



# THE UNION OF THE COMOROS

## COUNTRY POVERTY ASSESSMENT – BRIEF

Poverty Profile for IDB Intervention

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Strategy & Program Management Division  
Islamic Solidarity Fund for Development  
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**BRIEF COUNTRY POVERTY ASSESSMENT – COMOROS**  
**EXECUTIVE SUMMARY**

**CONTEXT:**

1. Comoros consists of three islands: Grande Comore, Anjouan and Mohéli. A In 1974, a referendum was held in each island and three of the four islands voted in favor of independence from France; fourth island, Mayotte, chose to remain an overseas territory of France. By May of 2009, Comoros voted for a Federal system with rotating presidency.
2. Comoros' external debt has increased steadily since independence to a peak of nearly 100% of GDP in the mid-eighties. External debt as a proportion of gross domestic product was 46.2% in 2009. A substantial increase from previous figures (in 2008 the proportion was 37.4%). Comoros is also in collaboration with the IMF to obtain relief on part of its foreign debt under the HIPC and Multilateral Debt Relief Initiatives, and is likely to receive full debt relief in mid-2012.
3. The country remains dependent on imports of food, and its three main export crops (vanilla, cloves and ylang-ylang) are underdeveloped and vulnerable to world market fluctuations.
4. Around two-thirds of the population live in rural areas where agricultural employment dominates, and over 70% of the workforce earns a living from the land. Agriculture accounts for around 40% of GDP. Years of underinvestment in Comorian infrastructure have led to constraints in the energy sector, while transport links remain dependent on foreign operators.
5. The private sector in Comoros is reportedly limited by the inadequacy of the basic infrastructure, high costs of energy, telecommunication and transport, an undeveloped banking sector and lack of qualified labor.
6. In order to stimulate economic growth and enhance employment, the Comorian government is in the process of promoting the country as an investment destination. In 2007, the government introduced a new investment code, which broadly focused on reduced tariffs and tax incentives to eligible businesses. Also in 2007, the Ministry of Investment Promotion, Micro finance and Decentralized Cooperation was created to monitor and promote major projects and supervise and promote micro finance institutions. In 2008, authorities completed a plan to reform public enterprises and improve the business environment by streamlining business licensing requirements and strengthening investor protection and the legal system. This plan has been endorsed by the International Monetary Fund (IMF). The National Investment Promotion Agency (NIPA) was created in 2008 to promote the country as an attractive investment center and to provide guidance and assistance to potential investors.
7. Poverty remains pervasive in Comoros. In 2004, the latest year for which data is available about 45% of the population at the national level or 37% of households lived below the poverty line of about \$800 per capita per year (based on the results of a comprehensive household expenditure survey; *Enquête Intégrée auprès des Ménages (EIM)*). This, however, masks significant regional and local disparities.
8. Most of those in poverty are members of rural families who must rely on small-scale family farms for their livelihoods. These families are unable to increase their incomes as they are unable to afford investments in mechanization, fertilizers, insecticides, and improved seeds that would boost their output.
9. The Human Development Index for Comoros is 0.576, which gives the country a rank of 139th out of 182 countries with data. Over time however, Comoros' HDI rose by 0.94% annually from 0.447 to 0.576 between 1980 and 2007.

10. Comoros suffers from a Gini Coefficient of 64.3, indicating a large imbalance in wealth between the rich and the poor. Government statistics show the Gini index increased 25.7% (from 0.443 to 0.557) between 1995 and 2004.
11. Poverty Reduction and Growth Strategy Paper (PRGSP) covering the years 2010-2014, was developed according to three basic principles. The stakeholders are convinced that poverty can be reduced substantially with (i) robust economic growth; (ii) human and institutional capacity building; and (iii) strengthened governance and public management
12. As of October 2010, IDB has approved 17 projects for Comoros for a total of \$15.9 million, predominantly dedicated to transportation and agriculture (60% and 17% respectively).
13. The Arab Financial Mechanism for Development and Investment in Comoros meeting with the Arab League hosted in Qatar in March 2010, as well as the follow –up talks in April of 2010 which concluded a framework agreement between the Islamic Development Bank (IDB) and the Union of the Comoros, is expected to improve the investment climate.

#### **RECOMMENDATIONS FOR INTERVENTION:**

14. Given the diverse needs of the country, especially in the most vital sectors, the most prudent way forward will be to develop a multi-sectoral and multi-thematic interventions. Apart from this, there could be specific sectoral interventions by the IDB Group for Comoros among the selected potential areas of concentration as reviewed below:
  - a. Agricultural extension services and productivity programs. Given a majority of the population lives in rural areas and its majority share of employment, this would be needed to assist in food security concerns and improved cash crop yield for increased export earnings, and may include more exploitation of fisheries potential.
  - b. Energy, given Comoros’ reliance on foreign petroleum supplies, ongoing shortages in power and in order to prevent land clearing for firewood (currently practiced), which has severe environmental and economic consequences.
  - c. Vocational Training linked to Micro-Finance Support Program: Given the high rate of illiteracy and restricted access to micro-finance, the capacity development in vocational skills as per market needs, with packaged micro-finance can augment human development, which is seen to be lacking.
  - d. Transportation & Communication: The lack of vital infrastructure is seen to impede communication both within and outside the country and is an obstacle to attracting investment as well as tourism, both of which can bring in revenue. Public-Private Partnership (PPP) on this sector, with its various modalities of operation can have wide ranging impact in economic, as well as social sectors.
  - e. Basic and secondary education: Improving access to and quality of preschool and elementary education can be envisioned in light of the emphasis afforded the sector. According to the PRGS, economic “growth alone is insufficient to guarantee a substantial reduction in poverty if the inequalities become accentuated, access to education and health fails to improve, and the environment deteriorates. The government has therefore made access to education, quality health care and environmental conservation priorities likely to improve the living conditions for the Comorian people.”

## Map of Comoros



## Abbreviations

ADF	:	African Development Fund
AfDB	:	African Development Bank
CCGC	:	Chamber of Commerce of Grande Comore
GCP	:	Comoros' General Commissariat of Planning
DFI	:	Decentralized Financial Institutions
DP	:	Development Partners
EC	:	European Commission
EIM	:	Enquête Intégrée auprès des Ménages
GDP	:	Gross Domestic Product
HPI	:	Human Poverty Index
IDA	:	International Development Association
IDB	:	Islamic Development Bank
ID	:	Islamic Dinar
IMF	:	International Monetary Fund
KSA	:	Kingdom of Saudi Arabia
LDMC	:	Least Developed Member Countries
MDG	:	Millennium Development Goals
MDRI	:	Multilateral Debt Relief Initiative
NIPA	:	The National Investment Promotion Agency
PPP	:	Purchasing Power Parity
PRGSP	:	Poverty Reduction and Growth Strategy Paper
UNDP	:	United Nations Development Program
WB	:	The World Bank

## **COUNTRY POVERTY ASSESSMENT – BRIEF: UNION OF THE COMOROS**

### **I. COUNTRY PROFILE**

1. Due to its strategic location, Comoros has served in the past centuries as a transit location between the African continent and Madagascar for Arab traders operating along the East African coast. The country became a French Protectorate in 1886 and an overseas territory of France in 1947.
2. Comoros consists of three islands: Grande Comore, Anjouan and Mohéli. In 1974, a referendum was held in each island and three of the four islands voted in favor of independence from France; fourth island, Mayotte, chose to remain an overseas territory of France.
3. The Union system is designed to unite Comoros in an overarching federation with a Union presidency that moves between the three islands every four years while permitting the islands a degree of autonomy within directly elected individual parliaments.
4. Comoros has 3 official languages; French, Arabic and Shikomoro and about 98% of the Comorian population is Muslim.

#### **Political- Economy**

5. Comoros does not have a bipolarized party system. Political groupings are generally formed by individuals having significant influence to receive support from people for their candidacy.
6. The focal national discussion in Comoros was the political organization structure between the federal government and the islands. In May 2009, the Union of Comoros voted on a referendum, changing the system to include one president, one government and one parliament. The head of each island would become a governor. Under the new constitution, the federal law would take precedence over laws of individual islands and the Union government has exclusive authority over subjects such as nationality, monetary affairs, foreign relations, national defense and religion. Local affairs are administered and managed by each island.
7. Economic growth averaged 1.7% over 2003-07, constrained by political instability, geographical isolation, the small size of the domestic market, the absence of minerals and raw materials, and a shortage of fertile land, but is expected to climb slightly to 2.5% and 3% in 2011 and 2012, respectively.
8. According to EIU, external debt as a proportion of gross domestic product was 46.2% in 2009.<sup>1</sup> A substantial increase from previous figures (in 2008 the

proportion was 37.4%), it compares favorably with other African countries such as Mauritius (62%).<sup>2</sup>

9. Comoros' external debt has increased steadily since independence to a peak of nearly 100% of GDP in the mid-eighties. In December 2007, Comoros benefited from a cancellation of €25.2 million of its debt due to the ADB. In 2007, the outstanding debt of the country stood at €201.3 million, representing 59.6% of GDP.<sup>3</sup> Comoros is also in collaboration with the IMF to obtain relief on part of its foreign debt under the HIPC and Multilateral Debt Relief Initiatives, and is likely to receive full debt relief in mid-2012.
10. The Comorian franc is fixed to the euro, which helps to keep inflation low (averaging 2.26% between 2003-07) but also makes exports less competitive.
11. Recurrent hopes of attracting substantial foreign direct investment have almost invariably been unfulfilled, owing to two main factors. The small size of the economy and the high level of dependence on imports leaves little for new investors to build on, and political instability is a major deterrent to investors.
12. The country remains dependent on imports of food, and its three main export crops—vanilla, cloves and ylang-ylang—are underdeveloped and remain vulnerable to fluctuations in world market conditions.
13. Around two-thirds of the population live in rural areas where agricultural employment dominates, and over 70% of the workforce earns a living from the land. Agriculture accounts for around 40% of GDP.<sup>4</sup>
14. Sectors such as fishing and marine trade, which have made major contributions to other small coastal economies, are underdeveloped.
15. Years of underinvestment in Comorian infrastructure have led to serious constraints in the energy sector, while transport links tend to be highly dependent on foreign operators.
16. An expansion of electricity production and consumption in Comoros is vital in order to reduce the strain on already depleted fuel wood resources. Consumption of high-cost imported petroleum products is accelerating. The government switched the contract to supply petroleum from Total, a French firm, to an Iranian oil company (oil was to be sourced in Iran and refined in Yemen), though delays in the implementation led to fuel shortages and load-shedding, with major cities having power for less than four hours a day.<sup>5</sup>
17. The services sector, which equaled 47% of GDP in 2005, according to the annual report from the Banque de France in 2006, is growing.

18. Remittances from Comorians living abroad, mainly in France, are crucial for the economy, estimated at \$12 million in 2006, around 18% of GDP<sup>6</sup> (more than total exports and three times the amount of foreign aid) dipping to \$11 million by 2009.<sup>7</sup>
19. The private sector in Comoros is reportedly limited by the inadequacy of the basic infrastructure, high costs of energy, telecommunication and transport, an undeveloped banking sector and lack of qualified labor. During 2006-2008, 644 business entities, including 275 companies and 369 shops, were registered with the Chamber of Commerce of Grande Comore (CCGC). In 2009, the World Bank ranked the country 155th out of 181 economies it had compared in terms of the ease of doing business.<sup>8</sup>
20. In order to stimulate economic growth and enhance employment, the Comorian government is in the process of promoting the country as an investment destination. In 2007, the government introduced a new investment code, which broadly focused on reduced tariffs and tax incentives to eligible businesses. Also in 2007, the Ministry of Investment Promotion, Micro finance and Decentralized Cooperation was created to monitor and promote major projects and supervise and promote micro finance institutions. In 2008, authorities completed a plan to reform public enterprises and improve the business environment by streamlining business licensing requirements and strengthening investor protection and the legal system.<sup>9</sup> This plan has been endorsed by the International Monetary Fund (IMF). The National Investment Promotion Agency (NIPA) was created in December 2008 to promote the country as an attractive investment center and to provide guidance and assistance to potential investors.
21. According to Comoros' General Commissariat of Planning (GCP), which is the agency in charge of economic planning for the country, the Union of Comoros had an estimated population of about 652,200 in 2008, up from 575,660 in 2003. A very large proportion of the population of Comoros is young (41.92% of the population is below 15 years).<sup>10</sup> The average age of the population is 24.1 years. Such an age structure will pose substantial challenges, primarily in providing the youth with services in the areas of education, health, nutrition, vocational training, employment, etc. The dependency ratio (children under 15 years of age and aged persons over 64 as a share of the population 15-64 years of age) is 198.5% and shows a clear gap between urban areas (169.3%) and rural areas (210.6%).

### **Poverty Profile**

22. In April 2010, a preliminary assessment by the World Bank and the IMF indicated that Comoros is eligible for assistance under the enhanced Heavily Indebted Poor Countries Initiative (HIPC). The assessment is a step towards

forgiveness of the majority of the country's foreign debt. Debt forgiveness, accompanied by stronger fiscal management, governance and public sector reforms are expected to improve prospects for economic growth and poverty reduction.

23. On reaching the completion point, Comoros will qualify for unconditional debt relief. It will also qualify for the Multilateral Debt Relief Initiative (MDRI) from the IDA and the African Development Fund (ADF).
24. Debt relief is believed to free up resources for poverty-reducing spending in the authorities' priority areas, notably education and health.
25. Poverty remains pervasive in Comoros. In 2004, the latest year for which data is available about 45% of the population at the national level or 37% of households lived below the poverty line of about \$800 per capita per year (based on the results of a comprehensive household expenditure survey; *Enquête Intégrée auprès des Ménages (EIM)*).<sup>11</sup> This, however, masks significant regional and local disparities.
26. The incidence of poverty varies across islands. The incidence of poverty is markedly higher on the island of Anjouan and in rural areas, which are home to 79% of Comoros' poor households, at about 41%, than in urban areas, at about 27%.
27. There are no figures for the percentage of the population below the dollar-a-day poverty line, which is defined as not having enough income to provide the barest minimum of food, shelter, and clothing. Most of those in poverty are members of rural families who must rely on small-scale family farms for their livelihoods. These families are unable to increase their incomes as they are unable to afford investments in mechanization, fertilizers, insecticides, and improved seeds that would boost their output. Even in the main towns, electricity and the piped water supply is erratic. In the rural areas electricity and plumbing are practically nonexistent; lighting is by small paraffin lamps with wicks, and water is obtained from wells. There is some septic tank sewage disposal in the towns, but in the rural areas people rely on pit latrines.
28. Measuring the average progress of a country in human development, The Human Development Index for Comoros is 0.576, which gives the country a rank of 139th out of 182 countries with data. Over time however, Comoros' HDI rose by 0.94% annually from 0.447 to 0.576 between 1980 and 2007. Its HDI scores in all regions have increased progressively over the years although all have experienced periods of slower growth or even reversals. The Human Poverty Index (HPI-1), focuses on the proportion of people below certain threshold levels in each of the dimensions of the human development index (living a long and healthy life, having access to education, and a decent standard of living). By looking beyond income deprivation, the HPI-1

represents a multi-dimensional alternative to the \$1.25 a day (PPP US\$) poverty measure. The HPI-1 value of 20.4% for Comoros, ranks 78<sup>th</sup> among 135 countries for which the index has been calculated. Once again, however, despite high rates of illiteracy and underweight children (25% each), rates for improved water source use (85%) and probability of surviving to age 40 (87.4%) appear more promising.<sup>12</sup>

29. The Government's (Poverty Reduction and Growth Strategy Paper (PRGSP) assumes the incidence of poverty to have increased since 2004. The EIM results point to four relatively distinct socioeconomic categories depending on the poverty incidence: (i) households where the head is a protected wage earner (poverty incidence: 25.5%); (ii) households headed by an unprotected wage earner, an independent worker in the informal sector, or a family assistant-apprentice (poverty incidence: 30-35%); (iii) subgroups headed by a subsistence farmer, commercial farmer, unemployed person, or inactive person (poverty incidence: 38-39%); (iv) households headed by a microentrepreneur, stockbreeder, or fisherman (poverty incidence: 46-54%). We observe that three socioeconomic groups account for nearly two-thirds of national poverty: farmers' households (30.2%), unprotected wage earners' households (15.8%), and households headed by an inactive person (19.6%).<sup>13</sup> Their distinction provides significant insights into what a poverty/vulnerability targeting policy could look like, and the informality of much of the economy contains important ramifications for fiscal policy and safety nets design and implementation.
30. All inequality indicators register a clear increase in disparities. According to the United Nations 2009 Human Development Report, Comoros suffers from a Gini Coefficient of 64.3,<sup>14</sup> indicating a large imbalance in wealth between the rich and the poor. Government statistics show the Gini index increased 25.7% (from 0.443 to 0.557) between 1995 and 2004. In this connection, the breakdown of sources of the level of inequality highlights the role of household demography (particularly the number of children 5-14 years of age), education level of the head of household, proportion of employees per household, and spatial location. We also observe that the existence of external transfers leads to increased expenditure inequalities.<sup>15</sup>
31. While the poor performance of the economy as a whole would suggest a worsening of poverty and inequality in recent years, the PRGSP, and available data on Comoros, according to the Joint IDA-IMF Staff Advisory Note for 2010, lacks an assessment of the poverty and inequality incidence of growth based on past patterns, a review of specific policies that may have influenced poverty outcomes in the last years, an evaluation of the impact of external shocks (particularly the recent food, fuel and financial crises); and an analysis of the potential shifts in the sectoral composition of growth in recent years.<sup>16</sup>

32. The dependency rate is currently 3.4, which means that one active employed individual supports an average of 3.4 inactive or unemployed persons. In addition, the differential in dependency rates by gender of the head of household, which is biased against women, tends to be accentuated in poor households as compared with affluent ones. It was found that 13.5% of active persons over 7 years of age were unemployed in 2004, with slightly higher rates in Ngazidja (14.9%) and in Mwali (15%) than in Ndzouani (12.1%). For persons under 24 years of age, unemployment strikes 25% to 33% of the active population; while unemployment rates for persons 15-19 years of age and 30-49 years of age is approximately 20%, and approximately 25% for the 20-24 year age bracket.<sup>17</sup>
33. In 1970 agriculture employed more than 80% of the workforce, according to the World Bank, falling to 77% two decades later. An estimated 13% of the workforce was employed in services and 10% in industry in 1990. In 2004, according to the most recent data available, around 72% of workers were employed in agriculture.<sup>18</sup>
34. The archipelago of Comoros is characterized by its fertile volcanic soils, especially in Anjouan and Mohéli. This facilitates the cultivation of a large diversity of crops including vegetables and fruit trees. Agricultural production, however, is largely for consumption; only a third of total production is commercial. Even with a strong emphasis on staple production, the country still imports nearly 95% of its rice consumption.
35. The vestiges of the French colonial law continue to provide the texts for land ownership and registry, which have four basic categories: untitled land; titled land; State domain; and village reserves. Approximately 80% of the people own small parcels without titles; those with larger land holdings of between 635 and 5,000 hectares possess land titles secured by them during the colonial period and which continue to be respected today.<sup>19</sup>
36. Most of the arable land currently owned by families generally do not have ownership titles. Titles are generally held primarily for large land areas. Arable lands that are not privately owned are controlled by villages of the islands, and access to arable lands is open for foreign investors as per the new investment code.<sup>20</sup>
37. The search for farmland to feed the growing population and the high demand for firewood for the distillation of ylang-ylang oil have led to the clearance of large areas of trees, meaning that just 3% of national land is now covered by forest.<sup>21</sup> This has resulted in soil erosion, damage to water courses and the danger of extinction for some species.

38. The government has tried to encourage the amalgamation of small plots into larger, more viable units, alongside the development of co-operatives and a more active local marketing system, but the shortage of land and the damage caused by forest clearances cause obstacles.
39. Vanilla productivity has historically been low because of poor agricultural techniques. Each plant produces an average of 100 g of vanilla, compared with 500-800g per plant on the French island of Réunion. Production of vanilla dropped to 50 tons in 2007, from 75 tons in 2006, according to estimates from the Central Bank. Fresh supplies from India, Indonesia and Vietnam have pushed down global vanilla prices, prompting farmers to turn to other crops.
40. The fishing sector employs 6% of the population.<sup>22</sup> Experts believe that the country's waters could guarantee sustainable fish output of around 85,000 tons/year (t/y).<sup>23</sup> At present, however, local inshore fishermen using canoes catch only about 13,000 t/y. Donors have supported the development of a stronger local industry, but improved processing and storage facilities are still needed.
41. Development has also been hampered by the high cost of services and imported supplies, as Comoros has few raw materials, and the lack of skilled workers. The small size of the home market limits sales opportunities, while the islands ability to export industrial goods is tightly circumscribed by the high cost of transport to other markets.
42. 44% of adult Comorians were illiterate in 2005. Only 55% of children in the relevant age group were enrolled in primary school over the 1999-2005 period. The average for tertiary education was 2.3%--the islands sole tertiary establishment, the University of the Comoros, opened as recently as 2004.<sup>24</sup>
43. There has been good progress on several of the Millennium Development Goals (MDGs). Through greater attention, the authorities have reduced both mother and child mortality; small girls are attending school, even if there are still differences in favor of boys; the school enrollment rate for girls has increased and their retention rate in the school system has improved. Comoros is on track to achieve MDG2 (universal primary education) and MDG6 (HIV/AIDS), with progress on MDG1 (poverty) and MDG7 (water access). The country also made progress toward MDG4 (child mortality) and MDG5 (maternal health), indicators that many other countries have found very difficult to achieve, as Comoros registered social indicators higher than those in most African countries. One of the most challenging targets, however, will be to halve the proportion of people who suffer from hunger. According to the government, increasing efforts have been made to achieve these results and a budget reallocation was effected to benefit the social sectors. It is also reported that the issue is deficient policies, which can be addressed, and that the cost of

reaching the MDGs by 2015, estimated in June 2008, is approximately \$29 billion, more than half of which is earmarked for improved access to energy, infrastructure construction, and transportation.

44. The Comorian private sector also includes the financial service sector. Until last year, there was only one general private bank, BIC, plus two decentralized financial institutions (IFD)—the Meck and Sanduck networks. In 2008, two new banks, Eximbank of Tanzania and a Kuwaiti bank, were licensed by the central bank to open branches in the Comoros. Banque de Développement des Comores was also recapitalized and has recently returned to the market. It has opened a microfinance window and emerged as a competitor for Meck and Sanduck.<sup>25</sup> Although the system registers excess liquidity, credit is still costly and does not meet the requirements of a developing country. According to the government, new banks are expected to introduce more competition, leading to the introduction of new financial instruments (venture capital companies, for example), and a gradual decline in interest rates.
45. Women already constitute more than 50% of decentralized financial institution (DFI) clients, and efforts are needed to increase this rate and target this population group as many poor women would reportedly like to arrange small loans to support their trading activities. There are currently no financial instruments that meet this need.<sup>26</sup> With the celebration of the international year for microfinance, Comorian DFIs have become aware of the role they must play in local economic development.

## **II. PRSP & GOVERNMENT POVERTY ALLEVIATION PLANS**

46. Comoros completed its final Poverty Reduction Strategy Paper (Poverty Reduction and Growth Strategy Paper, PRGSP) in 2009. The PRSP—endorsed by the Board of Directors of the World Bank on April 8, 2010, was prepared through a broad participatory process and covers the years 2010-2014.
47. The poverty reduction and growth strategy was developed according to three basic principles. The stakeholders are convinced that poverty can be reduced substantially with (i) robust economic growth; (ii) human and institutional capacity building; and (iii) strengthened governance and public management.<sup>27</sup>
48. According to the adopted principles and orientations, the 2010-2014 PRGS adopted six core strategies and 32 priority programs to be implemented during the next five years (Table 1).<sup>28</sup>

**Table 1. 2010-2014 PRGS: Core strategies and priority programs**

PRIORITY PROGRAM	CORE STRATEGY
<p><i>Program 1.1.</i> Enhance government and fiscal operations  <i>Program 1.2.</i> Integrate and facilitate domestic and international trade  <i>Program 1.3.</i> Improve the energy supply at a low cost  <i>Program 1.4.</i> Improve basic economic infrastructure and communication services  <i>Program 1.5.</i> Increase access to drinking water, sanitation, and sustainable resource management</p>	<p><b>Core strategy 1: Stabilize the economy and lay the groundwork for strong and equitable growth</b></p>
<p><b>I. Strengthening the private sector</b>  <i>Program 2.1.</i> Support private sector organization  <i>Program 2.2.</i> Financial intermediation and microcredit  <b>II. Restore growth through key sectors</b>  <b>· Agriculture and stockbreeding subsector</b>  <i>Program 2.3.</i> Enhance security of property resources  <i>Program 2.4.</i> Support the creation of a favorable environment for agriculture sector development  <i>Program 2.5.</i> Restore agricultural and agrofood production  <i>Program 2.6.</i> Protect livestock against exotic infectious diseases and intensify the animal production sector  <b>· Fishing subsector</b>  <i>Program 2.7.</i> Create an environment favorable to the balanced development of the sector  <i>Program 2.8.</i> Develop a conservation, processing, and marketing system for fish products  <b>· Tourism subsector</b>  <i>Program 2.9.</i> Support tourism development</p>	<p><b>Core strategy 2: Strengthen key sectors by focusing on institution building and ensuring a broader role for the private sector</b></p>
<p><i>Program 3.1.</i> Promote good governance, social cohesion, solidarity, and consolidation of peace  <i>Program 3.2.</i> Improve the legal framework, promote anticorruption measures, and strengthen transparency in fiscal management  <i>Program 3.3.</i> Strengthen the capacities of the judiciary institution  <i>Program: 3.4.</i> Fight terrorism and transnational crime, and strengthen civil security</p>	<p><b>Core strategy 3: Strengthen governance and social cohesion</b></p>
<p><i>Program 4.1.</i> Fight malaria and priority diseases  <i>Program 4.2.</i> Integrated sexual and reproductive health development  <i>Program 4.3.</i> Fight HIV/AIDS and sexually transmissible infections  <i>Program 4.4.</i> Strengthen the efficacy of all aspects of the health system</p>	<p><b>Core strategy 4: Improve the health status of the general public</b></p>
<p><i>Program 5.1.</i> Develop education, technical instruction, and occupational training, to reflect the requirements of the job market  <i>Program 5.2.</i> Improve access to and quality of basic (preschool and elementary) and secondary education  <i>Program 5.3.</i> Develop competent human resources and the sectoral (SWAP) approach in education  <i>Program 5.4.</i> Promote literacy, sports, and cultural activities</p>	<p><b>Core strategy 5: Promote education and vocational training with the aim of developing human capital</b></p>
<p><i>Program 6.1.</i> Conserve biodiversity and equitably share its advantages  <i>Program 6.2.</i> Conserve and upgrade agro-biodiversity  <i>Program 6.3.</i> Adapt to climate change  <i>Program 6.4.</i> Fiscal rehabilitation with an ecological focus  <i>Program 6.5.</i> Capacity building for multisector environmental management and coordination  <i>Program 6.6.</i> Establish prevention and management mechanisms for risks related to natural and climate disasters</p>	<p><b>Core strategy 6: Promote environmental sustainability and civilian security</b></p>

### III. ACTIVE DONORS

49. Donor aid is hampered by concerns about political stability. Net development assistance fell by 29% between 2005 and 2006. Overall, official development assistance declined to \$30.6 million, from \$43.1 million the previous year, amid concerns about ongoing squabbles between the Union and the island presidencies.

<b>External debt outstanding by creditors (million Euro)</b>	<b>2007</b>
Multilateral loans	155.5
International Development Association	90.7
International Fund for Agricultural Development	6.3
African Development Fund	31.1
Arab Bank for Economic Development in Africa	23.3
Others	4.1
Bilateral loans	34.5
France	3.3
Kuwait	20.2
Saudi Arabia	10.4
Mauritius	0.7
Arrears	11.3
Principal	7.7
Interest	3.6
Stock of debt	201.3

Source: IMF Country Report No. 09/46, February 2009

50. Foreign assistance remains vital for financing public spending. In 1996, Comoros received €75.0 million in foreign assistance, which declined to a low of €14.7 million in 2000 due to the unfavorable political situations in the country. The improvement in the political climate has helped in terms of financial assistance and Comoros received €31.8 million in donations in 2008 from various countries and international organizations. The same donors had also allocated a budget of €61.5 million for financing multiple projects and services in 2009.<sup>29</sup>

<b>Donations from countries (million Euro)</b>	<b>2008</b>	<b>2009</b>
France	1.7	5.2
China	7.6	11.2
Saudi Arabia	1.1	1.4
Iran	0.3	0.6
United States of America	0.5	0.4
Libya	0.7	0.5
United Arab Emirates	1.8	-
<b>Total</b>	<b>13.7</b>	<b>19.3</b>

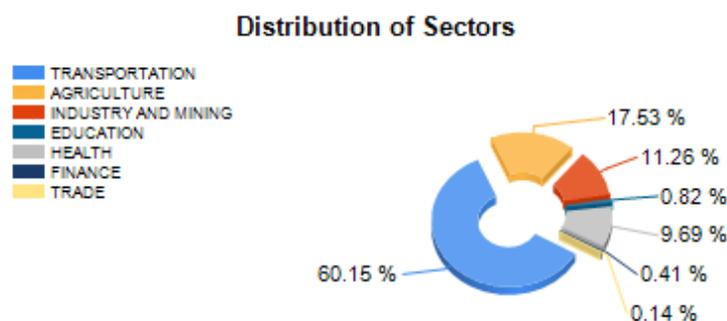
Source: Ministry of Planning, news publications

Donations from international organizations (million Euro)	2008	2009
United Nations	4.1	4.5
European Development Fund	5.7	13.2
International Association for Development	2.2	3.3
Islamic Development Bank	-	0.7
International Fund for Agricultural Development	0.7	1.2
World Health Organization	1.3	2.3
Global fund	3.1	-
Arab Authority for Agricultural Investment and Development	1.0	-
Arab League	-	17.1
Total	18.1	42.2

Source: Ministry of Planning, news publications

IDB Portfolio in Comoros (millions)										
SECTOR	ACTIVE			COMPLETED			TOTAL			
	No	ID	US\$	No	ID	US\$	No	ID	US\$	%
AGRICULTURE	2	1.26	2.00	2	0.88	1.13	4	2.14	3.13	17.53
EDUCATION	0	0.00	0.00	1	0.10	0.10	1	0.10	0.10	0.82
FINANCE	1	0.05	0.08	0	0.00	0.00	1	0.05	0.08	0.41
HEALTH	3	0.52	0.80	1	0.66	0.86	4	1.18	1.66	9.69
INDUSTRY AND MINING	0	0.00	0.00	2	1.38	1.79	2	1.38	1.79	11.26
TRADE	0	0.00	0.00	1	0.02	0.03	1	0.02	0.03	0.14
TRANSPORTATION	0	0.00	0.00	4	7.35	9.15	4	7.35	9.15	60.15
<b>TOTAL</b>	<b>6</b>	<b>1.8</b>	<b>2.9</b>	<b>11</b>	<b>10.4</b>	<b>13.0</b>	<b>17</b>	<b>12.2</b>	<b>15.9</b>	<b>100%</b>

### Sector Distribution of IDB Portfolio in Comoros



51. As of October 2010, IDB has approved 17 projects for Comoros for a total of \$15.9 million, predominantly dedicated to transportation and agriculture (60% and 17% respectively).

52. As of March 2010, the World Bank had approved 19 loans and credits for Comoros for a total amount of about \$132.50 million. The commitment value of one ongoing operation is approximately \$18.3 million equivalent.

53. The World Bank Services Support Project is coordinating closely with the European Commission supporting the decentralization dialogue, strengthening

democracy and good governance, and supporting local development initiatives.

54. In the public sector and good governance reform agenda, the World Bank is working with the European Commission (EC), France, the International Monetary Fund (IMF), and the United Nations Development Program (UNDP) as well as the African Development Bank (AfDB).<sup>30</sup>
55. The IMF is monitoring the macroeconomic framework with a special focus on the debt sustainability analysis and possible scenarios of debt relief.<sup>31</sup>
56. In 2007 France provided \$17 million of assistance, which tends to be targeted at social sectors. The French Development Agency (AFD) and the World Bank are providing capacity building to communities who are benefiting from small water projects financed by the AFD.
57. The Chinese government reportedly agreed a \$3.3 million aid package for the country in early 2008, of which the power sector is a likely beneficiary: Chinese electricity firms are already entering the industry. China has also historically had an interest in the fishing industry in Comoros.<sup>32</sup>
58. Kuwaiti investors announcing plans to invest almost \$56 million in a variety of projects.<sup>33</sup>
59. The state-owned conglomerate, Dubai World, planning a \$70 million investment in the development of a tourist complex in 2008.
60. Comoros is due to receive loans from the Arab Monetary Fund.
61. The Arab Financial Mechanism for Development and Investment in Comoros meeting with the Arab League hosted in Qatar in March 2010, as well as the follow-up talks in April of 2010 which concluded a framework agreement between the Islamic Development Bank (IDB) and the Union of the Comoros, is expected to improve the investment climate.

#### **IV. PROPOSED IDB INTERVENTION STRATEGY**

62. The results of the EIM show the importance of recovery in the private sector, particularly in the agro-food areas, to ensure robust economic growth and achieve a significant reduction in poverty. These dynamics, however, must extend to economic actors in other growth sectors (tourism, trade, and works and construction) which are the only sectors capable of making the necessary investments to restore growth, create jobs, and reduce the poverty in which many Comorian households live.

63. Given the diverse needs of the country, especially in the most vital sectors, the most prudent way forward will be to develop a multi-sectoral and multi-thematic interventions. Apart from this, there could be specific sectoral interventions by the IDB Group for Comoros among the selected potential areas of intervention concentration as flagged below.
64. Agricultural extension services and productivity programs. Given a majority of the population lives in rural areas and its majority share of employment, this would be needed to assist in food security concerns and improved cash crop yield for increased export earnings, and may include more effective exploitation of fisheries potential.
65. Energy, given Comoros' reliance on foreign petroleum supplies, the current and ongoing shortages in power and in order to prevent land clearing for firewood as is currently practiced, which has severe environmental and economic consequences.
66. Vocational Training linked to Micro-Finance Support Program: Given the high rate of illiteracy and restricted access to micro-finance, the capacity development in vocational skills as per market needs, with packaged micro-finance can augment human development, which is seen to be lacking.
67. Transportation & Communication: The lack of vital infrastructure is seen to impede communication both within and outside the country and is an obstacle to attracting investment as well as tourism, both of which can bring in revenue. Public-Private Partnership (PPP) on this sector, with its various modalities of operation can have wide ranging impact in economic, as well as social sectors.
68. Basic and secondary education: Corresponding to Program 5.2 of the outline priorities of the PRGS, improving access to and quality of preschool and elementary education can be envisioned in light of the emphasis afforded the sector. According to the PRGS, economic “growth alone is insufficient to guarantee a substantial reduction in poverty if the inequalities become accentuated, access to education and health fails to improve, and the environment deteriorates. The government has therefore made access to education, quality health care and environmental conservation priorities likely to improve the living conditions for the Comorian people.”<sup>34</sup>
69. Poverty is not only the result of insufficient income. It is also the result of insufficient access to different forms of capital, and specifically human capital. The education sector plays a strategic role in this connection as it is the best way to transmit social values and to develop skills to enable individuals to find the means and motivation to build a country that offers a good quality of life. In an increasingly integrated market economy, the competitiveness of the

enterprises and the country's attractiveness to potential foreign investors depend largely on whether sufficient quantities of skilled labor are available in the appropriate areas. Specifically, there is substantial excess demand for technical and occupational education graduates. In the context of poverty reduction, technical education and occupational training are major tools in support of human capital development. Training of human resources, and primarily skilled, competent labor, is essential in the country's sustainable development and therefore in economic growth.

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