

COMOROS

2014

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- The return of political and institutional stability in the Comoros has allowed economic growth to resume, averaging 3% a year between 2011 and 2013. The outlook for 2014 is positive, but the employment situation is not expected to improve, especially among new graduates.
- Control of public expenditure has enabled the Comoros to conclude the sixth and final review of the IMF's Extended Credit Facility (ECF), approved on 13 December 2013.
- Despite the structural deficit in the current account balance, the country still has a comfortable external position, with more than seven months of import reserves, mainly thanks to remittances from emigrants (USD 147 million in 2012, or 23% of GDP).

Overview

The Comoros has recorded positive growth since 2011. Growth was estimated at 3.6% in 2013, driven mainly by agriculture (representing almost half of GDP), retail, tourism, construction (above 4.0%), and banking and other services (around 8.0%).

The return to growth was aided by an expansionary fiscal policy thanks to major multilateral external financing, and especially bilateral financing from Arab countries. The Comoros has thus been able to run fiscal surpluses since 2011, increasing the surplus each year. A 5.6% surplus is projected for 2014 thanks to ongoing grants and programmes in the pipeline with the African Development Bank (AfDB), the World Bank and the European Union (EU).

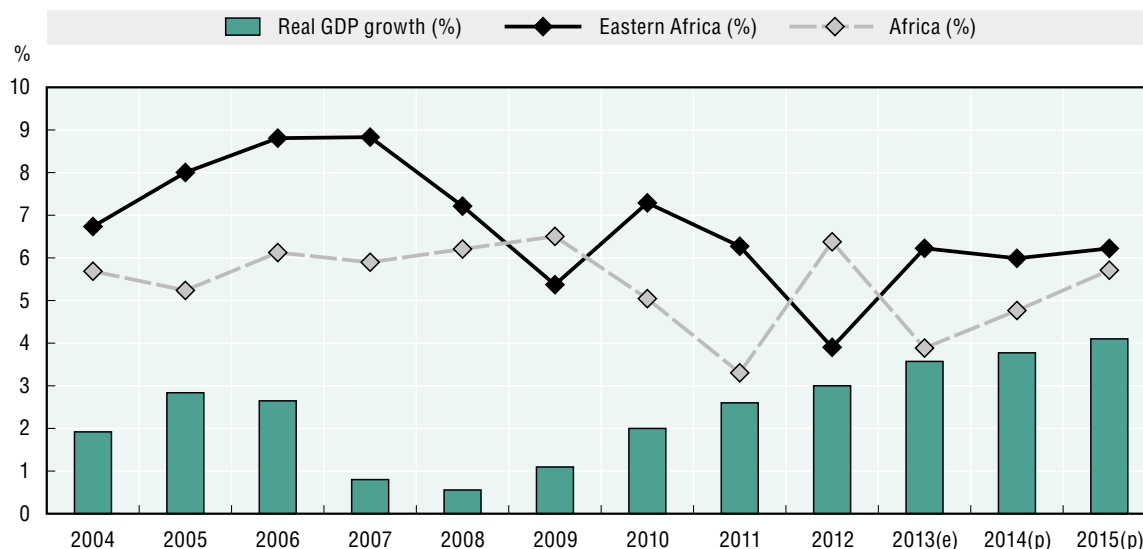
Nevertheless, the country's economic impetus since 2011 has not led to structural changes in the economy. It remains dominated by the agricultural sector (agriculture, forestry and fisheries), which represents almost half of GDP. The secondary sector, including construction, has grown slightly since 2010, remaining above 12% of GDP. The services sector, meanwhile, has declined since 2008 and now accounts for less than 40% of GDP.

The telecommunications sector has driven economic growth in many franc-zone countries. In the Comoros it remains a state monopoly. With support from the World Bank, the authorities are expected to sell a second licence in the near future and to open up the capital of Comores Télécom to create a competitive environment.

With the country's population growing at a rate of 2.1% a year, the level of economic growth is too low to increase real per capita income and reduce poverty and youth unemployment. Poverty remains high, estimated at 45.6% in 2012, well above the Millennium Development Goal (MDG) target of 31.5% by 2015. The economic growth has done little to create jobs, with unemployment estimated at 14.3% and youth unemployment (under 25s) at 44.5%.

As part of the SCA2D strategy for accelerated growth and sustainable development (*Stratégie de croissance accélérée et de développement durable*) currently being drawn up for the period 2015-19, the government has set a growth objective of 6%, which will be driven by the development of basic infrastructure, improvements to the business climate and private-sector financial support.

Figure 1. Real GDP growth



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p).

Table 1. Real GDP growth

Real GDP per capita growth	2012	2013(e)	2014(p)	2015(p)
CPI inflation	3.0	3.6	3.8	4.1
Budget balance % GDP	0.6	1.2	1.4	1.8
Current account balance % GDP	6.3	2.5	4.2	4.4
Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.	3.6	5.5	5.6	5.7
Compte courant (% PIB)	-7.2	-7.3	-7.1	-8.7

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Recent developments and prospects

The recent history of the Comoros is marked by grave political and institutional crises, especially the separatist attempt made by the island of Anjouan in 2006. The constitutional amendment of 2009, which introduced a five-year non-renewable presidential term of office, ushered in a return to relative stability. Consequently, international co-operation and economic growth also returned.

In the last three years the Comorian economy has recorded its best performances of the past decade. Since 2011 growth has averaged a moderate 3.0%, and projections for 2014 and 2015 are good. The renewed external co-operation and financing, particularly through the Economic Citizenship Programme (PCE), have allowed the government to pay salaries to civil servants and step up public investment, boosting household consumption. Estimated at 3.6% in 2013, growth was driven mainly by domestic demand, with private consumption having increased by 4.5% thanks to remittances (USD 147 million in 2012) and the regular payment of civil servants' wages over the past two years through extraordinary funds from the PCE. Remittances injected twice as much as official development assistance and more than seven times as much as export revenue into the economy.

The other component of domestic demand was public investment. Focusing on road infrastructure (rehabilitation and new roads), it grew by 7.0% in 2013. The sectors that have driven



recent economic growth are those that contribute most to GDP, particularly agriculture (4.1%), retail (4.2%), construction (4.2%), banking and other services (8.0%) and the public sector (2.0%).

The trend looks set to continue in 2014, with growth of 3.8% driven mainly by upgrades to poor infrastructure, especially in fisheries (port rehabilitation and new ports), tourism and the hotel industry. The government will focus its 2015-19 economic development programme on road and port infrastructure. An initial bilateral agreement was signed with the Sultanate of Oman in January 2014 for USD 10 million of financing for infrastructure. In addition, continued co-operation with the International Monetary Fund (IMF) as part of a new programme being prepared should bring a large flow of development aid over the course of the coming years.

The increase in minimum funding for the Comoros by the AfDB's African Development Fund (ADF) from 5 million units of account to 15 million and the country's eligibility for one of the pillars of the Fragile States Facility (FSF) should significantly increase the AfDB's commitments to the infrastructure sector. The country is also set to receive EUR 68 million from the EU's 11th European Development Fund (2015-20) and USD 60 million from the World Bank as part of its country assistance strategy for the Comoros for the period 2014-16.

Table 2. GDP by sector (percentage of GDP)

	2008	2013
Agriculture, hunting, forestry, fishing	42.6	35.9
of which fishing		
Mining		
of which oil		
Manufacturing	3.8	6.8
Electricity, gas and water	1.4	1.7
Construction	7.3	2.6
Wholesale and retail trade, hotels and restaurants	26.4	28.7
of which hotels and restaurants		
Transport, storage and communication	4.6	4.5
Finance, real estate and business services	1.5	6.3
Public administration, education, health and social work, community, social and personal services	12.0	12.8
Other services	0.3	0.7
Gross domestic product at basic prices / factor cost	100	100

Source: Data from domestic authorities.

Macroeconomic policy

Fiscal policy

Under the IMF's ECF for 2009-13, the Comoros took many measures to control public spending and improve the efficiency of tax collection. Comprised entirely of grants, external financing reached a record USD 204.8 million in 2013, up from USD 48.4 million in 2012. This additional revenue compensated for the 17.7% fall in domestic revenue in 2013. The Comoros maintained primary and overall fiscal surpluses of more than 5.0% in 2013, improving the government's net position with the banking system. A similar surplus is forecast for 2014. However, revenue from the 2009 PCE with the United Arab Emirates (USD 200 million in exchange for the issue of Comorian passports to families from the UAE) is drying up and the mobilisation of domestic resources has been poor, so the Comoros is unlikely to be able to comply with the primary fiscal balance criterion over the next three years, which is a key condition in the IMF programme. Negotiations are reportedly taking place for a new PCE.



The public debt ratio improved from 56.5% in 2011 to 51.7% in 2012 after the country reached the completion point of the Heavily Indebted Poor Countries (HIPC) initiative in December 2012. The initiative granted USD 176 million of debt relief to the Comoros. The sixth and final review of the ECF, based on results recorded at end-June 2013, was approved by the IMF board on 13 December 2013. The IMF's decision was delayed by a poor level of tax collection and the slow pace of reforms of public enterprises. Structural reforms have included a new AfDB-supported programme to computerise the spending chain under the PRCI institutional capacity building programme (*Programme de renforcement des capacités institutionnelles*). The goal is to completely integrate the spending chain to improve the management of state cash and reduce payment delays.

There are major difficulties with the management of the public payroll. The authorities have sought to overcome these difficulties through a reform that will reorganise the civil service and conduct a census of employees. In addition, the PRCI programme has introduced a system to monitor government debts and liabilities and has separated the roles of expenditure disbursement and expenditure control by setting up a financial-control body (the *Direction nationale du contrôle financier*) and introducing tougher rules for public accounts.

However, the co-ordination of public finance management between the central government and the autonomous islands is unsatisfactory. It is hoped that continued reforms will reduce these shortcomings in the near future. The new tax authority AGID (*Agence générale des impôts et domaines*) should also improve tax revenue once it is operational.

Table 3. Public finances (percentage of GDP)

	2005	2010	2011	2012	2013(e)	2014(p)	2015(p)
Total revenue and grants	20.0	29.4	24.5	30.2	30.6	30.7	30.8
Tax revenue	11.7	11.4	11.3	12.3	12.4	12.5	12.6
Grants	4.3	14.7	7.8	10.0	10.2	10.2	10.1
Total expenditure and net lending (a)	19.9	24.5	23.0	26.6	25.1	25.1	25.1
Current expenditure	15.4	16.8	17.2	19.2	17.8	17.5	17.2
Excluding interest	14.6	16.1	16.8	18.7	17.6	17.3	17.1
Wages and salaries	8.4	9.1	8.9	8.4	7.9	7.7	7.5
Interest	0.8	0.7	0.5	0.4	0.1	0.1	0.2
Capital expenditure	4.5	7.7	5.6	7.1	7.3	7.6	7.9
Primary balance	0.8	5.6	2.0	4.1	5.6	5.7	5.9
Overall balance	0.1	4.9	1.5	3.6	5.5	5.6	5.7

Notes: a. Only major items are reported.

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Monetary policy

Monetary policy was less expansionary in 2013, with growth in the central bank's net foreign assets slowing from 16.4% to 1.7% as PCE revenue dried up and business credit shrank from more than 20.0% in 2012 to around 8.0% by the end of 2013. The PCE-funded public investment policy enabled activity to recover in 2012, which made it possible to meet the financing needs of businesses. The Central Bank of the Comoros (BCC), meanwhile, is continuing to increase its banking supervision and internal control. To carry out its monetary policy, the BCC adjusts interest rates, reserve requirements and caps on access to finance. Beginning on 1 July 2012, the board reduced the reserve requirement ratio from 25.0% to 20.0%, compared to 30% in 2011.

The country's over-reliance on imports and flood damage to crops saw inflation soar from 1.8% in 2011 to 6.3% in 2012. Agricultural production recovered in 2013, bringing inflation back below 3.0% by the end of the year.



The Comoros is a member of the franc zone. The BCC therefore conducts a prudent monetary policy aimed at ensuring price stability and maintaining a sustainable external position. This policy has succeeded at containing inflation, maintaining a stable exchange rate and sufficient foreign exchange reserves despite fiscal and external structural imbalances.

Having strengthened its banking supervision department, the BCC plans to introduce a credit bureau in 2014 to ensure that credit grows in a healthy manner to accompany the current boom in financial intermediation.

Economic co-operation, regional integration and trade

The Union of the Comoros is a member of the Indian Ocean Commission (IOC), of which it held the presidency until 31 December 2013, and the Common Market for Eastern and Southern Africa (COMESA), which has a population of some 430 million people. It is also a member state of the COMESA free-trade area, giving it quota-free access to thirteen major economies in the region. The Comoros is stepping up efforts to bring its national legislation in line with the COMESA treaties. Co-operation with Tanzania has recently been strengthened, with the countries opening respective embassies in Moroni and Dar es Salaam. The Comoros has also joined the African Intellectual Property Organisation (AIPO).

The trade deficit of the Comoros increased from USD 83.7 million in 2008 to USD 127 million in 2013. Its main trading partners are Turkey, Singapore, India, the EU and the UAE. Since the domestic market is small, the Comoros needs to participate actively in regional integration policies. The country is therefore continuing its efforts become a permanent member of the World Trade Organization (WTO). A trade-policy paper was drawn up in February 2013 with the support of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP).

The Comoros has drawn up a medium-term plan for integration into world trade, and in July 2013 it submitted its memorandum for WTO membership. It currently has observer status and is working to adopt best practices in the East African and Indian Ocean regions. As a result, the country now applies a 100% tariff reduction on imports from COMESA states. In December 2013 the national parliament – the Assembly of the Union of the Comoros – passed the legislation on competition to clean up the retail sector. The legislation was drafted with technical and financial support from the UNDP and the UNCTAD as part of the Enhanced Integrated Framework (EIF) programme.

Table 4. Current account (percentage GDP)

	2005	2010	2011	2012	2013(e)	2014(p)	2015(p)
Trade balance	-20.3	-29.2	-29.6	-34.7	-33.8	-33.0	-32.5
Exports of goods (f.o.b.)	3.7	4.3	4.4	3.4	3.3	3.1	3.0
Imports of goods (f.o.b.)	24.0	33.4	34.0	38.2	37.1	36.1	35.6
Services	-0.8	-5.5	-5.4	-5.9	-6.2	-5.2	-4.1
Factor income	-0.9	-0.2	-0.1	-0.3	-0.1	-0.1	-0.2
Current transfers	15.0	27.4	25.7	33.7	32.8	31.2	28.2
Current account balance	-7.0	-7.4	-9.5	-7.2	-7.3	-7.1	-8.7

Source: Data from the Central Bank and domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Debt policy

A Debt Management Performance Assessment (DeMPA) was conducted in 2011. The assessment gave the country a score of “D” for all dimensions except for one, which had a “C” score. To guarantee the PCE resources, the Comoros improved its position with the banking system and considerably reduced the size of its budgetary float. External debt stood at USD 268.8 million in

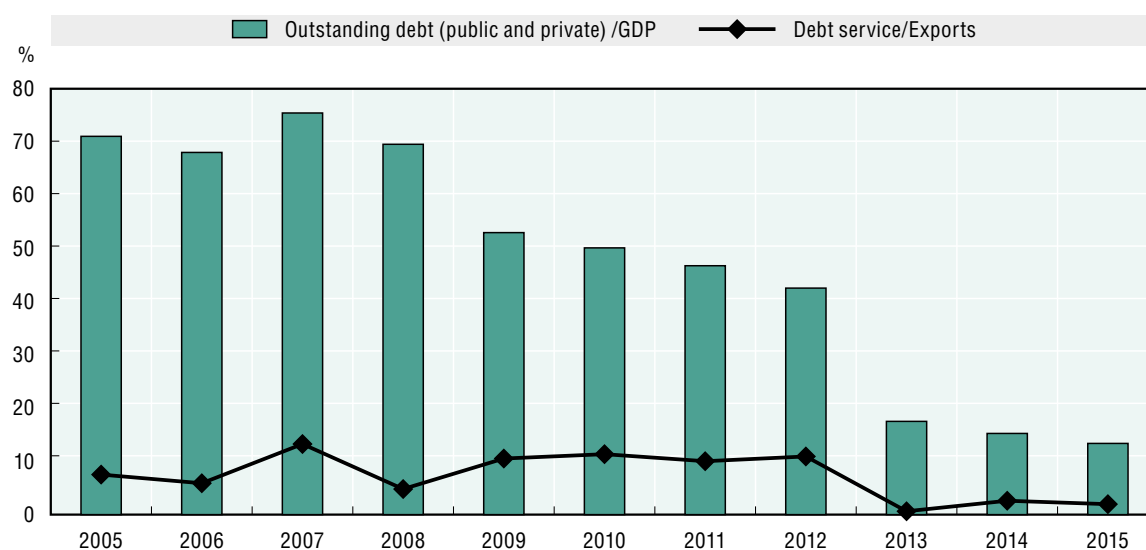


2009, equal to 52.9% of GDP or 382.2% of exports. Having reached the completion point of the HIPC initiative in December 2012, the country has received USD 176 million of debt relief, representing a 59.0% reduction in its external debt servicing over a period of four years. The main creditors at end-December 2012 were the World Bank (43.0%), the AfDB (11.0%), Kuwait (10.0%), Saudi Arabia (5.0%) and the IMF (4.0%). France is the largest Paris Club creditor (1.6%), followed by Italy.

The Comoros had accumulated large domestic arrears owed to the BCC, civil servants and public enterprises. Since the HIPC completion point was reached the government has drawn up a plan to clear its domestic debt, and in accordance with IMF criteria it has committed to stop accumulating domestic arrears, taking out non-concessional loans instead. This measure enabled the government to close the 2013 financial year without external arrears or wage arrears owed to civil servants for the third consecutive year.

However, because of political instability before 2013 the country must still manage a large stock of domestic arrears owed to public enterprises and private-sector operators, especially wages.

Figure 2. Stock of total external debt



Source: IMF (WEO & Article IV).

Economic and political governance

Private sector

In the World Bank report *Doing Business 2014*, the Comoros climbed two places up the ranking to 158 out of 189 countries, thanks mainly to the resumption of activities at the investment promotion agency (*Agence nationale de promotion des investissements*). Set up in 2007 to implement the new investment code, the agency did not become operational until 2010. With offices on the three autonomous islands, it offers a one-stop shop open two days a week. The Comoros shot ten places up the “Starting a Business” ranking as a result.

In addition, the International Finance Corporation helped set up a Formalities Centre (*Centre de formalités*) in July 2012 at the Chamber of Commerce, Industry and Agriculture to facilitate the issuing of trade licences. Finally, a new public procurement code was adopted, but it applies to



fewer than 10% of public contracts. Moreover, the two institutions envisaged by the reform – a regulatory authority and a control office for public procurements – are still not operational.

On the whole, the authorities comply with the Commercial Code (*Code du commerce*) and respect the tax benefits agreed upon with investors. The Labour Code (*Code du travail*) is very flexible, placing few constraints on entrepreneurs. There is no land registry and land is scarce with confusing legal statuses, which harms the business environment. The federal government, the autonomous island governments, and traditional and religious leaders are all heavily involved in land management.

Another difficulty for traders is the absence of commercial courts. Instead, commercial disputes are dealt with by ordinary courts, which are ill prepared for the task. Furthermore, corruption and political interference are widespread in the justice system. Given the lack of the basic infrastructure (water, electricity, telecommunications and roads) needed to develop the economy, the absence of a special economic zone is an additional handicap. Finally, demographic pressure combined with scant land resources has pushed up land prices in towns and cities, especially commercial land.

Financial sector

The BCC has concluded an arrangement with France's financial supervisory authority, the ACP (*Autorité française de contrôle prudentiel*), to ensure there is effective banking supervision and that banks and other financial institutions are strong and robust. In June 2013, the Assembly of the Union passed the Banking Act, bringing Comorian legislation in line with international standards. The act aims to make the banking and financial system more stable, prevent banking crises, protect deposits and strengthen prudential regulations.

One of its main innovations is a credit bureau (*Centrale de risques et des incidents de paiement*). Six of the seven institutions comply with the capital/loans, capital/deposits and division-of-risk prudential ratios; all seven comply with the liquidity ratio.

Several private entities have joined the Comorian banking sector: Exim Bank, *Banque fédérale du commerce* (BFC) and *Banque postale*, the latter being the result of the separation of the post office and the *Caisse d'épargne* savings bank. They join the existing institutions in the country: the commercial bank *Banque pour l'industrie et le commerce* (BIC-C), the development bank *Banque de développement des Comores* (BDC) and the decentralised microfinance institutions (the Meck and Sanduck networks). The penetration of banking services remains very low, so the government has introduced new initiatives, especially in the microfinance and electronic banking sectors.

The financial system has boomed and credits to the economy increased from USD 36.4 million in 2003 to USD 162.5 million in 2013. The microfinance sector accounts for more than a third of savings in the banking system and around 30% of bank financing. Some USD 147 million of remittances are sent to the Comoros by its diaspora, ensuring the vitality of formal remittance offices.

Consumer loans are poorly developed due to the difficulties related to bank guarantees, the matriarchal land-ownership system and the absence of title deeds for obtaining bank guarantees. Since the credit bureau is not yet up and running, banks prefer to act prudently, limiting credit.

Public sector management, institutions and reform

Poor policy co-ordination between the Union and the autonomous islands is a handicap for the Comorian public sector. The problem is accentuated by the remoteness of the islands. Even within central government, co-ordination is limited because the vice-presidencies are shared among the three islands, giving them relative autonomy from the President of the Union. The distinctive features of Comorian politics and communities tend to dilute responsibilities, a problem exacerbated by the highly partisan legal system.



Because there are no appropriate budgetary tools and supervisory bodies, the efficiency of public services remains a major concern for the Comorian authorities and their development partners. The AfDB's PRCI programme set up an independent body for financial supervision in 2012 (*Direction nationale du contrôle financier indépendante*). In 2013 the *Comité national de prévention et de lutte contre la corruption* was set up to fight corruption.

The High Authority for the Public Administration (*Haute autorité de la fonction publique*), whose members have just been appointed, will be responsible for managing staff and careers. One major problem in the Comoros is that public-sector wages swallow more than 60% of the Union's consolidated budget, money that could otherwise be spent on much-needed public investment. Thanks to support from development partners, the country has acquired the GISE civil-service management software (*Gestion informatisée des structures des effectifs*). However, it still needs to implement the new frameworks envisaged by the reform of the public administration, which should reduce the number of civil servants.

Measures have been taken to reinforce public-sector decentralisation. The actions taken in 2012-13 included mapping districts; passing legislation on decentralisation, territorial organisation and district elections; and organising a national conference on decentralisation. Four public enterprises have been subject to reforms: the phone company Comores Télécom, the hydrocarbons company *Société comorienne des hydrocarbures*, the water and electricity company Ma-Mwé and the drug-procurement agency *Pharmacie nationale autonome des Comores* (PNAC). But despite the new schedule for the privatisation of Comores Télécom, it has still not been sold off due to opposition from MPs who have emphasised the social cost of the operation. Meanwhile, Ma-Mwé's situation is becoming more and more critical due to ongoing deficiencies.

Natural resource management and environment

Comoros has a rich environment. Its fauna and flora include specimens of global significance, such as coelacanths, Livingstone's fruit bats and dugongs. Highly diverse marine and coastal habitats, with mangroves, coral reefs and seagrass beds, are home to a cornucopia of wildlife. But the Comoros also has major environmental problems as a result of its insularity, its small size and its strong demographic growth, placing considerable pressure on natural resources.

The country is also faced with the effects of climate change and land degradation, and floods in 2012 threatened many towns and villages. So far, however, no systematic analysis of the country's vulnerability to crises and catastrophes has been performed. In 2012, an integrated master plan was drawn up for coastal management. Powers to legislate on the environment were devolved to the islands, but these powers were not accompanied by the necessary budgetary and human resources. Land, coastal and marine resources are being heavily overexploited due to poverty and the general lack of interest for environmental issues.

Wood provides 80% of energy, accentuating deforestation and destabilising soils. The country is therefore particularly vulnerable ecologically and economically. The Comoros has just launched a geothermal energy development programme with support from the AfDB, the UNDP and New Zealand. A comprehensive study on geothermal energy potential was conducted in 2013. The encouraging findings were presented during a round table held in January 2014 to mobilise financial resources.

Political context

A constitutional amendment in 2009 established a non-renewable, five-year rotating presidency among the three islands, ushering in a period of political calm. A series of crises between 1997 and 2008 had serious socio-economic consequences and harmed the country's relations with the international community.

Anjouan's secession in 1997 triggered a political and institutional crisis, which was resolved in 2001 by an international military intervention and the subsequent promulgation of a new



constitution. Completed in 2009, the new constitution grants considerable autonomy to the islands. Following on from the presidencies held by Grande Comore and Anjouan, the presidency of the Union has been held by the island of Mohéli since May 2011. The next elections are scheduled for 2016, when the presidency will return to the island of Grande Comore. Despite the relative political and institutional stability at present, the risk of a crisis reigniting cannot be ruled out, given the importance of geographical origin in the distribution of executive and judicial positions. In addition, structural reforms affecting public enterprises and the public administration are delayed by constant concerns for maintaining the balance among the three islands.

Social context and human development

Building human resources

In 2005 the Comoros produced a ten-year national-health policy paper (*Document décennal de politique nationale de santé*) with a view to achieving the MDGs by 2015. The paper states that access to healthcare is a fundamental right for all Comorians and makes primary healthcare the main instrument to guarantee this right. The policy has led to significant progress.

Infant mortality fell from 122 per 1 000 in 1990 to 50 per 1 000 in 2012, so the MDG target of 40 per 1 000 by 2015 will probably be achieved. Significant progress has also been made in reducing child mortality (children aged 1 to 5), which fell from 86 per 1 000 in 1990 to 35.3 per 1 000 in 2012. The MDG target of 28 per 1 000 by 2015 will therefore be achieved if the current trend continues. The Comoros has also made major inroads in maternal mortality, which fell from 517 deaths per 100 000 live births in 1990 to 172 in 2012. The MDG target of 140 deaths per 100 000 live births by 2015 is probably attainable.

Acute malnutrition fell from 11.5% in 2000 to 8.2% in 2008. The incidence of underweight children decreased from 26.3% to 17.9% over the same period. The prevalence of children under five with stunted growth fell from 42.3% in 2000 to 38.1% in 2008. The targeted vaccination rate of 93.0% set in 2012 has been reached. Finally, the lack of government spending on healthcare is largely offset by remittances sent by emigrants to support their families.

A 2010-15 master plan for education, supported by a 2013-15 interim plan, aims to accelerate the country's achievement of the MDGs. While progress has been positive, it remains slow. Most progress was made in two areas. First, the net school-enrolment rate rose from 62.0% in 1990 to 79.4% by 2012. Second, in secondary schools the ratio of girls to boys has risen to around 0.9, and in lycées (final three years of high school) a ratio of 1.01 was achieved in 2012. The mid-stage review of the 2009-14 growth and poverty reduction strategy (GPRS) highlighted the lack of public spending on education, which is partly compensated by the very high level of household spending on education.

The Comoros created a strategic plan to combat HIV/AIDS during the period from 2009 to 2013, focusing on information, education, screening and treating patients. HIV/AIDS prevalence was 0.05% in 2012, up from 0.025% in 2003. Since 2006, antiretroviral therapy is provided free of charge to all who are eligible.

A 2007-14 strategic plan to combat malaria has had considerable success. The prevalence of malaria was cut from 34.5% in 1990 to 9.0% in 2012, well below the MDG target of 16.5% by 2015. An extensive campaign providing prophylaxis treatment has greatly reduced the prevalence of malaria, especially on the islands of Anjouan and Mohéli.

Poverty reduction, social protection and labour

The 2010-14 CPRS sets the government's economic and social development goals. The proportion of the population living below the poverty line fell from 54.7% in 1995 to 44.8% in



2004, but it is estimated to have risen to 45.6% in 2012. The target for 2015 is 27.3%. The country's Human Development Index is 0.429, placing the Comoros in 167 out of 186 countries.

Social-protection programmes are at the embryonic stage. With assistance from the International Labour Office (ILO), the Comoros is currently implementing the recommendations of the Ouagadougou Summit on employment and poverty reduction through a framework document on employment policy (*Document cadre de politique nationale de l'emploi*) that was updated and approved in May 2013 and a document to support the introduction of a national social-protection policy. The main victims of the labour market conditions are 15-35 year-olds.

Under the UN Peacebuilding Fund, the APROJEC peacebuilding project (*Appui à la pérennisation de la paix par la promotion de l'emploi des jeunes aux Comores*) is seeking to establish a lasting peace by promoting youth employment in the Comoros. Several social and economic integration projects focus specifically on women. The country also has a national policy document for promoting gender equality and equity (*Politique nationale pour la promotion de l'égalité et de l'équité du genre*).

The Comoros is a member of the International Labour Organization. However, because of political and institutional instability the Comoros has not yet ratified various international conventions, including the ILO's Social Security (Minimum Standards) Convention (no. 102). There are many texts governing labour law and social protection, but they only benefit civil servants and employees in the formal private sector.

The small state pensions (25 000 Comorian francs [KMF], or around USD 70) are not paid regularly due to the size of the state's arrears. Workers in the informal sector, especially those working in agriculture, fisheries and handicrafts, receive no social-insurance benefits. The government recently set up a universal health-insurance scheme for those not covered by the social-security fund.

Gender equality

The Comoros has created the post of Commissioner General for Solidarity and Gender Promotion and has drawn up a national gender-equity and gender-equality policy. There is no legal discrimination against women in economic activities. Women have access to land ownership and are heavily protected by customary law, which grants them ownership of the matrimonial home when a couple separates. The third survey of the Thompson Reuters Foundation, conducted in 2013, placed the Comoros as the highest ranked Arab country for women's rights.

A proactive policy to support schoolgirls has improved their enrolment rate, allowing Comorian women to participate in all areas of the country's economy. Women do not require a man's consent for credit and trade transactions. Various microfinance institutions offer loans exclusively to women. However, the proportion of women working in hotels and restaurants, which traditionally have low wages, remains high.

The Comorian constitution guarantees sexual equality, but the simultaneous application of customary law, Islamic law and modern law in legal rulings means that in reality women are the victims of inequalities. However, the emergence of women's associations has helped to bolster women's rights in legislation.

Thematic analysis: Global value chains and industrialisation in Africa

A former French colony, the Union of the Comoros comprises three of the four main islands in the Comoro Islands, an archipelago in the Indian Ocean to the north of the Mozambique Channel and to the north-west of Madagascar. Anjouan, Mohéli and Grande Comore are part of the Union,



while Mayotte is part of France. As a result of its insularity, the Union of the Comoros is not well integrated into the regional and global economy.

The country's current economic climate is dominated by the primary and tertiary sectors, especially agriculture, fisheries and livestock and trade in imported goods. The industrial sector accounts for only 12.5% of GDP and is formed mainly by small processing units in sectors such as carpentry, bakeries and small-scale distilleries.

The Comorian economy is not integrated into international production networks such as global value chains (GVCs). If GVCs were introduced into the Comoros they could provide opportunities and enable economic growth to recover. These new production models would allow the Comoros to become involved in international trade, create jobs linked to the new economic activity, and attract foreign direct investment (FDI), which accounted for only 4% of GDP in 2012.

GVCs could benefit products from various sectors of the economy. In agriculture, the UNDP and the Chamber of Commerce and Industry will shortly launch an ambitious USD 3.5 million value-chain programme for vanilla and ylang-ylang. The UNDP has also committed to upgrading the fisheries sector to bring it in line with sanitary and phytosanitary (SPS) standards, giving the Comoros access to international markets. In the extractive industries, which are in the exploration and prospecting phase, gas and oil may benefit from GVCs. In the manufacturing industry, the Comoros could better integrate in the sub-regional economy by developing value chains in the cement industry (bagging), the agri-food industry (bagging ordinary rice), and the production of fruit juices, mineral water and soap. In the services sector, there are opportunities to develop tourism, banking services and communications.

The Comoros can fulfil different roles in the GVCs, depending on the sector. In agriculture and fisheries the country can provide production, processing and packaging. In the extractive industries (in the prospecting phase) it can extract the material and sell it. In manufacturing it can offer inputs, final product assembly, packaging and shipping. Finally, in the services sector it can provide inputs and auxiliary services, sales, marketing and associated services.

The economy's structural weaknesses make it difficult to introduce GVC industries. These weaknesses include: i) a severe lack of basic infrastructure (roads, ports, airports, etc.); ii) insufficient, expensive electricity, severely hindering production activities such as developing the cold chain in a country that imports more than 90% of its food; iii) an inauspicious business environment, with the country ranked 158 out of 189 countries in the World Bank report *Doing Business 2014*; iv) the country's small size and small domestic market; and v) widespread corruption, with the country ranked 127 out of 177 countries in the latest Transparency International index.

Aware of these difficulties, the Comorian government intends to use the opportunity presented by the development of the new accelerated growth strategy to begin to provide some answers. This strategy proposes using the development of basic infrastructure and support for the private sector to drive growth over the next five years.

The factors that make the Comoros attractive include cheap labour, an attractive investment code, membership of major regional markets (IOC, COMESA, Arab League), and good security.



From:
African Economic Outlook 2014
Global Value Chains and Africa's Industrialisation

Access the complete publication at:
<https://doi.org/10.1787/aeo-2014-en>

Please cite this chapter as:

African Development Bank/OECD/United Nations Development Programme (2014), "Comoros", in *African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/aeo-2014-23-en>

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