Comoros

After a period of political instability, the Comorian economy continues to recover slowly, buoyed by investment and emigrants' remittances. The accuracy of the economic forecasts for 2011-12 will depend on a smooth transfer of power to the new president elected in December 2010.

Higher growth will require further structural reforms and fiscal consolidation, increased tax collection and better governance.

The 2010 conference in Qatar on development and investment in Comoros gave a new dimension to partnership with emerging countries. If Comoros is to profit from this external support, an effective mechanism to follow up on the pledges given at the conference is needed.

The Union of the Comoros is an archipelago of three islands (Grande Comore, Anjouan and Moheli), with an undiversified economy and few natural resources. The country has suffered from chronic political instability for a number of years, with repeated coups and secessionist leanings among the islands, and this troubled political climate has hampered its economic and social development.

The Comorian economy has not yet recovered from the consequences of this period of instability, nor from the global recession of the last few years. In 2010, the real gross domestic product (GDP) growth rate was 2.1%, up from 1.1% in 2009. Growth was driven by public investment, the strengthening of the financial sector and the buoyancy of construction, financed by remittances from the Comorian Diaspora.

New measures to increase fiscal resource mobilisation raised tax revenue slightly from 10.4% of GDP in 2009 to an estimated 10.6% in 2010. Total expenditure amounted to 22.7% of GDP, as against 22.1% in 2009. The executed budget exhibited a primary surplus of 4.6% of GDP in 2010 (0.6% in 2009), as a result of the rise in tax revenue and grants.

The country's external position remained poor in 2010, as the current account deficit widened to an estimated 10.2% of GDP despite substantial transfers from expatriates. This trend can be attributed to the increased deficit in the services account, a slight dip in exports and a sharp increase in imports of consumer and capital goods. The current account deficit should average 12% of GDP in 2011-12.

In 2010, the government of Qatar hosted a conference on development and investment in Comoros that elicited pledges estimated at more than usd 500 million notably from the Gulf countries. Qatar provided EUR 20 million of budget support that enabled Comoros to pay off wage and pension arrears.

Remittances from expatriates, which are a key source of finance and support for the Comorian economy, remained dynamic in 2010 despite the unfavourable international climate. These transfers were facilitated by the opening of branch offices of the Comorian post office in France.

As a result of the reform programme supported by an Extended Credit Facility (ECF) from the International Monetary Fund (IMF) in July 2010, the Comoros reached the decision point of the Heavily Indebted Poor Countries (HIPC) Initiative. The interim debt reduction granted by creditors eased the pressure on Comoros' public finances.

The business climate remained much the same in 2010 as in 2009 – Comoros is still ranked 159th out of 183 countries in the World Bank's *Doing Business* report – but the stabilisation of the political situation and initiatives to clean up the business environment are expected to bring some improvement. Domestic lending rose moderately. This cautious monetary policy is conducted under the terms of the monetary co-operation agreement with France. In 2010, the mandatory reserve requirement of the Central Bank of Comoros (BCC) was increased from 25% to 30% to offset the increase in money supply. This decision was taken to avert the possibility of an inflationary surge following the substantial grants provided to clear the government's wage arrears.

Constitutional reforms and the improvement of the political climate made it possible to carry the 2010 electoral process through to completion. The election brought Vice-President Ikililou Dhoinine to the presidency. The transfer of powers by President Ahmed Sambi should take place by 26 May 2011 at the latest. The economic situation in 2011 will depend on whether the political transition goes smoothly, as well as on structural reforms and public and foreign investment.

Table 1: Macroeconomic indicators

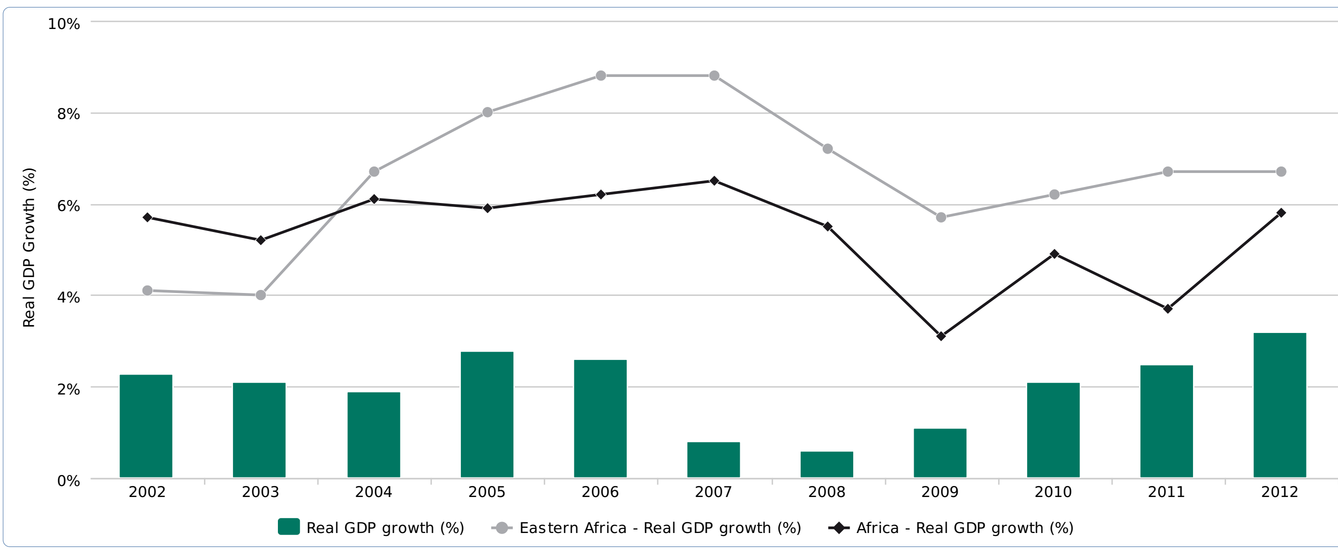
	2009	2010	2011	2012
Real GDP growth	1.1	2.1	2.5	3.2
CPI inflation	4.8	2.9	3	2.8
Budget balance % GDP	0.6	4.1	-3.1	-3.6
Current account % GDP	-7.6	-10.2	-11.7	-12.2

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932406308

Figure 1: Real GDP growth (E)



Source: IMF and local authorities’ data; estimates and projections based on authors’ calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932403952