bottomed boats that can be beached at low tide.

3.16 Long-distance sea transport to and from the Comoros is provided by the 16,000-ton ships of the Capricorn consortium which call at the islands about twelve times a year. Rice is brought in by ships of 12,000-25,000 tons from Pakistan or Thailand for both Comoros and Mauritius. Regional service in the Indian Ocean is provided by small coasters of 1,000-2,000 tons. At present, inter-island traffic is provided by the only coaster, Noumachoua (180 tons) which requires major repairs. The other coaster, Kamar al Kuweit (250 tons), which sunk in the port of Mutsamudu on April 6, 1987 cannot be salvaged. In addition, nine motor-powered dhows and four sailing dhows with about 20-50 tons of cargo capacity each, provide transport between the islands.

3.17 Telecommunications facilities in the Comoros are unreliable. Although intra- and inter-island communications have been improved thanks to CCCE loans, service with the rest of the world is very unsatisfactory. The Republic is linked to France by an electromechanical system, in service only for a few hours per day with very patchy transmission quality. As a result, communication even with neighboring countries is often poor and may involve long delays, a major obstacle to any development effort of regional and international trade.

3.18 The Islamic Republic of Comoros has an international airport, but with inadequate ground installations and only minimal radio-navigation system. There are no facilities for the warehousing and handling of air cargo. Anjouan and Mohéli have only short airstrips with very minimal ground installations and no firefighting or air navigation equipment.

IV. SOURCES OF POTENTIAL GROWTH

4.1 This chapter reviews the prospects of the Comoros in the medium term and the extent that agriculture, industry and tourism could contribute to economic growth and employment generation over the coming years.

A. Agriculture

4.2 Agriculture is the most important sector of the economy. It accounts for over 40% of GDP, generates almost all export earnings and provides employment for about 80% of the labor force. It consists mainly of production of foodstuffs for domestic consumption and traditional cash crops for exports. Only a small proportion of food crops is marketed, the rest is for personal consumption. The cash crops require only seasonal labor.

4.3 Although no reliable statistics are available, the agriculture sector is estimated to have grown at an annual average rate of 4% over the last three years. Any development in the sector would depend on improving the farming techniques for both cash and food crops, and on diversification to develop high-value export crops.

4.4 Arable land is scarce in the Comoros. According to a 1971 study by the Tropical Agriculture Research Institute, only 58% of the land area of the islands is suitable for agriculture (60% on Grande Comore and Mohéli, and less than 50% on Anjouan). Given the steep slopes, the rugged terrain and the thin layer of arable soil, 80% of this land is better suited to tree and shrub cultivation, which leaves no more than 17,000 ha usable for food crops. Some 34,000 ha could be brought under cultivation if extensive improvement work is first carried out.

4.5 The scarcity of land results in its being intensively exploited, and the dominance of food crops which cover respectively 98% of land cultivated in Grande Comore, 91% in Anjouan, and 96% in Mohéli. By far the most important food crops produced are those dependant on tree-shade cover (43% in Grande Comore, 57% in Anjouan, and 59% in Mohéli).

4.6 Recent trends indicate an increase of food crops cultivated in tree-shaded areas, and a decline in forestry in favor of food crop cultivation. Over the last ten years, forested areas have declined by 73% in Anjouan, 53% in Mohéli and 36% in Grande Comore.

4.7 The areas under cultivation equal or exceed the land with agricultural potential, including land of marginal value according to TARI classification. To prevent further use of marginal value land, higher yields will have to be achieved, otherwise deforestation will increase further.

(1) Inappropriate land tenure system and many landless farmers

4.8 There are four types of land tenure: Government landholdings (33% of all land in the Comoros, mostly forests); large estates (17%), whose

uncertain future precludes rational and intensive cultivation; land held by individuals, which can vary anywhere from 1 to 500 ha; and the "magnahoulies" which remain undivided in the family and are traditionally inherited by women. Many Comorians own no land, and have to work as sharecroppers or farm laborers. The Government should act urgently to reach an agreement with the foreign corporations which own the large estates. The agreement could take place in the framework of a general land titling and registration campaign.

(2) Poor crop yields

4.9 A wide range of crops is grown in the Comoros: tubers (cassava, yams and taro); upland rice is the major cereal, followed by maize (often in mixed-crop systems); varieties of pea known as pois du Cap, the cajan pea (ambrevade) and the mung bean (ambérique); banana, coconut and breadfruit trees are widespread while numerous fruit trees grow spontaneously.

4.10 Yields are poor, as a result of the rudimentary farming techniques employed. Fertilizers and pesticides are not applied. The use of selected seed is almost unknown (with the possible exception of the maize project), and there is no program for improving vegetal stock. The soil is commonly tilled by hand using a traditional stick hoe. After a period of interruption, agronomic research has been taken up again since 1983 with a view to developing new selected species for coconut, maize, and vegetables (tomatoes, potatoes, beans, saladstuff, etc). Agricultural investment is very limited because the current land-tenure system does not give farmers enough incentive to undertake modest irrigation or terracing schemes or to plant shrubs or trees to stop soil erosion.

(3) Cash crops for which world demand is diminishing

4.11 Cash crops, such as ylang-ylang, vanilla, cloves and coconuts occupy about 40,000 ha. Cloves are grown on each of the three islands. Ylang-ylang trees can survive on steep slopes and adjust to poor soils; in 1980, 1.2 million of them covered almost 2,900 ha, but the slump in sales of the essence and the high cost of distilling it have led to a deterioration of the plantations and in many cases trees have been uprooted to make room for food crops, such as rice, maize or bananas. The good market conditions prevailing for cloves over the last few years resulted in an expansion of clove plantations, especially on Anjouan, which currently produces 70% of all Comorian cloves; however, the recent fall in world prices has now affected producer prices and resulted in a decline in export volume. With 5 million vanilla vines occupying a total of 2,500 ha, the Comoros could easily double its output if market conditions were right. However, given the limited world market (of which Comoros shares approximately 15%), increased vanilla production would only lead to the accumulation of surplus stocks or falling prices. Efforts should therefore be concentrated on improving quality and productivity. This would be done through a price/quality incentive system in order to motivate producers to increase the quality of vanilla. Coconut plantations occupy about 30,000 ha and produce about 75 million nuts. However, since nearly 25% of the output is destroyed by rats, the number of nuts available for local consumption or export is no more than 57 million. The growing local demand and higher

copra production costs combined with the loss of the Malagasy market have led to a virtual cessation of exports. While coconut production is expected to increase in the future, it is not clear that there would be an export market available.

(4) Food security

4.12 Increasing and diversifying primary production to reach food self-sufficiency and reducing the balance of payments deficit has replaced the objective of food self-sufficiency of the Soilih Government. A study by the Bureau pour le Développement de la Production Agricole (BDPA) demonstrated that in order to provide each inhabitant with a daily food intake of 2,100 calories by the year 2,000 (compared to the current daily figure of 1,700 calories), it would be necessary, given the rate of population growth, to increase available supplies two and a half times. The same study indicated that, at best, it might be possible to double food production, which would still leave a deficit of roughly 80,000 tons of rice-equivalent per annum. The Government has now abandoned the goal of food self-sufficiency as unattainable in the near future, but has become aware of the need to ensure food security and is therefore elaborating an integrated agricultural development strategy aimed at maximizing the return from every available piece of land.

4.13 The Agriculture Sector Report (4368-COM), issued by the World Bank in 1984, gave comparative figures on the potential revenue obtainable per hectare from specific crops. Cash crops were identified as the major potential source of revenue, with food crops lagging a long way behind. This study suggested that it would be preferable to import foodstuffs, and pay for them by increasing exports. This recommendation is even more valid at the present time, when grain prices on the world market have fallen by nearly half.

4.14 The success of such a policy depends on the introduction of an integrated agricultural development strategy which aims at rehabilitating cash crops and improving the productivity of traditional food crops, and also at diversifying production by introducing new crops. Although the Comoros has received significant aid since the late '70s from numerous donors, who have concentrated their efforts on specific projects, no such strategy has actually been put forward, nor has any agreement been reached on the means necessary for its implementation.

(5) Institutional reform

4.15 The CEFADER/CADER system established in 1980 performs the functions assigned to the Ministry of Agriculture in other countries. Critical examination of the CEFADER/CADER system as a whole shows that the multiplicity of activities for which it is now responsible have transformed a dynamic institution into one difficult to manage. Created by the Government, following a UNDP recommendation, to perform the functions of a Ministry of Agriculture, CEFADER/CADER runs, inter alia, the coconut project and the rural development project financed by IDA, and the maize project financed by the European Development Fund. It receives aid from CCCE and FAC, which provide technical assistance services. CARE, UNICEF, FAO and the World Food Program finance a range of activities: women's

development, nutrition training, soil conservation, erosion control, and smallholder credit. The many different aid sources, each with its own set of conditions, creates numerous administrative and budgetary problems that impede the smooth functioning of agricultural extension services. The fact that some staff are paid directly via aid programs or receive a salary supplement from certain donors creates a number of injustices and jealousies among extension personnel, which serves to underscore the need for donors to coordinate their aid within the framework of an overall strategy drawn up by the Government with assistance from the principal donors.

4.16 The Government is aware of the necessity to develop an integrated agricultural development strategy and to restructure the CEFADER/CADER system. First, efforts have been made within the Ministry of Production to define the terms of reference of the study on agriculture strategy. Second, a draft of the development strategy in the fisheries sub-sector is being examined by various departments. And third, a draft of the new organigram of CEFADER prepared with assistance from the United Nations experts is being discussed within the administration.

(6) The issue of imported rice

4.17 Rice, introduced by the French during the colonial era, now constitutes one of the major elements of the Comorian diet. According to a survey carried out in 1966 by the Bureau d'Etudes Economiques et Statistiques (BEES), consumption per capita varied from around 65 kg a year among the urban population and coastal villages to 25 kg a year in the highland villages. In 1980, average annual per capita consumption had reached approximately 72 kg. Local production, at around 2,800 tons per annum, can only meet about 10% of domestic demand, which means that about 20,000 additional tons per annum has to be imported.

4.18 Rice landed in the Comoros for US $180/ton sells on the local market at three times that price (CF165/kg). One would expect such a difference should be enough of an incentive to encourage the consumption of local products. However, quite the opposite occurs, with prices of local products (bananas, breadfruit) in urban centers tending to adjust to the price of rice.

4.19 ONICOR (Office National pour l'Importation et la Commercialisation du Riz) holds the monopoly to import rice, which it resells to wholesalers. The financial surplus generated by the agency after payment of turnover and profits tax is transferred to the Treasury to ease the Government's cash-flow problems. It would be preferable if the difference between the cost of buying rice on the international market and its local selling price were subject to a tax, the proceeds of which would be allocated through the budget, since this would then free public revenues from dependence on ONICOR's management performance. Initially, a 100% tax should be imposed, which could subsequently be amended if warranted by the study on the marketing of foodstuffs.

4.20 The situation here is a paradoxical one. Domestic rice production, the yield from which is particularly poor (0.3 to 1.2 tons/ha of paddy as against 1.5 tons/ha in Madagascar and 8 tons/ha in Asia) takes

up about 15 to 20% of the land under food crops cultivation but provides only 8% of the daily calorie intake in the islands. It would be advisable to consider measures to discourage rice-growing, which is largely responsible for the present rapid soil erosion, particularly on Anjouan, and to replace rice with other crops that are more remunerative and ecologically less harmful. However, a more detailed study of the problems arising in the pricing and marketing of rice and local food products is needed before decisions are taken to institute far-reaching measures to discourage rice production.

(7) Encouraging production and consumption of maize

4.21 With assistance from the European Development Fund, the Government launched a program to foster maize production and gradually substitute maize for rice in the national diet. The program has been quite successful and the maize production increased from 2,400 tons in 1982 to approximately 3,900 tons in 1986. So far, yields of 800 kg/ha have been obtained, but experience gained through the pilot project shows that 1,500 kg/ha (as compared to 2,250 kg/ha in Kenya) could easily be reached.

4.22 Demand for maize, in particular the green maize which is eaten broiled on the cob before it is ripe, far exceeds output. To accelerate the change in dietary habits, the Government should consider importing dry maize, possibly subsidizing the price--a feasible proposition, since maize on the cob is significantly more expensive than the dry product--so that importing the latter would not discourage domestic production, at least over the near term. However, given the fact that at present dry maize is used mostly as animal feeds, careful testing should be made to see what form of maize is best accepted in the local dietary habit (i.e., broken maize, rice maize, etc.). In fact, neither the maize project nor the maize flour imported under a WFP project has been able to sensibly modify the dietary habit of the Comorian population.

(8) Changing consumer habits and encouraging consumption of local products

4.23 It is essential to bring about the kind of change in dietary habits that will mean higher consumption of other grains available more cheaply on the world market and of alternative products native to the Comoros (cassava, breadfruit, bananas) or ones whose production can be developed locally (maize).

4.24 Development of traditional crops such as bananas, cassava and breadfruit will depend largely on improving the plant materials. Since this has been neglected up to now, better results are unlikely to be obtained for some time. Other factors, such as improving the marketing channels, are also important. A system of domestic trade and free access for farmers to markets combined with upgrading of the transportation system should improve the supply of traditional foodstuffs currently available. The initiative taken in establishing a marketing cooperative on Mohéli is a step in the right direction: a private group organizes the collection of food products and their transportation by dhow to Anjouan and Grande Comore. The Government should encourage this type of initiative, formulate a framework law for the purpose and set up a technical and financial support program.

4.25 Both Government and donors should reexamine the role of food aid programs and their effect on production. Systematic distribution of foodstuffs in lieu of wages tends to encourage consumption of those products at the expense of local goods and lower their market price.

(9) Diversifying cash crops

4.26 Various avenues should be followed in developing cash crops in the Comoros: the productivity of existing crops should be improved and rehabilitated, and new ones introduced and developed. The coconut project, with its successful development of a dwarf hybrid, is already a significant achievement. Where vanilla is concerned, however, a considerable effort to improve productivity still remains, and rejuvenation of ylang-ylang plantations is essential. A study on producer prices for traditional crops and existing collection and marketing structures could lead to recommendations for increasing both output and quality. In addition, serious thought should be given to introducing new crops such as pepper, cinnamon and cardamon, all products native to the Comoros that command attractive world prices and for which demand is increasing quicker than supply. Tropical fruits such as lychees, mangos and soursops, which bring unit prices high enough to defray the cost of air transport, should be encouraged. Finally, flowers could provide a source of foreign exchange; Mauritius, for instance, is currently earning nearly US$2 million from its exports of anthuriums.

(10) Livestock development

4.27 Although secondary to crop-growing, stockraising is not negligible in the Comoros. The 1973 livestock census indicated a population of 40,000 head of cattle, 5,700 sheep and 42,000 goats. Poultry farming has developed rapidly as a result of the increase in the availability of maize.

4.28 The Zebu cattle that make up the Comorian herd are generally small in size owing to a lack of genetic variety in breeding. The calving rate is relatively low and the mortality rate high because of parasitic infections and malnutrition. Meat and milk output figures are quite low. Average weight on the hoof is 200-250 kg, and milk production 1-2 liters per day. The situation is largely the same with the sheep and goat flocks; as they are commonly parasite-infested, with their poor diet supplemented only by crop wastes, the animals are small, below normal weight and give low yields of meat and milk.

4.29 Livestock production could be increased by improving animal health. The first step would be to set up a veterinary service to deal with the various parasites, and the second to improve the breeds by appropriate crossing. Improved pasture, forage crop development, use of forage grasses as anti-erosion aids, and provision of watering facilities would also help improve livestock nutrition and increase output of meat and milk. Such a program is being implemented through the rural development project. Small poultry-raising projects which already give positive results should be encouraged.

B. Fisheries

4.30 Fish is an important component of the Comorian diet and fishing could become a main source of revenue. At present, fishing activities by 8,000 fishermen using non-industrial methods are confined to the immediate coastal waters, so that output is well below its potential. There are approximately 3,600 fishing boats, of which less than 100 are motorized. The 50 fiberglass craft (BLC-30) supplied by the Japanese International Cooperation Agency in 1983 appear to be perfectly adapted to Comorian fishing practices, although some are not in working order for lack of spare parts. These craft enable the fishermen to go beyond the immediate coastal waters and, thus, to increase their catch.

4.31 The total catch is estimated at about 5,000 tons a year and provides some 40% of the population's animal protein needs. A large part of the rest is covered by imports, consisting of about 500 tons of frozen or dried fish and 2,000 tons of frozen meat. While coastal fishing has reached its limits, potential within a radius of 50 km around the islands seems excellent (approximately 12,000 tons annually). Accordingly, the development of fisheries should be actively promoted so as to increase production to the point where domestic demand is covered and fish takes the place of much of the meat currently imported.

4.32 Although several projects are now underway, a few were dropped from the program. Recently, the Ministry of Production has adopted a fisheries policy oriented toward the development of artisanal deep-sea fishing within the 50Km radius around the islands. Moreover, the Ministry has negotiated the regulation of an industrial deep-sea fishing in the Comorian waters with the European Community and other interested countries. For the short term, the main concern should be to increase output for domestic consumption by improving fishery equipment, disseminating knowledge of better techniques, and providing certain services for fishermen (e.g., access to credit for the purchase of improved equipment and parts).

4.33 Emphasis should be placed on improving preservation methods and distribution and marketing channels so that fish will still be fresh on reaching consumers. This is particularly important where sales in villages in the interior are concerned. Drying, curing or smoking are perhaps more appropriate than refrigeration, because of the lower cost and local habits. Appropriate measures should be introduced to promote and support family cooperatives, while distribution channels need to be rationalized. In numerous cases, producer prices are too low to elicit much effort from fishermen, while distribution margins are such that retail prices are high enough to deter many potential consumers. The type of cooperative system set up on Mohéli could be extended to the other two islands to assure supplies and bring market prices down.

4.34 As regards the long term, potential for industrial fishing certainly exists. The Indian Ocean is rich in tuna and attracts many foreign fishing vessels into Comorian waters when following schools of migrating fish. The difficulty lies in the size of the minimum investment required. Modern trawlers electronically equipped to locate migrating schools of fish cost between US$50 million and US$70 million, need highly-

trained crews and require large-scale logistic support, both in maintenance and preservation of the catch. This kind of potential cannot be tapped, however, until the Comoros acquires adequate cold-storage facilities, in association with foreign partners possessing the know-how and required technical expertise, and capable of organizing distribution. For the immediate future, the Government should content itself with collecting dues from foreign fishing boats in its territorial waters and negotiate agreements with neighboring countries regarding policing of the seas.

C. Tourism

4.35 The Comoros archipelago could prove highly attractive to tourists looking for something different, and thus may have as yet unexploited tourism potential. The islands provide a fascinating combination of mountain panoramas and tropical coastal scenery. Although there are few beaches, the black volcanic rocks lapped by a bright blue sea that turns emerald green closer inshore offer many striking vistas of rare beauty. Although the coastline is mostly abrupt cliffs, there are exceptional opportunities for scuba diving and spear-fishing.

4.36 The tourism sector accounts for a relatively small share in GDP, despite the increase in hotel capacity from 90 to 160 rooms when the Ylang Ylang Hotel was inaugurated in 1984. Although the number of tourist arrivals (which rose sharply in the early 1980s reaching the record number of 11,500 in 1983) dropped back to 5,350 in 1985, the number of tourists and businessmen visiting the Comoros has risen significantly. This was reflected in the number of hotel guest-nights, which rose from 16,800 in 1983 to 22,700 in 1985. Unfortunately, the room occupancy rate is still very low, at less than 30%. Comotel, a mixed corporation affiliated with the French Novotel group and in which the Comorian Government is the major shareholder, is responsible for management of the various hotels in the archipelago.

4.37 The Government recently authorized construction, on Grande Comore, of a new hotel with a capacity of 150 rooms. This hotel, built and managed by Socotel (a foreign group in which the Government has taken a 30% interest), is scheduled for completion at the end of 1987. The same corporation is also to open two new hotels on Anjouan and Mohéli, with 20 and 15 rooms respectively.

4.38 One of the main constraints to tourism development is the remoteness of the archipelago from the principal tourist departure points, namely Europe, North America, Japan and Australia. However, the Comoros is no more handicapped here than other Indian Ocean countries that have succeeded in attracting tourists from the same areas and in building up a flourishing tourism business. Therefore, the basic problem for the Comoros is to be able to offer competitive prices.

4.39 Another obstacle is the scarcity of air links. The Comoros is served once a week by flights from Europe and southern Africa. Connections with Nairobi and the other Indian Ocean islands are provided by Air Madagascar and Air Mauritius. There is also service with Dar es Salaam, although it is irregular. In view of the low seat-occupancy rates

on flights to and from Europe, it would perhaps not be advisable to encourage charter flights, since they might prompt the companies providing scheduled air service to abandon routes which are not profitable.

4.40 Investments in tourism are to be discouraged for the moment. Even if the Government refrains from any financial participation, new investments will inevitably lead to expenditure on infrastructure and additional recurrent charges which the country is in no position to finance. Unless investors are prepared to take on all infrastructure costs and recurrent charges (e.g., access roads, increased power generation capacity), the Government should be most circumspect in authorizing new ventures. Moreover, how much net value added can the tourism sector generate, since nearly everything has to be imported: building materials, furniture, alcoholic beverages, and most foodstuffs and qualified personnel.

4.41 Meanwhile, the Government should withdraw from the two hotel corporations in which it has holdings, while requiring them to undertake a major promotion campaign. An increase in occupancy rates can only be obtained by means of publicity targeted at tour operators specializing in the Indian Ocean islands. An effective campaign along these lines should help to fill the hotels.

D. Industry

4.42 The industrial sector in the Comoros is in its infancy. It contributes less than 5% of GDP and provides approximately 4,000 jobs. Some 2,000 persons work in the textile industry (ready-made garments, leather, footwear), and an additional 1,000 in the woodworking industry. Processing and packaging of cash crops, food industry (bakery, pastry-making), jewelry-making, and the production of building materials account for the rest of employment in industry.

4.43 Most industrial plants are rudimentary: stills for the distillation of ylang-ylang, kilns for drying copra and for processing vanilla. With the exception of two or three large enterprises, processing industries are generally small-scale outfits that use wood as their main energy source, thereby contributing to deforestation and soil erosion.

4.44 Despite the limited size of the domestic market, many small industrial establishments, mostly owned by young people, have flourished in recent years: bakeries, confectioneries, ice-cream makers, coffee-roasters, garages and small machine-shops, ready-to-wear garment factories, etc. The innovations of small businesses seem to come from several factors: (i) small traders' interest in diversifying; (ii) lack of employment opportunities in the Comoros; (iii) the increasing difficulty of emigrating; and (iv) the demonstration effect of success. In addition, the promotional activity of the Comoros Development Bank and enactment of the new Investment Code in 1984 have also unquestionably helped in this respect.

4.45 Nevertheless, potential is limited by the size of the domestic market and its dispersion over three islands. On the other hand, potential for attracting export-oriented industries exists, and the

Government ought to encourage this kind of activity. Monthly wages in the Comoros range from CF12,000 (US$30) to CF15,000 (US$45) and are very competitive with those paid in other countries where labor-intensive industries have been established. Comorian manpower is abundant and can easily be trained to perform repetitive tasks. The cost of energy obtained entirely from imported petroleum products is high, but could be reduced by applying appropriate pricing policy.

4.46 Even if the Comoros is to diversify its activities to labor-intensive export-oriented industries, this effort would be unlikely to yield results for several years. The experiment launched in Mauritius in 1970 when the Parliament enacted legislation on free zones did not begin to produce results until after many years with various errors and bankruptcies. In any case, Mauritius started with certain advantages: legislation on development certificates had been introduced as early as 1963, and the local market was more than twice the size of that in the Comoros. Like the Comoros, Mauritius was compelled to do something about high unemployment (20-25% of the active labor force). After reviewing the incentives offered by various countries to attract foreign investors, Mauritius deliberately chose to provide the most advantageous conditions, in the form of generous tax exemptions for foreign investors.

4.47 Most new industrial ventures were set up in association with Mauritian partners. Following this example, the Comorians, even if the extent of their participation is likely to be more modest, should be able to attract foreign partners who, in addition to their capital, will provide not only the necessary technology and know-how but also marketing channels and foreign market outlets. The Comoros should also follow the Mauritian model further by negotiating agreements with other countries in the interests of avoiding double taxation. Again as in the case of Mauritius, the Comoros, as an ACP country, has a guaranteed entry for its products into the Common Market.

4.48 The Comoros offers the same advantages and strategic position as Mauritius, a small country supported by several of the EEC nations and Persian Gulf countries. The Indian Ocean Commission, to which the Comoros belongs, can pave the way for the establishment of branches of industry already operating in other island countries which are confronted with quota problems. Furthermore, entrepreneurs in certain neighboring countries that face internal problems and political disturbances may want to diversify their activities by investing abroad. The Comorian Government could very well take advantage of this situation and attract them with appropriate incentives to come to invest in the country.

4.49 The Comorian Investment Code should be simplified. In such a small country, there seems no need to have four types of regime. The main criteria for entitlement to the advantages of the Code should be the ability of the investing enterprise to export. A procedure for appraising the benefits that would accrue from foreign investment should be developed. The Government should not have to commit itself to extensive

infrastructure works[1] just to attract in exchange a few additional jobs or a little more foreign exchange. The benefits obtainable need to be far more than that. Generally speaking, approval procedures should be streamlined. The three-month period specified in the Code is much too long and the overly complicated procedures could well put an investor off before he has even begun making his investment. The approval procedure is currently too long and requires the signature of the President of the Republic. As a result, over 100 applications are currently awaiting approval. The benefits allowed under the Code should be as generous as possible and the Government would do well to draw some inspiration from the legislation currently in effect in Mauritius.

4.50 After amending the Code to the point where it is at least as generous as those in effect in the countries in competition with the Comoros, the Government should organize a series of visits to its neighboring countries and the Gulf states with which the Comoros has traditional relations, and even to some countries in the Far East where certain ethnic minorities could be interested in emigrating in order to enjoy greater political security. The purpose of these promotional visits should be to attract the attention of foreign investors and explain to them the advantages of establishing themselves in the Comoros.

E. Education and Health

4.51 The objective of economic growth is to improve the quality of life for the population, which means, among other things, creating better health conditions and a higher level of education. Paradoxically, however, economic growth depends on the quality of the labor force, its health condition and its level of education. As already noted in paras. 3.3-3.6, the Comoros faces particularly serious handicaps in these areas.

4.52 Education. The Government has decided to take certain measures, with the assistance of the World Bank (in the context of a second education project) and several other donors, to reduce its recurrent costs and raise the quality of national education. Entrance into secondary education has been made stricter, and the actual number of first-year students has been reduced by approximately 600. The number of students in the first year of upper secondary has also been reduced, from 2,055 in 1985 to 994 in 1986. On the other hand, by way of exception, students who did not pass the entrance examination for high school have been allowed to repeat for a second time; this has added greatly to the size of the enrollment in lower grades, where the number of classes has increased from 90 to 128.

4.53 As a parallel measure, steps were taken to reorganize the teaching profession. Teachers recruited illegally were dismissed, as were a certain number of auxiliaries. The remaining auxiliaries have been given training courses and will be made full-fledged teachers upon passing a professional-level examination. Altogether, the number of teachers has been reduced from 3,900 in 1985 to 3,200 in 1986.

1/ The investments the Comorian Government is responsible for under the terms of the two hotel projects completed or in the course of execution on Grande Comore provide two characteristic examples.

4.54 In addition, the Government is trying to get parents to participate in the maintenance of school facilities through parent-teacher associations. Some members of the Government have proposed that all parents be asked to make a modest financial contribution, as a way of relieving the burden on the Government and recovering a certain proportion of education system operating costs from the beneficiaries.

4.55 Population and health. The Comorian authorities' attitude to the population growth question has changed over the last few years. At the recent international seminar on Islam and family planning, the religious authorities encouraged the spacing of births. The highest echelons of Government now emphasize the need to limit population growth.

4.56 The Government intends to improve the country's health infrastructure and the professional qualifications of health care personnel. Unfortunately, because of the particular nature of the requirements of different donors, it has not been in a position to adopt an overall health strategy. There are a number of specific projects which, because of lack of counterpart funds, often could not be executed fully. For example, although vaccines may have been supplied by donors, the gasoline and vehicles needed by the vaccination teams are not always available. Therefore, an integrated approach is essential.

V. ON THE PATH TO GROWTH

A. The Thrust of Adjustment

5.1 The long-term economic and financial strategy has to take into account the specific circumstances of the Comoros; the one reality which must be kept in mind is that debt service absorbs a large part of the Government resources. Therefore, an attempt should be made to mobilize more domestic resources (by increasing tax revenues), and to cut expenditure. Efforts to rehabilitate public finances and improve their management are therefore imperative and constitute the key to future economic development. The Government is already aware of the situation and the 1987 budget reflects its determination to correct it. The austerity policy introduced reflects both the Government's willingness to progressively reduce the deficit (from 39% of GDP in 1985 to 25% of GDP in 1987) and the reduced amount of aid available from certain donors.

5.2 The financial situation should be brought under control, but it is difficult for the Government to come to grips with this task alone. Assistance from the international community is vital and the Comoros cannot be expected to function if the aid which up till now has covered between 40% and 50% of the Government's current expenditures were to dry up. A concerted effort must be mounted to negotiate the amount of this aid in the context of the annual State budget. Halting public investments would be unthinkable; at the very most they could be cut back. The answer is for a more rational use of the available resources and for strict economic criteria for the selection of investments.

5.3 The financial reform must also be accompanied by a review of the role played by technical assistance and its contribution to the country. The cost of this assistance is sometimes out of proportion. In 1985, technical assistance accounted for about CF4 billion. (By way of comparison, expenditures for Comorian personnel included in the Budget amounted to CF4.7 billion.) Can the Government and the international community afford to go on with such an expenditure for such disappointing results? A systematic evaluation of technical assistance is needed to see to what extent it would be possible to establish a system to encourage qualified Comorian professionals to return home and to form a joint top-level expatriate/Comorian team hired on a consultant basis to provide the services critical to the functioning of Comorian public administration.

5.4 Furthermore, the various donors should cooperate with the Government authorities by strengthening the national administrative machinery instead of setting up parallel units, in the interests of short-term efficiency, to manage projects they finance. A set of rules that are mutually acceptable to both donors and the Comorian authorities will therefore have to be devised.

5.5 Along the same lines, the resident technical assistant system also clearly needs to be reassessed and should, wherever possible, be replaced by experts who visit the country on short missions scheduled at regular intervals throughout the year, to launch programs, discuss with Comorian officials any difficulties encountered in the implementation of these

programs and jointly prepare the work program to be carried out until the next visit. This procedure should lead to Comorian personnel assuming greater responsibility and should help prevent the gradual "marginalization" of permanent technical assistants who, in the course of time, tend to succumb to discouragement and eventually adopt a passive attitude.

5.6 In parallel with these actions, steps must be taken to ensure that government personnel are paid regularly. It is hard to motivate public employees, if their salaries are low and not paid regularly. Government efforts to review the employment status of individual employees need to be stepped up. It is difficult to maintain all the present staff categories, i.e. fixed-term staff, support staff, temporary personnel and even volunteers. The international community should help the Government by establishing an aid-budgeting process to ensure regular pay to the Comorian public employees.

5.7 This type of approach emerged recently in the agriculture sector, where the Comorian authorities and the leading donors at the local level simultaneously came up with the idea of formulating an integrated agricultural development program and of identifying the resources needed for its implementation. This approach should serve as an example for the concerted and coordinated budget funding of a revitalized CEFADER/CADER structure. Initiatives of this sort should be encouraged in the various sectors of the economy.

B. The Macroeconomic Context

5.8 The scenario presented is based on the assumption that, as a follow-up to the reform and austerity measures, the Government will be resolutely committed to an industrialization process geared to exports and will adopt an aggressive policy to encourage cash crop diversification and will change the dietary habits of the population on the basis of the policies recommended in Chapter IV. In these circumstances, economic growth could be expected to rise from 2.6% in 1987 to 5% by 1995, resulting in an average annual growth rate of 3.3% for the period 1987-95. Given the weakness of the manufacturing sector at the present time, it is doubtful whether this sector could grow by more than 9% or 10% per annum over the next five years. But if the Government were to adopt a strategy to attract foreign investors and encourage export industries, experience would indicate that faster growth could be expected during the following ten years. A growth rate of 10-15% per annum would then not be out of the question. However, given the limited possibilities for growth in the construction sector, which has been seriously affected by the tapering off of the investments, and the moderate growth in the production of water and electricity, the growth rate of the industrial sector is projected to rise from 4.6% in 1987 to 5.2% in 1995. In the short term agriculture will continue to be the key sector of the economy and growth in this sector will continue to reflect the impact of the maize and coconut projects. Growth during the subsequent ten years will, in this case also, depend on the success of the agricultural diversification policy, which the Government is committed to pursuing. The growth projected in tourism is based on an effort by the two hotel companies to increase the occupancy rate by persuading the various tour operators in the Indian Ocean region to encourage their customers to spend a few days in the Comoros.

5.9 Table VI summarizes the key assumption underlying the projection scenario. Investment is projected to remain at around 20% of GDP per annum from 1987 onwards, reflecting a reduction in public investment, a normalization of relations between the Comorian authorities and the leading donors and a gradual increase of foreign private investments.

TABLE VI. ECONOMIC PROJECTIONS, 1985-1995

	1985	1986	1987	1988	1990
		(Percentage of GDP)			
Gross Domestic Income	100.0	101.4	101.3	101.2	100.8
Resource Gap	35.6	26.1	23.7	25.9	25.2
Consumption	108.4	102.1	104.2	106.4	105.8
Fixed Investments	27.2	25.4	20.8	20.7	20.2
Domestic Savings	-8.4	-0.7	-2.9	-5.3	-5.0

	1985	1986	1987	1987-90	1990-95
		(Annual Growth Rate)			
GDP	2.7	2.1	2.6	3.8	3.1
Agriculture	4.8	3.3	2.8	5.9 1/	3.8
Industry, Construction and Public Works	-3.9	0.4	4.6	4.4	5.0

1/ This rate reflects the clove crop cycle.

C. The Public Investment Program[1]

5.10 Immediately following Independence the Comoros had virtually no infrastructure and one of the Government's priorities was to remedy this situation. The various donors likely to finance the infrastructure vital to the country's economic development were canvassed. The response of the international community was overwhelmingly favorable and a large number of projects were financed without much concern for their relative priorities, economic rates of return or financial consequences. The Comoros had no debt service obligations at that time. A number of donors suddenly had large amounts of funds available and were ready to demonstrate their solidarity with a small country for which they felt sympathy.

1/ For a more detailed analysis of the public investment program, working documents are available for reference on request.

5.11 Availability of financing seems to have been the main selection criterion used for the public investment program. The authorities felt that, given the extent of the country's needs, they could hardly go wrong by doing something toward solving a problem even if it were only a partial solution. This explains the predominance of infrastructure investments.

5.12 The lack of qualified managers and the need to supplement the very limited budgetary resources also prompted the more traditional donors to finance technical assistance programs and a large proportion of the recurrent expenditures and local costs entailed by these programs. The weakness of Comorian public administration also made it impossible to ensure effective monitoring of the execution of these investments, particularly as in a large number of cases the donor handled project supervision and settled invoices directly.

5.13 It is difficult to draw up a public investment program with any certainty at a time when the Government is still traumatized by the external debt consequences of the program undertaken earlier. Nevertheless, using the data available from the Ministry of Planning, the other ministries and the aid agencies, the mission managed to draw up a possible public investment program for the next few years.

TABLE VII. THE PUBLIC INVESTMENT PROGRAM
(CF billions)

	Average 1983-85	1986	1987	1988	1989
Production Sector	2.7	3.7	4.2	5.3	5.0
Infrastructure	8.3	6.9	5.4	5.6	5.5
Social Sector	4.3	3.8	2.2	1.9	2.6
Other	1.2	0.8	0.6	1.6	0.1
Total	16.5	15.3	12.6	12.8	12.3

Note: The figures in this table are higher than the capital expenditures shown in Tables IV and VIII because they include expenditures for technical assistance and minor equipment.

5.14 Table VII demonstrates the Government's determination to cut the public investment program and adopt a more cautious approach for the future. The breakdown of the public investment program for the period 1986-89 would be as follows:

(a) Agriculture. Even if one accepts the principle that in the future various donors will join forces, within the budgetary framework, to provide the resources needed to finance a proportion of the recurrent expenditures of the CEFADER/CADER structure, the fact still remains that a certain number of specific investment projects will continue to attract

aid. Noteworthy among the new projects are the Mohéli integrated rural development project financed by CCCE, the Jimilimé integrated development project, which has already received EDF approval, pending the introduction of an agricultural development strategy, the agricultural census project, the Nioumachoa and Karthala reforestation projects and a research and development project on bush and fruit-tree crops.

(b) Fisheries. The main projects in the fisheries sector are the small-scale fisheries project financed by EDF, the fisheries school at Anjouan and the fishing fleet motorization project, financed by Japan, the reformulation of an ADF project to encourage small-scale fishing and FAO aid to encourage fisheries management and marketing.

(c) Industry and tourism. In light of the strategy defined in Chapter IV, there is very little room for these two sectors in a public investment program. Three projects are to be adopted, however: a supplementary line of credit for the Development Bank, which has played an important role in promoting industrial activities in recent years, an investment and export promotion project and a tourism promotion project.

(d) Roads. Investments in roads cannot continue at the same pace as in previous years and the emphasis must now be placed on the maintenance of existing roads. But infrastructure needs cannot entirely be ignored. The only road project is connected with development of the Jimilimé peninsula, i.e. the road from Bambao to Jimilimé (but its width should be scaled down from 5 meters to 3.5 meters).

(e) Ports and airports. A certain amount of complementary expenditure is needed in connection with the Mutsamudu port project; essentially provision of loading and unloading equipment. Upgrading of the port of Moroni is under consideration but no agreement has yet been reached as to the nature of this investment. The financing proposed by EDF and CCCE is insufficient for the project initially planned. Eventually, a scaled-down version will probably be decided on. On the other hand, if there is serious interest in improving sea links between Mohéli and the other two islands to ensure their supply of fruits and vegetables, a loading zone for flat-bottomed boats will have to be constructed. A modest project is envisaged for 1989. With the recent loss of the Kamar al Koweit, the coaster which sank in the port of Mutsamudu, there would be a need to invest in inter-island transportation. In the airport sector, mention must be made of the project to upgrade Hahaya Airport and to develop cargo handling facilities, financed by CCCE. On the other hand, there is no economic justification for construction of a VIP lounge, but it would be desirable to improve the security facilities at the two airports of Anjouan and Mohéli. The project for an international airport at Anjouan must be dropped altogether since there is no economic justification for it.

(f) Telecommunications. The only projects adopted are the construction of buildings to house the telephone exchanges and the Fomboni-Nioumachoua short-wave link, for which financing seems to be assured. With regard to the possibility of a radio station, this project should be dropped since an alternative via Mayotte would be far less costly.

(g) Energy and water. Two electric power projects have been adopted provisionally: the Mutsamudu power plant and the fifth generating unit at Voidjou, subject to size and cost adjustments. Investments for supply of petroleum products will have to be limited to the bare minimum; i.e. the repair or replacement of the sea-line at Moroni (estimated cost CF350 million) and a small expansion of the storage capacity at Moroni (CF250 million). However, the oil terminal planned for Mohéli (CF1.2 billion) is quite unnecessary and should not be built. A water supply project for a village in Grande Comore, financed by UNDP, has been included in the program. Other water supply projects in the villages located in the lower part of Grande Comore are being considered. In Anjouan, the rehabilitation of the inadequate water supply system in four villages will be necessary. This rehabilitation project could be financed either by grants or by Government budget and a cost recovery system should be introduced. Feasibility studies for Grande Comore were undertaken in 1987 (Kuwait Fund) and for Anjouan in 1986 (CCCE).

h. Education and health. No new education or health projects have been scheduled. Only on-going projects are included in the program.

D. Financing Public Expenditure

5.15 The capital budget differs from the public investment program described above, to the extent that many projects include a large proportion of technical assistance and recurrent operating expenditures. The mission had to make a global estimate of the actual capital expenditures. This should be seen as an illustration of what is possible and a target for the Government.

5.16 Table VIII summarizes the projections of public finances. This table differs from Table IV, since the financial surpluses of public enterprises have been consolidated. In the projection, the consolidated revenues of the central Government, the governorates and the Stabilization Fund increase from CF8.4 billion in 1986 to CF14 billion in 1990. This represents an average annual growth rate of about 7% in real terms. Current expenditures are projected to rise from CF18.3 billion in 1986 to CF24 billion in 1990, i.e. an annual growth rate of 1% in real terms (with an annual inflation rate of 6%).

5.17 Thus the Government's current account deficit is projected to increase from CF9.9 billion in 1986 to CF10 billion in 1990, which, expressed as a percentage of GDP, represents a drop from 19% to 17%. Given the Government's determination to constrain the public investment program, the total deficit, as a percentage of GDP, will thus decline from 37% in 1986 to 35% in 1990.

5.18 This effort is feasible but it assumes budgetary discipline and austerity on the part of the Government and willingness on the part of the international community to continue to provide the Comoros with large amounts of budgetary assistance. This assumes, also, that Government will take a number of measures to increase revenues and trim expenditures, namely:

a. collect the turnover tax from all taxpayers liable to it;

b. collect the tax on distributed profits following an audit of businesses' accounts;

c. intensify the efforts to cut down on smuggling and to improve the operation of the Customs administration;

d. institute a 100% tax on rice and hydrocarbons. (The reasons for introducing a tax on petroleum products are the same as those for instituting one on imported rice (see para. 4.19));

e. keep the increase of wages and salaries of civil servants below the inflation rate;

f. progressively reduce expenditure on technical assistance (5% per annum), as a certain number of posts occupied by expatriates will gradually be filled by Comorian personnel;

g. as regards the public enterprises, liquidate SOCOVIA (the monopoly on imported meat) and implement the recovery plans prepared by the French technical assistance for OPT and Electricité et Eau des Comores.

TABLE VIII. PUBLIC FINANCES, 1987-1990[1/]
(CF billions)

	1985	1986	1987	1988	1989	1990
Fiscal revenue	5.7	7.1	7.7	8.6	9.4	10.0
New revenue	0	0	0	2.5	2.0	2.9
Non-fiscal revenue	0.8	1.3	1.4	0.9	1.0	1.1
Total revenue	6.5	8.4	9.0	11.9	12.4	14.1
Wages and salaries	4.7	5.5	6.3	6.7	7.2	7.7
Technical assistance	4.5	4.5	4.9	4.6	4.4	4.2
Purchase of goods and services	6.1	6.3	7.0	7.6	8.5	9.3
Transfers	1.1	1.3	1.2	1.4	1.5	1.7
Debt service	0.6	0.7	1.1	1.2	1.2	1.3
Total Current Expenditure	17.0	18.3	20.5	21.6	22.9	24.2
Current Deficit	-10.5	-9.9	-11.5	-9.6	-10.5	-10.1
Capital Expenditure	11.6	9.1	8.6	9.2	9.9	10.6
Total Deficit	-22.1	-19.0	-20.1	-18.9	-20.3	-20.6
Financing:						
Grants	11.3	11.0	10.0	13.0	13.3	14.0
Net borrowing	9.3	6.4	6.3	5.6	5.4	4.9
Gross borrowing	9.8	7.6	7.4	7.6	7.5	7.4
Amortization	-0.5	-1.1	-1.1	-2.1	-2.1	-2.4
Other financing	1.1	1.5	2.0	0.3	1.7	1.8
Adjustment	0.4	0.1	1.8	-	-	-
Memo Items:						
Current deficit as % of GDP		-19.2	-21.8	-17.9	-18.9	-17.3
Total deficit as % of GDP		-36.9	-38.3	-35.0	-36.8	-35.5

1/ The investments and the cash flow of public enterprises have been consolidated in this Table.

5.19 The bulk of the deficit will be financed by subsidies from foreign governments and aid agencies. These may take the form of grants, as in the case of several donors at present, but they could also be in the form of debt rescheduling or relief or even debt cancellation (see Section F). Borrowing from the Central Bank will be limited to 20% of preceding year revenues and thus domestic financing will be minimal.

5.20 The scenario described above and illustrated in Table VIII clearly shows the necessity for the Comoros to adopt an austerity and stabilization policy, but also the need for continued and increased aid from the international community.

E. Balance of Payments Prospects

5.21 Exports are unlikely to increase over the next few years. As can be seen from Table IX, no increase in the volume of exports is expected. World demand for the country's basic traditional exports is expected to remain sluggish. The only changes expected reflect the cycle of the clove crop. Even if a substantial increase in the export of non-traditional commodities is projected (spices, manufactured products, and also revenue from tourism), this will have little impact on export earnings. Export prices have been projected along with world inflation projections.

TABLE IX. EXPORT PROJECTIONS, 1986-1995

		Average annual growth rate at 1985 prices		Growth rate at current prices	
	1985 (in US$ millions)	1987-90 (%)	1990-95 (%)	1987-90 (%)	1990-95 (%)
Goods	15.7	2.7	0.3	5.8	2.9
Vanilla	10.5	0.3	0.0	2.9	2.3
Cloves	3.1	19.2	-5.1	22.3	-2.9
Ylang-ylang	1.5	5.3	3.8	8.1	6.2
Other	0.7	4.6	4.9	9.3	12.9
Exports of NFS	4.2	4.5	3.2	7.2	5.3
Total exports	19.9	3.2	1.1	6.1	3.6

5.22 Import projections indicate that the volume of commodities imported will show an annual increase of 6.1% during the period 1987-90 and an average annual increase of 4.6% during the subsequent five years. These projections assume that maize and other local products will continue to play an increasing role in the local diet. The projected pattern of rice imports reflects this trend, and the pattern of boat-load (10-15,000 tons/boat-load) fluctuated substantially from one year to the next (one boat-load being imported certain years, two boat-loads other years). Imports of intermediate products and raw materials are projected to follow trend in the construction sector (cement and construction materials) and the needs of the industrial sector. Capital goods imports reflect the Government's more careful attitude toward public investment and a dynamic policy for promoting private investment. Imports of petroleum products have been projected to grow in volume along with the rising demand for electric power and petroleum products.

TABLE X. IMPORT PROJECTIONS, 1986-1995

		Average annual growth rate at 1985 prices		Growth rate at current prices	
	1985 (in US$ millions)	1987-90 (%)	1990-95 (%)	1987-90 (%)	1990-95 (%)
Goods	25.7	4.6	5.1	8.5	8.1
Food products 1/	7.4	1.8	0.6	8.7	4.1
Consumer goods	3.0	2.9	2.8	5.6	5.2
Petroleum products	2.3	4.4	5.0	8.2	10.7
Raw materials	8.1	8.1	8.9	10.9	11.4
Machine and transport equipment	5.0	3.1	3.5	5.8	5.9
Imports of NFS	38.7	2.2	3.5	4.9	5.9
Total imports	64.5	3.2	4.1	6.3	6.7

1/ Rice imports fluctuate sharply from one year to the next. The growth rates for food products is, therefore, calculated by using a two-year moving average.

5.23 Under these assumptions import of goods and non-factor services is projected to grow by 3.7% in real terms for the period 1987-90 and an average of 3.9% for 1990-95. Thus, the balance of trade is projected to remain more or less in equilibrium. Imports of services, while projected to increase at a moderate rate, continue to weigh heavily on the deficit in the balance of goods and services. Allowing for the country's external debt service obligations and the need to keep services at a level equal to at least three months' imports, annual capital requirements will average US$60 million for 1987-90 and US$78 million for 1990-95, as compared to US$45 million in 1982-86.

5.24 It will be possible to obtain a part of this financing for 1987-90 by drawing on the proceeds of loans already contracted. It is unlikely that the Comorian Government will be able to obtain more than about US$20 million per year[2] because the generosity of certain lenders is somewhat tempered by the difficulties they experience in collecting debt service and also because the Government's decision to limit the public investment program ought to result in a reduction of the volume of loans. Direct

2/ This could be broken down as follows: US$6-8 million on IDA-type terms, US$4-5 million on CCCE-type terms, US$6-8 million on ADF-type terms and US$2 million on concessional OPEC-type terms.

foreign investment will be negligible during this period, even if the Government takes the necessary steps to attract foreign investors. (The experience of Mauritius shows that it takes several years of sustained effort before any results can be expected.) The bulk of the country's capital requirements must therefore come from grants in the form of public transfers and/or from a reduction of the debt burden. Table XI illustrates the possible format for such financing.

TABLE XI. BALANCE OF PAYMENTS, PROJECTIONS FOR 1985-95
(US$ millions)

	1985	1986	1987	1988	1989	1990	1995
EXPORTS OF GOODS AND NFS	19.94	26.74	27.81	30.30	33.16	32.91	39.92
Goods, FOB	15.72	19.97	20.71	22.50	24.60	24.22	28.63
NFS	4.23	6.76	7.10	7.80	8.56	8.68	11.28
IMPORTS OF GOODS AND NFS	64.47	70.82	69.66	80.33	82.94	86.11	116.24
Goods, FOB	25.73	26.15	24.92	30.09	30.91	34.24	47.50
NFS	38.74	44.67	44.74	50.25	52.03	51.87	68.74
RESOURCE GAP	-44.52	-44.08	-41.85	-50.03	-49.78	-53.20	-76.32
Interest (Net)	-1.16	-0.85	-1.87	-2.28	-2.37	-2.49	-3.47
Transfers (Private)	-0.68	-1.16	-1.17	-1.25	-1.29	-1.26	-1.41
Amortization	-1.42	-3.26	-5.70	-6.11	-7.04	-7.75	-12.20
Reserves	-7.60	-3.76	-1.09	-1.23	-1.35	-1.01	-1.22
FINANCING REQUIRED	-55.38	-53.10	-51.69	-60.90	-61.84	-65.71	-94.63
Transfers (Public)	32.08	29.57	28.60	37.70	38.44	40.47	58.55
Other	1.42	1.99	1.08	1.59	2.09	2.59	5.10
Disbursements from pipeline	21.88	21.54	18.00	15.00	7.77	4.12	0.00
Disbursements from new commitments	0.0	0.0	4.0	6.6	13.5	18.5	31.0
COMMITMENTS	15.20	13.80	10.00	23.00	25.00	26.00	33.00
Program aid	5.20	1.00	6.00	0.00	8.00	0.00	12.00
Project loans	10.00	12.80	4.00	23.00	17.00	26.00	21.00
Debt service ratio	15.4%	19.7%	29.8%	30.2%	30.8%	33.6%	41.2%

Source: IBRD Mission

F. The Need to Restructure the Debt

5.25 These projections show that the debt service ratio would gradually rise from 30% in 1987 to 41% in 1995. Although these figures seem negligible when compared with those currently quoted for the most indebted countries of South America or Africa, for the Comoros they represent an untenable burden, for three reasons. First, with a 20% debt service ratio the Comoros is already unable to meet its obligations and

will be even less able to do so with the higher ratio. Second, experience shows that countries whose debt service ratio increases suddenly, as in the case of the Comoros between 1986 and 1987, have considerable difficulties in adjusting. Finally, because of belonging to the franc zone the Comoros has to face a special problem--that of budgetary constraints. The critical problem is for the Government to meet its obligations to the Comorian people by providing them with essential public services, i.e. security, health, education, while maintaining smooth functioning of public institutions. We know that already in 1985 and 1986, when debt service took up only 20% of public revenues, public employees were being paid several months in arrears. The Government's financial difficulties are likely to increase considerably when the debt service absorbs 30% of public revenues in 1987 (interest accounts for about one third). This situation is particularly disturbing in light of the fact that public revenues cover nearly one third of current expenditures.

5.26 Thus it would be desirable for the countries and institutions which responded generously to the Comoros' plea for help immediately after Independence to envisage making a special effort for the Comoros today. Two alternative scenarios have been considered. The first (see Table 9.1 in the Statistical Annex) is based on the assumption that the debt and arrears payable to these countries at the end of 1986 will be refinanced on IDA-type terms (50-year maturity, 10-year grace period and 0.75% interest rate) and that a project aid program to finance development projects with sound economic rates of return, will be continued. Under these circumstances the debt service ratio would fall to a more reasonable level, i.e. 7% in 1987, and would not reach 23% again until about 1995.

5.27 The other alternative (see Table 9.2 in the Statistical Annex), which may be more generous and better suited to the needs of the Comoros, would consist in cancelling the debt completely, even if that means that countries who have cancelled the debt do not grant further aid in the future. Such an approach would bring the debt service ratio down to 5% in 1987 and would keep it below 20% until the year 2000. Other donors would thus have to increase their grants by about US$5 million each year. While this would represent a 25% increase in grants to the Comoros, it would be a negligible increase in terms of these countries' total aid programs. A further possibility that could be envisioned would be to defer repayments of principal for an extended period and to collect interest only for the next five to ten years.

G. Conclusion

5.28 In conclusion, the path to development is arduous and calls for sustained efforts and sacrifices from both the Comorians and the international community. It is important that a "compact" be reached between the Comorian Government and friendly countries and institutions. The austerity policy should be intensified to ensure that available resources, domestic or external, are put to the most effective use on the basis of the above reform measures which the Comorian Government undertakes to implement. It would be desirable if, in recognition of this effort, the friendly countries and institutions that responded generously to the Comoros' appeal following Independence would consider either

forgiving the debt (which, after all, is rather small) or taking imaginative steps to ease the debt burden (such as long-term deposit of funds with the Central Bank, or annual budgetary subsidies in an amount equal to the debt service). In addition, the donors should undertake to provide new aid on exceptional terms (grants or quasi-grants) so as not to further increase the country's debt service burden. The development of the Comoros is a long-haul operation and today's choice of economic policies will shape the future, even if the impact of those policies does not materialize for a number of years.

LIST OF STATISTICAL TABLES

Table 1. Population Growth

(in '000)

	Annual Growth Rate	1980	1981	1982	1983	1984	1985	1986	1987
Anjouan	3.50%	136.0	140.7	145.6	150.7	156.0	161.5	167.1	173.0
Gd Comore	3.10%	182.7	188.3	194.2	200.2	206.4	212.8	219.4	226.2
Moheli	4.00%	16.5	17.2	17.9	18.6	19.3	20.1	20.9	21.8
Total Population		335.2	346.2	357.7	369.5	381.7	394.4	407.4	420.9

Source: IBRD Mission.

Table 2.1 GDP by Industrial Origin, at Current Market Prices

(in millions of CF)	1983	1984	1985	1986
Agriculture	14861	16266	18577	21049
Manufacturing	1516	1716	1887	2062
Electricity, Gas, Water	362	214	473	551
Construction and Public Works	4160	5265	4877	4673
Commerce, Hotels, Restaurants	10872	12000	13147	14517
Banking and Insurance	1842	1962	2104	2258
Transport and Communications	1406	1528	1688	1855
Public Administration	8129	8765	9442	10181
Other Services	197	228	260	282
Imputed Banking Service Charge	-849	-976	-1018	-1158
GDP	42496	46968	51437	56270

Source: UNECA.

Table 2.2 GDP by Industrial Origin at 1985 Prices

	1983	1984	1985	1986
		(in millions of CF)		
Agriculture	17073	17724	18577	19186
Manufacturing	1683	1806	1887	2040
Electricity, Gas, Water	398	439	473	483
Construction and Public Works	4958	5286	4877	4744
Commerce, Hotels, Restaurants	12067	12684	13147	13555
Banking and Insurance	2044	2074	2104	2108
Transport and Communications	1561	1615	1688	1732
Public Administration	9022	9265	9442	9506
Other Services	219	241	260	263
Imputed Banking Service Charge	-942	-1032	-1018	-1081
GDP	48083	50102	51437	52536

	1983	1984	1985	1986
		(Annual Growth Rates)		
Agriculture		3.8%	4.8%	3.3%
Manufacturing		7.3%	4.5%	8.1%
Electricity, Gas, Water		10.3%	7.7%	2.1%
Construction and Public Works		6.6%	-7.7%	-2.7%
Commerce, Hotels, Restaurants		5.1%	3.7%	3.1%
Banking and Insurance		1.5%	1.4%	0.2%
Transport and Communications		3.5%	4.5%	2.6%
Public Administration		2.7%	1.9%	0.7%
Other Services		10.0%	7.9%	1.2%
Imputed Banking Service Charge		9.6%	-1.4%	6.2%
GDP		4.2%	2.7%	2.1%

Source: UNECA.

Table 2.3 GDP by Expenditure at Current Market Prices

(in millions of CF)

	1983	1984	1985	1986
Public Consumption	12084	13305	15310	15552
Private Consumption	29207	38727	40841	42700
Fixed Investment	11366	15740	13410	11773
Change in Stock	974	5783	1842	1500
Exports of G & NFS	8426	4236	8943	9251
Imports of G & NFS	-19561	-30823	-28909	-24506
GDP	42496	46968	51437	56270

Source: UNECA.

Table 2.4 GDP by Expenditure at 1985 Prices

	1983	1984	1985	1986
		(in millions of CF)		
Public Consumption	13412	14064	15310	14521
Private Consumption	32743	41331	40841	39573
Fixed Investments	14877	15867	13410	12853
Change in Stock	1094	5895	1842	1765
Exports of G & NFS	7653	5355	8943	9401
Imports of G & NFS	-21715	-32331	-28909	-25785
GDP	48083	50102	51437	52536

	1983	1984	1985	1986
		(Annual Growth Rate)		
Public Consumption		4.9%	8.9%	-5.2%
Private Consumption		26.2%	-1.2%	-3.1%
Fixed Investment		6.7%	-15.5%	-4.2%
Change in Stock		438.8%	-68.8%	-4.2%
Exports of G & NFS		-30.0%	67.0%	5.1%
Imports of G & NFS		48.9%	-10.6%	-10.8%
GDP		4.2%	2.7%	2.1%

Source: UNECA.

Table 2.5 Sectoral Deflators

GDP by Industrial Origin	1983	1984	1985	1986
Agriculture	87.0	91.8	100.0	109.7
Manufacturing	90.1	95.0	100.0	101.1
Electricity, Gas, Water	91.0	48.7	100.0	114.1
Construction and Public Works	83.9	99.6	100.0	98.5
Other Services	90.1	94.6	100.0	107.1
GDP by Expenditure	**1983**	**1984**	**1985**	**1986**
Public Consumption	90.10	94.60	100.00	107.10
Private Consumption	89.20	93.70	100.00	107.90
Fixed Investment	76.40	99.20	100.00	91.60
Change in Stock	89.03	98.10	100.00	84.99
Exports of G & NFS	110.10	79.10	100.00	98.40
Imports of G & NFS	90.08	95.34	100.00	95.04
GDP	88.4	93.7	100.0	107.1

Source: UNECA.

Table 3.1 Balance of Payments

(in millions of CF)

	1982	1983	1984	1985	1986 1/
Exports fob	6435	7419	3079	7048	6911
Imports fob	-7507	-9274	-12981	-12158	-9049
(Imports cif)	-10725	-14267	-18544	-17369	-12926
TRADE BALANCE	-1073	-1855	-9902	-5110	-2137
Insurance and Freight	-3217	-4993	-5563	-5211	-3878
Transport	-658	-735	-812	-1115	-840
Travel	-1665	270	-2672	-2500	-3530
Interest (net)	147	83	-146	-520	-293
Other Goods, Services, Income	-2711	-3821	-7638	-6918	-4870
SERVICE BALANCE	-8105	-9196	-16831	-16264	-13410
Unrequited Tranfers					
Private	-790	-822	-1302	-305	-400
Public	6332	7662	13738	14386	10961
CURRENT BALANCE	-3636	-4211	-14297	-6405	-4986
Other Long Term Capital	879	-1052	-385	-100	202
Medium and Long Term Capital	5321	7033	10079	9174	6435
Drawings	5340	7147	10652	9811	7563
Amortization	-19	-114	-573	-637	-1128
Non-monetary Capital	-507	-304	640	-651	29
Errors & Omissions	-458	-566	659	2278	380
OVERALL BALANCE	1599	900	-3304	3408	1300
Change in Reserves	-1599	-900	3304	-3408	-1300
o/w Central Bank	-1220	-791	2664	-2757	-1868
Foreign Assets	-1236	-955	2822	-2752	-1832
Foreign Liabilities	16	164	-158	-5	-36
Arrears	104	168	510	509	1183
Contractual Debt	0	0	385	449	883
Postal Debt	104	168	125	60	300
Memo items:					
Current Balance/GDP	-10.11%	-9.91%	-30.44%	-12.45%	-8.90%
Debt Service/Exports G&S	3.74%	5.78%	24.99%	15.37%	19.69%
Debt Service/Exports G&NSF	3.95%	6.11%	27.66%	15.81%	20.76%

1/ Estimates

Source: Central Bank.

Table 3.2 Imports of Goods 1/

	1981	1982	1983	1984	1985
Rice					
Value in CF	2704	2401	1168	2711	2156
Value in US$	10.0	7.3	2.8	6.0	4.8
Volume	30648	24853	14172	27234	22545
Unit Price (CF)	88.2	96.6	79.1	99.5	89.1
Unit Price (US$)	324.7	293.7	207.1	221.9	198.6
Petroleum Products					
Value in CF	1605	2252	1342	2092	1445
Value in US$	5.9	6.8	3.5	4.7	3.2
Volume	18877	14952	9911	15455	9939
Unit Price (CF)	85.0	150.6	135.4	135.4	145.4
Unit Price (US$)	312.9	457.9	354.8	301.9	324.2
Meat					
Value in CF	667	658	371	713	601
Value in US$	2.5	2.0	1.0	1.6	1.3
Volume	1206	1501	579	2184	989
Unit Price (CF)	553.1	438.4	640.8	326.5	607.7
Unit Price (US$)	2035.3	1332.7	1678.8	728.0	1355.1
Cement					
Value in CF	461	430	584	829	642
Value in US$	1.7	1.3	1.5	1.8	1.4
Volume	20962	13282	18283	23637	20400
Unit Price (CF)	22.0	32.4	31.9	35.1	31.5
Unit Price (US$)	80.9	98.4	83.7	78.2	70.2
Iron, Corrugated Sheet					
Value in CF	157	253	109	188	501
Value in US$	0.6	0.8	0.3	0.4	1.1
Volume	958	1403	567	640	2046
Unit Price (CF)	163.9	180.3	192.2	293.8	244.9
Unit Price (US$)	603.1	548.2	503.7	655.1	546.1
Others (CF)	3198	4732	10809	12011	12104
Others (US$)	11.8	14.4	28.3	26.8	27.0
TOTAL (CF)	8792	10726	14383	18544	17369
TOTAL (US$)	32.4	32.6	37.4	41.4	38.9

1/ Value in millions of CF, or US$, volume in tons, unit price in '000 CF, or US$, per ton.

Source: Comoros Customs Service and IBRD mission.

Table 3.3 Structure of Imports

(in millions of CF)

	1984	1985	1986
Capital Goods	3362	3178	2493
Raw Materials	5241	5184	4066
Cement	829	642	661
Iron, Corrugated Sheet	188	501	300
Others	4077	4054	3081
Food	5588	5682	3697
Rice	2711	2156	1822
Meat	713	601	638
Others	2008	2925	1237
Consumer Goods	2201	1947	1527
Petroleum Products	2152	1445	1167
TOTAL	18544	17369	12926

Source: Comoros Customs Service and IBRD mission.

Table 3.4 Exports of Goods 1/

	1981	1982	1983	1984	1985
Vanilla					
Value in CF	2169	4201	3542	587	4689
Value in US$	8.0	12.8	9.3	1.3	10.5
Volume	160	259	177	26	181
Unit Price (CF)	13556	16220	20011	22577	25906
Unit Price (US$)	49.9	49.3	52.4	50.3	57.8
Clove					
Value in CF	1728	1473	3181	1824	1376
Value in US$	6.4	4.5	8.3	4.1	3.1
Volume	929	585	1134	1089	1118
Unit Price (CF)	1860	2518	2805	1675	1231
Unit Price (US$)	6.8	7.7	7.3	3.7	2.7
Ylang-Ylang					
Value in CF	453	715	558	581	657
Value in US$	1.7	2.2	1.5	1.3	1.5
Volume	40	63	49	51	61
Unit Price (CF)	11325	11349	11388	11392	10770
Unit Price (US$)	41.7	34.5	29.8	25.4	24.0
Copra					
Value in CF	78	19	64	46	65
Value in US$	0.29	0.06	0.17	0.10	0.14
Volume	1021	195	687	490	651
Unit Price (CF)	76.4	97.4	93.2	93.9	99.8
Unit Price (US$)	0.28	0.30	0.24	0.21	0.22
Others (CF)	33	27	74	41	261
of which Fuel	n.a.	n.a.	n.a.	n.a.	(157)
Others (US$)	0.12	0.08	0.19	0.09	0.58
TOTAL (CF)	4461	6435	7419	3079	7048
TOTAL (US$)	16.4	19.6	19.5	6.9	15.7

1/ Value in millions of CF, or US$, volume in tons, unit price in '000 CF, or US$, per ton.

Source: Comoros Customs Service and IBRD mission.

Table 4.1 Debt Outstanding and Disbursed

(in millions of CF)

	1982	1983	1984	1985	1986
Financial Institutions	202.9	152.8	102.7	52.6	52.6
Bilateral					
China	856.1	2108.2	2804.8	2479.9	1868.2
France	738.1	1290.6	2832.3	4577.2	5571.2
Multilateral					
ADB	355.5	1084.0	1969.8	2750.1	3655.3
ADF	1787.4	2777.6	5724.7	7110.9	7102.6
BADEA	3732.3	5182.1	6521.8	7031.6	6681.3
Kuwait Fund	4052.7	5811.1	7194.0	8647.2	8022.8
Saudi Fund	5927.2	7495.0	9300.4	9665.5	7719.0
UAE Fund	332.4	358.3	395.5	404.7	328.1
IDA	2665.1	3899.2	6165.7	8399.3	8373.3
IDB	489.8	1015.1	1969.8	2776.1	2781.0
OPEC	1041.1	1155.2	1266.1	1826.6	1781.1
EIB	5.1	4.4	3.4	2.7	2.7
IFAD	0.0	0.0	0.0	129.5	193.9
TOTAL	22158.6	32333.4	46251.1	55854.0	54133.2

Source: IBRD mission.

Table 4.2 External Debt Service 1/

(in millions of CF)

	1982		1983		1984		1985		1986	
	Principal	Int.	Princ.	Int.	Princ.	Int.	Princ.	Int.	Princ.	Int.
Bilateral										
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	109.5	0.0
France	0.0	0.0	4.3	6.1	4.3	23.8	4.3	68.4	4.3	119.6
Multilateral										
ADB	0.0	0.0	0.0	27.7	0.0	83.4	0.0	140.4	158.1	160.2
ADF	0.0	0.0	11.9	15.1	0.0	22.9	0.0	43.7	0.0	44.2
BADEA										
Kuwait Fund	0.0	34.3	0.0	55.4	0.0	99.4	46.4	138.8	176.3	122.6
Saudi Fund	0.0	35.8	0.0	45.0	0.0	65.7	0.0	72.5	72.9	72.6
UAE Fund	0.0	80.7	0.0	136.5	395.5	168.7	393.6	171.9	451.9	134.3
IDA	0.0	8.2	29.5	9.6	33.9	11.0	34.7	10.4	28.1	7.7
IDB	0.0	15.1	0.0	22.9	0.0	33.2	0.0	47.2	0.0	51.8
OPEC	18.8	4.7	79.8	6.9	122.7	7.5	125.5	7.7	101.6	9.1
EIB	0.0	0.0	0.0	0.0	1.3	0.0	1.3	0.0	0.0	0.0
IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1
TOTAL	18.8	268.6	114.2	400.8	572.8	599.0	636.0	777.3	1128.0	792.5

(in millions of CF)

Debt Service Projection 2/

	1987		1988		1989		1990		1995	
	Princ.	Int.	Princ.	Int.	Princ.	Int.	Princ.	Int.	Princ.	Int.
Bilateral										
China	219.1	0.0	219.1	0.0	219.1	0.0	219.1	0.0	219.1	0.0
France	54.3	147.1	54.3	210.7	100.6	232.2	181.9	230.0	362.9	187.8
Multilateral										
ADB	326.7	283.0	326.7	240.1	326.7	217.2	326.7	194.4	326.7	80.0
ADF	52.4	45.6	88.9	57.9	88.9	57.3	190.0	56.7	399.9	108.4
BADEA	483.4	167.3	483.4	178.0	483.4	165.1	483.4	152.2	483.4	87.6
Kuwait Fund	72.9	79.5	72.9	80.9	135.1	80.2	135.1	79.8	301.1	74.6
Saudi Fund	451.9	125.3	451.9	116.2	582.8	107.2	582.8	105.2	582.8	53.4
UAE Fund	28.1	7.0	28.1	6.3	28.1	5.6	28.1	4.9	28.1	1.4
IDA	0.0	64.1	0.0	75.2	48.3	81.0	98.4	85.9	300.3	83.0
IDB	158.2	68.6	158.2	64.7	158.2	60.7	158.2	56.8	158.2	37.0
OPEC	125.8	11.3	149.9	12.3	196.1	11.4	190.4	10.1	80.3	3.6
EIB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFAD	0.0	2.0	0.0	3.9	0.0	5.9	0.0	7.8	0.0	12.3
TOTAL	1972.7	980.0	2033.4	1046.5	2357.3	1024.0	2600.1	983.7	3242.6	728.6

1/ Amount scheduled does not include debt service to financial institutions.
2/ As of December 31, 1986.
Source: IBRD mission.

Table 5.1 Consolidated Public Finances

(in millions of CF)

	1982	1983	1984	1985	1986 estim.	1987 budget	1987 estim.
A. REVENUE AND GRANTS	10729.0	15036.8	15945.0	17724.4	19356.5	21723.0	20213.5
1. Revenue	4801.0	6862.6	6952.8	6495.3	8427.2	10523.0	9013.5
Tax revenue	4110.4	5241.4	5726.3	5715.5	7091.6	8980.0	7663.5
Non-tax revenue	690.6	1621.2	1226.5	779.8	1335.6	1543.0	1350.0
2. Grants	5928.0	8174.2	8992.2	11229.1	10929.3	11200.0	11200.0
Budgetary grants	714.4	1256.9	1793.3	2743.9 1/	2572.3	2700.0	2700.0
Non-budgetary grants	5213.6	6917.3	7198.9	8485.2	8357.0	8500.0	8500.0
B. EXPENDITURE AND NET LENDING	14810.5	21144.5	25114.8	26705.8	25641.1	24879.8	24879.8
1. Budgetary expenditure							
Current	5513.9	7714.2	7808.7	9205.4	10186.6	11689.8	11689.8
Capital	136.0	539.5	777.1	553.0	636.0	780.0	780.0
Net lending	-70.3	28.4	61.0	1.3	0.0	0.0	0.0
2. Non-budgetary expenditure	9230.9	12835.7	16366.0	16607.8	14466.0	12165.9	12165.9
financed by grants	5213.6	6917.3	7198.9	8485.2	8357.0	8500.0	8500.0
Current	4619.5	5789.4	6040.9	6485.7	6968.4	7150.0	7150.0
Capital	539.3	1101.3	1158.0	1970.3	1388.6	1350.0	1350.0
Net lending	54.8	26.7		29.3			
financed by loans	4017.3	5918.4	9167.1	8122.6	6109.0	3665.9	3665.9
Current	271.1	453.3	896.5	1047.9	799.9	1149.5	1149.5
Capital	3596.2	5465.1	8168.6	6765.7	4956.6	2272.3	2272.3
Net lending	150.0	0.0	102.0	309.0	352.5	244.1	244.1
current expenditure	4890.6	6269.4	7039.4	7871.9	8120.8	8543.6	8543.6
capital expenditure	4135.5	6566.4	9326.6	8736.0	6345.2	3622.3	3622.3
net lending	204.8	26.7	102.0	338.3	352.5	244.1	244.1
Total current expenditure	10404.5	13983.6	14848.1	17077.3	18307.4	20233.4	20233.4
Total capital expenditure	4271.5	7105.9	10103.7	9289.0	6981.2	4402.3	4402.3
Total net lending	134.5	55.1	163.0	339.6	352.5	244.1	244.1
Total expenditure	14676.0	21089.4	24951.8	26366.2	25288.6	24635.7	24635.7
Surplus or deficit (-). (budgeted)	-4081.5	-6107.7	-9169.8	-8981.4	-6284.6	-3156.8	-4666.4
Change in expenditure arrears	22.5	-89.8	520.8	158.9	434.0	0.0	0.0
Surplus or deficit (-), (cash)	-4059.0	-6197.5	-8649.0	-8822.5	-5850.6	-3156.8	-4666.4
C. FINANCING	4059.0	6197.5	8649.0	8822.5	5850.6	3156.8	4666.4
1. Foreign (net)	4122.8	5864.5	8868.0	8092.9	6067.6	2022.2	2022.2
Drawings	4141.5	5926.4	9166.7	8122.8	6286.9	3784.8	3784.8
Amortization	-18.7	-101.9	-445.7	-445.7	-1029.0	-1762.6	-1762.6
Arrears		40.0	147.0	415.8	809.7		
Refinancing							
2. Domestic (net)	-63.8	333.0	219.0	729.6	-217.0	1134.6	2644.2
Central Bank	-40.0	68.0	186.0	223.0	152.0	120.0	120.0
Other banks	-281.0	-113.0	135.0	309.0	0.0	100.0	100.0
Others	257.2	378.0	-540.0	197.6	-369.0	814.6	2424.2

1/ Excluding CF 432 million received from Stabex and held at BIC.
Source: IBRD mission.

Table 5.2 Classification of Budgetary Expenditures

(in millions of CF)

	1982	1983	1984	1985	1986 estim.	1987 budget	1987 estim.
BUDGETARY EXPENDITURES	5649.9	8253.7	8585.8	9758.4	10822.6	12469.8	12469.8
Wages and salaries	2604.6	3311.0	3729.0	4739.4	5450.0	6306.0	6306.0
Goods and services	1995.8	3149.4	2581.8	3096.3	3100.0	3587.0	3587.0
Interest	230.0	410.0	590.0	606.7	652.5	796.8	796.8
Transfers	683.5	843.8	887.9	763.0	984.1	1000.0	1000.0
Total Current Expenditure	5513.9	7714.2	7808.7	9205.4	10186.6	11689.8	11689.8
Capital expenditure	136.0	539.5	777.1	553.0	636.0	780.0	780.0
Net lending	-70.3	28.4	61.0	1.3	0.0	0.0	0.0
Budgetary expenditure and net lending (budgeted)	5579.6	8282.1	8646.8	9759.7	10822.6	12469.8	12469.8
Change in expenditure arrears	22.5	-89.8	520.8	158.9	434.0	0.0	0.0
Budgetary expenditure and net lending (cash)	5557.1	8371.9	8126.0	8600.8	10388.6	12469.8	12469.8

Source: IBRD mission.

Table 5.3 Budgetary Revenues

(in millions of CF)

	1982	1983	1984	1985	1986 estim.	1987 budget	1987 estim.
TOTAL REVENUE	4801.0	6862.6	6952.8	6495.3	8427.2	10253.0	9013.5
TAX REVENUE	4110.4	5241.4	5726.3	5715.5	7091.6	8980.0	7663.5
Tax on income, profits & cap. gains	192.1	282.3	538.1	759.3	1245.0	1145.0	1145.0
Income tax	78.4	142.5	162.2	266.1	250.0	300.0	300.0
Corporate	104.4	132.7	346.5	489.3	950.0	800.0	800.0
Other (buildings)	9.3	7.1	29.4	64.0	45.0	45.0	45.0
Property tax	42.2	87.8	122.4	99.0	95.0	110.0	110.0
Registration fees	42.2	87.8	122.4	99.0	95.0	110.0	110.0
Tax on goods and services	215.3	312.3	321.9	500.5	728.2	834.0	834.0
Sales taxes	159.7	255.1	250.0	431.8	600.0	720.0	720.0
Turnover tax	159.7	255.1	250.0	431.8	600.0	720.0	720.0
Business, prof. licenses	54.7	55.0	69.5	66.3	126.0	110.0	110.0
Licenses	53.5	51.3	65.2	60.3	115.0	100.0	100.0
Surcharge tax	1.2	3.7	4.3	6.0	11.0	10.0	10.0
Other	0.9	2.1	2.5	2.4	2.2	4.0	4.0
Transport tax	0.9	0.8	0.5	0.4	0.0	0.0	0.0
Entertainment tax	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Video tax	0.0	1.3	1.9	2.0	2.2	4.0	4.0
Taxes on international trade	3863.0	4512.5	4709.1	4312.8	4966.0	6825.0	5508.5
Import duties	2103.0	3137.4	3945.2	3128.0	3581.3	5479.3	4252.7
-Customs duties	224.5	369.0	404.6	363.5	400.7	658.4	500.0
-Consumer tax on imports	1879.5	2435.7	3096.6	2457.0	2767.6	4254.7	3232.7
Federal Government	1007.7	1412.7	2799.2	2091.3	2351.8	3822.0	2800.0
Governorates	671.8	1023.0	297.4	365.7	415.8	432.7	432.7
Customs fees	199.0	253.6	365.7	231.9	318.0	466.2	420.0
Road tax	0.0	79.2	78.4	75.6	95.0	100.0	100.0
Export duties	1733.6	1205.5	724.6	1127.5	1325.0	1315.0	1225.0
Federal Government	1180.2	1096.4	578.2	1018.1	1090.0	1090.0	1060.0
Stabilization fund	529.1	84.1	136.1	95.1	210.0	200.0	200.0
Chamber of Commerce	24.3	25.0	16.4	24.2	25.0	25.0	25.0
Other customs duties	26.4	169.6	39.3	57.3	59.7	30.3	30.3
Other tax revenue	-202.3	46.5	34.7	43.9	57.4	66.0	66.0
Penalties	5.6	4.9	23.2	11.1	16.0	15.0	15.0
Stamp duty	22.4	40.8	23.0	32.8	41.4	51.0	51.0
Others	-230.3	0.8	-11.5	0.0	0.0	0.0	0.0
NON-TAX REVENUE	705.8	1616.1	1255.4	797.5	1335.6	1543.0	1350.0
Visa fees	0.0	0.0	0.0	0.0	0.0	20.0	20.0
Revenue from State property	17.8	4.4	10.9	10.6	11.2	35.0	35.0
Revenue from services	464.9	1126.2	835.5	401.1	998.9	1143.0	950.0
Fines and penalties	0.5	5.5	3.3	12.0	6.0	15.0	15.0
Other fines	0.4	1.1	3.3	19.8	20.0	20.0	20.0
Road tax	13.7	16.1	6.3	0.8	0.0	0.0	0.0
Governorates revenue		229.7	120.5	10.3	12.0	12.0	12.0
Chamber of Commerce revenue	54.5	70.8	101.1	74.0	70.0	75.0	75.0
Income from securities	1.8	3.0	3.3	3.0	2.5	3.0	3.0
Contributions to pension fund	152.2	159.2	171.2	206.0	215.0	220.0	220.0
Adjustments	-15.3	5.1	-28.9	-17.7			

Source: IBRD mission.

Table 5.4 Consolidated Public Sector Accounts

(in millions of CF)

	1983	1984	1985	1986
REVENUE				
Government	6857.5	6981.7	6513.0	8427.2
less: tax paid by pub. enterprise	(898.1)	(1608.4)	(1378.0)	(1162.0)
Consolidated Gov. revenue	5959.4	5373.3	5135.0	7265.2
Pub. enterprise cash flows	1039.4	(111.9)	765.6	1109.4
plus: taxes paid	898.1	1608.4	1378.0	1162.0
less: cur. expend. financed by grants	(336.4)	(350.3)	(440.6)	(495.0)
less: subsidies	(34.0)	(40.0)	(110.9)	(10.0)
Net cash flows	1567.1	1106.2	1592.1	1766.4
Consolidated public sector revenue	7526.5	6479.5	6727.1	9031.6
EXPENDITURE				
Total current expenditure and net lending (cash basis)	14123.4	14519.2	17275.6	18225.7
less: subsidies	(34.0)	(40.0)	(110.9)	(10.0)
Total current consolidated expend.	14089.4	14479.2	17164.7	18215.7
CURRENT PUBLIC SECTOR DEFICIT	(6562.9)	(7999.8)	(10437.6)	(9184.1)
Capital expenditures	9781.3	12611.3	11715.3	9081.2
Government	7105.9	10103.7	9289.0	6981.2
Pub. enterprises	2675.4	2507.6	2426.3	2100.0
CONSOLIDATED PUBLIC SECTOR DEFICIT	(16344.1)	(20611.0)	(22152.9)	(18265.4)
FINANCING				
Grants	8804.8	9798.4	11708.2	11545.5
A. Current	7409.4	8184.4	9699.5	10035.7
Government	7072.0	7834.1	9258.9	9540.7
Pub. enterprises	336.4	350.3	440.6	495.0
B. Capital	1395.4	1614.0	2008.7	1509.8
Government	1101.3	1158.0	1970.2	1388.6
Pub. enterprises	294.1	456.0	38.5	121.2
Net Foreign financing	7034.9	10322.9	9750.1	7232.9
Drawings	7146.9	10671.7	9811.0	7563.4
Amortization	(152.0)	(495.8)	(476.7)	(1140.2)
Arrears	40	147	415.8	809.7
Net Domestic financing	504.4	498.7	694.5	(513.1)
Central Bank	68.0	186.0	223.0	152.0
Others	436.4	303.7	471.5	(665.1)

Source: Ministry of Finance and IBRD mission.

Table 5.5 Consolidated Accounts for Public Enterprises

(in millions of CF)

	1983	1984	1985	1986 (estim.)
Net income	118.6	-14.2	-54.4	..
Amortizations and allowances	513.9	651.7	1299.5	..
Beginning inventory	210.6	808.6	725.1	..
Ending inventory	134.2	712.5	763.4	..
Cash on hand	708.9	733.6	1206.8	1459.4
Current assets	67.8	443.7	703.4	
Short-term assets	488.9	-317.7	344.5	-350.0
Net operating income	1130.0	-27.8	847.9	1109.4
Grants received	630.6	806.4	479.1	616.2
Technical assistance	298.0	350.3	440.6	495.0
Gross investment	2723.8	2507.6	2311.1	2100.0
Net external borrowing	1171.8	1454.4	1657.2	1165.5
Net domestic borrowing	79.3	624.9	-232.4	296.1
Memo items:				
Taxes paid	898.1	1608.4	1378.0	1162.0
Subsidies received	34.0	40.0	110.9	10.0
Consolidated cash	1994.1	1540.6	2115.0	2261.4

N.B. Financial institutions are excluded as they appear in the consolidated accounts of the banking sector.

.. Not available.

Source: IBRD mission.

Table 6. Monetary Survey

(in millions of CF)

	Dec 81	Dec 82	Dec 83	Dec 84	Sept 86	Dec 85	Sept 86
Foreign Assets	2381	4224	4794	1490	3108	4898	5906
Government Credit	846	548	503	824	1185	1356	676
Private Sector Credit	3279	3601	4721	6838	6045	4218	3772
Other	-2110	-2587	-1759	-2036	-1754	-2331	-2178
Currency	1971	2434	3427	3142	2792	3448	3434
Deposits	2267	2334	3737	3008	2927	3466	3434
Quasi-Money	158	1018	1095	966	2865	1227	1308

Source: Central Bank and IBRD mission.

Table 7.1 Agricultural Production

	1983	1984	1985	1986	1983	1984	1985	1986	1983	1984	1985	1986
	VOLUME/TONNAGE				PRODUCER PRICE (in CF)				MARKET PRICE (in CF)			
CEREALS												
Rice (Paddy)	3,450	3,530	3,620	3,700	75	80	90	90	75	80	90	90
Maize	2,700	3,450	3,550	3,900	83	86	86	80	92	95	90	99
STARCHES AND ROOT CROPS												
Cassava	24,760	25,880	26,630	27,820	60	64	83	103	75	80	103	128
Taro	6,280	6,560	6,750	7,050	82	88	90	104	102	110	113	130
Ignames	2,450	2,560	2,630	2,750	63	64	68	68	79	80	85	85
Sweet Potatoes	960	1,000	1,040	1,080	72	74	87	89	90	93	109	111
FRUITS												
Bananas	34,050	36,650	37,600	38,540	63	64	71	81	79	80	89	101
Coconuts ('000)	53,340	53,750	55,430	57,100	34	33	37	42	43	41	46	53
Other fruits	2,200	2,400	2,450	2,500	84	88	97	109	105	110	121	136
VEGETABLES												
Pigeon peas	5,300	5,530	5,800	6,130	96	110	123	126	120	138	154	158
Amberiques	180	190	200	210	197	226	241	262	246	283	301	328
Tomatoes	260	280	290	310	323	332	330	353	404	415	413	441
Potatoes	180	190	200	210	148	195	206	229	185	244	258	286
Amedrides	410	430	450	480	94	108	108	122	117	135	135	153
Onions	90	95	100	105	521	595	534	544	651	744	668	680
Miscellaneous	630	640	670	710	141	154	178	190	776	193	223	238
EXPORT PRODUCTS												
Green Vanilla	900	970	1,000	800	1,850	2,250	2,000	2,000	1,850	2,250	2,000	2,000
Processed Vanilla	184	198	204	163	11,490	14,680	12,710	12,710	19,715	22,265	25,881	20,881
Ylang-Ylang (Flowers)	2,790	2,860	3,420	3,170	50	50	60	60	50	50	60	60
Essence of Ylang-Ylang	49.3	50.6	60.5	54.2	7,628	7,628	7,734	7,850	11,325	11,482	10,866	10,667
Other Essences	3.2	2.5	1.8	2.6	18,670	19,300	19,370	25,500	27,955	30,400	29,000	48,261
Cloves	1,200	950	1,250	1,200	1,940	950	950	900	1,940	950	950	900
Cloves, processed	1,116	884	1,163	1,116	2,350	1,150	1,150	1,090	2,805	1,674	1,231	1,119
Coprah	1,200	1,280	1,350	1,410	70	71	75	75	93	95	100	100
Coffee	60	60	60	60	409	446	486	527	511	558	608	659
Miscellaneous	187	193	219	231	170	219	225	191	170	219	225	191
LIVESTOCK												
Cattle	811	811	811	850	931	997	1,100	1,145	1,164	1,246	1,375	1,431
Sheep	117	117	117	120	1,011	1,088	1,200	1,239	1,263	1,360	1,500	1,549
Poultry	130	145	167	177	778	826	811	793	973	1,033	1,014	991
Milk ('000 liters)	780	780	780	820	289	200	207	223	236	250	259	279
Eggs ('000)	2,650	3,010	3,370	3,780	50	55	60	66	63	69	75	83
FISHERY PRODUCTS												
Fish	4,390	4,530	5,170	5,310	732	755	716	753	915	944	895	941
FORESTRY ('000 of m3)												
Firewood	392	405	418	433	2,300	2,400	2,500	2,600	2,875	3,000	3,125	3,250
Peachtree Wood	11	11	12	12	2,300	2,400	2,500	2,600	2,875	3,000	3,125	3,250
Other	6	6	6	6	36,800	38,400	40,000	41,600	46,000	48,000	50,000	52,000

Source: UNECA.

Table 7.2 Land Use

TYPE OF LAND USE	GRANDE COMORE		MOHELI		ANJOUAN		TOTAL	
	HA	%	HA	%	HA	%	HA	%
Natural Vegetation	32062	31.71	4143	19.65	3316	7.82	39251	24.01
Tree plantations for forestry or income	1398	1.38	680	3.22	3387	7.99	5465	3.32
Land for foodcrop production	60416	59.76	15644	74.14	33862	79.86	109922	66.78
Land without vegetation	4621	4.57	287	1.36	280	0.66	5188	2.84
Miscellaneous	2603	2.57	346	1.64	1555	3.67	4504	2.74
TOTAL	101100		21100		42400		164600	

Source: Ministry of Production.

Table 8. Price Indices

(1985 = 100)

	1982	1983	1984	1985	1986
Cost of Living Index (Comorian families)	63.0	84.6	94.6	100.0	108.3
Cost of Living Index (expatriate families)	72.5	81.9	90.7	100.0	114.0
GDP Deflator	83.2	88.4	93.7	100.0	107.1

Source: UNECA.

Table 9.1 Scenario I: Partial Debt Rescheduling

(in US $ millions)

	1985	1986	1987	1988	1989	1990	1995
EXPORTS GNFS	19.94	26.74	27.81	30.30	33.16	32.91	39.92
Goods, FOB	15.72	19.97	20.71	22.50	24.60	24.22	28.63
NFS	4.23	6.76	7.10	7.80	8.56	8.68	11.28
IMPORTS GNFS	64.47	70.02	69.66	80.33	82.94	86.11	116.24
Goods, FOB	25.73	26.15	24.92	30.09	30.91	34.24	47.50
NFS	38.74	44.07	44.74	50.25	52.03	51.87	68.74
RESOURCE BALANCE	-44.52	-44.08	-41.85	-50.03	-49.78	-53.20	-76.32
Interest (net)	-1.16	-0.85	-0.21	-0.65	-0.88	-1.13	-2.73
Private Transfers	-0.68	-1.16	-1.17	-1.25	-1.29	-1.26	-1.41
Amortization	-1.42	-3.26	-0.79	-1.02	-1.29	-1.67	-5.38
Reserves	-7.60	-3.76	-1.69	-1.23	-1.35	-1.01	-1.22
REQUIRED FINANCING	-55.38	53.10	45.11	-54.18	-54.61	-58.28	-87.07
Public Transfers	32.08	29.57	22.03	30.98	31.20	33.04	51.00
Other	1.42	1.99	1.08	1.59	2.09	2.59	5.10
Drawings on current debt	21.88	21.54	18.00	15.00	7.77	4.12	0.00
Drawings on new loans	0.0	0.0	4.0	6.6	13.5	18.5	31.0
COMMITMENTS	15.2	13.8	10.0	23.0	25.0	26.0	33.0
Program Loans	5.2	1.0	6.0	0.0	8.0	0.0	12.0
Project Loans	10.0	12.8	4.0	23.0	17.0	26.0	21.0
Debt Service Ratio	15.4%	19.7%	7.0%	8.8%	9.8%	11.9%	22.9%

Source: IBRD mission.

Table 9.2 Scenario II: Partial Debt Cancellation

(in US $ millions)

	1985	1986	1987	1988	1989	1990	1995
EXPORTS GNFS	19.94	26.74	27.81	30.30	33.16	32.91	39.92
Goods, FOB	15.72	19.97	20.71	22.50	24.60	24.22	28.63
NFS	4.23	6.76	7.10	7.80	8.56	8.68	11.28
IMPORTS GNFS	64.47	70.82	69.66	80.33	82.94	86.11	116.24
Goods, FOB	25.73	26.15	24.92	30.09	30.91	34.24	47.50
NFS	38.74	44.67	44.74	50.25	52.03	51.87	68.74
RESOURCE BALANCE	-44.52	-44.08	-41.85	-50.03	-49.78	-53.20	-76.32
Interest (net)	-1.16	-0.85	0.34	-0.08	-0.30	-0.50	-1.70
Private Transfers	-0.68	-1.16	-1.17	-1.25	-1.29	-1.26	-1.41
Amortization	-1.42	-3.26	-0.79	-1.02	-1.29	-1.67	-4.68
Reserves	-7.60	-3.76	-1.09	-1.23	-1.35	-1.01	-1.22
REQUIRED FINANCING	-55.38	53.10	-44.56	-53.62	-54.02	-57.65	-85.34
Public Transfers	32.08	29.57	26.79	34.35	36.29	40.90	62.64
Other	1.42	1.99	1.08	1.59	2.09	2.59	5.10
Drawings on current debt	21.88	21.54	12.69	12.18	6.02	2.53	0.00
Drawings on new loans	0.0	0.0	4.0	5.5	9.6	11.6	17.6
COMMITMENTS	15.2	13.8	10.0	13.0	15.0	15.0	19.0
Program Loans	5.2	1.0	6.0	0.0	8.0	0.0	12.0
Project Loans	10.0	12.8	4.0	13.0	7.0	15.0	7.0
Debt Service Ratio	15.4%	19.7%	5.1%	7.0%	8.1%	10.1%	18.7%

Source: IBRD mission.