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FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE UNION OF THE COMOROS

In the context of the 2025 Fourth Review under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 24, 2025, following discussions that ended on May 13, 2025, with the officials of the Union of the Comoros on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 10, 2025.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for the Union of the Comoros.

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PRESS RELEASE

PR25/215

IMF Executive Board Completes the Fourth Review Under the Extended Credit Facility Arrangement with the Union of the Comoros

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed today the fourth review under the Extended Credit Facility Arrangement with the Union of the Comoros. Approval of the fourth review enables an immediate disbursement of SDR 3.56 million (about US$ 4.87 million).
- Program performance remains broadly on track despite setbacks in 2024 linked to a lengthy political transition and external shocks. The authorities have reaffirmed their commitment to the ECF-supported reform agenda and are determined to demonstrate stronger program ownership in the period ahead.
- Economic conditions remain broadly stable, supported by adequate external buffers and continued program engagement, despite persistent inflationary pressures. Implementation of the ECF-supported program is helping to safeguard macroeconomic stability, advance critical structural reforms, and mobilize concessional financing to address Comoros's significant development and financing needs.

Washington, DC – **June 24, 2025:** The Executive Board of the International Monetary Fund (IMF) completed today the fourth review under the Union of the Comoros' Extended Credit Facility (ECF) arrangement. The Executive Board's decision allows for an immediate disbursement of SDR 3.56 million (about US$ 4.87 million), bringing the total disbursements so far under the arrangement to about $23.7 million. The 4-year ECF arrangement was approved on June 1, 2023 (See Press Release No. 23/194) with an access of SDR 32.04 million (about US$ 43 million).

In completing the review, the Executive Board also approved the authorities' requests for (i) waivers of nonobservance of the quantitative performance criteria (QPCs) on tax revenue and the domestic primary balance at end of 2024 and the continuous QPC on the non-accumulation of external arrears and (ii) modifications to the end of December 2025 QPCs on tax revenue and domestic primary balance to reflect corrective actions for missing these QPCs at end-2024.

While there is considerable progress towards the achievement of program objectives, significant and continued effort is required to maintain the reform momentum. The authorities have reiterated their strong commitment to the ECF-supported program and despite recent setbacks. Two of five QPCs were met as of end of December 2024 and 8 of the 11 structural benchmarks (SBs) expected between end of November 2024 and end of May 2025 were also met.

Comoros' economic reform program supported by the ECF arrangement seeks to reduce fragility and increase economic resilience by building fiscal buffers, reducing debt vulnerabilities, strengthening the financial sector, and enhancing governance. Key policy priorities for the program remain unchanged and include: (i) mobilizing domestic revenue through reforms to strengthen tax and customs administration and streamline tax exemptions; (ii) stabilizing the financial sector including through the restructuring of the state-owned postal bank SNPSF and enhancing the Central Bank's banking supervision and resolution capacities; and (iii) strengthening governance through PFM and anti-corruption reforms.

Economic conditions remain broadly stable, though risks persist. Growth is estimated at 3.3 percent in 2024 and projected to rise to 3.8 percent in 2025, supported by public investment and recovering private sector credit. Inflation averaged 5 percent in 2024 and reached 7.3 percent (y/y) in March 2025, driven by food price pressures linked to cyclone-related supply disruptions and strong seasonal demand. As a result, average inflation for 2025 has been revised upward from 1.8 to 3.8 percent. Fiscal consolidation was weaker than expected in 2024 largely due to revenue shortfalls, but a stronger adjustment is planned for 2025, supported by corrective measures. The external position remains stable, with the current account deficit estimated at 2.2 percent of GDP and international reserves covering 7.4 months of imports in 2024. Reserves are projected to exceed 8.5 months over the program period.

Following the Executive Board's discussion, Mr. Nigel Clarke, Deputy Managing Director, and Acting Chair, issued the following statement:

"The Comorian authorities remain committed to their reform agenda under the Extended Credit Facility-supported program, despite setbacks in 2024 linked to a lengthy political transition and external shocks. While the external position remains stable—supported by continued reserve accumulation—economic momentum softened amid elevated food inflation and cyclone-related supply shocks. These challenges highlight Comoros's structural vulnerabilities as a small, fragile island state with limited fiscal space, weak diversification, and exposure to external and climate risks.

"Fiscal policy continues to focus on a medium-term consolidation agenda to safeguard debt sustainability. Although 2024 fiscal outturns were weaker than expected driven largely by underperformance in tax revenue, the authorities are addressing the revenue shortfalls through corrective measures aimed at strengthening customs enforcement, improving taxpayer compliance, and recovering tax arrears.

"Monetary policy remains focused on preserving external stability through the euro peg, alongside gradual improvements in liquidity management. While inflation remains elevated, the BCC stands ready to tighten its stance if inflation or reserve pressures persist. The central bank has expanded liquidity absorption capacity and begun publishing its operations calendar, with further reforms planned. Progress in financial supervision, resolution planning, and recapitalization—and sound operationalization of the new postal bank (BPC)—will be key to reinforcing financial sector resilience.

"Governance and institutional reforms are progressing, though unevenly. Key achievements include operationalizing the Anti-Corruption Chamber, enhancing fiscal transparency, and adopting budget management regulations. Nonetheless, challenges persist in liquidity forecasting and cash management, accuracy in budget execution reporting, and reform implementation capacity. Strengthening the Treasury Committee, improving SOE oversight, and sustaining the PFM reform strategy remain essential to bolstering fiscal credibility.

"Program implementation has regained momentum following a slowdown in late 2024. Continued engagement with the IMF and donor partners will be essential to safeguard macroeconomic stability, advance reforms, catalyze grants and concessional financing, and address capacity gaps."

Comoros Selected Economic Indicators (2024-28)

Population (2018, thousands): 856

Main products and exports: Cloves, ylang-ylang, vanilla

Key export markets: Asia, European Union

	2024 Est.	2025 proj.	2026 proj.	2027 proj.	2028 proj.
Output					
Real GDP growth (%)	3.3	3.8	4.3	4.5	4.3
Employment					
Unemployment (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Prices					
Inflation, period average (%)	5.0	3.8	1.7	2.1	2.1
Central government finances					
Revenue and grants (% GDP)	16.2	17.8	17.2	16.8	16.7
Expenditure (% GDP)	19.2	19.6	18.9	18.7	18.8
Fiscal balance (% GDP)	-3.6	-1.9	-1.7	-1.9	-2.1
Public debt (% GDP)	33.7	36.3	37.7	37.9	39.3
Money and Credit					
Broad Money (% change)	5.1	6.0	5.5	7.0	5.0
Credit to private sector (% change)	1.6	8.7	5.2	5.7	5.5
Balance of Payments					
Current account (% GDP)	-2.2	-3.1	-4.1	-3.6	-3.0
FDI (% GDP)	0.4	0.6	0.6	0.6	0.6
Reserves (months imports)	7.4	7.7	8.4	7.8	9.5
External debt (% GDP)	30.0	31.3	33.8	34.7	36.5
Exchange rate					
KMF/US$ (period average)	449.7	…	…	…	…

Sources: country authorities; and IMF staff's estimates.

UNION OF THE COMOROS

June 10, 2025

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. Legislative elections in January 2025 widened the ruling party's majority. Economic activity softened during 2024, but with signs of year-end recovery that have continued in the first months of 2025. Real GDP growth in 2024 is estimated at 3.3 percent. Inflation has been persistent, averaging 5 percent in 2024, and reaching 7.3 percent (y/y) in March 2025, reflecting elevated food prices. Domestic credit growth accelerated to 9.6 percent (y/y) in March 2025, driven by a sustained increase in credit to the government and emerging recovery in private sector credit supported by renewed demand from importers and improving prospects for key exporters. Severe weather events, including Cyclone *Chido* in December, as well as turnover in revenue administration leadership weighed on fiscal performance. The external position, however, remains stable, with continued reserves accumulation equivalent to 7.4 months of prospective imports as at end-December 2024.

Program performance. The authorities met two of the five end-December quantitative performance criteria (QPCs). All end-December indicative targets (ITs) were met. Corrective actions are being undertaken for the three missed QPCs—floor on tax revenue, floor on the domestic primary balance, and ceiling on the accumulation of new external arrears. The authorities have pledged to recoup the tax revenue shortfalls and committed to tighter fiscal targets for end-2025; they have also cleared all external arrears accumulated during 2025 and are advancing discussions to find solutions for the other outstanding external arrears. Despite the fragile context, structural reform implementation has been advancing, with 8 of the 11 structural benchmarks (SBs), expected between end-November 2024 and end-May 2025 having been met. The authorities proposed resetting the dates for three SBs, for which they need more time: (i) attaching to the 2025 Budget Law the cash flow plan detailing mandatory expenditures and the due dates for major taxes and duties, from end-December 2024 to end-June 2025; (ii) the approval by the BCC of timebound recapitalization plans for deposit-taking institutions in breach of capital adequacy requirements, from end-March 2025 to end-September 2025; and (iii) the recovery of at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024, from end-

December 2024 to end-September 2025. Prior actions for the 4th ECF review include revenue measures that constitute part of the authorities' corrective actions for the missed QPCs to demonstrate strong ownership of the program and address fiscal slippages by: (i) adopting a ministerial decree to limit the application of the immediate release procedure (IM9) at the General Directorate of Customs (DGD) to medicines, perishable or (non-prohibited) hazardous goods; and (ii) adopting a ministerial decree to grant the General Directorate of Customs (DGD) the authority to recover arrears of customs taxes and duties in the Union of the Comoros. The authorities also requested downward modifications to the ITs on cash-for-work, livelihood grants, and technical training to reflect revised disbursement projections under the World Bank–supported program.

Policy discussions. Discussions focused on (i) the 2024 fiscal outturns and corrective actions to be undertaken during 2025 for the missed QPCs, which constitute a tightening of the revenue and domestic primary balance targets for end-2025; (ii) reinvigorating tax and customs administration reforms and to further broaden the tax base in order to sustain medium-term fiscal consolidation; (iii) intensifying PFM reform efforts to address recurrent liquidity and cash management challenges; (iv) operationalizing the new postal bank, Banque Postale des Comores (BPC), and strengthening the financial sector; and (v) supporting the Anti-Corruption Chamber in executing the country's anti-corruption agenda. Proposed SBs aim to extend all these reform areas.

Staff views. Staff supports the authorities' requests for the: (i) completion of the 4th review under the ECF-supported program, (ii) waivers for the non-observance of three QPCs, and (iii) modifications of the end-December 2025 QPCs on tax revenue and domestic primary balance to reflect the authorities' corrective actions. Staff also supports the modifications of the ITs on social spending and the due dates of three SBs.

Approved By
Costas Christou (AFR) and S. Jay Peiris (SPR)

Discussions were held during April 21–26, 2025 in Washington DC, and during April 29–May 13, 2025 in Moroni. The staff team comprised Suchanan Tambunlertchai (head), Mehdi El-Herradi, Barima Kwame Gyesaw, and Tewodaj Mogues (all AFR), Anthony Ramarozatovo (FAD), Rima Turk (Resident Representative), and Al-Mouksit Akim and Moundhir Mhamadi (local economists). Mr. Mohamed Cheik (OEDAS) also participated in the meetings. The mission met with Minister of Finance Abdourazak, Central Bank Governor Imani, Secretary General of the Government Nour Azali, other senior officials, development partners, and representatives of the private sector. Mason Stabile and Ignacio Gutiérrez (both AFR) assisted in the preparation of this report.

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APPENDIX

CONTEXT

1. **Legislative elections in January 2025 widened the ruling party's majority.** A year after the presidential election, parliamentary elections were held on January 12, with a re-run on January 30 in four constituencies where the electoral commission noted irregularities. President Azali's party won 31 out of 33 seats. The government continues to face several near-term challenges, including ensuring progress under the ECF-supported reform agenda, to which it remains committed, as well as tackling longstanding structural issues, such as economic diversification, inclusive growth, and extreme weather-related vulnerabilities.

2. **While the ECF program remains on track, performance has weakened, and substantial effort is needed to regain reform momentum.** The authorities met two of the five end-2024 quantitative performance criteria (QPCs), while missing the continuous QPC on external arrears accumulation, and the fiscal QPCs on tax revenues and the domestic primary balance (DPB). The substantial shortfalls on the latter two reflect severe weather events, turnover in revenue administration leadership, and challenges with on-going PFM and revenue mobilization reforms. Meanwhile, all three end-year indicative targets (ITs) were met, and 8 of the 11 structural benchmarks (SBs) expected between end-November 2024 and end-May 2025 were also met. The ECF arrangement remains a crucial policy and reform anchor amidst fragility, playing a significant role in catalyzing external financing and encouraging investment.

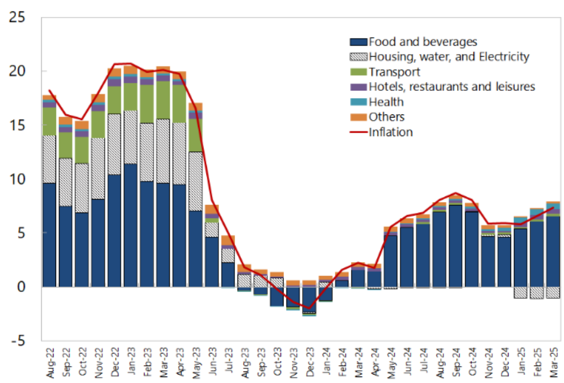
RECENT ECONOMIC DEVELOPMENTS

3. **Economic activity softened amid rising inflationary pressures in 2024 (Text Figure 1), with signs of year-end recovery that have continued in the first months of 2025.** Real GDP growth in 2024 is estimated at 3.3 percent. Inflation remained elevated, averaging 5 percent in 2024, and reaching 7.3 percent (y/y) in March 2025, reflecting base effects, supply shocks from heavy rains and floods caused by cyclone *Chido* in December, and strong Ramadan-related demand, which contributed to higher food prices. Domestic credit growth accelerated to 9.6 percent (y/y) in March 2025, driven by a sustained increase in credit to the government and a recovery in private sector credit. Government borrowing reflects domestic bank financing for import-related spending and government support to public enterprises (which regained access to external trade financing following the clearance of arrears in 2024, but still remained credit constrained). Private sector credit growth increased by an average of 6.5 percent (y/y) in 2025Q1, supported by renewed demand from importers and improving prospects for key exporters.

Text Figure 1. Inflation and Domestic Credit

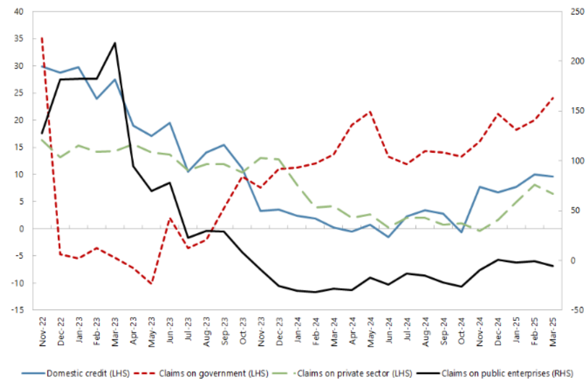
Inflation

(Percent YOY)



Evolution of Domestic Credit

(Percent Change YOY)



Sources: INSEED, Central Bank of Comoros, and IMF staff calculations.

4. Weakened performance in tax revenues at end-2024, relative to projections, contributed to a deterioration in the domestic primary balance (DPB). Tax revenue at end-year declined by 0.1 pp of GDP y/y (Text Table 1) and were 0.4 percent of GDP lower than projected during the third review. The largest contributor to the shortfall was the performance of taxes on international trade, which settled at 0.3 pp of GDP below projections at the third review, followed by goods and services taxes (0.1 pp of GDP lower than expected). Poor performance of SOEs' tax collection, weakened customs administration, and uncollected arrears under the suspensive regimes all contributed to the underperformance. Higher-than-projected nontax revenues only partially offset the weak tax revenue performance, with total domestic revenues falling below projected levels by 0.3 pp of GDP, and below the previous year's revenues by 0.5 percent of GDP. Meanwhile, a large influx of project grants relative to 2023 contained the decline in revenue and grants to 0.3 pp of GDP y/y. On the expenditure front, primary recurrent spending was higher than programmed, due to a ramp-up in expenditures on goods and services by 0.4 pp of GDP relative to projections. Overall, the improvement of the DPB to -1.7 percent of GDP fell short of expectations by 0.5 pp of GDP. This shortfall was financed by greater-than-projected borrowing from commercial banks, which also made up for lower-than-expected external financing. The overall balance, however, was larger than expected due to the lower-than-expected foreign-financed investments. The authorities continued the sizeable net decumulation of domestic arrears, amounting to KMF 4.5 billion (0.7 percent of GDP) by end-year, and are pursuing a medium-term strategy to gradually reduce the stock of domestic arrears of KMF 27.1 billion accumulated between 2009-2020.[1]

[1] According to the audit report completed at end-2023. See the third review Staff Report (¶22; MEFP Text Table 1 and ¶9).

Text Table 1. Union of the Comoros: Fiscal Developments

	Million KMF		% y/y change	% of GDP		
	Outturns			Outturns	Projection	Outturns
	2023	2024		2023	2024	
Total revenue and grants	99,785	106,317	6.5	16.5	16.4	16.2
Revenues	61,717	63,822	3.4	10.2	10.1	9.7
Tax revenues	49,631	53,176	7.1	8.2	8.5	8.1
Income taxes	7,985	8,184	2.5	1.3	1.1	1.2
Taxes on goods and services	15,727	15,742	0.1	2.6	2.5	2.4
Excises	17,828	20,831	16.8	3.0	3.2	3.2
Other	495			0.1	0.1	
Taxes on international trade	7,595	8,419	10.8	1.3	1.6	1.3
Nontax revenues	12,085	10,646	-11.9	2.0	1.5	1.6
External grants	38,069	42,495	11.6	6.3	6.3	6.5
Budget grants	15,191	6,251	-58.9	2.5	0.8	1.0
Project grants	22,878	36,245	58.4	3.8	5.5	5.5
Total expenditure and net lending	107,860	125,451	16.3	17.9	19.9	19.2
Current expenditure	77,237	87,988	13.9	12.8	11.4	13.4
Primary current expenditures	70,500	68,228	-3.2	11.7	10.3	10.4
Wages and salaries	31,500	32,512	3.2	5.2	5.0	5.0
Goods and services	18,450	19,500	5.7	3.1	2.5	3.0
Transfers	20,550	16,216	-21.1	3.4	2.8	2.5
Interest payments	2,253	2,050	-9.0	0.4	0.3	0.3
External debt	1,695	1,945	14.7	0.3	0.3	0.3
Domestic debt	557	104	-81.3	0.1	0.02	0.02
Project maintainance	1,496	9,689	547.7	0.2	0.2	1.5
Technical assistance	2,988	8,022	168.4	0.5	0.5	1.2
Capital expenditure	30,623	37,463	22.3	5.1	8.5	5.7
Domestically financed investment	13,244	11,507	-13.1	2.2	1.8	1.8
Foreign-financed projects	17,379	25,956	49.3	2.9	6.7	4.0
Balances						
Domestic primary balance	-12,332	-11,225	9.0	-2.0	-1.2	-1.7
Domestic primary balance, adjusted [1]	-16,192	-15,051	7.1	-2.7	-1.8	-2.3
Overall balance	-8,075	-19,134	137.0	-1.3	-3.5	-2.9
Change in net arrears	584	-4,306	-837.9	0.1		-0.7
External	185	189	2.2	0.03		0.03
Domestic	399	-4,494	-1,227.3	0.1		-0.7

Sources: Comoros Ministry of Finance; and IMF staff calculations.
[1] This reflects the definition of domestic primary balance as per the TMU of the 3rd ECF Review.

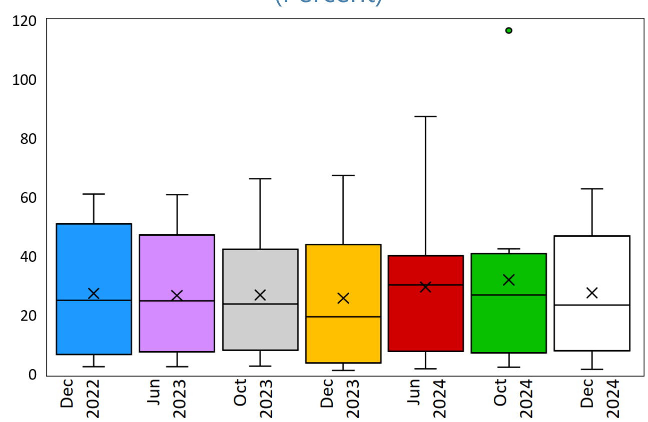
5. **A surge in import demand coupled with subdued export performance led to a widening of the current account deficit (CAD) in 2024, albeit by less than anticipated.** The CAD widened to 2.2 percent of GDP in 2024 from 1.5 percent in 2023, primarily reflecting a deterioration in the trade balance as import demand for rice and petroleum products picked up sharply in the second half of the year. Export performance remained weak, particularly for cloves and vanilla (contracting by 26 percent and 63 percent, y/y, respectively). Current transfers—principally remittances and project grants—substantially offset the trade deficit, helping to contain the

widening of the current account. The capital and financial account recorded a surplus of around US$38.6 million, nearly doubling from US$19.6 million in 2023. These inflows, largely concessional, more than financed the current account deficit and contributed to an overall balance surplus of 1.2 percent of GDP, leading to a build-up of foreign exchange reserves from US$321.0 million in 2023 to US$340.1 million in 2024 (vs. US$393 million projected at the third review), equivalent to 7.4 months of prospective imports, remaining well above the adequacy threshold of 6.8 months.

6. The financial system remains vulnerable. Financial system assets accounted for about 35 percent of GDP at end-2024, with three out of nine deposit-taking institutions (four commercial banks, four microfinance networks, and the state-owned postal bank SNPSF) holding 66 and 70 percent of the system's deposits and assets, respectively. Meanwhile, five financial institutions (including SNPSF) made losses at end-2024. The negative capital of the four insolvent institutions (excluding SNPSF)[2] accounted for 0.8 percent of GDP. The non-performing loans (NPL) ratio remained at around 13.6 percent at end-2024 (Text Table 2).

Text Figure 2. Non-Performing Loan Ratio Distribution

(Percent)



Notes: The boxes show the lower quartile (25 percentile), upper quartiles (75 percentile). The vertical line splitting the box is the median, while the Xs indicate the means. The whiskers extend to the smallest/largest values within 1.5 times the interquartile range of the lower (Q1) and upper (Q3) quartiles. Points beyond the whiskers are outliers.
Sources: BCC and IMF staff calculations.

7. Comoros' external and overall debt are sustainable but remain at high risk of debt distress.[3] One of the four external debt burden indicators—the external debt service-to-exports ratio—breaches the threshold, while the debt service-to-revenue ratio is at the threshold, both in 2026. While the breach is one-off and marginal, the recurrence of external arrears, which breaches the QPC under the ECF program, and the low revenue base, among others, pose key risks to debt sustainability. Key mitigating factors include the consistently strong remittances, which support external sustainability.

[2] End-2024 data on regulatory capital is not yet available for SNPSF.

[3] This assessment is based on the November 2024 Debt Sustainability Assessment (DSA) for the third ECF review and there has been no material change to the DSA since then.

Text Table 2. Union of the Comoros: Financial Soundness Indicators of the Financial Sector, 2016–2024

(Percent)

	2016	2017	2018	2019	2020	2021 [1]	2022 [1]	2023 [1]	2024 [1,2]
Capital adequacy									
Regulatory Capital to Risk-Weighted Assets	20	21	22	28	25	8	11	11	N.A.
Asset quality									
Non-performing Loans to Total Gross Loans	22	25	24	23	24	17	14	14	14
Non-performing Loans Net of Provisions to Capital	39	49	41	29	35	23	33	29	42
Earning and profitability									
Return on Equity	9	-1	0	-1	-8	-1	9	-2	1
Liquidity									
Liquid Assets to Short Term Liabilities		85	94	89	104	N.A.	N.A.	N.A.	N.A.
Customer Deposits to Total (Non-interbank) Loans		123	132	135	155	163	137	135	143

Sources: Central Bank of Comoros (BCC), and IMF staff calcluations.

Notes: N.A. = not available. [1] IMF staff estimates and calculations based on Central Bank of Comoros' data. Due to understaffing of the Supervision Department, BCC has not reported FSIs since end-June 2021. [2] Non-audited data.

OUTLOOK AND RISKS

8. **Baseline macroeconomic projections remain broadly unchanged from the third ECF review.** Growth is expected to rise to 3.8 percent in 2025, driven by a gradual pickup in private sector credit towards its long-term trend, a rebound in trade, and continued public investment projects, including the El Maarouf Hospital and the Galawa Hotel. Average inflation for 2025 was revised up to 3.8 percent (1.8 percent at the third review), reflecting recent price developments. The medium-term growth projection of around 4½ percent remains contingent on the continued implementation of sound macroeconomic policies and structural reforms. The CAD is expected to increase to 3.1 percent of GDP in 2025 driven partly by the importation earlier this year of six generators, valued at 0.3 percent of GDP, to address persistent and widespread power cuts. Over the medium term, the CAD is expected to hover around 3 percent of GDP (vs. 4 percent at the third review) supported by continued robust remittances from the diaspora. Gross official reserves are projected to remain above 8.5 months of prospective imports.

9. **There are key downside risks to the near-term outlook.** The upward trend in food inflation, recurring power cuts, and intensification of water shortages could exacerbate social tensions and undermine macroeconomic stability. Extreme weather-related shocks are an ever-present threat to growth and public finances. External risks arise from continued global geoeconomic fragmentation that could negatively impact trade particularly oil and food imports—although given Comoros’s narrow export base and limited integration in global value chains, the direct transmission of global trade shocks is expected to be muted. Sharper-than-expected declines in official donor assistance (ODA) could constrain public investment and social spending, which rely on external support, while weaker external demand could affect export revenues and FX inflows. Upside risks include larger- or faster-than-expected trade and investment benefits from the WTO membership and a stronger-than-expected boost to growth from both private and public investment projects. (See Annex I for the Risk Assessment Matrix and policy responses.

PROGRAM PERFORMANCE

10. Performance on quantitative targets has weakened (Text Table 3).

- The September IT and December QPC for tax revenues were both missed (10 and 5 percent lower than the targets, respectively).
- While the September IT for the DPB was met by a wide margin, the December QPC was missed.
- The September IT, December QPC, and March 2025 IT on net international reserves (NIR) were met.
- The authorities met the continuous QPC on non-concessional external debt but once again missed that on the accumulation of new external arrears (see ¶20).
- The September and December ITs on the non-accumulation of net domestic arrears, and those on social transfers, were met. The ITs on cash-for-work, livelihood grants, and technical training are proposed to be revised downward for end-June, end-September, and end-December 2025, based on updated disbursement projections.

Text Table 3. Union of the Comoros: Quantitative Performance Criteria and Indicative Targets, September 2024-March 2025

(Millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2024								2025			
	End-September				End-December				End-March			
	Indicative targets				Performance Criteria				Indicative targets			
	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status
Quantitative Performance Criteria[1]												
1. Floor on Tax Revenues	42,553.4		38,332.4	Unmet	56,085.4		53,175.6	Unmet	12,497.0			
2. Floor on the Primary Domestic Fiscal Balance[2]	-8,657.0		-6,409.5	Met	-8,924.7		-11,224.6	Unmet	-6,292.8			
3. Floor on the Level of Net International Reserves	111,776.6		125,789.5	Met	112,204.0		130,148.5	Met	112,130.3		122,701.5	Met
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0		0.0	Met	0.0		0.0	Met	0.0			
5. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0		3.4	Unmet	0.0		0.7	Unmet	0.0		2.1	Unmet
Indicative Targets[1]												
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0		-3,176.7	Met	0.0		-4,494.5	Met	0.0			
7. Floor on Social Cash Transfers	264.7	457.6	457.6	Met	457.6		457.6	Met	...			
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	3,919.9	2,385.5	2,385.5	Met	2,833.0	2,385.5	2,385.5	Met	353.1	234.5	234.5	Met
Memorandum Items												
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	27				78				14			

Sources: IMF Staff.

[1]Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

[2] Starting in 2025, this target accounts for the new definition of the primary domestic fiscal balance as per the TMU.

[3]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

11. More effort is needed to sustain structural reforms and complete missed SBs.

- Of the two end-December PFM-related SBs, the one to adopt a ministerial decree to define mandatory expenditures and create a Treasury Committee was met. But the SB to attach to the

2025 Budget Law the cash flow plan detailing mandatory expenditures and the due dates for major taxes and duties was not met as the authorities were unable to produce a coherent cash flow plan. It is proposed to reset this SB to June 30, 2025.

- The authorities met the continuous SB (starting January 1) for the BCC to submit the daily balance of each government account to the General Directorate of Public Accounting and the Treasury (DGCPT) and the Union's General Treasury Paymaster (TPGU).

- The two SBs on external debt data were met: (i) the end-2024 SB for the Ministry of Finance to request from its creditors an updated schedule of medium-term debt service (2025-2027) for all disbursed debt as of the end of 2024; and (ii) the continuous SB, starting on January 15, 2025, on the Debt Directorate to submit to the IMF and BCC the monthly external debt report compiled using the CSDRMS software.

- The end-December SB for the General Directorate of Customs to recover at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024, was not met and is proposed to be reset to September 30, 2025.

- Three SBs were met well in advance by the BCC: (i) onsite bank inspections to assess the quality of credit portfolios were completed in October (end-December SB); (ii) a banking license for the new postal bank BPC was issued in January (end-March SB); and (iii) the BCC statutes were promulgated by the President in March (end-April SB).

- Of the two financial sector related SBs, one was met: (i) The end-March SB for the BCC to approve formal, time-bound recapitalization plans of banks in breach of capital adequacy requirements has been missed due to slow delivery of draft plans by some banks, and is proposed to be reset to September 30. (ii) The end-May SB for the finalized report on NPLs of 2024 to be submitted to the President was met.

POLICY DISCUSSIONS

A. Fiscal Policy

12. Credible corrective actions for the missed end-2024 QPCs on tax revenues and the DPB imply a faster fiscal consolidation in 2025. Much of the tax revenue shortfall, and consequently the missed DPB target, was due to weakened customs administration. These ongoing challenges are reflected in the inadequate efforts to collect customs duties arrears under the suspensive regimes (unmet end-December SB). Recent Fund technical assistance (TA) by the Fiscal Affairs Department (FAD) also revealed outdated applications of excise duties and consumption taxes on incorrect bases and overuse of the immediate-release customs clearance procedure (IM9) for imported goods as well as the failure to later collect taxes on those goods by the General Directorate of Customs (DGD). To make up for the two missed fiscal QPCs, the authorities committed to undertaking corrective actions during the remainder of 2025, which will contribute to regaining revenue momentum (Text

Table 7). Measures include: (i) the issuances of a ministerial decree to limit the products eligible for the IM9 procedure and another to empower the DGD to recover tax and duties arrears (proposed Prior Actions); (ii) the publication of a circular note setting the modalities for calculating customs duties and similar taxes (DDA), the consumption tax (TC), and excise duties (DA) on imports (proposed end-June SB), (iii) the parameterization of the SYDONIA software to ensure the correct computation of the consumption tax and the *ad valorem* excise duties (proposed end-September SB), and (iv) the recovery of at least KMF 1 billion in tax arrears owed by the SOE in charge of petroleum products importation, SCH, by end-September (proposed SB). These corrective measures are expected to have quick yields, generating an additional KMF 3 billion in tax revenues (see Text Table 4), and entail a tightening of the end-September and end-December 2025 tax revenue and DPB targets, and a significantly faster pace of fiscal consolidation during 2025 of 1.0 pp of GDP (vs. 0.3 pp of GDP expected at the third review). Slippages in implementing these measures would oblige the authorities to consider curtailing current spending, in particular, compensation and transfers. Maintaining flat transfers in percent of GDP, for example, provides roughly the same yield as the corrective revenue measures.

Text Table 4. Union of Comoros: Tax Revenue Estimates from Corrective Measures During 2025H2, KMF million

Measures	Tax revenue yields	Type of tax revenue
Correction of the application of the consumption tax base on fully taxed import products	122.4	Taxes on goods and services
Regularization of IM9 customs regime that have exceeded the regularization/payment deadline	1,715.2	Taxes on international trade
Correction of the application of the tax base for ad valorem excise duties on imports	202.0	Excise taxes
Recovery of TIPP arrears from SCH	1,000.8	Excise taxes
Total	3,040.4	

Source: IMF Staff estimate, based on authorities' data and calculations in the draft Technical Assistance Report: "Vers une évaluation des dépenses fiscales relatives aux taxes indirectes," by Anne-Marie Geourjon and Emilie Caldeira.

13. The medium-term consolidation path should be maintained to safeguard the objective of returning to moderate risk of debt distress by 2028. The current path assumes a steady increase in tax revenue of at least 0.3 percentage points of GDP per year (QPC), supported by structural reforms in revenue administration and tax policy, and normalizing public investment spending once committed spending is completed. The corrective revenue measures to make up for weak 2024 fiscal outturns would help bring performance back onto the envisaged medium-term path. The strategies are expected to improve the DPB to -0.6 percent of GDP by 2027 (under the adjusted budget perimeter established during the previous review).

14. The social protection project funded by the World Bank continues to be the only targeted social spending program in the country. The Projet de Filets Sociaux de Sécurité Résilient et Réactif aux Chocs (PFSS-RRC) has provided cash transfers to over 40,000 households since July 2023, including 4,327 that received one-time transfers following the severe flooding of April–May 2024. Among the 40,000 beneficiaries, 19,340 households—more than half of which are headed by women—are also benefiting from a separate component aimed to incentivize work, launched in April 2024. The project is expected to close by December 2026. The authorities have expressed interest in renewing the project, and the Minister of Finance, in consultation with the Minister of Health and Social Protection, intends to formally submit a request to the World Bank to this effect. Meanwhile, consistent budget allocations for health and education ensure a level of social spending for the broader population. The authorities are also turning their attention to the sustainability risks of the pension fund, taking initial steps to increase contributions while broader reforms are yet to be defined (Annex II provides an overview of the pension situation in Comoros).

Fiscal Structural Reforms

15. The authorities are committed to reinvigorating tax administration reforms, with the support of IMF TA. Per the authorities' request, a newly assigned Fund resident tax administration advisor based in Moroni will support the General Directorate of Taxes (DGI) in strengthening revenue mobilization, addressing persistent tax arrears,[4] and unlocking the country's tax potential:

- The DGI can exploit data from sources such as census results and customer databases of the main SOEs to identify and enroll new taxpayers in the Large and Medium Taxpayer Office (DGME), which would contribute towards meeting the end-2025 SB of increasing the number of active taxpayers by at least 20 percent. The DGME should also enforce tax collection on the main SOEs.

- The identification of new taxpayers based on the audit of tax and customs data through the SIGIT-SYDONIA interconnection (end-June 2025 SB) should be launched without further delay.

- Interconnecting the databases of all DGI offices across the three islands (proposed end-April 2026 SB) will strengthen the monitoring of taxpayers as well as tax revenue collection, with the associated improvement in the reliability and timeliness of fiscal data.

16. Customs administration reforms will be focused on governance, enforcement, and recovery. In addition to the short-term measures aimed at recouping missed targets (¶12), the DGD is looking to implement other structural reforms:

- To ensure greater transparency, the tariffs on imports, export duties, and taxes aligned with the 2022 Harmonized System Code (HS) will be published on the DGD website.

- To avoid the accumulation of new petroleum tax (TIPP) arrears, the DGD will ensure direct management in SYDONIA of the calculation of the TIPP on the basis of the monthly exit statements from the hydrocarbon warehouse, in close collaboration with the SCH.

- To combat fradulent uses of tax identification numbers (TINs) for imports, the DGD will

[4] At end-2024, tax arrears at the DGI were estimated at KMF 414 million.

deactivate in SYDONIA all TINs not recognized by the DGI by end-July 2025 (proposed SB).

- As part of the 2024-2027 Strategic Plan and the Post-WTO Accession Action Plan, a series of measures on customs valuation and trade facilitation will be taken including, among others, setting up the electronic single window, forming an appeals committee, regulating customs brokers, and improving risk management and selectivity of controls.

17. The Tax Policy Unit (TPU) has begun working towards a tax expenditure analysis (end-October SB), with support from the Fund. Substantial work remains for the TPU to update tax rates in the tax codes and compile an inventory of tax and customs legislations as well as all exceptional measures. This exercise, which also serves as training for the TPU members, will help identify reform measures to be included in the 2026 budget law as a first step in the gradual removal of tax exemptions. Over the medium term, the TPU will be responsible for developing a strategy to compensate for the potential revenue losses when certain taxes are no longer collected at customs, per Comoros' WTO accession agreement.

18. Public financial management (PFM) weaknesses continue to hamper the budgetary process as substantive corrections were needed for the 2024 fiscal figures. Despite extensive TA support, the committee in charge of preparing the quarterly fiscal tables (TOFE) operates with constrained capacity and resources. With limited oversight over the work of the committee, the responsibility to scrutinize the TOFE data has fallen on the IMF country team and, until recently, a resident TA expert. Ongoing TA support is needed, as well as additional staff working on the TOFE. Examination of the 2024 data revealed, for example, that spending on the El Maarouf hospital project had not been included in domestic investment as the authorities' data compilation did not accurately trace external disbursements for the project when its funding sources changed at the beginning of 2024. Correctly including the project execution implied a worsening of the DPB outturn throughout 2024, including the March and June quarters previously reported in the third review (by KMF 1.1 and KMF 1.9 billion, respectively).[5] The corrected 2024 TOFE data will be published by end-August 2025 (SB). Going forward, the process of validation and timely publication of the TOFE may be helped by the recent appointment of the Director of Economic and Financial Studies and Reforms within the Ministry of Finance, whose responsibilities include supervising the TOFE process. Meanwhile, the authorities have begun to implement the PFM Reform Strategy 2024–2033, starting with the publication of the 2025 budget law in December 2024. The authorities have also agreed to transmit to the IMF the outlines of the 2026 budget law by end-September 2025 (proposed SB). To further improve the budget process, several application texts of the presidential decree on the Budgetary and Accounting Management Regulations (RGBCP) will be adopted by end-year (proposed SB). A multi-stage reform of the budgetary calendar is also envisaged, following IMF FAD recommendations.

19. Steps are being taken to improve cash management, but much remains to be done. The definition of mandatory expenditures and the creation of the Treasury Committee (end-2024

[5] The correction has limited implications on the program, and the June 2024 QPC on DPB continues to be met while the March 2024 IT was missed by a small margin of less than KMF 200 million.

SB) have not yet resulted in significant improvements in cash flow management. The planning and execution of external debt payments are not yet properly integrated, and tax revenue data are only available with a lag (unlike those from customs). As the authorities did not produce and append to the 2025 budget law the detailed cash flow plans (end-2024 SB), the Treasury Committee has proposed that the SB be reset to end-June 2025. Ongoing Fund's TA support will support the Treasury Committee to produce the required cash management plan, improve its quality and availability and ensure its monitoring. Following the appointment of the Director of the General Directorate of Public Accounting and the Treasury (DGCPT) (PA of third review), there are plans to establish a central accounting agency of the Treasury (ACCT) and the General Account of Administration and Finance (CGAF), to ensure financial and accounting centralization. Ultimately, the ACCT will take over responsibility for managing the Treasury Single Account (TSA) from the General Treasury Paymaster (TPGU). Meanwhile, the BCC has been providing the DGCPT, TPGU, and the IMF daily balances of government accounts held at the BCC (continuous SB from January 2025). The authorities have identified 19 accounts that have been inactive or with zero balances, which they will undertake to close and transfer any remaining balances to the TSA (proposed end-June 2025 SB).

20. The appointment of the Director of the Directorate of State Holdings Management and Public Enterprise Financial Performance Monitoring should improve SOE oversight. The authorities have requested TA to develop an action plan and implementing texts to support the new SOE law. To improve governance and accountability, the authorities should ensure timely appointments of the boards of directors of the main SOEs, and adequate staffing of the directorate. The financial audit of the main SOEs will be continued and their audit results and key recommendations will be used to develop the first SOE restructuring plans, to be implemented with support from key development partners (e.g. the World Bank).[6]

Debt Issues

21. The authorities undertook corrective actions for the nonobservance of the QPC on the accumulation of new external arrears and are executing their domestic arrears clearance strategy. Weaknesses in cash, liquidity, and debt management continued to hamper the timely servicing of external debt, resulting in the accumulation of arrears with several bilateral and commercial creditors. As of December 2024, arrears totaling US$1.38 million to BADEA[7] and US$0.58 million to Exim India[8] had accumulated, with discussions ongoing to reach resolution. In addition, arrears of US$0.67 million to Bpifrance Assurance Export, accumulated in 2024, remain unpaid, and the authorities are engaging with the French Treasury to reschedule the outstanding amounts.

[6] After auditing Comores Telecom, ONICOR, and OCOPHARMA, the General Inspectorate of Finance (IGF) plans in its 2025 action plan to conduct audits of SONEDE, ANRTIC, and Comores Cables.

[7] Comoros has a credible plan and projected financing to eliminate arrears over the program period. The BADEA loan, including arrears, is being repaid with a loan from a new creditor. The authorities expect Parliament to ratify the new concessional loan agreement during its current session.

[8] An agreement in principle was reached with Exim India in 2024 to cancel penalties and restructure the arrears over a five-year period. The authorities have also engaged the African Development Bank (AfDB) for legal assistance on the next steps.

Further arrears were incurred between February and April 2025 to the Kuwait Fund (US$0.57 million), the Saudi Fund for Development (US$0.45 million), and the commercial creditor TDB (US$1.1 million), but these were repaid in full in May (see Memorandum of Economic and Financial Policies, MEFP, ¶9). The authorities have committed to remaining current on all external debt service for the remainder of the year and are executing their domestic arrears clearance strategy, including monthly payments to the pension fund in line with the end-2023 audit (end-2023 SB). As part of broader efforts to strengthen debt management, the first phase of AfDB's Public Debt Sustainability Project—covering a holistic diagnostic of the debt management setup—has been completed. The outdated CSDRMS system will be replaced by the Meridian software[9], with installation and training of key staff expected in the next phase.

Text Table 5. Union of the Comoros: Summary of Projected External Borrowing Plan
(US$ Million)

PPG external debt	2025		2026		2027		2028	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**67.8**	**100.0**	**102.6**	**100**	**81.5**	**100**	**48.7**	**100**
Concessional debt, of which	**36.3**	**53.5**	**93.1**	**90.7**	**76.7**	**94.1**	**48.7**	**100.0**
Multilateral debt	29.1	42.9	34.8	33.9	20.1	24.7	16.2	33.4
Bilateral debt	7.1	10.5	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	58.4	56.9	56.6	69.4	32.4	66.6
Non-concessional debt, of which	**31.5**	**46.5**	**9.5**	**9.3**	**4.8**	**5.9**	**0.0**	**0.0**
Semi-concessional[1]	9.5	14.0	9.5	9.3	4.8	5.9	0.0	0.0
Commercial terms	22.0	32.5	0.0	0.0	0.0	0.0	0.0	0.0
By Creditor Type	**67.8**	**100.0**	**102.6**	**100.0**	**81.5**	**100.0**	**48.7**	**100.0**
Multilateral debt	38.6	56.9	44.3	43.1	24.9	30.6	16.2	33.4
Bilateral debt	7.1	10.5	0.0	0.0	0.0	0.0	0.0	0.0
Commercial terms	22.0	32.5	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	58.4	56.9	56.6	69.4	32.4	66.6
		0.0		0.0		0.0		0.0
Uses of debt financing	**67.8**	**100.0**	**102.6**	**100.0**	**81.5**	**100.0**	**48.7**	**100.0**
Infrastructure	36.2	53.4	57.9	56.4	44.6	54.8	23.7	48.6
Budget Financing	9.5	14.0	9.5	9.3	4.8	5.9	0.0	0.0
Other	22.1	32.6	35.3	34.4	32.1	39.4	25.0	51.4

1/ Projected ECF disbursements

[9] Meridian is the new Debt Recording and Management System (DRMS) designed by the Commonwealth Secretariat.

Text Table 6. Union of the Comoros: Decomposition of Public Debt and Debt Service by Creditor, 2024-26[1]

(US$ Million)

	Debt Stock (end of period)			Debt Service					
	2024			2024	2025	2026	2024	2025	2026
	(In US$)	(Percent total debt)	(Percent GDP)	(In US$)			(Percent GDP)		
Total	491.0	100.0	33.7	21.9	18.0	17.8	1.8	1.5	1.5
External	398.4	81.1	27.4	21.9	18.0	17.8	1.8	1.5	1.5
Multilateral creditors[2]	208.7	42.5	14.3	12.9	9.0	6.5	1.1	0.7	0.5
IMF	29.0	5.9	2.0	7.4	3.6	1.8	0.6	0.3	0.1
World Bank	102.1	20.8	7.0	0.6	0.6	0.6	0.0	0.0	0.0
ADB/AfDB/IADB	17.4	3.5	1.2	0.1	0.1	0.1	0.0	0.0	0.0
Other Multilaterals	60.1	12.2	4.1	4.8	4.7	4.1	0.4	0.4	0.3
o/w: BADEA	28.0	5.7	1.9	0.0	0.0	0.0	0.0	0.0	0.0
o/w: TDB	14.7	3.0	1.0	4.5	3.7	2.9	0.4	0.3	0.2
o/w: IsDB	6.7	1.4	0.5	0.1	0.1	0.1	0.0	0.0	0.0
Bilateral Creditors	189.6	38.6	13.0	9.0	9.0	11.3	0.7	0.7	0.9
Paris Club	1.5	0.3	0.1	0.1	0.1	0.5	0.0	0.0	0.0
o/w: France	1.5	0.3	0.1	0.1	0.1	0.5	0.0	0.0	0.0
Non-Paris Club	188.2	38.3	12.9	8.9	8.9	10.7	0.7	0.7	0.9
o/w: China	100.4	20.5	6.9	6.8	6.7	5.6	0.6	0.5	0.5
o/w: Saudi Arabia	37.4	7.6	2.6	1.0	0.8	1.8	0.1	0.1	0.1
o/w: India	27.6	5.6	1.9	0.0	0.3	2.3	0.0	0.0	0.2
o/w: Kuwait	22.7	4.6	1.6	1.1	1.1	1.1	0.1	0.1	0.1
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	92.7	18.9	6.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Held by residents, total	92.7	18.9	6.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Held by non-residents, total	0.0	0.0	0.0						
T-Bills	0.0	0.0	0.0						
Bonds	0.0	0.0	0.0						
Loans	0.0	0.0	0.0						
Memo items:									
Collateralized debt[3]	0.0	0.0	0.0						
o/w: Related	0.0	0.0	0.0						
o/w: Unrelated	0.0	0.0	0.0						
Contingent liabilities	N.A.								
o/w: Public guarantees	N.A.								
o/w: Other explicit contingent liabilities[4]	N.A.								
Nominal GDP	1456								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

3/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

B. Monetary and Financial Sector Policies

22. **Monetary policy continues to focus on preserving the stability of the euro peg**. The reserve requirement ratio, a key instrument for liquidity, has been held at 12.5 percent since October 2023. Similarly, the minimum bid rate for reverse auctions has remained unchanged at 3 percent since July 2023. To manage excess liquidity, the BCC raised the liquidity absorption ceiling from KMF 10 billion to KMF 15 billion in October 2024. These measures have continued to help the BCC address liquidity surpluses at larger banks and finetune system-wide liquidity conditions. However, maintaining a ceiling—even if increased—may still leave the system with excess liquidity when structural surpluses are high. The authorities should proceed to implement fixed-rate, full-allotment

absorption operations, which is expected to become feasible by 2026, in line with the Fund TA recommendations. Since February 2025, the BCC has begun publishing a calendar of planned liquidity absorption operations and ex-post tender results, although detailed disclosures remain uneven. Inflationary pressures, driven primarily by elevated food prices that continued through 2025Q1, prompted the BCC to closely monitor price developments and remain prepared to increase liquidity absorption and adjust the reserve requirement ratio if inflation persists or if reserve outflows materialize. The mission also confirmed that there were no changes to the exchange system covered by Article VIII of the IMF's Articles of Agreement.

23. Efforts to create a government debt securities market are hampered by limited progress on debt management and cash forecasting capacity. Currently, the government borrows about KMF 1.5 billion each month via 20-day "salary loans" to make salary payments. Longer-term loans are sporadically negotiated bilaterally with banks. While the limited number of sound banks in the system provides a de facto cap on the extent of government borrowing, the absence of a centralized borrowing authority has led to opaque borrowing practices. Recognizing that an operational government debt securities market can contribute to the BCC's efforts to develop a collateral framework and an interbank market, addressing serious PFM weaknesses is critical to advance this reform. In the near-to-medium term, the BCC and the Ministry of Finance should collaborate to ensure that the prerequisites for deploying a securities market are in place, with coordinated support from IMF experts on debt management from the Monetary and Capital Markets (MCM) department and on PFM from FAD. While the BCC is of the view that the issuance of Treasury securities can be delinked from debt and cash management capacities, staff emphasized the risks in doing so and strongly recommended starting with short-term bills to replace the existing salary loans with strict limits on the issuance program while advancing PFM reforms.

24. In January, the BCC Board granted a banking license to the new postal bank, BPC (end-March 2025 SB), marking a key milestone in the restructuring of the SNPSF. Since its opening, the BPC has been complying with the temporary ceiling on loans set at KMF 5 million per customer—to be in place until the full operationalization of the core bank Management Information System (MIS). The MIS was launched in February 2025, and the completion of its operationalization will be reviewed and validated by the BCC's bank supervision directorate, DSB. The BPC is also preparing internal AML/CFT procedures to be submitted to the DSB. As part of the restructuring process, a presidential decree was issued in March 2025 on the framework for the entity handling non-performing assets left over from the SNPSF ("SNPSF-Liquidation") and the process for their recovery. The decree includes a commitment that recovery proceeds will be allocated towards repaying the government's BPC capitalization bonds. The banking license of the SNPSF was withdrawn in May. With the launch of the BPC and closure of the SNPSF, the authorities are working with a consulting firm to finalize the financial statements of the SNPSF and opening balance sheets of the BPC, SNPSF-Liquidation, and the now-separate postal agency. The government will begin honoring payments of the capitalization bonds issued to the BPC (KMF 3.38 and 0.6 billion in October and December 2024, respectively), with the first tranches to be paid by July 15 (proposed SB).

25. Authorities acknowledged that the BCC's bank supervisory capacity and information-sharing between the supervision and regulation directorates should be further strengthened. Following the completion of the onsite inspections of eight banks in October 2024 (not including the SNPSF, which was being restructured), the DSB has shared with staff all final and validated inspection reports. The BCC has already acted on several of the recommendations from these reports, including issuing a formal warning, enacting financial sanctions, and suspending senior officials and board members of some banks who were engaged in breaches of BCC and bank governance rules. As insights from the onsite inspections, along with the data compilation on banks by the DSB, can be of great value for the work carried out by the Directorate of Restructuring and Resolution (DRRB), the BCC should consider developing internal procedures for information and data sharing between the two units while respecting data confidentiality and privacy concerns. It was agreed that DSB staff should continue taking advantage of regional training offerings by the Fund's MCM and AFRITAC South.

26. The BCC is looking to implement the amended resolution law (LRIF), finalize bank recapitalization plans, and execute plans to reduce NPLs. In considering the pros and cons of different bank resolution funding mechanisms, and taking into account liquidity constraints of the government and fragilities of several institutions in the banking sector, the BCC has expressed a tentative preference for establishing an ex-ante funding regime that would combine government resources, donor grants, and bank contributions. The authorities are making use of an IMF MCM TA analytical tool, along with their own analysis, to estimate the size of resolution funds needed and the amounts that could be raised from the different banks and other sources. The authorities will assess what modifications to the amended LRIF would be necessary under alternative resolution funding approaches. In implementing the amended LRIF, the DRRB has also begun to draft bank-specific resolution plans for systemic banks (at least 10 percent of system's assets), drawing on the banks' own recovery plans. The DRRB's review of recapitalization plans by three banks in breach of capital adequacy requirements is ongoing. The plan for one bank involves recapitalization by the state, while the plans for the two other small financial institutions (recapitalization costs estimated at 0.36 and 0.10 percent of GDP, respectively) are still being finalized, given those banks' constrained capacity. As more time is needed to finalize and validate all the plans, it is proposed that the end-March SB on approving the recapitalization plans be reset to end-September). Efforts to address NPLs in the banking system are being reinvigorated. The BCC recently organized brainstorming meetings bringing together banks, the private sector, members of the judiciary, and employers' organizations, with high level meetings being attended by the Ministers of Finance and Justice, the central bank Governor, the President of the Commercial Court, and the Public Prosecutor. Recommendations from these meetings are reflected in the NPL report that was submitted to the President in May (SB).

C. Structural Reforms to Strengthen Institutions and Reduce Fragility

27. The anti-corruption chamber (ACC), created in May 2024, is eager to implement the anti-corruption law but faces resource constraints and lack of experience. In addition to conducting public information campaigns on its mission and participating in IMF seminars on governance and transparency, the ACC has been actively reaching out to donors for financial and technical support (see MEFP ¶22). Given ongoing rollbacks in international aid, however, support in this area is expected to be limited. In response to the authorities' request, the IMF Legal Department (LEG) will provide a TA focused on the operationalization of asset declarations by high-ranking officials in line with the Anti-Corruption Law. The authorities are continuing to publish online procurement contracts with beneficial ownership information (continuous SB from May 2024).[10]

28. The government is determined to strengthen the AML/CFT framework. Following the publication in August 2024 of the assessment of the Comoros AML/CFT frameworks by the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), the authorities developed a priority action plan, which they intend to implement with the support of international partners. The priorities include, among others, an update of the 2023 national anti-money laundering strategy. A new AML/CFT law, drafted with WB support, is expected to soon be submitted to Parliament.

29. The BCC statutes were promulgated by the President in March (end-April 2025 SB) to strengthen the central bank's autonomy in line with IMF recommendations. The implementation of other 2023 safeguards recommendations is ongoing, including strengthening its internal audit function, enhancing oversight of external audit and financial reporting process, and aligning financial statements with international standards. The government and the BCC are also working to establish a repayment plan for the long-term loan extended by the BCC to the government in connection with the 2021 IMF SDR allocation.

PROGRAM ISSUES

30. The program is fully financed with firm commitments over the next 12 months and with good prospects for the remaining period. Disbursement for the fourth review will be used for budget support. In addition to the ECF, financing for the next twelve months is being provided through budget support from development partners and multilateral institutions, including the World Bank, France, and AfDB. Contingency measures for any shortfall in budget grants include delaying domestically-financed public investment projects and exploration of additional revenue and spending measures to support consolidation efforts. Such a scenario, however, entails risks to program implementation, particularly the non-accumulation of domestic and external arrears, or excessive fiscal contraction that could affect social stability.

[10] https://banque-comores.km/page/show/marches-publics

Text Table 7. Union of the Comoros: Quantitative Performance Criteria and Indicative Targets, June 2025-June 2026

(Millions of Comorian Francs, Cumulative Since End of Previous Year unless otherwise specified)

	2025					2026	
	End-June	End-September		End-December		End-March	End-June
	Performance Criteria	Indicative targets		Performance Criteria		Indicative targets	Indicative targets
	Proj.	Proj.	Modified	Proj.	Modified	Proj.	Proj.
Quantitative Performance Criteria[1]							
1. Floor on Tax Revenues	28,118.3	46,912.0	47,552.5	62,549.3	65,589.6	17,814.2	35,628.5
2. Floor on the Primary Domestic Fiscal Balance[2]	-8,390.3	-9,439.1	-6,025.2	-10,487.9	-8,033.6	-2,123.0	-3,449.9
3. Floor on the Level of Net International Reserves	112,007.4	112,030.4		112,250.0		114,748.2	117,246.5
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0	0.0		0.0		0.0	0.0
5. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0	0.0		0.0		0.0	0.0
Indicative Targets[1]							
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0	0.0		0.0		0.0	0.0
7. Floor on Social Cash Transfers	…	…		…		…	…
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	585.6	1,224.2	803.3	1,765.6	966.2	353.1	585.6
Memorandum Items							
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	14	27		78		14	14

Sources: IMF Staff.

[1]Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

[2] Starting in 2025, this target accounts for the new definition of the primary domestic fiscal balance as per the TMU.

[3]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

31. **Despite setbacks in the previous year, the ECF remains broadly on track.** The authorities met two of five QPCs as of end-December 2024 (Text Table 3)—limit on non-concessional external debt and NIR floor. They are requesting waivers of non-observance for the three missed QPCs on (i) tax revenue, (ii) the DPB, and (iii) non-accumulation of new external arrears. The request for waivers of non-observance for the first two missed QPCs is supported by credible, short-term corrective revenue measures, on the basis of which authorities are requesting modifications to tighten the September and December 2025 tax revenue and DPB targets. The request for a waiver of non-observance for the third missed QPC is supported by corrective actions, including repayment of most external arrears and advanced discussions on arrears-clearance plans with the remaining creditor (¶21). Two ITs were missed at end-September, on tax revenue and external arrears, while all December ITs were met. The authorities are requesting modifications to the ITs on cash-for-work, livelihood grants, and technical training to reflect revised disbursement projections by the World Bank. 8 of the 11 SBs expected to be completed between end-November 2024 and end-May 2025 (including two continuous SBs becoming effective within this time frame) were met. The authorities are requesting that the three missed SBs be reset: the recovery of tax arrears under the suspensive regimes from end-2024 to end-September 2025, the BCC's validation of bank recapitalization plans from end-March 2025 to end-September 2025, and the cash flow plan detailing mandatory priority expenditures and key tax and duty deadlines from end-2024 to end-June 2025.

32. Conditionality for the next 12 months remains guided by the program's objectives and the limited implementation capacity in a fragile context. The two PAs for the fourth review, which staff consider critical for maintaining the program's fiscal objectives, include two ministerial decrees to: (i) limit the application of the immediate-release customs procedure to medicines, perishable goods, and hazardous products, and (ii) provide legal powers to the DGD to collect arrears on tax and duties. The proposed QPCs and ITs (Text Table 7) aim to maintain macroeconomic stability and secure fiscal and debt sustainability. The proposed SBs (Text Table 8) are aimed at extending progress in domestic revenue mobilization, fiscal transparency and PFM reforms, and the stabilization of the financial sector.

33. Comoros' capacity to repay the Fund remains adequate, but subject to significant risks. Fund credit outstanding is projected to peak in 2027 at SDR 34.7 million, equivalent to 2.7 percent of GDP. Debt service to the IMF will peak in 2032 at 2.8 percent of revenue and 3.1 percent of exports of goods and services. Risks are exacerbated by Comoros' high risk of debt distress, external arrears, and slow implementation track record. Policy reforms under the program and the authorities' consistent track record of servicing obligations to the Fund are key risk-mitigating factors.

Text Table 8. Union of the Comoros: Proposed Prior Actions and New Structural Benchmarks, 2025–26

Proposed Measures	Proposed Timing
A. Prior Actions	
Sign and endorse a ministerial decree limiting the application of the immediate release procedure (IM9) at the General Directorate of Customs (DGD) to medicines, perishable or (non-prohibited) hazardous goods	Prior action
Sign and endorse a ministerial decree granting the General Directorate of Customs (DGD) the authority to recover arrears of customs taxes and duties in the Union of the Comoros	Prior action
B. Fiscal Structural Reforms	
The BCC to close the 19 government accounts at the BCC that had zero balances or were inactive as of May 12, 2025, and integrate those balances into the Treasury Single Account	June 30, 2025
The General Directorate of Budget to share with the IMF team the macro-budgetary framework, including details on expenditures and revenues, which will serve as the basis for the 2026 Budget Law	September 30, 2025
The DGI to interconnect the SIGIT software with the databases of all DGI offices in all three islands	April 30, 2026
Deactivate all Tax Identification Numbers (TINs) in SYDONIA that were not recognized by the DGI	July 31, 2025
Issue a circular note describing the modalities for settling customs duties and similar taxes (DDA), the consumption tax (TC), and excise duties (DA) on imports	June 30, 2025
The General Directorate of Customs (DGD) to carry out corrections and parameter settings in SYDONIA to ensure application, in line with existing regulations, of: (i) the tax base of the consumption tax on fully taxed imported products; and (ii) the ad valorem base for excise duties on imports	June 30, 2025

Text Table 8. Union of the Comoros: Proposed Prior Actions and New Structural Benchmarks, 2025-26 (continued)	
Proposed Measures	**Proposed timing**
The General Directorate of Customs (DGD) to recover from the Comorian Hydrocarbon Company (SCH) at least KMF 1,000 million in arrears of domestic taxes on petroleum products (TIPP), out of a total of KMF 2,587 million in arrears covering the period from 2019 to June 30, 2024	September 30, 2025
Finalize the implementing regulations of the Decree on Budgetary and Public Accounting Management Regulations (RGBCP), including: (i) the Government Chart of Accounts (PCE); (ii) specification of supporting documents for expenditures and revenues; (iii) guidelines on Government Accounting; (iv) the roles and responsibilities of public accountants; and (v) list of expenditures that can be paid without prior authorization or prior scheduling	December 31, 2025
C. Financial Sector Structural Reform	
The postal bank BPC to be capitalized in cash with the redemption of the Treasury bond payment due in 2025	July 15, 2025

Table 1. Union of the Comoros: Status of Structural Benchmarks, 2023–25		
Structural Benchmark	**Date**	**Status**
A. Fiscal Structural Reforms		
Establish the Large and Medium Taxpayer Office (Direction des Grandes et Moyennes Entreprises)	July 31, 2023	Met
Raise the number of active taxpayers by 10 percent at the Large and Medium Taxpayer office (from 543 at the large taxpayer office and the medium and small taxpayer office, as of March 31, 2023) and send all these taxpayers requests to file tax declarations	December 31, 2023	Met
Remove the fee for getting a NIF (Numero d'Identification Fiscale) and the requirement to renew it every 3 years and ensure that all taxpayers have a NIF adapted to the SIGIT platform	September 30, 2023	Met
Interconnect the SIGIT and SYDONIA platforms to enable automated exchange of data between DGI and customs	December 31, 2023	Met
The DGI to produce an audit report showing tax adjustments in the second half of 2024, resulting from the identification and taxation of new taxpayers based on data exchanges with customs through the SIGIT-SYDONIA interconnection	June 30, 2025	
Raise the number of active taxpayers by 20 percent at the Large and Medium Taxpayer Office (DGME) (from 676 as of September 30, 2024, to at least 811 by the end of 2025) and send all these taxpayers requests to file tax declarations	December 31, 2025	
Customs Reforms		
Complete the *de jure transfer* of the management of fuel products taxes to the customs administration after already having completed the transfer *de facto*	June 30, 2024	Met
Issue ministerial decrees to implement the customs code	June 30, 2024	Met

Table 1. Union of the Comoros: Status of Structural Benchmarks, 2023–2025 (continued)		
Structural Benchmark	**Date**	**Status**
General Directorate of Customs to complete an arrears report, identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024, and specifying the due dates on those customs duties	September 30, 2024	Met
General Directorate of Customs to recover at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024	December 31, 2024	Not met, proposed to be reset to September 30, 2025
Tax Policy Measures		
Establish a Tax Policy Unit that reports to the Minister of Finance, with TA from FAD	September 30, 2024	Met
Ministry of Finance to conduct tax expenditure analysis starting with customs duties and indirect taxes	October 31, 2025	
PFM Measures		
Complete the audit of domestic arrears, including cross-arrears between SOEs and the government	December 31, 2023	Met
Develop a medium-term action plan to clear domestic arrears	September 30, 2024	Met
Appoint Director of the General Directorate of Public Accounting and the Treasury	March 31, 2024	Not met, completed as a Prior Action for 3rd ECF Review
Finalize and promulgate the presidential decree on the Budgetary and Accounting Management Regulations	April 30, 2024	Not met, completed in May 2024
Publish the annual 2024 budget approved by Parliament	April 30, 2024	Met
Ministry of Finance to request BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	June 30, 2024	Met
The Ministry of Finance to formally request from its creditors, and communicate to the IMF, an updated schedule of medium-term debt service (2025-2027) for all disbursed debt as of the end of 2024	December 31, 2024	Met
Attach to the 2025 Budget Law the detailed cash flow plans specifying the exact payment dates for mandatory expenditures (including salaries and debt service) and the due dates for major taxes and duties (TIPP, TC, IS, ITS) (see example in the TMU)	December 31, 2024	Not met, proposed to be reset to June 30, 2025
In accordance with certain provisions of Decree No. 009-081/PR of July 20, 2009, which establishes a Government Cash Flow Plan, adopt a ministerial decree to (i) define the nature and classification of mandatory expenditures, and (ii) create a Treasury Committee responsible for the development and monitoring of the Government Cash Flow Plan, defining its composition and setting out its missions and operating procedures	December 31, 2024	Met

Table 1. Union of the Comoros: Status of Structural Benchmarks, 2023–25 (continued)		
Structural Benchmark	**Date**	**Status**
The BCC to provide the DGCPT and the Union's General Treasury Paymaster (TPGU), with a copy to the IMF, the daily balance of each government account held at the BCC, except for accounts related to projects funded by international partners, and those for national security and the presidency	Every workday starting from January 1, 2025	Met
The Debt Directorate at the Ministry of Finance to provide the IMF and the BCC with the external debt situation compiled by the debt management software CSDRMS	15th of the following month, starting from January 15, 2025	Met
The Ministry of Finance to publish the Government Financial Operations Tables (TOFE) for the four quarters of 2024	August 30, 2025	
B. Financial Sector Reforms		
SNPSF Restructuring		
BCC to set up a resolution unit which is structurally separated from the Supervision Department, and reports separately to the BCC Board	June 30, 2023	Met
Appoint managing director at BPC with management expertise and experience in banking and credit risk management to operationalize the BPC according to the business plan developed under the SMP	August 31, 2023	Met
Submit to BCC an application for a banking license for the Banque Postale des Comores, which would specify a business plan, a management team, and a capital injection plan that are in line with MEFP ¶15 of the ECF Request	August 31, 2023	Met
Submit to Parliament the statutory resolution framework that includes the three points recommended in the MCM TA report, "Operationalization of the Bank Resolution Act of September 2022," to align with international standards	May 31, 2024	Met
BCC to complete onsite inspections to assess the quality of credit portfolios	December 31, 2024	Met
The BCC to issue a banking license for the BPC, with a credit ceiling of KMF 5 million which will only be in place during the establishment of the information system and until the BCC board can review the relevance of this "specific modality" of the banking license when the DSB has validated the operationalization and reliability of this information system	March 31, 2025	Met
Measures to Enhance BCC's Supervision and Resolution Capacity		
Approval by the BCC of a formal timebound recapitalization plan to be adopted by each Comorian deposit-taking institution in breach of capital adequacy requirements	March 31, 2025	Not Met, proposed to be reset to September 30 2025
NPL Commission to submit a report to the President on NPL developments and work of the Commission to resolve NPLs during 2024	May 31, 2025	Met

Table 1. Union of the Comoros: Status of Structural Benchmarks, 2023–25 (concluded)		
Structural Benchmark	**Date**	**Status**
C. Institutional, Governance and Anti-Corruption Reform		
Adopt into law the draft anti-corruption law that was aligned with the SMP objectives to enhance preventive measures against corruption, strengthen the rules related to conflicts of interest, and improve the asset declaration system for senior public officials, while providing for the creation of an operationally independent and autonomous Anti- Corruption Chamber with the mandate to set up and coordinate implementation of the country's anti-corruption policy priorities	June 30, 2023	Met
Operationalize an independent and autonomous anti-corruption agency in line with the draft anti-corruption law	December 31, 2023	Not Met, completed in May 2024
Publish the full audit report of spending financed by the IMF emergency support in 2020	June 30, 2023	Met
Publish online information on public procurement contracts, including beneficial ownership information, in line with the roadmap published in 2021	Continuous, starting on May 1, 2024	Met
Promulgation by the President of the Union of Comoros of the amended statutes of the BCC in line with IMF staff advice	April 30, 2025	Met

STAFF APPRAISAL

34. Comoros' economic outlook remains stable, albeit marked by considerable risks. Staff's growth forecast for 2025 remains at 3.8 percent while recent food price developments have increased projected average inflation to 3.8 percent. While a recovery in household consumption and tourism activity are expected to support the modest rebound in economic activity in 2025, the trends are fragile given external uncertainties and Comoros' dependence on imports, remittances, and foreign aid. Extreme weather-related risks, particularly devastating storms, compound the economic fragility. The medium-term growth forecast of around 4½ percent hinges critically on the sustained implementation of sound macroeconomic policies and structural reforms, which are essential for raising revenue, mobilizing budget support, and attracting private investment.

35. The program is broadly on track despite setbacks in 2024, and the authorities are determined to demonstrate stronger program ownership in the period ahead. The lengthy political transition from the January 2024 presidential elections to the appointment of the new cabinet in July 2024 and the legislative elections in January 2025 contributed to a significant slowdown of the reform momentum forged during the first year of the program. Progress on quantitative targets and structural reforms during 2024 was relatively weak despite very close support from staff and CD experts. More recently, however, the authorities are demonstrating greater program ownership and efforts to reverse the weak program performance. Staff strongly supports further and rapid progress in this regard to ensure that the reform momentum can be regained.

36. Staff strongly urges intensifying revenue mobilization efforts, which constitute a main pillar of the program and underpin the authorities' commitment to fiscal consolidation. Despite relatively robust import demand in 2024, revenue performance in 2024 was significantly weaker than expected, reflecting flagging efforts by both the DGI and DGD. The authorities should leverage IMF CD, which has shown that substantial revenues can be raised simply by properly enforcing existing tax laws and policies. To this effect, vigorous implementation of the corrective measures will be critical. Comoros' external and overall debt are assessed to be sustainable but the country remains at high risk of debt distress, primarily due to the low export and tax revenue bases. Continued fiscal consolidation, particularly via domestic revenue mobilization, will reduce debt vulnerabilities while creating greater fiscal space for priority spending.

37. Multiple fronts of PFM reforms are needed to improve budget credibility and transparency and address liquidity management challenges and recurrent arrears. Ongoing efforts to improve the budget process, including the publication of the 2025 budget law, the authorities' cooperation in correcting the 2024 TOFE data, and the daily submission of the balances of government accounts at the BCC to the DGCPT, are welcome. However, much remains to be done. The newly created Treasury Committee is not yet performing its functions of cashflow forecasting and liquidity management. The new Director General of the DGCPT and head of the Treasury Committee should ensure the implementation of the PFM SBs. Absent the capacity to forecast cashflows or liquidity needs, the government will not be able to articulate a borrowing plan or assess its debt repayment capacity, all of which are foundational prerequisites for the launch of a government securities market.

38. The euro peg continues to help maintain external stability while the BCC must continue to enhance its monetary toolkit. Amid persistent inflationary pressures and a rebound in credit growth, the BCC needs to carefully monitor inflation expectations and liquidity conditions, albeit navigating with the limited tools of liquidity absorption operations and the reserve requirement ratio. Staff fully supports efforts to strengthen the BCC's monetary policy toolkit—including developing the collateral framework, interbank market, marginal lending facility, and emergency liquidity assistance framework, with support from the Fund's MCM. Staff also encourages continued progress toward implementing fixed-rate, full-allotment absorption operations. Progress in the government's liquidity management reforms is a necessary underpinning for a debt securities market that can support the expansion of the monetary policy toolkit.

39. Sound operationalization of the BPC, implementation of the banking resolution law, and improved supervision capacity will enhance financial sector resilience. The approval of the BPC license, withdrawal of the SNPSF license, and the creation of the SNPSF-Liquidation, despite numerous delays due to the complexity of the exercise, reflect the authorities' strong and steadfast efforts to see through this reform. The BPC's compliance with an initial credit cap of KMF 5 million per corporate customer until the core bank operating system is fully in place is ensuring a gradual ramp-up of risk-taking activities. It will be critical for the BPC to be closely supported by the DSB through supervision activities, and other stakeholders, including the Agence Française de Développement (AFD) which has committed to providing financial and technical support, to ensure the bank's full operationalization on a strong footing. The DRRB should step up interactions with the banks in breach of capital adequacy requirements to finalize recapitalization plans, drawing on information from DSB's onsite inspection reports to inform its work. The authorities should continue making progress in developing a resolution funding mechanism, which combines various financing options rather than drawing solely on either fiscal or banking industry resources, both of which are extremely constrained. Meanwhile, continued efforts to strengthen the BCC's supervision capacity, among other through training offered by IMF TA and workshops, will be key to improving financial sector stability.

40. Governance, anti-corruption, and AML/CFT reforms remain essential to addressing structural institutional weaknesses. The establishment of the ACC, ongoing AML/CFT reforms, as well as other actions, such as the publications of the budget laws and procurement contracts, signal the authorities' commitment to enhance governance and transparency. The authorities are encouraged to continue engaging with international partners to mobilize both financial and CD support for these areas of reforms. Staff also welcomes continued efforts to improve SOE governance and customs administration.

41. While program performance was mixed, the authorities are demonstrating meaningful progress on structural reforms and concrete commitments to address weaknesses going forward; as such staff supports the completion of the fourth review under the ECF. The corrective actions with quantified yields, reflected in the proposed PAs and SBs, are a measure of these commitments. Further, achieving 8 of 11 structural benchmarks is a notable outcome in the context of a fragile small state which reflects sustained efforts. Staff also supports: (i) the request for waivers for the non-observance of the QPCs on tax revenue and the DPB and continuous QPC on the non-accumulation of external arrears based on the strengths of the corrective actions; and (ii) the requests for modifications of the end-September and end-December 2025 tax revenue and DPB targets, and ITs for cash-for-work, livelihood grants, and technical training, along with the TMU to reflect these changes. Staff also supports the modifications of the dates of three SBs.

Table 2. Union of the Comoros: Selected Economic and Financial Indicators, 2023-29

	2023	2024		2025		2026		2027		2028		2029	
	Act.[1]	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.
	(Annual percentage change, unless otherwise indicated)												
National Income and Prices													
Real GDP	3.0	3.3	3.3	3.8	3.8	4.3	4.3	4.5	4.5	4.3	4.3	3.8	3.8
GDP Deflator	2.6	5.0	4.9	3.6	1.7	1.7	1.9	2.2	2.0	2.1	1.9	2.2	2.0
Consumer Price Index (annual average)	8.5	5.0	5.0	3.8	1.8	1.7	1.9	2.1	1.9	2.1	1.9	2.1	1.9
Consumer Price Index (end period)	-2.0	6.0	4.0	0.8	3.5	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Money and Credit													
Net Foreign Assets	9.0	4.4	27.5	17.7	36.4	18.7	19.4	14.2	12.2	10.7	6.5	15.6	8.9
Domestic Credit	3.5	6.8	-7.0	4.0	2.7	4.3	5.2	5.3	5.4	5.1	4.4	5.0	3.6
Credit to the Private Sector	12.8	1.6	4.5	8.7	5.5	5.2	6.3	5.7	6.5	5.5	6.3	6.1	5.9
Government	6.2	26.3	-0.3	-6.7	-4.8	3.2	1.8	3.7	1.6	3.6	-2.0	1.5	-4.5
Broad Money	8.7	5.1	7.0	6.0	6.0	5.5	5.5	7.0	7.0	5.0	5.0	7.0	7.0
Velocity (GDP/end-year broad money)	2.6	2.7	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.8	2.7	2.8	2.7
External Sector													
Exports, f.o.b.	-43.0	-5.1	17.3	13.0	-0.2	15.2	19.9	7.5	7.3	8.9	8.5	15.0	15.2
Imports, f.o.b.	7.0	2.2	-4.5	11.0	15.6	0.9	1.5	14.5	5.1	-0.5	7.0	8.9	7.0
Export volume	-39.1	-16.0	-10.2	-5.5	1.9	12.1	14.0	4.9	4.9	5.5	5.4	13.3	13.6
Import volume	2.5	2.7	-4.3	3.7	3.5	2.5	1.5	2.1	2.6	2.1	2.6	3.4	3.5
Terms of trade	20.1	2.0	8.4	0.6	11.9	0.5	2.4	9.5	2.6	-1.3	4.0	3.5	1.6
	(In percent of GDP, unless otherwise indicated)												
Investment and Savings													
Gross Fixed Capital Formation	17.7	18.0	17.9	18.2	18.2	18.4	18.3	18.5	18.4	18.6	18.5	19.1	19.1
Public	4.1	4.4	6.3	5.8	7.1	5.7	5.6	5.7	5.6	5.9	5.8	5.9	5.9
Private	13.6	13.6	11.6	12.5	11.1	12.7	12.8	12.8	12.8	12.7	12.7	13.2	13.2
Gross National Savings	16.2	15.8	14.4	15.2	14.0	14.3	14.1	14.9	14.2	15.6	14.6	16.4	15.4
Public	0.7	0.0	0.3	2.1	1.6	1.6	0.6	1.6	1.5	1.7	1.8	2.5	2.5
Private	15.6	15.9	14.1	13.1	12.5	12.7	13.5	13.3	12.7	13.8	12.8	14.0	12.9
External Savings	1.5	2.2	3.5	3.1	4.1	4.1	4.2	3.6	4.3	3.0	3.9	2.7	3.6
Total Revenue and Grants	16.5	16.2	16.4	17.8	19.2	17.2	15.9	16.8	16.7	16.7	16.7	17.7	17.7
Total Revenue	10.2	9.7	10.1	10.8	10.5	11.1	11.0	11.4	11.2	11.5	11.5	11.8	11.8
Tax Revenue	8.2	8.1	8.5	9.3	9.0	9.6	9.5	9.8	9.7	10.0	10.0	10.3	10.3
Non-tax Revenue [2]	2.0	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.52	1.5	1.52	1.5
Total Grants	6.3	6.5	6.3	6.9	8.7	6.1	5.0	5.4	5.4	5.2	5.1	5.9	5.9
Total Expenditure and Net Lending	17.9	19.2	19.9	19.6	21.6	18.9	18.8	18.7	18.6	18.8	18.7	19.1	19.0
Current Expenditure [3]	12.8	13.4	11.4	11.9	12.0	11.3	11.3	11.1	11.0	11.0	11.0	11.3	11.2
Capital Expenditure	5.1	5.7	8.5	7.7	9.6	7.6	7.5	7.6	7.5	7.8	7.7	7.8	7.8
Domestic Primary Balance [4]	-2.0	-1.7	-1.2	-0.7	-0.9	-0.2	-0.3	0.0	-0.1	0.0	0.1	0.0	0.0
Domestic Primary Balance (adjusted) [5]	-2.7	-2.3	-1.8	-1.1	-1.5	-0.8	-0.9	-0.6	-0.6	-0.6	-0.5	-0.6	-0.5
Overall Balance (cash basis)	-1.2	-3.6	-3.5	-1.9	-2.4	-1.7	-2.8	-1.9	-1.9	-2.1	-2.0	-1.3	-1.3
Excluding Grants	-7.5	-10.1	-9.8	-8.8	-11.1	-7.8	-7.8	-7.3	-7.3	-7.3	-7.2	-7.3	-7.2
Net Financing	2.2	3.3	2.8	1.3	1.8	0.7	0.4	0.7	-0.3	1.2	0.2	0.6	-0.5
Foreign	2.0	2.0	3.1	2.4	2.4	0.9	0.7	0.9	0.0	1.1	0.3	1.1	0.3
Domestic	0.3	1.3	-0.3	-1.1	-0.6	-0.2	-0.2	-0.2	-0.2	0.2	-0.1	-0.5	-0.8
Of which : Net acquisition of assets	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	0.0	0.0	0.0	0.0
Financing Gap/Errors and Omissions [6]	-1.0	0.3	0.7	0.6	0.6	1.0	2.4	1.2	2.1	0.9	1.8	0.8	1.7
External Sector													
Exports of Goods and Services	11.3	10.2	11.5	10.7	11.8	10.8	12.8	11.4	12.6	11.4	12.7	11.2	13.2
Imports of Goods and Services	37.7	36.0	33.6	35.2	35.1	33.1	33.5	31.8	32.7	30.5	31.7	29.8	31.8
Current Account Balance	-1.5	-2.2	-3.5	-3.1	-4.1	-4.1	-4.2	-3.6	-4.3	-3.0	-3.9	-2.7	-3.6
Excl. Official and Private Transfers	-25.9	-25.2	-22.0	-24.0	-23.2	-21.8	-20.5	-19.8	-19.8	-18.4	-18.7	-18.0	-18.4
Private Remittances, Net [7]	19.6	19.0	16.9	17.7	16.1	15.9	15.0	15.0	14.3	14.2	13.6	13.4	12.9
External Debt	27.9	27.4	29.9	31.3	31.8	33.8	34.6	34.7	35.5	36.5	37.3	19.3	37.8
External Public and Publicly Guaranteed Debt	27.8	29.8	29.7	31.3	31.8	33.8	34.6	34.7	35.5	36.5	37.3	36.9	37.8
External Debt, in Percent of Exports of Goods and Services	129.5	146.1	146.1	153.4	153.4	150.2	150.2	155.2	155.2	150.6	150.6	143.7	143.7
External Debt Service [8]	3.5	4.5	4.5	3.5	3.5	3.5	5.3	3.3	6.1	3.1	5.9	3.2	5.8
Overall Balance of Payments (in millions of U.S.$)	27.0	16.8	61.5	36.5	112.0	39.6	44.5	39.7	28.6	36.0	4.6	57.4	21.1
Official Grants and Loans	8.7	9.2	10.3	10.1	11.8	7.9	7.2	7.2	7.2	7.0	7.1	7.6	7.6
Gross International Reserves [9]													
In Millions of U.S. Dollars	321.0	341.1	392.9	388.4	516.0	447.8	604.3	499.9	667.4	544.2	702.9	617.3	757.5
In Months of Imports of Goods & Services	7.3	7.4	8.7	8.4	11.2	9.5	12.7	10.5	13.6	11.0	13.6	12.0	14.0
Gross International Reserves, Including Fiscal Gap													
In Millions of U.S. Dollars	321.0	341.1	392.9	388.4	516.0	444.3	599.4	502.5	662.8	553.1	698.7	626.2	754.0
In Months of Imports of Goods & Services	7.3	7.4	8.7	8.4	11.2	9.5	12.6	10.5	13.5	11.1	13.5	12.2	13.9
Exchange Rate CF/US$ (period average)	452.0	449.7											
Memorandum Items:													
Public External Debt (in Percent of GDP) [10]	27.9	27.4	29.9	31.3	31.8	33.8	34.6	34.7	35.5	36.5	37.3	19.3	37.8
Public Debt (in Percent of GDP)	34.8	33.7	35.8	36.3	36.8	37.7	38.5	37.9	38.7	39.3	40.2	21.8	40.4
GDP (nominal, in billions of CF)	603.7	655.0	657.1	704.1	693.3	747.2	736.9	797.5	785.0	849.5	834.6	901.0	883.5
GDP per capita (nominal, in US Dollars)	1,535	1,637	1,642	1,727	1,700	1,796	1,771	1,869	1,840	1,941	1,907	2,016	1,977

Sources: Comorian authorities; and IMF staff estimates and projections.

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Starting in 2025, nontax revenues no longer include an administrative fee collected by the customs agency on behalf of the Chamber of Commerce, Industry and Agriculture (CCIA).

[3] Starting in 2025, transfers (part of current expenditure) include expenditures using revenues from the single administrative fee (Redevance Administrative Unique, RAU).

[4] Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat the COVID epidemic and the cost of restructuring SNPSF. This balance reflects the definition of domestic primary balance as per the TMU of the ECF Request, 1st ECF Review, and 2nd ECF Review.

[5] This reflects the definition of domestic primary balance as per the TMU of the 3rd ECF Review.

[6] For 2022-23, includes unmet financing needs for restructuring SNPSF. Historical figures reflect errors and omissions; projections reflect financing gap to be filled under the program.

[7] From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.

[8] In percent of government revenue.

[9] End of period. From 2021, includes new SDR allocation of $24 million.

[10] Coverage of debt: central government, central bank, and government-guaranteed debt. Definition of external debt is residency-based.

Table 3a. Union of the Comoros: Consolidated Government Financial Operations, 2023-29

(In Millions of Comorian Francs)

	2023	2024		2025		2026		2027		2028		2029	
	Act.[1]	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.
Total Revenue and Grants	99,785	106,317	107,677	125,100	133,151	128,589	117,364	133,957	130,947	141,534	139,185	159,828	156,569
Revenues	61,717	63,822	66,087	76,232	72,911	83,065	80,737	90,663	88,296	97,745	96,305	106,568	104,577
Tax Revenues	49,631	53,176	56,085	65,590	62,549	71,712	69,697	78,546	76,531	84,827	83,787	92,860	91,319
Nontax Revenues [2]	12,085	10,646	10,002	10,643	10,361	11,353	11,040	12,118	11,765	12,918	12,518	13,708	13,258
External Grants	38,069	42,495	41,590	48,867	60,240	45,524	36,627	43,293	42,650	43,789	42,880	53,260	51,992
Budgetary Assistance	15,191	6,251	5,571	13,169	11,668	8,966	4,741	4,475	4,475	4,475	4,475	10,812	10,602
Projects (incl. techn. assist.)	22,878	36,245	36,019	35,698	48,572	36,559	31,886	38,818	38,175	39,314	38,405	42,448	41,390
Total Expenditure and Net Lending	107,860	125,451	130,619	138,280	149,769	141,583	138,358	148,781	145,690	159,617	156,017	171,979	167,792
Current Expenditure	77,237	87,988	74,601	84,123	83,091	84,423	82,927	88,163	86,632	93,548	91,755	101,454	99,322
Primary Current Expenditures	70,500	68,228	67,925	72,720	71,852	78,010	76,824	81,081	79,658	85,977	84,308	93,081	91,097
Wages and Salaries	31,500	32,512	32,861	36,991	36,472	39,576	38,932	42,263	41,497	45,367	44,461	48,128	47,077
Goods and Services	18,450	19,500	16,669	15,523	15,446	16,968	16,756	17,762	17,503	19,870	19,542	22,269	21,859
Transfers and Pensions [3]	20,550	16,216	18,395	20,206	19,934	21,467	21,136	21,055	20,657	20,741	20,305	22,684	22,161
Interest Payments	2,253	2,050	1,795	1,928	1,928	1,957	1,662	1,620	1,542	1,737	1,650	2,195	2,091
Foreign-Financed Project Maintenance	1,496	9,689	1,628	5,990	5,879	1,121	1,105	1,954	1,923	2,105	2,068	2,232	2,189
Technical Assistance	2,988	8,022	3,253	3,485	3,432	3,336	3,336	3,508	3,508	3,729	3,729	3,945	3,945
Capital Expenditure	30,623	37,463	56,018	54,158	66,678	57,160	55,431	60,618	59,058	66,069	64,262	70,525	68,470
Domestically Financed Investment	13,244	11,507	11,990	13,321	13,321	13,449	12,325	14,363	13,529	17,221	16,271	19,170	18,112
Foreign-Financed Investment	17,379	25,956	44,028	40,837	53,358	43,710	43,106	46,255	45,529	48,848	47,990	51,355	50,357
Domestic Primary Balance [4]	-12,332	-11,225	-7,972	-4,705	-6,516	-1,775	-2,069	260	-394	-16	507	90	429
Domestic Primary Balance (adjusted) [5]	-16,192	-15,051	-11,798	-8,034	-10,488	-6,272	-6,290	-4,780	-4,891	-5,453	-4,274	-5,683	-4,632
Overall Balance (commitment basis)	-8,075	-19,134	-22,943	-13,180	-16,618	-12,994	-20,994	-14,824	-14,744	-18,083	-16,832	-12,151	-11,223
Change in Net Arrears	584	-4,306	0	0	0	0	0	0	0	0	0	0	0
Overall Balance (cash basis)	-7,491	-23,439	-22,943	-13,180	-16,618	-12,994	-20,994	-14,824	-14,744	-18,083	-16,832	-12,151	-11,223
Financing	13,494	21,577	18,651	8,879	12,317	5,409	3,164	5,646	-1,991	10,614	1,502	5,017	-4,207
Foreign (net)	11,900	13,206	20,315	16,944	16,427	7,093	4,828	7,071	-266	9,316	2,232	9,690	2,431
Drawings	14,485	17,648	25,942	22,235	21,717	13,524	16,089	13,770	13,595	16,025	15,965	15,600	15,529
Amortization	-2,898	-5,627	-5,627	-5,290	-5,290	-6,431	-11,260	-6,700	-13,861	-6,709	-13,734	-5,910	-13,098
Change in Net Arrears (principal)	313	1,185	0	0	0	0	0	0	0	0	0	0	0
Domestic (net) [6]	1,595	8,371	-1,665	-8,065	-4,110	-1,684	-1,664	-1,424	-1,724	1,298	-729	-4,673	-6,639
Bank Financing	2,075	7,938	-106	-5,607	-1,811	774	634	1,034	574	1,298	-729	-4,673	-6,639
Central Bank	2,075	1,166	-981	-1,434	-1,434	-720	-720	-561	-724	-401	-729	-6,475	-6,639
Of which: IMF (net)	1,337	1,166	-981	-1,434	-1,434	-720	-720	-561	-724	-401	-729	-1,475	-1,639
Commercial Banks	0	6,772	875	-4,173	-377	1,494	1,354	1,595	1,298	1,699	0	1,802	0
Net Acquisition of Assets	-480	-1,067	-1,559	-2,458	-2,298	-2,458	-2,298	-2,458	-2,298	0	0	0	0
of which recapitalization of SNPSF	0	0	-1,067	-1,058	-898	-1,058	-898	0	0	2	2	3	3
Errors and Omissions/Financing Gap [7] (+ = underfinancing)	-6,003	1,862	4,292	4,301	4,301	7,585	17,830	9,177	16,734	7,470	15,329	7,134	15,430
Memorandum Items:													
GDP (nominal)	603,699	654,965	657,139	704,086	693,302	747,187	736,862	797,500	784,985	849,533	834,616	900,971	883,462
Wages in Percentage of Revenues	51.0	50.9	49.7	48.5	50.0	47.6	48.2	46.6	47.0	46.4	46.2	45.2	45.0

Sources: Comoros Ministry of Finance; and IMF staff estimates.

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Starting in 2025, nontax revenues no longer include an administrative fee collected by the customs agency on behalf of the Chamber of Commerce, Industry and Agriculture (CCIA).

[3] Includes World Bank cash transfers spending to households. Starting in 2025, transfers include expenditures using revenues from the single administrative fee (Redevance Administrative Unique, RAU).

[4] Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat COVID and the cost of restructuring SNPSF. This balance reflects the definition of domestic primary balance as per the TMU of the ECF Request, 1st ECF Review, and 2nd ECF Review.

[5] This reflects the definition of domestic primary balance as per the TMU of the 3rd ECF Review.

[6] The difference between the fiscal and the monetary tables is due to the item Net Acquisition of Assets in the fiscal table.

[7] The values represent errors and omissions for those years (columns) that reflect actual outturns, while they represent the fiscal financing gap for columns showing projections.

Table 3b. Union of the Comoros: Consolidated Government Financial Operations, 2023-29

(In percent of GDP)

	2023	2024		2025		2026		2027		2028		2029	
	Act.[1]	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.
Total Revenue and Grants	16.5	16.2	16.4	17.8	19.2	17.2	15.9	16.8	16.7	16.7	16.7	17.7	17.7
Revenues	10.2	9.7	10.1	10.8	10.5	11.1	11.0	11.4	11.2	11.5	11.5	11.8	11.8
Tax Revenues	8.2	8.1	8.5	9.3	9.0	9.6	9.5	9.8	9.7	10.0	10.0	10.3	10.3
Nontax Revenues [2]	2.0	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
External Grants	6.3	6.5	6.3	6.9	8.7	6.1	5.0	5.4	5.4	5.2	5.1	5.9	5.9
Budgetary Assistance	2.5	1.0	0.8	1.9	1.7	1.2	0.6	0.6	0.6	0.5	0.5	1.2	1.2
Projects (incl. techn. assist.)	3.8	5.5	5.5	5.1	7.0	4.9	4.3	4.9	4.9	4.6	4.6	4.7	4.7
Total Expenditure and Net Lending	17.9	19.2	19.9	19.6	21.6	18.9	18.8	18.7	18.6	18.8	18.7	19.1	19.0
Current Expenditure	12.8	13.4	11.4	11.9	12.0	11.3	11.3	11.1	11.0	11.0	11.0	11.3	11.2
Primary Current Expenditures	11.7	10.4	10.3	10.3	10.4	10.4	10.4	10.2	10.1	10.1	10.1	10.3	10.3
Wages and Salaries	5.2	5.0	5.0	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Goods and Services	3.1	3.0	2.5	2.2	2.2	2.3	2.3	2.2	2.2	2.3	2.3	2.5	2.5
Transfers and Pensions [3]	3.4	2.5	2.8	2.9	2.9	2.9	2.9	2.6	2.6	2.4	2.4	2.5	2.5
Interest Payments	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Foreign-Financed Project Maintenance	0.2	1.5	0.2	0.9	0.8	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Technical Assistance	0.5	1.2	0.5	0.5	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Capital Expenditure	5.1	5.7	8.5	7.7	9.6	7.6	7.5	7.6	7.5	7.8	7.7	7.8	7.8
Domestically Financed Investment	2.2	1.8	1.8	1.9	1.9	1.8	1.7	1.8	1.7	2.0	1.9	2.1	2.1
Foreign-Financed Investment	2.9	4.0	6.7	5.8	7.7	5.9	5.9	5.8	5.8	5.8	5.8	5.7	5.7
Domestic Primary Balance [4]	-2.0	-1.7	-1.2	-0.7	-0.9	-0.2	-0.3	0.0	-0.1	0.0	0.1	0.0	0.0
Domestic Primary Balance (adjusted) [5]	-2.7	-2.3	-1.8	-1.1	-1.5	-0.8	-0.9	-0.6	-0.6	-0.6	-0.5	-0.6	-0.5
Overall Balance (commitment basis)	-1.3	-2.9	-3.5	-1.9	-2.4	-1.7	-2.8	-1.9	-1.9	-2.1	-2.0	-1.3	-1.3
Change in Net Arrears	0.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External Arrears	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Arrears	0.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (cash basis)	-1.2	-3.6	-3.5	-1.9	-2.4	-1.7	-2.8	-1.9	-1.9	-2.1	-2.0	-1.3	-1.3
Financing	2.2	3.3	2.8	1.3	1.8	0.7	0.4	0.7	-0.3	1.2	0.2	0.6	-0.5
Foreign (net)	2.0	2.0	3.1	2.4	2.4	0.9	0.7	0.9	0.0	1.1	0.3	1.1	0.3
Drawings	2.4	2.7	3.9	3.2	3.1	1.8	2.2	1.7	1.7	1.9	1.9	1.7	1.8
Amortization	-0.5	-0.9	-0.9	-0.8	-0.8	-0.9	-1.5	-0.8	-1.8	-0.8	-1.6	-0.7	-1.5
Change in Net Arrears (principal)	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net) [6]	0.3	1.3	-0.3	-1.1	-0.6	-0.2	-0.2	-0.2	-0.2	0.2	-0.1	-0.5	-0.8
Bank Financing	0.3	1.2	0.0	-0.8	-0.3	0.1	0.1	0.1	0.1	0.2	-0.1	-0.5	-0.8
Central Bank	0.3	0.2	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.7	-0.8
Of which: IMF (net)	0.2	0.2	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.2	-0.2
Commercial Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Acquisition of Assets	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	0.0	0.0	0.0	0.0
of which recapitalization of SNPSF	0.0	0.0	-0.2	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions/Financing Gap [7] (+ = underfinancing)	-1.0	0.3	0.7	0.6	0.6	1.0	2.4	1.2	2.1	0.9	1.8	0.8	1.7
Memorandum Items:													
GDP (nominal)	603,699	654,965	657,139	704,086	693,302	747,187	736,862	797,500	784,985	849,533	834,616	900,971	883,462
Wages in Percentage of Revenues	51.0	50.9	49.7	48.5	50.0	47.6	48.2	46.6	47.0	46.4	46.2	45.2	45.0

Sources: Comoros Ministry of Finance; and IMF staff estimates.

[1] From 2017, includes budgeted-for revenues and expenses related to fuel subsidies of SOEs.

[2] Starting in 2025, nontax revenues no longer include an administrative fee collected by the customs agency on behalf of the Chamber of Commerce, Industry and Agriculture (CCIA).

[3] Includes World Bank cash transfers spending to households. Starting in 2025, transfers include expenditures using revenues from the single administrative fee (Redevance Administrative Unique, RAU).

[4] Domestic revenues minus current primary expenditures and domestically financed capital expenditures, excluding the World Bank-financed spending to combat COVID and the cost of restructuring SNPSF. This balance reflects the definition of domestic primary balance as per the TMU of the ECF Request, 1st ECF Review, and 2nd ECF Review.

[5] This reflects the definition of domestic primary balance as per the TMU of the 3rd ECF Review.

[6] The difference between the fiscal and the monetary tables is due to the item Net Acquisition of Assets in the fiscal table.

[7] The values represent errors and omissions for those years (columns) that reflect actual outturns, while they represent the fiscal financing gap for columns showing projections.

Table 4. Union of the Comoros: Monetary Survey, 2023-29
(In Millions of Comorians Francs, unless otherwise indicated)

	2023	2024		2025		2026		2027		2028		2029	
	Act.[1]	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.
Net Foreign Assets	120,897	126,170	154,172	148,495	210,345	176,286	251,235	201,325	281,780	222,860	299,993	257,584	326,615
Central Bank Assets [1]	144,471	153,172	176,439	173,842	230,948	200,720	270,840	224,971	300,354	245,870	317,521	278,888	342,193
Central Bank Liabilities [2]	-27,438	-29,949	-26,458	-28,516	-25,024	-27,796	-24,304	-27,234	-23,580	-26,833	-22,850	-25,358	-21,212
Commercial Banks Assets	7,878	5,744	8,544	6,175	9,014	6,553	9,580	6,994	10,206	7,450	10,851	7,902	11,486
Commercial Banks Liabilities	-4,014	-2,797	-4,353	-3,007	-4,593	-3,191	-4,881	-3,406	-5,200	-3,628	-5,529	-3,847	-5,852
Net Domestic Assets	109,661	117,546	92,525	108,248	51,153	94,578	24,646	88,499	13,412	81,456	9,959	68,034	5,034
Domestic Credit	147,163	157,110	136,848	163,359	140,597	170,429	147,931	179,401	155,913	188,573	162,831	197,962	168,733
Net Credit to Government	22,315	30,152	21,177	25,949	18,560	26,397	18,227	27,003	17,739	27,596	15,920	27,268	13,224
Of which: Treasury	37,948	47,911	37,843	44,713	36,031	46,133	36,665	47,845	37,239	49,570	36,510	50,337	34,871
Bank Financing	22,315	30,152	21,177	25,949	18,560	26,397	18,227	27,003	17,739	27,596	15,920	27,268	13,224
Claims on Government	43,807	53,055	43,701	49,086	41,890	50,506	42,524	52,217	43,098	53,942	42,369	54,709	40,730
Deposits of Government	-21,492	-22,902	-22,524	-23,136	-23,330	-24,109	-24,297	-25,214	-25,359	-26,347	-26,449	-27,441	-27,506
Claims on Public Enterprises	13,877	14,010	13,143	14,680	13,866	14,944	14,737	15,950	15,700	16,991	16,692	18,019	17,669
Claims on Other Financial Institutions	-40	-138	-40	-138	-40	-138	-40	-138	-40	-138	-40	-138	-40
Claims on Private Sector	110,686	112,435	115,671	122,217	122,036	128,576	129,704	135,935	138,175	143,474	146,911	152,161	155,509
Other Items Net	-37,502	-39,564	-44,323	-55,111	-89,443	-75,852	-123,285	-90,902	-142,501	-107,117	-152,871	-129,927	-163,699
Broad Money	230,558	242,211	246,697	256,743	261,498	270,864	275,881	289,825	295,192	304,316	309,952	325,618	331,649
Money	158,272	172,767	171,159	185,944	190,699	195,326	200,343	217,256	216,255	230,330	235,967	246,681	252,711
Currency in Circulation	58,425	56,071	66,604	63,921	75,929	72,870	86,559	83,072	98,677	94,702	112,492	107,961	128,241
Demand Deposits	99,847	116,695	104,554	122,022	114,770	122,456	113,784	134,184	117,578	135,628	123,474	138,720	124,470
Quasi-Money	72,285	69,444	75,538	70,799	70,799	75,538	75,538	72,569	78,937	73,985	73,985	78,937	78,937
	(in percent of beginning period broad money)												
Net Foreign Assets	4.7	2.3	14.4	9.2	22.8	10.8	15.6	9.2	11.1	7.4	6.2	11.4	8.6
Net Domestic Assets	4.0	3.4	-7.4	-3.8	-16.8	-5.3	-10.1	-2.2	-4.1	-2.4	-1.2	-4.4	-1.6
Domestic Credit	2.3	4.3	-4.5	2.6	1.5	2.8	2.8	3.3	2.9	3.2	2.3	3.1	1.9
Net Credit to Government	-1.3	3.4	-0.5	-1.7	-1.1	0.2	-0.1	0.2	-0.2	0.2	-0.6	-0.1	-0.9
Credit to Public Enterprises	-2.3	0.1	-0.3	0.3	0.3	0.1	0.3	0.4	0.3	0.4	0.3	0.3	0.3
Credit to Private Sector	5.9	0.8	2.2	4.0	2.6	2.5	2.9	2.7	3.1	2.6	3.0	2.9	2.8
Other Items (net)	1.6	-0.9	-3.0	-6.4	-18.3	-8.1	-12.9	-5.6	-7.0	-5.6	-3.5	-7.5	-3.5
Broad Money	8.7	5.1	7.0	6.0	6.0	5.5	5.5	7.0	7.0	5.0	5.0	7.0	7.0
Money	6.6	6.3	5.6	5.4	7.9	3.7	3.7	8.1	5.8	4.5	6.7	5.4	5.4
Quasi-Money	2.1	-1.2	1.4	0.6	-1.9	1.8	1.8	-1.1	1.2	0.5	-1.7	1.6	1.6
Velocity (GDP/end-year broad money)	2.6	2.7	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.8	2.7	2.8	2.7
Credit to private sector (percent change)	12.8	1.6	4.5	8.7	5.5	5.2	6.3	5.7	6.5	5.5	6.3	6.1	5.9

Sources: Central Bank of Comoros; and IMF staff estimates and projections.

[1] Includes net credit to government entities other than public treasury.

[2] From 2021, includes new SDR allocation of $24 million.

Table 5a. Union of the Comoros: Balance of Payments, 2023-29
(In Millions of Comorian Francs, unless otherwise indicated)

	2023	2024		2025		2026		2027		2028		2029	
	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.
Current Account	-9,088	-14,163	-23,199	-21,576	-28,480	-30,712	-30,998	-28,459	-33,379	-25,715	-32,877	-24,273	-31,999
Goods and Services	-159,639	-169,258	-145,338	-172,317	-162,106	-167,004	-153,137	-162,845	-158,131	-162,081	-158,596	-167,642	-164,293
Trade Balance	-120,879	-124,567	-112,170	-138,053	-132,411	-136,928	-131,105	-158,044	-137,316	-155,454	-146,554	-167,939	-154,776
Exports	15,015	14,250	17,614	16,101	17,586	18,546	21,091	19,929	22,629	21,694	24,556	24,955	28,284
Of which: Vanilla	892	329	275	1,586	290	2,003	366	2,129	389	2,273	415	2,603	475
Cloves	11,086	8,247	11,044	8,640	11,890	9,784	13,464	10,456	14,389	11,168	15,370	13,079	17,999
Ylang-ylang	1,007	1,385	1,064	982	1,123	1,042	1,192	1,114	1,274	1,190	1,361	1,333	1,524
Other	1,260	3,480	5,232	4,893	4,284	5,717	6,068	6,231	6,577	7,063	7,410	7,941	8,285
Imports (f.o.b.)	-135,894	-138,817	-129,784	-154,154	-149,997	-155,474	-152,196	-177,973	-159,944	-177,148	-171,110	-192,894	-183,061
of which oil	-50,042	-45,970	-49,686	-45,200	-48,855	-45,064	-48,709	-45,432	-49,107	-45,916	-49,630	-47,665	-51,522
Services (net)	-38,760	-44,691	-33,168	-34,265	-29,695	-30,076	-22,032	-4,802	-20,815	-6,627	-12,042	298	-9,517
Receipts	52,988	52,499	58,149	59,412	63,988	62,016	72,977	70,590	76,086	74,921	81,647	76,307	88,115
Payments	-91,748	-97,190	-91,316	-93,677	-93,683	-92,093	-95,010	-75,391	-96,902	-81,547	-93,689	-76,009	-97,631
Income (net)	3,359	4,111	844	3,211	1,251	4,068	2,428	4,824	2,593	5,423	2,357	5,649	1,414
Current Transfers (net)	147,192	150,984	121,295	147,530	132,376	132,225	119,711	129,562	122,159	130,943	123,362	137,719	130,879
Government	28,975	26,595	10,452	22,644	20,979	13,422	9,182	9,937	9,907	10,309	10,272	16,989	16,736
Private [1]	118,216	124,389	110,843	124,886	111,397	118,803	110,529	119,625	112,253	120,634	113,090	120,730	114,143
Capital and Financial Account	8,862	17,365	50,875	37,945	78,687	48,422	50,907	46,293	46,230	41,969	34,939	50,154	41,527
Capital Account	18,270	17,159	25,732	26,223	39,261	32,076	27,465	32,934	32,383	33,003	32,205	35,756	34,828
Capital Transfers	18,270	17,159	25,732	26,223	39,261	32,076	27,465	32,934	32,383	33,003	32,205	35,756	34,828
Transfer of Fixed Assets	18,270	17,159	25,732	26,223	39,261	32,076	27,465	32,934	32,383	33,003	32,205	35,756	34,828
Financial Account	-9,408	205	25,143	11,722	39,426	16,347	23,442	13,359	13,846	8,966	2,733	14,398	6,699
Direct Investment	2,435	2,539	3,286	4,225	4,160	4,483	4,421	4,785	4,710	5,097	5,008	5,406	5,301
Net Portfolio and Other Investment	-5,121	4,630	21,857	6,998	34,766	11,364	18,521	8,074	8,637	3,368	-2,775	8,992	1,398
Public sector	-4,648	4,164	22,939	8,367	33,335	11,926	19,335	6,895	8,797	4,141	-2,884	8,563	1,374
Disbursement	12,964	16,985	28,565	13,657	38,626	18,357	30,595	13,595	22,658	10,850	10,850	14,472	14,472
Of which: Drawings (excl. IMF)	12,964	16,985	28,565	13,657	38,626	18,357	30,595	13,595	22,658	10,850	10,850	14,472	14,472
Of which: SDR allocations													
Amortization	-4,783	-4,733	-5,627	-5,290	-5,290	-6,431	-11,260	-6,700	-13,861	-6,709	-13,734	-5,910	-13,098
Private Sector (net)	-473	466	-1,082	-1,369	1,431	-563	-814	1,179	-160	-772	109	429	24
Banks, Net	2,814	612	-666	-431	-470	-378	-566	-441	-626	-456	-645	-451	-635
Other	-3,287	-145	-416	-938	1,901	-185	-248	1,620	466	-316	754	880	659
Currency and Deposit	-6,722												
Errors and Omissions	12,410	4,334	0	0	0	0	0	0	0	0	0	0	0
Overall Balance ("+" indicates a surplus)	12,185	7,536	27,676	16,369	50,207	17,710	19,909	17,834	12,851	16,254	2,061	25,880	9,528
Financing	-12,185	-7,536	-25,530	-16,369	-50,207	-17,710	-19,909	-17,834	-12,851	-16,254	-2,061	-25,880	-9,528
NFA of Central Bank (increase -)	-21,372	-15,648	-35,393	-33,840	-66,177	-34,261	-42,480	-31,486	-34,060	-16,254	-2,061	-25,880	-9,528
Foreign Assets	-13,521	-8,701	-24,549	-14,935	-48,773	-16,990	-19,189	-17,273	-12,127	-15,853	-1,332	-24,405	-7,889
Foreign Liabilities	1,337	1,166	-981	-1,434	-1,434	-720	-720	-561	-724	-401	-729	-1,293	-1,493
Of which: Net IMF Credit (excl. 2023 ECF)	1,337	1,166	-3,233	-1,516	-1,516	-780	-780	-805	-805	-837	-837	-837	-837
Program Financing	9,188	8,113	9,863	17,470	15,969	16,550	22,571	13,652	21,209	0	0	0	0
2023 ECF	4,311	4,292	4,292	4,301	4,301	4,311	4,311	2,168	2,168	0	0	0	0
Official Budget Support	15,191	6,251	5,571	13,169	11,668	8,966	4,741	4,475	4,475	0	0	0	0
Concessional Borrowings from Other Donors	-10,314	-2,430	0	0	0	3,273	13,519	7,010	14,567	0	0	0	0
Memorandum Items:													
Current Account (percentage of GDP)	-1.5	-2.2	-3.5	-3.1	-4.1	-4.1	-4.2	-3.6	-4.3	-3.0	-3.9	-2.7	-3.6
Excluding Transfers	-25.9	-25.2	-22.0	-24.0	-23.2	-21.8	-20.5	-19.8	-19.8	-18.4	-18.7	-18.0	-18.4
Exports of Goods and Services (percentage of GDP)	11.3	10.2	11.5	10.7	11.8	10.8	12.8	11.4	12.6	11.4	12.7	-11.2	-13.2
Imports of Goods and Services (percentage of GDP)	37.7	36.0	33.6	35.2	35.1	33.1	33.5	31.8	32.7	30.5	31.7	29.8	31.8
Gross International Reserves (end of period) [2]													
In Millions of U.S. dollars	321.0	341.1	392.9	388.4	516.0	447.8	604.3	499.9	667.4	544.2	702.9	617.3	757.5
In Months of Imports of Goods & Services	7.3	7.4	8.7	8.4	11.2	9.5	12.7	10.5	13.6	11.0	13.6	12.0	14.0
Gross international reserves (end of period), including fiscal financing gap													
In millions of U.S. dollars	321.0	341.1	392.9	388.4	516.0	444.3	599.4	502.5	662.8	553.1	698.7	626.2	754.0
In months of imports of goods & services	7.3	7.4	8.7	8.4	11.2	9.5	12.6	10.5	13.5	11.1	13.5	12.2	13.9
Nominal GDP (CF millions)	603,699	654,965	657,139	704,086	693,302	747,187	736,862	797,500	784,985	849,533	834,616	900,971.0	883,462
Nominal GDP (millions of U.S. dollars)	1,335	1,456	1,461	1,571	1,547	1,670	1,647	1,775	1,748	1,884	1,851	1,997.9	1,959

Sources: Comorian authorities; and IMF staff estimates and projections.

[1] From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.

[2] From 2021, includes new SDR allocation of $24 million.

Table 5b. Union of the Comoros: Balance of Payments, 2023-29

(In Millions of USD, unless otherwise indicated)

	2023	2024		2025		2026		2027		2028		2029	
	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.
Current Account	-20.1	-31.5	-51.6	-48.1	-63.5	-68.6	-69.3	-63.4	-74.3	-57.0	-72.9	-53.8	-71.0
Goods and Services	-353.1	-376.3	-323.2	-384.4	-361.6	-373.2	-342.2	-362.5	-352.0	-359.4	-351.7	-371.7	-364.3
Trade Balance	-267.4	-277.0	-249.4	-308.0	-295.4	-306.0	-293.0	-351.8	-305.7	-344.7	-325.0	-372.4	-343.2
Exports	33.2	31.7	39.2	35.9	39.2	41.4	47.1	44.4	50.4	48.1	54.5	55.3	62.7
Of which: Vanilla	2.0	0.7	0.6	3.5	0.6	4.5	0.8	4.7	0.9	5.0	0.9	5.8	1.1
Cloves	24.5	18.3	24.6	19.3	26.5	21.9	30.1	23.3	32.0	24.8	34.1	29.0	39.9
Ylang-ylang	2.2	3.1	2.4	2.2	2.5	2.3	2.7	2.5	2.8	2.6	3.0	3.0	3.4
Other	2.8	7.7	11.6	10.9	9.6	12.8	13.6	13.9	14.6	15.7	16.4	17.6	18.4
Imports (f.o.b.)	-300.6	-308.7	-288.6	-343.9	-334.6	-347.4	-340.1	-396.2	-356.1	-392.8	-379.4	-427.7	-405.9
Services (net)	-85.7	-99.4	-73.7	-76.4	-66.2	-67.2	-49.2	-10.7	-46.3	-14.7	-26.7	0.7	-21.1
Receipts	117.2	116.7	129.3	132.5	142.7	138.6	163.1	157.2	169.4	166.1	181.0	169.2	195.4
Payments	-203.0	-216.1	-203.0	-209.0	-209.0	-205.8	-212.3	-167.8	-215.7	-180.8	-207.8	-168.5	-216.5
Income (net)	7.4	9.1	1.9	7.2	2.8	9.1	5.4	10.7	5.8	12.0	5.2	12.5	3.1
Current Transfers (net)	325.6	335.7	269.7	329.1	295.3	295.5	267.5	288.4	272.0	290.4	273.6	305.4	290.2
Government	64.1	59.1	23.2	50.5	46.8	30.0	20.5	22.1	22.1	22.9	22.8	37.7	37.1
Private [1]	261.5	276.6	246.5	278.6	248.5	265.5	247.0	266.3	249.9	267.5	250.8	267.7	253.1
Capital and Financial Account	19.6	38.6	113.1	84.6	175.5	108.2	113.8	103.1	102.9	93.1	77.5	111.2	92.1
Capital Account	40.4	38.2	57.2	58.5	87.6	71.7	61.4	73.3	72.1	73.2	71.4	79.3	77.2
Capital Transfers	40.4	38.2	57.2	58.5	87.6	71.7	61.4	73.3	72.1	73.2	71.4	79.3	77.2
Transfer of Fixed Assets	40.4	38.2	57.2	58.5	87.6	71.7	61.4	73.3	72.1	73.2	71.4	79.3	77.2
Financial Account	-20.8	0.5	55.9	26.1	87.9	36.5	52.4	29.7	30.8	19.9	6.1	31.9	14.9
Direct Investment	5.4	5.6	7.3	9.4	9.3	10.0	9.9	10.7	10.5	11.3	11.1	12.0	11.8
Net Portfolio and Other Investment	-11.3	10.3	48.6	15.6	77.6	25.4	41.4	18.0	19.2	7.5	-6.2	19.9	3.1
Public Sector	-10.3	9.3	51.0	18.7	74.4	26.7	43.2	15.4	19.6	9.2	-6.4	19.0	3.0
Disbursement	28.7	37.8	63.5	30.5	86.2	41.0	68.4	30.3	50.4	24.1	24.1	32.1	32.1
Of which: Drawings (excl. IMF)	28.7	37.8	63.5	30.5	86.2	41.0	68.4	30.3	50.4	24.1	24.1	32.1	32.1
Of which: SDR Allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-10.6	-10.5	-12.5	-11.8	-11.8	-14.4	-25.2	-14.9	-30.9	-14.9	-30.5	-13.1	-29.0
Private Sector (net)	-1.0	1.0	-2.4	-3.1	3.2	-1.3	-1.8	2.6	-0.4	-1.7	0.2	1.0	0.1
Banks, Net	6.2	1.4	-1.5	-1.0	-1.0	-0.8	-1.3	-1.0	-1.4	-1.0	-1.4	-1.0	-1.4
Other	-7.3	-0.3	-0.9	-2.1	4.2	-0.4	-0.6	3.6	1.0	-0.7	1.7	2.0	1.5
Currency and Deposit	-14.9												
Errors and Omissions	27.5	9.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance ("+" indicates a surplus)	27.0	16.8	61.5	36.5	112.0	39.6	44.5	39.7	28.6	36.0	4.6	57.4	21.1
Financing	-27.0	-16.8	-56.8	-36.5	-112.0	-39.6	-44.5	-39.7	-28.6	-36.0	-4.6	-57.4	-21.1
NFA of Central Bank (increase -)	-47.3	-34.8	-78.7	-75.5	-147.6	-76.6	-94.9	-70.1	-75.8	-36.0	-4.6	-57.4	-21.1
Foreign Assets	-29.9	-19.3	-54.6	-33.3	-108.8	-38.0	-42.9	-38.5	-27.0	-35.2	-3.0	-54.1	-17.5
Foreign Liabilities	3.0	2.6	-2.2	-3.2	-3.2	-1.6	-1.6	-1.2	-1.6	-0.9	-1.6	-2.9	-3.3
Of which: Net IMF Credit (excl. 2023 ECF)	3.0	2.6	-7.2	-3.4	-3.4	-1.7	-1.7	-1.8	-1.8	-1.9	-1.9	-1.9	-1.9
Program Financing	20.3	18.0	21.9	39.0	35.6	37.0	50.4	30.4	47.2	0.0	0.0	0.0	0.0
2023 ECF	9.5	9.5	9.5	9.6	9.6	9.6	9.6	4.8	4.8	0.0	0.0	0.0	0.0
Official Budget Support	33.6	13.9	12.4	29.4	26.0	20.0	10.6	10.0	10.0	0.0	0.0	0.0	0.0
Concessional Borrowings from Other Donors	-22.8	-5.4	0.0	0.0	0.0	7.3	30.2	15.6	32.4	0.0	0.0	0.0	0.0
Memorandum Items:													
Current Account (percentage of GDP)	-1.5	-2.2	-3.5	-3.1	-4.1	-4.1	-4.2	-3.6	-4.3	-3.0	-3.9	-2.7	-3.6
Excluding Transfers	-0.1	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports of Goods and Services (percentage of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Imports of Goods and Services (percentage of GDP)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gross International Reserves (end of period) [2]													
In Millions of U.S. Dollars	321.0	341.1	392.9	388.4	516.0	447.8	604.3	499.9	667.4	544.2	702.9	617.3	757.5
In Months of Imports of Goods & Services	7.3	7.4	8.7	8.4	11.2	9.5	12.7	10.5	13.6	11.0	13.6	12.0	14.0
Nominal GDP (CF millions)	603,699	654,965	657,139	704,086	693,302	747,187	736,862	797,500	784,985	849,533	834,616	900,971	883,462
Nominal GDP (millions of U.S. dollars)	1,335	1,456	1,461	1,571	1,547	1,670	1,647	1,775	1,748	1,884	1,851	1,998	1,959

Sources: Comorian authorities; and IMF staff estimates and projections.

[1] From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.

[2] From 2021, includes new SDR allocation of $24 million.

Table 5c. Union of the Comoros: Balance of Payments, 2023-29
(In percent of GDP, unless otherwise indicated)

	2023	2024		2025		2026		2027		2028		2029	
	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.
Current Account	-1.5	-2.2	-3.5	-3.1	-4.1	-4.1	-4.2	-3.6	-4.3	-3.0	-3.9	-2.7	-3.6
Goods and Services	-26.4	-25.8	-22.1	-24.5	-23.4	-22.4	-20.8	-20.4	-20.1	-19.1	-19.0	-18.6	-18.6
Trade Balance	-20.0	-19.0	-17.1	-19.6	-19.1	-18.3	-17.8	-19.8	-17.5	-18.3	-17.6	-18.6	-17.5
Exports	2.5	2.2	2.7	2.3	2.5	2.5	2.9	2.5	2.9	2.6	2.9	2.8	3.2
Of which: Vanilla	0.1	0.1	0.0	0.2	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.1
Cloves	1.8	1.3	1.7	1.2	1.7	1.3	1.8	1.3	1.8	1.3	1.8	1.5	2.0
Ylang-ylang	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2
Other	0.2	0.5	0.8	0.7	0.6	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Imports (f.o.b.)	-22.5	-21.2	-19.7	-21.9	-21.6	-20.8	-20.7	-22.3	-20.4	-20.9	-20.5	-21.4	-20.7
of which oil	-8.3	-7.0	-7.6	-6.4	-7.0	-6.0	-6.6	-5.7	-6.3	-5.4	-5.9	-5.3	-5.8
Services (net)	-6.4	-6.8	-5.0	-4.9	-4.3	-4.0	-3.0	-0.6	-2.7	-0.8	-1.4	0.0	-1.1
Receipts	8.8	8.0	8.8	8.4	9.2	8.3	9.9	8.9	9.7	8.8	9.8	8.5	10.0
Payments	-15.2	-14.8	-13.9	-13.3	-13.5	-12.3	-12.9	-9.5	-12.3	-9.6	-11.2	-8.4	-11.1
Income (net)	0.6	0.6	0.1	0.5	0.2	0.5	0.3	0.6	0.3	0.6	0.3	0.6	0.2
Current Transfers (net)	24.4	23.1	18.5	21.0	19.1	17.7	16.2	16.2	15.6	15.4	14.8	15.3	14.8
Government	4.8	4.1	1.6	3.2	3.0	1.8	1.2	1.2	1.3	1.2	1.2	1.9	1.9
Private [1]	19.6	19.0	16.9	17.7	16.1	15.9	15.0	15.0	14.3	14.2	13.6	13.4	12.9
Capital and Financial Account	1.5	2.7	7.7	5.4	11.3	6.5	6.9	5.8	5.9	4.9	4.2	5.6	4.7
Capital Account	3.0	2.6	3.9	3.7	5.7	4.3	3.7	4.1	4.1	3.9	3.9	4.0	3.9
Capital Transfers	3.0	2.6	3.9	3.7	5.7	4.3	3.7	4.1	4.1	3.9	3.9	4.0	3.9
Transfer of Fixed Assets	3.0	2.6	3.9	3.7	5.7	4.3	3.7	4.1	4.1	3.9	3.9	4.0	3.9
Financial Account	-1.6	0.0	3.8	1.7	5.7	2.2	3.2	1.7	1.8	1.1	0.3	1.6	0.8
Direct Investment	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Net Portfolio and Other Investment	-0.8	0.7	3.3	1.0	5.0	1.5	2.5	1.0	1.1	0.4	-0.3	1.0	0.2
Public Sector	-0.8	0.6	3.5	1.2	4.8	1.6	2.6	0.9	1.1	0.5	-0.3	1.0	0.2
Disbursements	2.1	2.6	4.3	1.9	5.6	2.5	4.2	1.7	2.9	1.3	1.3	1.6	1.6
Of which: Drawings (excl. IMF)	2.1	2.6	4.3	1.9	5.6	2.5	4.2	1.7	2.9	1.3	1.3	1.6	1.6
Of which: SDR allocations													
Amortization	-0.8	-0.7	-0.9	-0.8	-0.8	-0.9	-1.5	-0.8	-1.8	-0.8	-1.6	-0.7	-1.5
Private Sector (net)	-0.1	0.1	-0.2	-0.2	0.2	-0.1	-0.1	0.1	0.0	-0.1	0.0	0.0	0.0
Banks, net	0.5	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other	-0.5	0.0	-0.1	-0.1	0.3	0.0	0.0	0.2	0.1	0.0	0.1	0.1	0.1
Currency and Deposit	-1.1												
Errors and Omissions	2.1	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	2.0	1.2	4.2	2.3	7.2	2.4	2.7	2.2	1.6	1.9	0.2	2.9	1.1
Financing	-2.0	-1.2	-3.9	-2.3	-7.2	-2.4	-2.7	-2.2	-1.6	-1.9	-0.2	-2.9	-1.1
NFA of Central Bank (increase -)	-3.5	-2.4	-5.4	-4.8	-9.5	-4.6	-5.8	-3.9	-4.3	-1.9	-0.2	-2.9	-1.1
Of which: Net IMF Credit (excl. 2023 ECF)	0.2	0.2	-0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Program Financing	1.5	1.2	1.5	2.5	2.3	2.2	3.1	1.7	2.7	0.0	0.0	0.0	0.0
2023 ECF	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.3	0.3	0.0	0.0	0.0	0.0
Official Budget Support	2.5	1.0	0.8	1.9	1.7	1.2	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Concessional Borrowings from Other Donors	-1.7	-0.4	0.0	0.0	0.0	0.4	1.8	0.9	1.9	0.0	0.0	0.0	0.0
Memorandum Items:													
Current Account (percentage of GDP)	-1.5	-2.2	-3.5	-3.1	-4.1	-4.1	-4.2	-3.6	-4.3	-3.0	-3.9	-2.6	-3.2
Excluding Transfers	-25.9	-25.2	-22.0	-24.0	-23.2	-21.8	-20.5	-19.8	-19.8	-18.4	-18.7	-18.0	-18.4
Exports of Goods and Services (percentage of GDP)	11.3	10.2	11.5	10.7	11.8	10.8	12.8	11.4	12.6	11.4	12.7	11.2	13.2
Imports of Goods and Services (percentage of GDP)	37.7	36.0	33.6	35.2	35.1	33.1	33.5	31.8	32.7	30.5	31.7	29.8	31.8
Gross International Reserves[2]													
In Millions of U.S. dollars	321.0	341.1	392.9	388.4	516.0	447.8	604.3	499.9	667.4	544.2	702.9	617.3	757.5
In Months of Imports of Goods & Services	7.3	7.4	8.7	8.4	11.2	9.5	12.7	10.5	13.6	11.0	13.6	12.0	14.0
Nominal GDP (CF millions)	603,699	654,965	657,139	704,086	693,302	747,187	736,862	797,500	784,985	849,533	834,616	900,971	883,462
Nominal GDP (millions of U.S. dollars)	1,335	1,456	1,461	1,571	1,547	1,670	1,647	1,775	1,748	1,884	1,851	1,997.9	1,959

Sources: Comorian authorities; and IMF staff estimates and projections.

[1] From 2015, net private official transfers include estimates made by the Central Bank of Comoros of debit items other than wire transfers.

[2] End of period. From 2021, includes new SDR allocation of $24 million.

Table 6. Union of the Comoros: Indicators of Capacity to Repay the Fund, 2025-39

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Fund Obligations Based on Existing Credit															
(SDR millions)															
Principal	0.9	1.2	1.2	1.5	3.0	3.1	2.8	2.8	2.5	1.1	0.0	0.0	0.0	0.0	0.0
Charges and Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fund Obligations Based on Existing and Prospective Credit															
(SDR millions)															
Principal	0.9	1.2	1.2	1.5	3.0	3.5	4.6	6.1	6.1	4.6	3.2	1.8	0.4	0.0	0.0
Charges and Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Obligations Based on Existing and Prospective Credit															
SDR millions	1.0	1.3	1.3	1.7	3.1	3.6	4.7	6.2	6.2	4.7	3.3	1.9	0.5	0.1	0.1
In millions of CF	618.6	790.2	794.6	1,019.5	1,892.3	2,218.7	2,910.0	3,784.1	3,783.5	2,910.0	2,036.5	1,163.6	289.5	71.2	71.2
In Percent of Government Revenue	0.8	1.0	0.9	1.0	1.8	1.9	2.3	2.8	2.6	1.9	1.2	0.6	0.1	0.0	0.0
In Percent of Exports of Goods and Services	0.8	1.0	0.9	1.1	1.9	2.0	2.5	3.1	2.9	2.1	1.3	0.7	0.2	0.0	0.0
In Percent of Debt Service	7.4	9.3	9.4	12.2	21.0	25.5	39.6	48.5	47.1	35.3	24.1	13.4	3.3	0.8	0.8
In Percent of GDP	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.3	0.2	0.2	0.1	0.0	0.0	0.0
In Percent of Gross International Reserves	0.4	0.4	0.4	0.4	0.7	0.7	0.8	1.0	0.9	0.6	0.4	0.2	0.0	0.0	0.0
In Percent of Quota	5.8	7.3	7.3	9.3	17.3	20.3	26.7	34.7	34.7	26.7	18.7	10.7	2.7	0.7	0.7
Outstanding Fund Credit and Prospective Credit															
In Millions of SDRs	26.4	32.3	34.72	33.2	30.2	26.7	22.1	16.0	10.0	5.3	2.1	0.4	0.0	0.0	0.0
In Millions of CF	15,969.9	19,627.1	21,211.6	20,411.3	18,584.3	16,430.0	13,582.1	9,858.0	6,133.9	3,286.0	1,314.4	219.1	0.0	0.0	0.0
In Percent of Government Revenue	20.9	23.6	23.4	20.9	17.4	14.3	10.9	7.4	4.3	2.1	0.8	0.1	0.0	0.0	0.0
In Percent of Exports of Goods and Services	21.1	24.4	23.4	21.1	18.4	15.2	11.8	8.0	4.7	2.4	0.8	0.1	0.0	0.0	0.0
In Percent of Debt Service	191.2	231.7	251.0	244.6	206.6	188.5	185.0	126.4	76.4	39.9	15.5	2.5	0.0	0.0	0.0
In Percent of GDP	2.3	2.6	2.7	2.4	2.1	1.7	1.3	0.9	0.5	0.3	0.1	0.0	0.0	0.0	0.0
In Percent of Gross International Reserves	9.2	9.9	9.4	8.2	6.6	5.2	3.9	2.6	1.5	0.7	0.3	0.0	0.0	0.0	0.0
In Percent of Quota	148.4	181.7	195.0	186.3	169.7	150.0	124.0	90.0	56.0	30.0	12.0	2.0	0.0	0.0	0.0
Memorandum Items															
Nominal GDP (millions of CF)	704,085.9	747,186.8	797,500.4	849,533.5	900,971.0	958,367.9	1,016,437.7	1,077,733.9	1,142,747.6	1,211,705.4	1,284,847.9	1,362,430.3	1,444,723.5	1,532,015.1	1,624,610.3
Exports of Goods and Services (millions of CF)	75,513.2	80,562.6	90,519.1	96,614.4	101,261.7	108,304.6	115,445.5	123,026.6	131,109.4	139,727.4	162,448.1	172,164.9	182,469.9	193,399.0	204,990.4
Government Revenue (millions of CF)	76,232.4	83,065.1	90,663.5	97,744.7	106,568.4	115,069.4	124,372.8	133,774.0	143,688.1	154,532.7	168,870.9	181,576.9	194,276.9	207,847.2	220,957.4
Debt Service (millions of CF) [1]	8,353.5	8,470.7	8,452.0	8,344.2	8,996.8	8,716.3	7,341.5	7,799.9	8,033.4	8,236.3	8,454.5	8,684.6	8,871.2	9,188.3	8,473.2
CF/SDR (period average)	604.1	605.5	608.9	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4	613.4
CF/SDR (end period)	604.6	606.8	611.0	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4	615.4

Sources: IMF staff estimates and projections.

[1] Total external debt service includes IMF repurchases and repayments.

Table 7. Union of the Comoros: External Financing Needs and Sources, 2025-28
(In millions USD)

	2025	2026	2027	2028
Financing Needs	**63.3**	**84.7**	**80.1**	**73.8**
Current Account Deficit	48.1	68.6	63.4	57.0
Public Debt Amortization	15.2	16.1	16.7	16.7
Financing Sources	**63.3**	**84.7**	**80.1**	**73.8**
Capital Account	58.5	71.7	73.3	73.2
Financial Account (excl. amortization)	38.0	50.9	44.7	34.8
Of which: Public Debt (excl. amortization)	30.5	41.0	30.3	24.1
Change in reserves (+ = decrease)	-33.1	-37.8	-37.9	-34.2
Fiscal financing gap/Financing Sources	**39.0**	**37.0**	**30.4**	**26.5**
Budget support from partners (e.g., WB, AfDB, AFD, China, Saudi Arabia)	29.4	20.0	10.0	9.9
IMF Financing[1]	9.6	9.6	4.8	
in percent of BoP/fiscal gap	24.6	26.1	15.9	
Concessional borrowings from other donors[2]	0.0	7.3	15.6	16.6
Remaining Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**

Sources: Comorian authorities, and IMF staff projections.

[1] Proposed ECF access of 180 percent of quota over 4 years.

[2] This line reflects potential concessional borrowings; additional budget support would reduce needed borrowings.

Table 8. Union of the Comoros: Schedule of Disbursements, 2023-27

Availability Date[1]	Disbursement Conditions	SDR Amount	Percent of Quota
05/31/23	Board approval of arrangement.	3,560,000	20.00
09/30/23	Observance of the continuous and end-June 2023 PCs and completion of the first review.	3,560,000	20.00
03/30/24	Observance of the continuous and end-December 2023 PCs and completion of the second review.	3,560,000	20.00
09/30/24	Observance of the continuous and end-June 2024 PCs and completion of the third review.	3,560,000	20.00
03/30/25	Observance of the continuous and end-December 2024 PCs and completion of the fourth review.	3,560,000	20.00
09/30/25	Observance of the continuous and end-June 2025 PCs and completion of the fifth review.	3,560,000	20.00
03/30/26	Observance of the continuous and end-December 2025 PCs and completion of the sixth review.	3,560,000	20.00
09/30/26	Observance of the continuous and end-June 2026 PCs and completion of the seventh review.	3,560,000	20.00
03/30/27	Observance of the continuous and end-December 2026 PCs and completion of the eigth review.	3,560,000	20.00
	Total	32,040,000	180.0

Source: International Monetary Fund.

[1] Based on Board approval upon completion of each review.

Annex I. Risk Assessment Matrix[1]

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
Global Risks				
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	ST, MT	Low	**Deploy fiscal and monetary policies** to stimulate economy during downturns and also create stabilization funds as a buffer against economic shocks.
Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	High	ST, MT	Low	**Reallocate budget priorities** by adjusting government expenditures to focus on growth-enhancing and social spending to protect the most vulnerable.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	ST, MT	Low	**Enhance contingency planning** by establishing frameworks for crisis management and emergency financial support to address any potential banking or liquidity crises.
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium	ST, MT	High	**Improve domestic production and prepare contingency plans,** including targeted support to protect the most vulnerable in case of renewed commodity price increases or shortages. Intensify structural

[1]Based on the February 20, 2025, G-RAM. The Matrix shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
				reforms to enhance Comoros' private-led agricultural production.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	ST, MT	High	**Improve domestic production, re-prioritize spending to address food insecurity; and prepare contingency plans,** including seeking concessional financing and additional budget support to sustain priority spending and critical imports. Intensify structural reforms to enhance Comoros' private-led agricultural production.
Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade.	Low	ST, MT	High	**Maintain prudent macroeconomic policies.** Implement reforms to create fiscal space by enhancing revenue mobilization and re-prioritizing spending. Diversify supply routes and provide relief to vulnerable people.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High	ST, MT	Low	**Diversify supply routes and prepare contingency plans,** including measures to protect the most vulnerable in case of renewed supply disruptions. Conduct structural reforms to improve competitiveness and promote Comoros as a destination for investment.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	ST, MT	High	**Strengthen cybersecurity infrastructure** to protect critical information systems across government, financial sector and other vital sectors.

Sources of Risk	Relative Likelihood	Time Horizon	Impact on Comoros	Policy Responses
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	MT	High	**Implement climate adaptation strategies** including through investment in climate resilient infrastructure, with assistance from international partners.
Social discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	Medium	ST, MT	Medium	**Provide support to the most vulnerable** and enhance good governance, transparency, inclusivity, and the rule of law.
Domestic Risks				
Policy slippages. Delays in the completion of structural reforms and other program objectives erodes confidence in the economy	Medium	ST, MT	High	**Implement macroeconomic policies and structural reforms as described in the ECF program**, especially those related to sound public financial management and financial stability.
Intensifying power outages. Poor electricity infrastructure cannot support strong and sustained growth	Medium	ST	Medium	**Implement reforms** that promote private sector partnerships in the energy sector

Annex II. Pension System in Comoros[1]

1. **The pension system in Comoros ("*Caisse des Retraites* des Comores," or CRC) plays a central role in providing income security to retirees and contributing to broader social stability**. While primarily a contributory scheme for income replacement, its broader socioeconomic role is significant in a country with a limited social protection system. In multigenerational households, pension income often extends beyond the retiree, helping support family members and easing household financial pressures. However, when pension support is absent or inadequate, younger household members may need to take on additional financial responsibilities, potentially at the expense of their education or labor participation. Against this backdrop, the CRC is facing mounting financial sustainability challenges due to structural imbalances between increasing benefit expenditures and a stagnating contributory base, inadequate contribution levels, and weak governance. The CRC contains three defined-benefit schemes: (i) civil servants, (ii) non-civil servants, and (iii) members of parliament (MPs). Among these, the civil servants' scheme is the largest and financially most significant, and it faces growing deficits that threaten not only its own sustainability, but that of the CRC itself.

2. **In the absence of a clear accounting distinction between schemes and any accumulated reserves, the CRC effectively operates as a single pay-as-you-go (PAYG) system where collected contributions of current workers are expected to cover benefit payments to pensioners and administration costs.** Each regime is governed by different parameters, including contribution rates and benefit formulas. For civil servants, contribution rates currently stand at 5 percent for employees and 12 percent for employers.[2] In the schemes for non-civil servants and MPs, employees contribute 3 and 16 percent, respectively, while employer contributions are 5 and 10 percent. Eligibility for retirement benefits generally requires a minimum of 15 years of contributions, with statutory retirement ages ranging from 55 to 65 depending on the socio-professional category. Pensions are calculated using an accrual rate—that is, the percentage of final salary earned for each year worked—of 2 percent per year of service for civil servants, 1.33 percent for non-civil servants, and 5 percent for MPs, applied to the average salary over the final 6 months of service.

3. **While each scheme faces its own challenges, the civil servants' regime is the most problematic**. First, the state has historically remitted only a fixed amount rather than the full contributions owed under the statutory formula, undermining the integrity of the system's intended financing approach by effectively preventing the accumulation of much-needed reserves. Second, the long-lasting freeze on civil servants' wages and limited public sector hiring has slowed contribution growth, weakening the scheme's revenue base. Third, the rather favorable definition of the reference salary—based on the average of the final six months—creates a strong upward bias in pension liabilities and further distorts the funding mechanism, particularly when career-end

[1] Prepared with J. Papa, M. Blumhart, and M. Diouf from the International Labour Organization (ILO) as part of a pilot project to enhance country-level IMF/ILO cooperation on labor market and social protection issues.

[2] These rates were increased in 2025, from 4 and 10 percent for employees and employers, respectively, to alleviate sustainability pressures.

promotions lead to late-stage salary increases that are not matched by proportionate lifetime contributions. These factors have created a widening imbalance between revenues and expenditures, raising concerns about the system's ability to deliver on its benefit commitments.

4. **Recent analyses by the ILO and IMF show a substantial funding gap for the civil servants' scheme, with a growing reliance on ad hoc budgetary transfers**. The consistent underfunding of pension benefits has forced the system to increasingly rely on one-off budgetary allocations to cover pension payments. Such measures reduce budget predictability, raise the overall public debt, and constrain fiscal space, reducing the funds available for investments in other essential sectors, all of which lead to broader macroeconomic risks over time. Under current parameters—assuming pension liabilities continue to rise with demographic trends and no major reforms are adopted—the annual deficit could reach between KMF 2.5 billion and KMF 3.5 billion by 2032. This significant and upcoming increase reflects persistent cost pressures stemming from inadequate contribution levels for a maturing scheme without reserves, exacerbated by a stagnating contributory base and favorable pension provisions. Without corrective measures, fiscal pressures linked to the pension system are expected to intensify, further increasing reliance on discretionary government transfers.

5. **The CRC is legally anchored in Comoros' commitment to international labor standards, notably through its 2022 ratification of the ILO's Social Security (Minimum Standards) Convention No. 102.** The Convention sets benchmarks for contribution periods, benefit adequacy, population coverage, and financing principles. To comply, systems must ensure (i) a minimum contribution period of 15 years for eligibility, (ii) a minimum replacement rate of 40 percent of prior earnings, and (iii) effective coverage of at least 50 percent of employees or 20 percent of the economically active population. While the CRC broadly meets the first two of these benchmarks, the combination of limited coverage—largely confined to public sector employees—and inconsistently-applied benefit provisions poses challenges for medium-term compliance. The accrual rate of 2 percent, though consistent with international norms, is applied to a narrow reference period and may not reflect lifetime earnings patterns, undermining fairness and fiscal sustainability.

6. **Addressing the challenges in Comoros' pension system will require a comprehensive parametric reform**. The increases in contribution rates for the civil servants' scheme in January 2025 are a step in the right direction, especially as international experience suggests that even modest rate adjustments can help narrow financing gaps over time. Concurrently, reassessing the benefit calculation will be critical, particularly the possible revision of the 2-percent accrual rate for civil servants and the short reference period used for the final salary. Additionally, raising the minimum retirement age could alleviate system pressures by extending the effective contribution period. Reviewing pension indexation rules—particularly in the context of wage freezes—could help maintain beneficiaries' purchasing power while enhancing the acceptability of reform. While a comprehensive study of reform options will be needed, the authorities with the support of international partners could begin exploring certain parametric changes that would align the pension system with regional practices and international benchmarks as a move towards long-term actuarial balance.

7. Equally crucial is addressing the institutional and operational shortcomings of the CRC. The government must consistently remit full contributions in line with statutory requirements and actively clear arrears. In this context, the Ministry of Finance has initiated regular monthly payments since early 2023 aimed at clearing accumulated arrears to the CRC and has been remitting full contributions since January 2024. Additionally, eliminating distortionary operational practices—such as the retroactive regularization of salary advancements and unpaid contributions at retirement, which inflate benefit levels without corresponding contributions—remains critical.

8. Achieving a sustainable and equitable pension system in Comoros requires coordinated action on institutional, operational, and governance priorities. Key measures include improving the accuracy and management of participant data through digitization, strengthening actuarial oversight, and establishing an independent governance framework that ensures the clear separation of schemes to prevent cross-subsidization. These technical improvements must be complemented by inclusive social dialogue, with the active participation of workers' and employers' representatives in all reform decisions, governance enhancements, and legislative updates. Together, these steps will build a more resilient pension system—capable of delivering on its promises to current and future generations while safeguarding fiscal and social stability.

Appendix I. Letter of Intent

Moroni, Union of the Comoros, June 10, 2025

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. **The Government of the Union of the Comoros requests that the IMF Executive Board completes the fourth review under the Extended Credit Facility arrangement and approve (i) modifications of the end-December 2025 tax revenue and domestic primary balance (DPB) quantitative performance criteria (QPCs) to compensate for the weaker-than-expected fiscal outturns in 2024 and to ensure fiscal performance returns to the previously envisaged medium-term path; (ii) modifications of the indicative targets (ITs) for "cash-for-work, livelihood grants, and technical training" for end-June, end-September, and end-December 2025, based on revised disbursement projections; and (iii) waivers of nonobservance of the end-December 2024 QPCs on tax revenue and the DPB, and the continuous QPC on the non-accumulation of external arrears, to enable the disbursement of the fifth tranche of the ECF arrangement based on corrective actions and the broadly satisfactory implementation of the performance criteria and key structural reforms.**

2. **Economic activity strengthened in the second half of 2024, and it is expected to continue into 2025 despite persistent inflation.** Real GDP growth is projected at 3.8 percent in 2025. Although inflation moderated from a peak of 8.7 percent in September 2024 to 6 percent at year-end, higher food prices coupled with strong domestic demand pushed inflation up to 7.3 percent in March 2025. The persistence of food inflation has warranted an upward revision to average inflation from 1.8 percent to 3.8 percent in 2025. Tax revenue underperformed at end-2024 driven mainly by a shortfall in international trade taxes following challenges with the implementation of revenue mobilization reforms. The revenue shortfall contributed to the deterioration of the domestic primary balance relative to the program target. The external position, however, remains stable, with continued reserves accumulation equivalent to 7.4 months of prospective imports as at end-December 2024. Although the financial sector continues to face significant challenges, reforms are underway to strengthen supervision and regulatory frameworks. The restructuring of the postal bank SNPSF (Société Nationale des Postes et Services Financiers) into the Postal Bank of Comoros (BPC) is an example of our resolve to strengthen the sector.

3. **Despite setbacks in reform momentum in the second half of 2024, the ECF-supported program remains on track.** We met two of the five end-December QPCs, on non-concessional external debt and net international reserves. The long post-election transition partly contributed to

the delays in some reforms. Nonetheless, we were successful with the completion of 8 of the 11 structural benchmarks (SBs) expected between end-November 2024 and end-May 2025, with three that were met ahead of their deadlines: (i) onsite bank inspections to assess the quality of credit portfolios were completed in October 2024 (end-December SB); (ii) a banking license for the new postal bank BPC was issued in January 2025 (end-March SB); and (iii) the BCC statutes were promulgated by the President in March (end-April SB).

4. **As highlighted in the attached MEFP, we have taken corrective actions for the missed QPCs and are working to ensure progress on the missed SBs.** All external debt service arrears accumulated since the start of the year have been cleared, and discussions to resolve other arrears, including those to Bpifrance, are ongoing. To make up for the missed fiscal QPCs—tax revenue and DPB—we commit to undertaking corrective actions during the remainder of 2025. These corrective actions which will help boost domestic revenue mobilization include: (i) the issuances of a ministerial decree to limit the products eligible for the IM9 procedure and another to empower the Director-General of Customs to recover tax and duties arrears (proposed Prior Actions); (ii) the publication of a circular note setting the modalities for calculating customs duties and similar taxes, the consumption tax, and excise duties on imports (proposed end-June SB), (iii) the parameterization of the SYDONIA software to ensure the correct computation of the consumption tax and the *ad valorem* excise duties (proposed end-September SB), and (iv) the recovery of at least KMF 1 billion in tax arrears owed by the SOE in charge of petroleum products importation, SCH, by end-September (proposed SB). We are continuing to work on the three missed SBs—attaching to the 2025 Budget Law the cash flow plan detailing mandatory expenditures and the due dates for major taxes and duties; the recovery by the General Directorate of Customs of at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024; and the BCC's approval of formal, time-bound recapitalization plans of banks in breach of capital adequacy requirements—and request that they are reset to later dates.

5. **Looking ahead, we reaffirm our commitment to the reform agenda under the ECF-supported program.** We are aware that continued implementation of the reform agenda remains essential to safeguarding macroeconomic stability and debt sustainability. We will continue to strengthen tax and customs administration and policies and further seek IMF technical assistance to reinforce these capacities over the medium term. We are committed to improving transparency in our governance and will continue to publish online procurement contracts with beneficial ownership information (continuous SB from May 2024). We stand ready to tighten monetary policy in the event of persistent inflation or large outflows of reserves. We remain committed to addressing the long-term challenges associated with poverty, climate change, gender inequalities, and human capital development.

6. **We are optimistic that the measures and policies set forth in the attached MEFP are appropriate to achieve the objectives of the program.** We stand ready to take any additional measure that may prove necessary to safeguard the objectives under our economic reform program. We will consult with IMF staff on the adoption of any additional measures and prior to any revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations. We

will hold timely consultations with the IMF on new external borrowing to ensure that it continues to strengthen confidence in the program, does not jeopardize debt sustainability, and is in line with ceilings on non-concessional and concessional performance criteria (Table 1 in the MEFP). To facilitate program monitoring and assessment, the government undertakes to provide all necessary information to IMF staff on a regular basis and in a timely manner, pursuant to the attached Technical Memorandum of Understanding (TMU).

7. In line with our commitment to transparency, we consent to make public the content of the IMF staff report, including this letter, the attached MEFP, and the TMU. We, therefore, authorize the IMF to publish these documents on its website once the IMF Executive Board approves the completion of the fourth review under the ECF.

Sincerely yours,

/s/	/s/
Ibrahim Mohamed Abdourazak	Younoussa Imani
Minister of Finance and Budget	Governor, Central Bank of Comoros

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Moroni, Union of the Comoros, June 10, 2025

This Memorandum of Economic and Financial Policies (MEFP) updates and supplements the MEFP of November 2024. It describes recent economic developments, the progress made in implementing the policies and reforms to which we committed under the ECF-supported program, the macroeconomic outlook, as well as the government's objectives and economic policy plans over the coming years.

A. Recent Economic Developments and Outlook

1. **Economic activity strengthened in 2024 compared to 2023, with moderate inflationary pressures.** Real GDP growth is estimated at around 3.3 percent for 2024. Inflation declined to 5 percent in 2024 from 8.5 percent in 2023. Despite stable global commodity prices and lower inflation in the Euro Area, headline inflation averaged 6.6 percent in2025Q1, reaching 7.3 percent (y/y) in March, driven by rising food prices amid adverse weather conditions and strong demand during Ramadan. Domestic credit growth reached at 9.1 percent in 2025Q1, up from 1.5 percent in Q1 2024, driven by increased government borrowing and a recovery in private sector credit. The latter grew by 6.5 percent (y/y) in March 2025, supported by renewed credit demand from importers and improved prospects for exporters.

2. **Fiscal outturns in 2024 underperformed relative to the 2024 supplementary budget (LFR), including on the execution of El Maarouf hospital investment spending.** Tax revenues increased by 7 percent (y/y), but fell as a share of GDP due to faster nominal GDP growth. Compared to the LFR, tax revenues were 6 percent below target. This shortfall reflected stagnant excise revenues and a nearly 30 percent underperformance in international trade taxes, owing to supply chain disruptions. Revenue performance was further affected by difficulties in collecting duties on suspensive regimes, widespread power outages that hindered tax collection, and persistent weaknesses in the integration of customs and tax databases. Non-tax revenues also contracted sharply (-12 percent y/y), contributing to a drop in the total revenue-to-GDP ratio. Overall, revenues and grants declined as a share of GDP. This reflected a sharp contraction in budget grants—down nearly 60 percent relative to the previous year—partially offset by a 17 percent increase in project grants. On the expenditure side, total spending increased by 15 percent (y/y). The significant 21 percent drop in transfers was more than offset by a nearly 50 percent increase in externally financed investment. The primary domestic balance fell short of the LFR target, mainly due to a tax revenue shortfall of over KMF 3.6 billion and, to a lesser extent, an increase in primary current spending, while domestically financed investment spending was broadly in line with the revised budget.

3. **The current account balance deteriorated in 2024 compared to 2023.** The current account balance recorded a deficit of 2.2 percent of GDP from 1.5 percent in 2023, reflecting a sharp increase in import demand—particularly for food products (including rice, flour, and poultry-based items) and petroleum products during the second half of the year. Exports performance was weak (-5.6 percent y/y), driven by contractions in key exports: clove and vanilla exports declined by 25.6 and

63.1 percent (y/y), respectively. In contrast, ylang-ylang export receipts increased by 37.5 percent. Strong current transfers, mainly remittances, partially offset the wider trade deficit and helped contain the current account imbalance. Gross international reserves (GIR) increased from US$ 320 million in December 2023 to US$ 340 million in December 2024 (7.5 months of imports of goods and services).

4. **While growth is expected to accelerate in 2025, the outlook is subject to uncertainties.** Growth is expected to be broad-based across all three sectors and benefit from the anticipated easing of inflation. Favorable weather conditions compared to 2024 and government actions to support the private sector—such as the increased rice import quota and financing for essential goods—are expected to help contain inflation. Investment is also expected to accelerate, driven primarily by public spending, including the recent acquisition of power generators, the commissioning of solar power plants, the construction of water supply networks, the planned procurement of equipment for El Maarouf hospital, ongoing hotel construction projects, and the launch of infrastructure works for the 2027 Indian Ocean Island Games. External risks persist, as ongoing geopolitical conflicts, both within and outside the continent, are also likely to impact on trade, particularly affecting oil and food imports. The slowdown in grants and budgetary aid to Sub-Saharan Africa, including Comoros, has intensified financing constraints. Delays in implementing investment projects such as the El Maarouf Hospital and the Galawa Hotel could have a negative growth impact. While awaiting the direct benefits in terms of trade and investment from the accession to the WTO in August 2024, we recognize the need for substantial efforts in domestic revenue mobilization to bridge the gap which could be caused by the removal of certain customs fees. Over the medium term, Comoros continues to face many development challenges, including limited capacity and economic diversification, low fiscal revenue, and dependency on imports, remittances, and external aid. These challenges are further exacerbated by natural disaster risks, including those related to climate change.

B. Economic and Financial Policies Supported by the ECF

Fiscal Policy

5. **Our fiscal program remains focused on a sustained consolidation effort over the medium term to mitigate debt sustainability risks and gradually reduce financing needs over time**. Consolidation would be driven by (i) a continued increase in tax revenues through a gradual reform of the tax system (streamlining tax exemptions and more efficient collection of corporate and personal income taxes, consumption taxes, and excise duties) as well strengthening revenue administration (continuing work on broadening the tax base, improving taxpayers' compliance, collecting main tax debts, accelerating digitalization of tax and customs procedures, continued deployment of information technology systems (SIGIT, SYDONIA), enhanced control of customs suspensive regimes, ensuring accurate customs valuation, ensuring proper application of customs' tariff, and improving customs' audit performance) ; (ii) a set of targeted current expenditure measures (keeping the wage-to-GDP ratio stable and continuing the work to improve the management of civil employees); (iii) key structural PFM reform (improving budget execution and

transparency, cash and debt management, reform of the TSA, SOE restructuring and supervision; and (iv) normalizing investment spending once already committed spending is phased out. We remain committed to maintaining a minimum pace of consolidation of around 0.3 percentage points of GDP in 2025, as achieved in 2024. The fiscal path will tighten thereafter to achieve the program's objective of reducing debt risks and bringing all debt burden indicators below their higher risk thresholds by 2028, supported by continued structural reforms in revenue administration and tax policy, along with the normalization of public investment spending once ongoing commitments are fulfilled. Overall, these policies are expected to improve the domestic primary balance through a fiscal consolidation of at least 1.8 pp of GDP during the program period—from -2.0 percent of GDP in 2023 to around -0.1 percent of GDP by the end of the program under the definition of the original budget perimeter (or from -2.7 to -0.6 percent of GDP under the amended perimeter).

6. **Our 2025 budget remains aligned with the fiscal plan and targets set under the program parameters.** We are determined to recover the shortfalls recorded in 2024 (see section on fiscal reform policies below) and regain momentum in 2025, in line with the adopted 2025 budget. New spending reflected in the budget includes increased transfers to universities, higher government pension contribution rates, the January/February 2025 legislative elections, and increased rental costs for embassy buildings abroad.

7. **Despite the on-going consolidation efforts, fiscal deficits and corresponding external financing needs persist over the medium term.** These deficits reflect several factors, including the still-insufficient level of mobilized revenues, expenses related to the recapitalization of the postal bank, and two other commercial banks, and debt service obligations for the IMF's 2019 and 2020 emergency financing as well as non-concessional loans contracted prior to the ECF program. We are committed to securing grants and concessional financing to address these needs, and we are fully aware that further uptakes of non-concessional debt would quickly undermine debt sustainability. We are therefore committed to avoiding contracting any non-concessional borrowing over the program period (Quantitative Performance Criteria, QPC).

8. **The government is committed to protecting social spending and priority investments and will aim to increase such expenditures as reforms help create more fiscal space.** We have dedicated KMF 3.3 billion for health and KMF 10.3 billion for education during in2024. Most (92 percent) of the education spending was allocated to wages, and over 71 percent of health spending was executed through transfers to the health insurance fund, hospitals, and specific health initiatives. With support from the World Bank, we have implemented the social safety net project (Projet de Filets Sociaux de Sécurité, PFSS) which provides cash transfer to the most vulnerable households. In July 2023, this project was replaced with the Projet de Filets Sociaux de Sécurité Résilient et Réactif aux Chocs (PFSS-RRC), with an expanded mandate to support transfers related to cash for work, livelihood grants, and technical training. We will continue to partner with the World Bank on this important social spending project and will aim to ensure timely disbursements. We will also continue to work with development partners to prioritize and implement investment projects outlined in our national development strategy, *Plan Comores Emergent*, to ensure continued growth and shared prosperity for the Comorian population.

9. Despite improvement with the monitoring of external debt repayments since the beginning of the program, cash and liquidity management weaknesses continue to affect our ability to service external debt obligations on time.

- Discussions with BADEA are ongoing to reach a permanent solution to the legacy arrears issue. For the USD 1.38 million in arrears accumulated since the start of the program (USD 6.6 million in total), Parliament is expected to ratify a new concessional agreement during its current session under which the OPEC Fund would take over the BADEA loan. Regarding Exim Bank India, an agreement in principle has been reached to waive penalties and restructure arrears over a five-year period, which we aim to finalize shortly. Since the start of the program, USD 0.58 million in arrears were accumulated (USD 2.3 million in total). We have also engaged the African Development Bank for legal guidance on the path forward. While we cleared arrears to most external creditors by November 2024, arrears to Bpifrance Assurance Export totaling USD 0.669 million remain outstanding since last year. We have initiated bilateral discussions with the French Treasury for a rescheduling of debt service to Bpifrance. However, other external debt service arrears were incurred between February and April 2025 to the Kuwait Fund ($0.57 million due in March), the Saudi Fund ($0.45 million due in February and March), and TDB ($1.1 million due in March) were all paid in May.

- By end-2024, gross domestic arrears repayments amounted to KMF 4,930 million, with KMF 435 million in new arrears accumulated, resulting in a significant net repayment and reduction in the stock of domestic arrears. In line with our clearance strategy, we have continued prioritizing the settlement of pension-related arrears.

- The Debt Directorate has already begun compiling debt reports using the CSDRMS software (end-September 2024 SB). To improve debt management and reporting capacity, we formally requested updated medium-term (2025–27) debt service schedules from all creditors for disbursed debt as of end-2024 and shared this information with the IMF (end-December 2024 SB). So far, only four creditors (excluding the IMF and World Bank) have responded. We have sent follow-up requests to the remaining creditors. We also completed Phase I of the AfDB-supported public debt sustainability project—a diagnostic of the current CDSRMS system. The next step is to migrate to the Meridian system, a new debt registration and management tool developed by the Commonwealth Secretariat. The software rollout is expected to be completed by end-Q3 2025, with full operationalization planned for mid-2026.

Fiscal Structural Reforms

10. We recognize that Comoros' fiscal revenue is the lowest among all small island states and we are committed to steadily raising them over time to enable higher public investment in human and physical capital. We will continue working on tax system reform and strengthening tax and customs administrations. We will also continue to seek technical assistance (TA) support from the IMF and other partners on revenue administration and tax policy to identify and implement measures to increase tax revenue in the short and medium term.

- On tax administration, we plan to (i) ensure the proper application of existing legislation, including excise duties on locally produced cigarettes and bottled juices, and the External Remuneration Tax (TRE) on service providers established outside Comoros; (ii) sign tax civism agreements with SOEs to encourage timely filing and payment; and (iii) recover at least 50 percent of outstanding tax arrears, estimated at KMF 414 million at end-2024; (iv) continue efforts to expand the taxpayer base by at least 20 percent at DGME by end-2025 (SB), through the operationalization of new sub-offices (5 in Ngazidja, 2 in Ndzouani, 1 in Mwali), registration campaigns with support from the PAGF project, and data sharing with multiple sources (Municipality of Moroni, ONICOR, SONELEC, SONEDE, AFD, World Bank, etc.); (v) conduct a tax audit campaign using customs data collected during the second half of 2024 via the SIGIT–SYDONIA platform to register new taxpayers and apply reassessments, prepare an audit report by end-June 2025 (SB), and recover a significant portion of the results of these audits in the second half of 2025; (vi) clean the taxpayer registry and secure Tax Identification Number (NIF) use by sharing a list of active taxpayers with valid NIFs with the DGD; (vii) request the DGD to monitor importers that are noncompliant or have outstanding tax arrears; (viii) extend data collection from other third parties (public procurement registry, Commercial Court, ANPI, banks, telecom operators, etc.); and (ix) continue strengthened collaboration with the private sector, particularly to tackle informality, generalize the application of the consumption tax (TC) billing rules, ensure compliance with tax obligations, and implement electronic cash registers. The interconnection of SIGIT with the databases of all DGI offices across the three islands by April 2026 (new SB), the introduction of remote tax filing and payment at the DGME, and the generalization of mobile payments for taxes and duties remain our priorities in the months ahead.

- We welcome the appointment by the IMF of a resident advisor in tax administration under the GPFP project managed by the Fund's Fiscal Affairs Department (FAD), and plan to rely on the advisor's support in developing short-term revenue mobilization measures and advancing broader tax administration reforms.

- At customs administration, we will now ensure the strict and proper enforcement of applicable laws, regulations, and tariffs in SYDONIA. To this end: we will(i) publish on our website the import and export tariff schedule aligned with the 2022 Harmonized System (HS); (ii) issue a circular note by end-June 2025 describing the methodology for calculating customs duties and associated levies (DDA), the consumption tax (TC), and excise duties (DA) at the time of import (corrective measure for missed QPCs on tax revenue and the domestic primary balance); (iii) carry out the necessary corrections and configurations in SYDONIA to ensure the correct application of the TC base on fully taxed goods and the ad valorem base for DA at import, by end-September 2025 (new SB and corrective measure); (iv) in collaboration with the Comorian Hydrocarbons Company (SCH), ensure the integration of TIPP assessments into SYDONIA based on monthly depot exit reports; (v) continue implementing key provisions of the Customs Code by adopting the necessary implementing decrees. The Oversight of suspensive regimes and exemptions will also be reinforced. To this end, we will publish a ministerial decree limiting the use of the immediate release procedure (IM9) to medicines and perishable or hazardous (non-prohibited) goods imported by air (prior action and corrective measure). Following the missed objective of recovering at least 50 percent of duties and taxes owed under unregularized suspensive regimes as of June 30, 2024 (SB for end-December 2024), we will adopt: (a) a decree establishing the calculation methodology for duties owed upon regularization of suspensive regimes, and (b) a decree authorizing the DGD to recover customs tax arrears across the Union (prior actions and corrective measures). Efforts will be also intensified to recover from SCH at least KMF 1 billion in TIPP arrears—out of a total of KMF 2.587 billion for the period from 2019 to June 30, 2024—by July 31, 2025 (new SB and corrective measure), and in the context of securing TIN usage at customs, we plan to deactivate in SYDONIA all TINs not recognized by DGI as of April 30, 2024, by end-July 2025 (new SB). Finally, under our 2024–2027 Strategic Plan, which includes several actions drawn from the Union's WTO post-accession roadmap, we intend to implement the agreements on customs valuation and trade facilitation. Specifically, we will: (i) extend the electronic customs clearance platform to all actors involved in clearance operations; (ii) establish a joint customs appeals committee; (iii) develop dialogue between customs and the private sector; (iv) formalize and regulate the customs brokerage profession and their fees; (v) improve valuation and clearance procedures for goods; (vi) enhance selectivity criteria for customs controls; (vii) raise to 20 the number of high-risk products subject to tariff specification codes (CST) by end-2025; (viii) roll out ongoing training plans for customs agents; and (ix) strengthen the internal control system and decision-making information system.

- We acknowledge that the setting up and effective operationalization of the Tax Policy Unit (TPU) created in September 2024 (SB) with the support of IMF technical assistance, has experienced delays. To ensure the UPF is fully equipped to fulfill its fiscal policy mandate and deliver on its action plan, we commit to: (i) appoint additional members (a tax expert, a legal expert, and a statistical economist); (ii) define the TPU's organizational framework and assign permanent staff; (iii) rapidly install the TPU in a fully equipped facility; and (iv) sign protocols with DGI and DGD granting full access to their data. With support from the Fund's Fiscal Affairs Department (FAD), we will also: (i) prepare a matrix of tax and customs exemptions; (ii) update the tax legislation in 2025 for all domestic direct and indirect taxes; (iii) lead the comprehensive reform of annexed customs codes; and (iv) begin drafting a tax expenditure report by end-October 2025 (SB). Based on this report, we plan to include in the 2026 Finance Law a first set of measures aimed at gradually reducing exemptions and tax incentives. From 2026 onward, the TPU will lead broader tax system reforms, including the design of compensation strategies for revenue losses linked to the dismantling of certain border taxes in the context of WTO post-accession implementation.

11. The government is committed to deepen public financial management (PFM) reforms, strengthen transparency of public finances, and improve cash management to ensure the best possible use of our resources. We commit to implement the Public Financial Management Reform Strategy for 2024-2033, and to monitor the execution of its 2024-2026 implementation plan. In this context, we have (i) published the 2025 budget approved by the Parliament (SB), marking key steps in enhancing budget transparency; (ii) completed the audit of domestic arrears, including cross-arrears with SOEs; (iii) ensured the daily transfer of tax revenues collected by EXIM Bank on behalf of the DGI to the Treasury Single Account (TSA) at the BCC; (iv) established the Government Financial

Operations Table (TOFE) development committee; (v) promulgated in May 2024 the presidential decree on the Budgetary and Accounting Management Regulations (RGBCP) (SB); (vi) appointed the Director of the General Directorate of Public Accounting and the Treasury (PA for 3rd ECF Review); and (vii) appointed the Director for the Oversight of State Holdings and Monitoring of SOE Financial Performance.

12. We recognize that complex decision-making procedures, limited capacity and resources, and weak coordination across directorates continue to hamper the implementation of key PFM reforms. To address these bottlenecks, we intend to implement the following additional measures:

- In consultation with IMF, we plan to update the organizational chart of the General Directorate of the Budget (DGB), with a view to clarifying responsibilities, integrating cross-cutting functions, and aligning structures with the provisions of the LOFE and the RGBCP (e.g., macro-fiscal planning, sectoral expertise).

- We commit to sharing with IMF staff the macro-fiscal framework underpinning the draft 2026 budget, including detailed revenue and expenditure projections, by September 30, 2025 (new SB). To improve fiscal transparency in line with the LOFE and strengthen Parliament's oversight, we will also annex to the 2026 Budget Law: (i) the authorized uses table; (ii) the report on the stock and evolution of domestic payment arrears; and (iii) the financial situation report of SOEs. We also intend to reform the annual budget calendar. In a first phase, we will adopt a simplified and provisional budget calendar via administrative circular; following a two-year pilot period, we will adopt a ministerial decree formalizing the process.

- Following the missed SB (end-2024) related to the production of detailed cash plans specifying the exact payment dates of mandatory expenditures (including wages and debt service) and tax payment deadlines (TIPP, TC, CIT, PIT), we are committed to preparing them as soon as possible.

- As part of the implementation of the DGCPT 2025 action plan, we plan to update the organizational chart and adopt the organic framework of the DGCPT to enable it to fulfill its mandate. We also plan to create a Central Treasury Accounting Agency (ACCT) within the DGCPT, responsible for centralizing financial and accounting information to produce the General Government Financial Accounts (CGAF) and consolidate the Union's fiscal and accounting data. Eventually, the ACCT will also manage the TSA, a function currently handled by the TPGU.

- As part of the ongoing process of improving the operation of the TSA, in compliance with the legal framework set out in the Agreement of November 27, 2014, on the terms and conditions for the operating and management procedures of the TSA at the BCC, we plan to continue to gradually extend the coverage of the Treasury Single Account (TSA) to include administrative public entities and transactions relating to extrabudgetary entities. Since January 1, 2025, the BCC has provided daily consolidated account statements to the DGCPT, the TPGU, and the IMF team (SB). Finally, we also commit to close (i) all zero-balance or inactive accounts at the BCC between January and end-March 2025; and (ii) all government accounts held in commercial banks, and transferring their balances into the TSA (new SB).

- The Treasury Committee, established by Ministerial Order No. 24-074/MFBSB/CAB of December 31, 2024, is operational. However, we recognize that the Committee has not yet fully fulfilled its mandate. This includes: (i) preparing a cash plan in line with the requirements of Ministerial Order No. 24-075/MFBSB/CAB of the same date; and (ii) ensuring consistency between quarterly revenue collection forecasts and the expenditure scheduling profile in the commitment plan. Under the authority of the Minister of Finance, the Treasury Committee is chaired by the Director General of Public Accounting and the Treasury and include all relevant MFBSB structures involved in the execution of the Government budget (DGB, DGI, DGD, DGCPT, CREF, DGPESPFEEP, Financial Control, Public Debt), as well as the BCC intends to meet on a weekly basis. The Committee is responsible for ensuring consistency between the pace of revenue collection set in the quarterly cash flow plan and the expenditure scheduling profile set in the commitment plan. However, the planning and execution of external debt service payments are not yet adequately covered by the Treasury Committee. We are committed to gradually improving the planning and execution of the cash flow plan, which aims to align the use of available resources with the timely execution of essential government expenditures based on a predefined order of priority, while avoiding the accumulation of arrears.

- We recognize that the availability, consistency, and quality of budgetary and financial data in the Government Financial Operations Table (TOFE) remain weak. Following the establishment of the TOFE Committee, we have developed an action plan aimed at enhancing the quality of the TOFE and are seeking IMF support for its effective implementation. We also commit to strengthening the process for validating, transmitting, and publishing the TOFE in line with the deadlines outlined in the technical memorandum of understanding with the IMF. We believe the recent appointment of the Director of Economic and Financial Studies and Reforms—who now oversees TOFE preparation and monitoring—will help improve its quality and timeliness. We will publish the TOFEs for all four quarters of 2024 by August 30, 2025 (SB).

- We reiterate our request for sustained technical assistance to effectively support the implementation of budget and accounting reforms through the appointment of a resident advisor to the DGCPT. This expert's main tasks will include: (i) supporting the Treasury Committee in overseeing and monitoring the cash management plan; (ii) assisting the TOFE Committee in stabilizing and improving the quality and availability of the TOFE; and (iii) supporting the establishment of the Central Treasury Accounting Agency (ACCT) within the DGCPT.

- We will continue efforts to strengthen wage bill management in line with the recommendations of capacity building missions by the IMF and other partners, building on the recent merger of separate island payroll databases into a single national database, aligning payroll records with the actual staff of ministries following the latest government restructuring, and improving the State's personnel management information system with three main objectives: (i) identifying "ghost" employees and facilitating physical control of civil servants; (ii) managing attendance and hours worked; and (iii) optimizing salary processing and payment. We will also scale up the pilot launched in collaboration with the Ministry of Public Administration to process salary payments for 1,000 teachers through GISE.

- We approved in September 2024 the strategy to clear domestic arrears from 2009–2020 (SB). We have begun implementation by settling arrears owed to the Pension Fund and will continue executing the strategy while putting an end to cross-arrears settlement practices between the State and major SOEs.

13. Enhancing governance, strengthening tax compliance and improving the oversight of SOEs remain our three top priorities. In April 2025, we appointed the Director of the *Direction de la Gestion des Participations de l'Etat et de Suivi des Performances Financières des Etablissements et Entreprises Publiques* (DGPESPFEEP), which is responsible for SOE oversight in coordination with the relevant line ministries. With the continued support of the IMF's Fiscal Affairs Department (FAD), we plan to prepare and adopt a first set of implementing regulations under Law No. 24-014/AU of August 27, 2024, on the governance of SOEs in Comoros. These include: the roles and composition of boards of directors, responsibilities of supervisory bodies, the State's shareholder strategy, remuneration rules, and a code of ethics for board members. Once these texts are adopted, we will proceed with the progressive appointment of board members for key SOEs to reinforce their governance and performance oversight. To support this work, we will recruit additional staff and request IMF assistance to build the capacity of DGPESPFEEP personnel.

14. We will establish and sign compliance protocols with SOEs requiring them to respect applicable tax and customs obligations. The DGPESPFEEP, in close collaboration with the DGI, DGD, DGTCP, and DGB, will initiate a constructive dialogue with major SOEs to develop contractual documents requiring them to fulfill their reporting and payment obligations under the laws governing customs duties, taxes, and non-tax revenues. Based on the information collected under these protocols, we will seek to improve our methodology for projecting tax and non-tax revenues from SOEs. Finally, we will ensure that key SOEs systematically submit their audited annual balance sheets and income statements within the deadlines set, and that financial reporting is harmonized in accordance with OHADA rules.

15. We will continue the financial audit of SOEs conducted by the Inspection des Finances. After completing the audit of Comores Telecom, ONICOR, and OCOPHARMA, the IGF plans to audit SONEDE, ANRTIC, and Comores Cables as part of its 2025 work program. We are committed to closely following up on the implementation of the recommendations that will result from these audits and to proposing restructuring plans to be developed with the support of our key partners. These plans will include: (i) performance contracts aimed at improving the quantity and quality of services delivered; (ii) financial targets; (iii) staffing adjustment plans; and (iv) reasonable compensation frameworks.

Monetary and Financial Sector Policies

16. Monetary policy will continue to safeguard the peg and maintain stability. The BCC has kept (i) its minimum bid rate for reverse auctions unchanged at 3 percent since July 2023, (ii) the liquidity absorption ceiling was raised from 10 to 15 KMF billion in October 2024, and (iii) the reserve requirement ratio steady at 12.5 percent since October 2023, thereby supporting the stability of the euro peg. Nevertheless, the BCC is closely monitoring liquidity conditions and stands ready to adjust its monetary policy stance necessary. Furthermore, the external coverage ratio of the Comorian franc remains well above its statutory norm, averaging around 105 percent during the review year, compared to 101 percent in 2022 and 95 percent in 2021. The BCC remains prepared to defend the euro peg in the event of significant reserve outflows, especially as net FX outflows tend to increase in the first half of the year. We will also continue our efforts to strengthen the monetary policy toolkit, including by improving the liquidity management framework as recommended by the Fund's MCM. Since February 2025, the BCC has started publishing a calendar of planned absorption operations and ex-post tender results (amounts offered by the market, absorbed amounts, marginal rate, and weighted average rate of accepted bids). Work is ongoing to allow a transition in the medium-term to fixed-rate, full-allotment absorption operations.

17. The government is committed to preserving external stability. In 2024, gross international reserves (GIR) held by the central bank stood at US$340 million (equivalent to 7.5 months of imports of goods and services), supported by increased remittances from the diaspora and recent disbursements of loans and grants. Aware of the importance of preserving reserves at a level that can effectively cushion shocks, we will closely monitor balance of payments developments and consult the IMF in the event of any emerging challenges, avoiding any measures or policies that would give rise to or compound such difficulties.

18. Our banking system continues to face substantial challenges:

- **Weak institutions and judicial enforcement continue to constrain lending to the economy and undermine the quality of financial assets**. Financial institutions have weak underwriting and risk management procedures, often significant credit risk concentration, while shortcomings in the judicial system delay collateral realization and loans recovery. The Non-Performing Loans (NPLs) Commission, established in 2021 and which comprises the Ministry of Finance, the Ministry of Justice, and the BCC, helped reduce the level of NPLs in 2021-2022. The government also appointed a new public prosecutor, who was integrated into the Commission alongside the two existing judicial representatives (the Commercial Court and the Court of Appeals), to strengthen the judicial process for overdue loans.

- **The financial safety net (FSN) is not yet fully developed, limiting the government's available options to deal with problem banks**. For example, an emergency liquidity assistance (ELA) facility is currently under development. Work is ongoing with the TA of the Fund's Monetary and Capital Markets Department (MCM) of the IMF which has allowed the identification of a list of collateral eligible for refinancing at the BCC including within the ELA framework.

- **A lack of financial infrastructure inhibits the development of the interbank market**. Banks cannot easily borrow from or lend to other banks and the BCC, given the absence of organized market and readily available lending instruments and collateral (neither the government nor the central bank issue securities). However, as part of the ongoing work on the operational framework of monetary policy and liquidity management, the BCC has put in place a marginal lending facility as well as a mechanism for absorbing monthly excess liquidity. Banks with available liquidity regularly subscribe to this mechanism via auctions, and now use high-quality collateral—such as BCC term deposits (DATs)—to refinance at the BCC's marginal lending window. The adoption of the Public Debt Management Law in 2023 contributes to the improvement of guarantee and refinancing instruments. To meet the needs of sound banks with eligible collateral, the BCC has undertaken a study visit to the BCEAO to understand its monetary policy framework, and it also plans a knowledge-sharing visit to the BEAC focused on collateral systems and ranking agreements for the operationalization of the ELA and refinancing framework at the BCC.

19. To strengthen the financial sector, the government intends the following:

- **Improve the banks' operating environment by reducing NPLs.** In May, the NPL Commission submitted to the President a report that quantified NPLs at end-2024 (SB) and presented recommendations to reduce them in the short- and medium term. This report was finalized after the BCC organized three national high-level workshops comprising banks (and their legal advisors), the judiciary, and the private sector to identify a mutually acceptable approach to resolving NPLs. The report recommended undertaking an audit of NPLs to distinguish between (i) the outstanding principal owed to banks, (ii) accumulated interest, and (iii) penalties, which in several cases exceed the principal. It also recommended strengthening the judicial system to ensure that financial institutions can realize pledged collateral, and avoiding arrears owed to suppliers by the government and SOEs. In the absence of a specialized financial prosecutor or sufficient judicial capacity to handle NPL-related enforcement cases, the Supreme Court was asked to clarify jurisdiction between the Court of Appeal and the Commercial Court. The NPL report, furthermore, recommends strengthening the judicial system to be able to develop relevant technical competencies and speed up procedures to ensure that financial institutions can realize pledged collateral in a timely manner.

- **Strengthen supervision and the FSN.** The BCC established in June 2023 a bank resolution and regulation directorate (DRRB), structurally separated from the supervision directorate (DSB), and reporting separately to the Governor and the BCC Board. This directorate has been responsible for amending the 2020 Financial Institutions Resolution and Recovery Law (LRIF). These legislative amendments were recommended in the Fund's MCM TA report of September 2022, and include establishing a statutory depositor preference, introducing a resolution funding mechanism, and solidifying the power to liquidate an entity in default. We received TA from the IMF Legal Department (LEG) in the second quarter of 2024, which enabled the completion of these amendments. The updated LRIF was submitted to Parliament in May 2024 (SB) and promulgated in August 2024. We received further technical assistance from IMF's MCM in

August 2024 to support the operationalization of the updated LRIF. Informed by the TA, we will assess the appropriate structure for a resolution funding mechanism, and to ensure that findings from onsite inspection reports will guide resolution options for specific banks when necessary. The DSB completed all onsite inspections of eight banks (excluding SNPSF/BPC, which was being restructured) in October 2024 (end-December 2024 SB), and all eight inspection reports have been validated by the BCC. To ensure effective coordination, the BCC will internally develop a protocol to share inspection findings between the DSB (in charge of on-site inspections) and the DRRB (in charge of regulation and resolution). We will also continue to implement IMF MCM TA recommendations, including on risk-based supervision and enhancing staffing and technical capacity in the DSB, especially as challenges persist in upgrading the supervisory and regulatory capacities of the BCC. We will take advantage of regional workshops offered by the IMF's South Africa Training Institute (STI) and will identify appropriate staff to benefit from relevant sessions.

- **Stabilize the financial sector.** Three banks currently in breach of capital adequacy requirements have prepared recapitalization plans, which are at varying levels of fruition, and we are in the process of vetting them. Once deemed satisfactory, the BCC's Resolution and Regulation Directorate (DRRB) will validate them (SB initially set for end-March, proposed to be rescheduled to end-September), and continue to track their implementation against agreed milestones. A fourth bank is already under resolution, with ongoing discussions involving a potential foreign investor, and the fifth, SNPSF, has been restructured into the BPC. These recapitalization plans will be credible—in the case of divestments, these will be preceded by thorough restructuring and recapitalization, supported by fiscal resources and strong governance reforms. Institutions that fail to meet deadlines or are deemed insolvent or non-viable will be proposed for resolution. Any use of public resources will be subject to strict conditions to minimize moral hazard, and will be allowed only if: (i) temporary funding is needed to protect financial stability and to enable the resolution option best suited to meet the resolution objectives; (ii) private funding sources have been exhausted or cannot achieve the objectives; and (iii) losses are first imposed on shareholders, and, where appropriate, on creditors and the wider financial sector.

- **Strengthen financial infrastructure.** The BCC will seek to strengthen liquidity management, and in the medium term will operationalize its ELA function by establishing a framework for the ELA facility. While we consider the development of a government securities market in coordination with the Treasury to be important, we are aware that, alongside this, a number of prerequisites must be met. These include weak cash flow management practices, the absence of a unit within the Ministry of Finance's Debt Directorate responsible for issuing government securities, and inadequate human and technical resources. Further, it is necessary to strengthen debt management and liquidity forecasting capacities, develop a medium-term debt strategy, and develop a sufficiently deep and diverse investor base. The BCC and Ministry of Finance are working closely to implement a roadmap developed by the Fund's AFRITAC South, provided the necessary prerequisites for developing the securities market are completed. In addition, as first steps toward the development of a government debt securities market, we will seek IMF TA support on the possible issuance of short-term Treasury bills to replace the existing short-term loans we receive from banks to make timely salary payments.

20. Continuing the restructuring of the SNPSF.

- The BCC Board granted a banking license to the new postal bank (Banque Postale des Comores, BPC) in January 2025 (end-March SB), marking a key milestone in the restructuring of SNPSF. We are advancing the reforms to ensure that the BPC operates in a way that minimizes fiscal risks and is supported by a strong governance and risk management framework, to promote financial inclusion while limiting fiscal contingent liabilities. The current cap on individual loans of KMF 5 million is a constraint on profitability and will be lifted once the new IT system becomes fully operational.

- The Comorian government issued in October 2024 securities totaling KMF 3.38 billion, and additional securities worth KMF 600 million in December 2024, both with a maturity of four years. We have submitted a formal request to AFD to renew an expired grant agreement through which the French Treasury would provide grants, via AFD, towards the restructuring process, including capitalization of BPC. These grants will be disbursed as agreed milestones are met. We expect that these funds will alleviate liquidity pressures and allow us to honor our commitment to start the Treasury bond payments on time in 2025 (July 15 SB).

- A presidential decree issued in March 2025 sets the framework for managing SNPSF's non-performing assets through a separate entity (SNPSF Liquidation) and provides that proceeds from loan recoveries will be used to repay the bonds issued to capitalize BPC.

- The BPC management launched the new IT system in February 2025 in partnership with a vendor selected through a competitive tender. BPC has also submitted to the DSB the financial statements and opening balance sheets for all three entities (Poste, BPC, and SNPSF Liquidation), which were prepared by the consulting firm Pluriex and submitted to the international audit firm Mazars.

21. The next steps for operationalizing the BPC are as follows:

- The BPC is currently operating with a cap of KMF 5 million per loan. This cap will remain in place only until the new Management Information System (MIS) is fully operational, after which the BCC Board will reconsider the ceiling.

- We will continue to ensure that the MIS is fully operational and secure, which implies (i) the complete migration of data from the old system to the new MIS; (ii) conducting all new activities through the new system; (iii) installation and activation of a data backup system; and (iv) implementing a cybersecurity system. These conditions will be validated by the DSB. The Ministry of Finance will also ensure that all payments required to complete the MIS implementation, as well as payments related to ATM servers and BPC's capital registration fees, are authorized in a timely manner using the sequestered accounts dedicated to the BPC.

- Once the external audit opinion by Mazars—expected by end-June 2025—is issued, the BPC will submit the full documentation to its General Assembly, which will also appoint BPC's new Board of Directors. At that stage, the BPC will be able to provide AFD with all necessary documentation to unlock the planned capitalization support and technical assistance.

- The Banking Supervision Committee of the BCC (CSB), at its April 30, 2025 meeting, approved the withdrawal of SNPSF's license. In accordance with that decision, the BCC commits to withdrawing SNPSF's banking license as a licensed financial intermediary in May 2025. We will appoint a head of the SNPSF Liquidation structure and assign 10 staff to recover SNPSF's non-performing assets over a five-year period and, in accordance with the banking law, the BCC will ensure that the liquidation of SNPSF's remaining assets is completed no later than five years from now.

Strengthening Governance and Reducing Vulnerabilities to Corruption

22. The government will continue to take measures to enhance governance and lower the vulnerabilities to corruption:

- **Rule of law:** Our judicial system needs to be strengthened to ensure property rights and enforce contracts, supporting private sector development and improving the business climate. We have undertaken steps to strengthen the judicial system's efficiency, including by enhancing its equipment. These efforts have resulted in an acceleration of court cases. We will continue to strengthen the integrity and efficiency of the system, with the support of the EU.

- **Fiscal transparency.** Measures discussed above on strengthening public financial management and enhancing oversight of SOEs will make an important contribution to strengthening governance, as will our efforts to enhance fiscal accounting and reporting. We published in June 2023 the results of the audit of the spending of IMF emergency financing provided under the RCF/RFI of April 2020. To further strengthen fiscal transparency, we regularly publish comprehensive information on all public procurement contracts, including beneficial ownership information starting on May 1, 2024 (continuous SB). We have laid the basis for such publications by issuing a circular regarding the submission to a nominated procurement agency of documentation on all public procurement contracts along with the names of awarded companies and the name(s) of their beneficial owner(s). We will ensure the continued implementation of these requirements and follow up on their publication. We will also publish, for the first time, the four quarterly TOFE tables for 2024 (SB, end-August 2025) and commit to publishing the TOFE in the years ahead in a regular and timely manner.

- **Anti-corruption**. We adopted the new anti-corruption law in June 2023, which met the objectives under the program (SB). As provided by the law, we created the Anti-Corruption Chamber (ACC) (end-December 2023 SB), which is an operationally independent and autonomous public entity with investigative capacity and powers and the mandate to set up the country's anti-corruption policy priorities, manage an effective asset declarations (AD) system of senior officials, and maintain a public anti-corruption complaints platform. Since its establishment in May 2024, the ACC has participated in workshops organized by IMF's Fiscal Affairs and Legal Departments in cooperation with AFRITAC South, led public information campaigns and reached out to donors for support. However, limited resources and experience are expected to affect full operationalization of the ACC, and financing shortfalls will need to be addressed going forward if reform momentum is to be maintained. The IMF Legal Department will provide technical assurance to the ACC to put into operation the AD system for public officials, in line with the 2023 Anti-Corruption Law. We would also be interested in seeking IMF support in the future to conduct a governance diagnostic (GD), which could help identify macro-critical governance and corruption vulnerability. The GD recommendations could contribute to developing the future reform agenda for strengthening governance and rule of law and reducing corruption vulnerabilities.

- **Management of the civil service**. Our civil service is facing capacity constraints, and we are taking steps to strengthen it. We will continue our efforts to address absenteeism and recover wages that were paid to "ghost workers" by accelerating improvements to the State's personnel management information system. We are also exploring the option of strengthening hiring using a competition/entrance exam in all parts of the civil service, as is already the case at the central bank; strengthening the training of civil servants by creating a school of national administration; and introducing performance management. We will avoid hirings that are not included in the budget laws or non-compliant with existing procedures.

23. The government will strengthen the effectiveness of the AML/CFT framework. With support from the World Bank and following consultations with all relevant institutions, we have prepared a draft AML/CFT law aligned with the international standards, which will be submitted to the Parliament for adoption and subsequent implementation. The BCC is also engaging with commercial banks to raise awareness of AML/CFT requirements and is enhancing risk-based supervision, including by conducting onsite inspections to assess compliance with existing AML/CFT regulations. Following the publication in August 2024 of the findings from the assessment of the Comoros' AML/CFT frameworks by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), we prepared a priority action plan to ensure the recommendations from this assessment are integrated into ongoing efforts to strengthen AML/CFT framework. We will seek development partner support to implement our priority action plan and to update our national AML/CFT strategy, which was first published in July 2023 prior to the GIABA report.

24. The Central Bank amended its statutes and will continue working on implementing other recommendations of the IMF's 2023 safeguards assessment. The amendments to the 2008 central bank statutes were intended to strengthen the BCC's autonomy, in line with the recommendations of the IMF safeguards mission. The amended statutes were promulgated by the President of the Union of Comoros on March 29 (end-April SB), after being signed by both Comorian and French Ministers of Finance in December 2024 and adopted by Parliament on March 22. Further, the BCC will strengthen the internal audit function, the oversight of the external audit and financial reporting process, and ensure that financial statements are prepared in accordance with international standards. The government is also working to establish a repayment plan for the long-term loan that the BCC extended to the government in connection with the IMF SDR allocation.

Data Enhancement

25. The government recognizes that Comoros' economic and financial data have serious shortcomings in almost all sectors that hamper economic analysis, policy formulation and implementation. The government is committed to ensuring that INSEED will have sufficient human and capital resources to collect timely price data and update the national accounts, in line with the statistical capacity support project of the World Bank, the IMF and other partners.

Program Monitoring

26. The program is monitored through prior actions, quantitative performance criteria, indicative targets, and structural benchmarks as listed in MEFP Tables 1, 2, and 3. The program is subject to reviews at semi-annual frequency. The fifth and sixth reviews will take place on or after September 30, 2025, and March 30, 2026, and will be based on end-June 2025 and end-December 2025 test dates, respectively. The Technical Memorandum of Understanding describes the definitions of key indicators as well as data provision requirements.

Table 1. Union of the Comoros: Quantitative Performance Criteria and Indicative Targets, September 2024 – June 2026

(Millions of Comorian Francs, cumulative since end of previous year unless otherwise specified)

	2024								2025			
	End-September				End-December				End-March			
	Indicative targets				Performance Criteria				Indicative target			
	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status	Proj.	Adjusted	Outturn	Status
Quantitative Performance Criteria[1]												
1. Floor on Tax Revenues	42,553.4		38,332.4	Unmet	56,085.4		53,175.6	Unmet	12,497.0			
2. Floor on the Primary Domestic Fiscal Balance[2]	-8,657.0		-6,409.5	Met	-8,924.7		-11,224.6	Unmet	-6,292.8			
3. Floor on the Level of Net International Reserves	111,776.6		125,789.5	Met	112,204.0		130,148.5	Met	112,130.3		122,701.5	Met
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0		0.0	Met	0.0		0.0	Met	0.0			
5. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0		3.4	Unmet	0.0		0.7	Unmet	0.0		2.1	Unmet
Indicative Targets[1]												
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0		-3,176.7	Met	0.0		-4,494.5	Met	0.0			
7. Floor on Social Cash Transfers	264.7	457.6	457.6	Met	457.6		457.6	Met	…			
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	3,919.9	2,385.5	2,385.5	Met	2,833.0	2,385.5	2,385.5	Met	353.1	234.5	234.5	Met
Memorandum Items												
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	27				78				14			

	2025					2026	
	End-June	End-September		End-December		End-March	End-June
	Performance Criteria	Indicative targets		Performance Criteria		Indicative targets	Indicative targets
	Proj.	Proj.	Modified	Proj.	Modified	Proj.	Proj.
Quantitative Performance Criteria[1]							
1. Floor on Tax Revenues	28,118.3	46,912.0	47,552.5	62,549.3	65,589.6	17,814.2	35,628.5
2. Floor on the Primary Domestic Fiscal Balance[2]	-8,390.3	-9,439.1	-6,025.2	-10,487.9	-8,033.6	-2,123.0	-3,449.9
3. Floor on the Level of Net International Reserves	112,007.4	112,030.4		112,250.0		114,748.2	117,246.5
4. Ceiling on New Nonconcessional External Debt Contracted or Guaranteed by the Government (millions USD)[3]	0.0	0.0		0.0		0.0	0.0
5. Ceiling on Accumulation of New External Arrears (millions USD)[3]	0.0	0.0		0.0		0.0	0.0
Indicative Targets[1]							
6. Ceiling on the Accumulation of New Domestic Payments Arrears, Net	0.0	0.0		0.0		0.0	0.0
7. Floor on Social Cash Transfers	…	…		…		…	…
8. Floor on Cash-for-work, Livelihood Grants, and Technical Training	585.6	1,224.2	803.3	1,765.6	966.2	353.1	585.6
Memorandum Items							
Ceiling on Contracting and Guaranteeing of New External Concessional Borrowing by the Government (millions USD)[4]	14	27		78		14	14

Sources: IMF Staff.

[1]Definitions of targets and adjustors are provided in the Technical Memorandum of Understanding (TMU).

[2] Starting in 2025, this target accounts for the new definition of the primary domestic fiscal balance as per the TMU.

[3]Continuous performance criteria, cumulative since beginning of calendar year. For external arrears, reported outturn for each quarter corresponds to amount of external arrears accumulated during the calendar year that remain outstanding at the end of the quarter. Starting in 2024, external arrears exclude loans to BADEA and Exim India which are under discussion (see TMU for details).

[4]Cumulative since the start of the program.

Table 2. Union of the Comoros: Proposed Prior Actions and New Structural Benchmarks, 2025–26	
Proposed Measures	**Proposed Timing**
A. Prior Actions	
Sign and endorse a ministerial decree limiting the application of the immediate release procedure (IM9) at the General Directorate of Customs (DGD) to medicines, perishable or (non-prohibited) hazardous goods	Prior action
Sign and endorse a ministerial decree granting the General Directorate of Customs (DGD) the authority to recover arrears of customs taxes and duties in the Union of the Comoros	Prior action
B. Fiscal Structural Reforms	
The BCC to close the 19 government accounts at the BCC that had zero balances or were inactive as of May 12, 2025, and integrate those balances into the Treasury Single Account	June 30, 2025
The General Directorate of Budget to share with the IMF team the macro-budgetary framework, including details on revenues and expenditures, which will serve as the basis for the 2026 Budget Law	September 30, 2025
The DGI to interconnect the SIGIT software with the databases of all DGI offices in all three islands	April 30, 2026
Deactivate all Tax Identification Numbers (TINs) in SYDONIA that were not recognized by the DGI	July 31, 2025
Issue a circular note describing the modalities for settling customs duties and similar taxes (DDA), the consumption tax (TC), and excise duties (DA) on imports	June 30, 2025
The General Directorate of Customs (DGD) to carry out corrections and parameter settings in SYDONIA to ensure application, in line with existing regulations, of: (i) the tax base of the consumption tax on fully taxed imported products; and (ii) the ad valorem base for excise duties on imports	June 30, 2025
The General Directorate of Customs (DGD) to recover from the Comorian Hydrocarbon Company (SCH) at least KMF 1,000 million in arrears of domestic taxes on petroleum products (TIPP), out of a total of KMF 2,587 million in arrears covering the period from 2019 to June 30, 2024	September 30, 2025
Finalize the implementing regulations of the Decree on Budgetary and Public Accounting Management Regulations (RGBCP), including: (i) the Government Chart of Accounts (PCE); (ii) specification of supporting documents for expenditures and revenues; (iii) guidelines on Government Accounting; (iv) the roles and responsibilities of public accountants; and (v) list of expenditures that can be paid without prior authorization or prior scheduling	December 31, 2025
C. Financial Sector Structural Reform	
The postal bank BPC to be capitalized in cash with the redemption of the Treasury bond payment due in 2025	July 15, 2025

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–2025		
Structural Benchmark	**Date**	**Status**
A. Fiscal Structural Reforms		
Measures to Boost Tax Revenue		
Establish the Large and Medium Taxpayer Office (Direction des Grandes et Moyennes Entreprises)	July 31, 2023	Met
Raise the number of active taxpayers by 10 percent at the Large and Medium Taxpayer office (from 543 at the large taxpayer office and the medium and small taxpayer office, as of March 31, 2023) and send all these taxpayers requests to file tax declarations	December 31, 2023	Met
Remove the fee for getting a NIF (Numero d'Identification Fiscale) and the requirement to renew it every 3 years and ensure that all taxpayers have a NIF adapted to the SIGIT platform	September 30, 2023	Met
Interconnect the SIGIT and SYDONIA platforms to enable automated exchange of data between DGI and customs	December 31, 2023	Met
The DGI to produce an audit report showing tax adjustments in the second half of 2024, resulting from the identification and taxation of new taxpayers based on data exchanges with customs through the SIGIT-SYDONIA interconnection	June 30, 2025	
Raise the number of active taxpayers by 20 percent at the Large and Medium Taxpayer Office (DGME) (from 676 as of September 30, 2024, to at least 811 by the end of 2025) and send all these taxpayers requests to file tax declarations	December 31, 2025	
Customs Reforms		
Complete the *de jure transfer* of the management of fuel products taxes to the customs administration after already having completed the transfer *de facto*	June 30, 2024	Met
Issue ministerial decrees to implement the customs code	June 30, 2024	Met
General Directorate of Customs to complete an arrears report, identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024, and specifying the due dates on those customs duties	September 30, 2024	Met
General Directorate of Customs to recover at least 50 percent of the uncollected customs duties under the suspensive regimes that were overdue as of June 30, 2024	December 31, 2024	Not met, proposed to be reset to September 30, 2025
Tax Policy Measures		
Establish a Tax Policy Unit that reports to the Minister of Finance, with TA from FAD	September 30, 2024	Met
Ministry of Finance to conduct tax expenditure analysis starting with customs duties and indirect taxes	October 31, 2025	
PFM Measures		
Complete the audit of domestic arrears, including cross-arrears between SOEs and the government	December 31, 2023	Met
Develop a medium-term action plan to clear domestic arrears	September 30, 2024	Met
Appoint Director of the General Directorate of Public Accounting and the Treasury	March 31, 2024	Not met, completed as a Prior Action for 3rd ECF Review

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–2025 (continued)		
Structural Benchmark	**Date**	**Status**
Finalize and promulgate the presidential decree on the Budgetary and Accounting Management Regulations	April 30, 2024	Not met, completed in May 2024
Publish the annual 2024 budget approved by Parliament	April 30, 2024	Met
Ministry of Finance to request BCC to provide daily consolidated statements on all government accounts at the BCC to the General Directorate of Public Accounting and the Treasury (DGCPT), the Union's General Treasury Paymaster, and the IMF	June 30, 2024	Met
The Ministry of Finance to formally request from its creditors, and communicate to the IMF, an updated schedule of medium-term debt service (2025-2027) for all disbursed debt as of the end of 2024	December 31, 2024	Met
Attach to the 2025 Budget Law the detailed cash flow plans specifying the exact payment dates for mandatory expenditures (including salaries and debt service) and the due dates for major taxes and duties (TIPP, TC, IS, ITS) (see example in the TMU)	December 31, 2024	Not met, proposed to be reset to June 30, 2025
In accordance with certain provisions of Decree No. 009-081/PR of July 20, 2009, which establishes a Government Cash Flow Plan, adopt a ministerial decree to (i) define the nature and classification of mandatory expenditures, and (ii) create a Treasury Committee responsible for the development and monitoring of the Government Cash Flow Plan, defining its composition and setting out its missions and operating procedures	December 31, 2024	Met
The BCC to provide the DGCPT and the Union’s General Treasury Paymaster (TPGU), with a copy to the IMF, the daily balance of each government account held at the BCC, except for accounts related to projects funded by international partners, and those for national security and the presidency	Every workday starting from January 1, 2025	Met
The Debt Directorate at the Ministry of Finance to provide the IMF and the BCC with the external debt situation compiled by the debt management software CSDRMS	15th of the following month, starting from January 15, 2025	Met
The Ministry of Finance to publish the Government Financial Operations Tables (TOFE) for the four quarters of 2024	August 30, 2025	
B. Financial Sector Reforms		
SNPSF Restructuring		
BCC to set up a resolution unit which is structurally separated from the Supervision Department, and reports separately to the BCC Board	June 30, 2023	Met
Appoint managing director at BPC with management expertise and experience in banking and credit risk management to operationalize the BPC according to the business plan developed under the SMP	August 31, 2023	Met
Submit to BCC an application for a banking license for the Banque Postale des Comores, which would specify a business plan, a management team, and a capital injection plan that are in line with MEFP ¶15 of the ECF Request	August 31, 2023	Met

Table 3. Union of the Comoros: Status of Structural Benchmarks, 2023–2025 (concluded)		
Structural Benchmark	**Date**	**Status**
Submit to Parliament the statutory resolution framework that includes the three points recommended in the MCM TA report, "Operationalization of the Bank Resolution Act of September 2022," to align with international standards	May 31, 2024	Met
BCC to complete onsite inspections to assess the quality of credit portfolios	December 31, 2024	Met
The BCC to issue a banking license for the BPC, with a credit ceiling of KMF 5 million which will only be in place during the establishment of the information system and until the BCC board can review the relevance of this "specific modality" of the banking license when the DSB has validated the operationalization and reliability of this information system	March 31, 2025	Met
Measures to Enhance BCC's Supervision and Resolution Capacity		
Approval by the BCC of a formal timebound recapitalization plan to be adopted by each Comorian deposit-taking institution in breach of capital adequacy requirements	March 31, 2025	Not Met, reset to September 30 2025
NPL Commission to submit a report to the President on NPL developments and work of the Commission to resolve NPLs during 2024	May 31, 2025	Met
C. Institutional, Governance and Anti-Corruption Reform		
Adopt into law the draft anti-corruption law that was aligned with the SMP objectives to enhance preventive measures against corruption, strengthen the rules related to conflicts of interest, and improve the asset declaration system for senior public officials, while providing for the creation of an operationally independent and autonomous Anti- Corruption Chamber with the mandate to set up and coordinate implementation of the country's anti-corruption policy priorities	June 30, 2023	Met
Operationalize an independent and autonomous anti-corruption agency in line with the draft anti-corruption law	December 31, 2023	Not Met, completed in May 2024
Publish the full audit report of spending financed by the IMF emergency support in 2020	June 30, 2023	Met
Publish online information on public procurement contracts, including beneficial ownership information, in line with the roadmap published in 2021	Continuous, starting on May 1, 2024	Met
Promulgation by the President of the Union of Comoros of the amended statutes of the BCC in line with IMF staff advice	April 30, 2025	Met

Attachment II. Technical Memorandum of Understanding

Moroni, Union of the Comoros, June 10, 2025

This Technical Memorandum of Understanding (TMU) defines the concepts, adjustment mechanisms, and data reporting requests relating to the quantitative targets provided in Table 1 of the Memorandum on Economic and Financial Policies (MEFP).

A. Definitions and Computation Methods

1. For the purposes of this TMU, external and domestic are defined on a residency basis, and the program exchange rate is the average rate projected in 2023 as of end-April 2023, specifically 462.8 KMF per U.S. dollar, 491.97 KMF per euro, 617.32 KMF per SDR, and 612.44 KMF per AfDB Accounting Unit.

2. Unless otherwise indicated, the term government refers to the government of the Union of the Comoros. Local governments, the Central Bank of Comoros (BCC), and any public entity with independent legal status, including state-owned enterprises, are excluded from the definition of government.

3. Government domestic revenue comprises all tax and non-tax revenue of the government as reported in the Table of Government Financial Operations (TOFE) reported by the Ministry of Finance, Budget, and the Banking Sector. Revenue is assessed on a cash basis. It includes any tax revenue withheld by the Treasury at the source (such as on the salaries of civil servants) but not tax revenue withheld by SOEs in compensation for services provided to, or debt owed by, the government. Revenue includes recovered tax arrears but excludes outstanding tax arrears. Proceeds from grants, loans, and asset sales do not count as domestic revenue. Starting in 2025, non-tax revenue no longer includes the CCIA (tax to support the Chamber of Commerce, Industry and Agriculture) collected by the General Directorate of Customs.

4. Government domestically financed expenditure comprises all government spending including spending financed by budget support grants or loans, non-concessional loans, and loans contracted for spending on El Maarouf hospital, but excludes expenditure financed by all other project-specific external grants or concessional loans (such as technical assistance, project maintenance, vaccines, World Bank financing for strengthening the social safety net, external funding related to the African Union presidency, or investments in fixed assets). Recapitalization and restructuring costs of state-owned enterprises, such as the BPC/SNPSF, are also excluded from expenditure; recapitalization costs are instead recorded as acquisition of assets under "financing" (i.e., "below the line"). Spending is assessed on a payment-order basis but includes also spending executed before payment authorization and not regularized. Starting in 2025, domestically financed expenditure also includes spending related to the Redevance Administrative Unique (RAU) collected by the General Directorate of Customs and which were not previously part of the budgetary spending or budget regularization processes.[1]

5. The domestic primary fiscal balance is defined as domestic revenue less domestically financed expenditure, defined above, excluding interest payments.

6. Net international reserves (NIR) of the BCC are defined for program-monitoring purposes as reserve assets of the BCC minus short-term external liabilities at remaining maturities and all credit outstanding from the IMF. Reserve assets are defined as external assets readily available to, and controlled by, the BCC and exclude pledged or otherwise encumbered external assets, assets used as collateral or guarantees for third-party liabilities, or assets that are not fully convertible. Securities whose market value on the last day of the year differs by over 20 percent from their original nominal issue price will be assessed at their market value as reported by the BCC. When calculating NIR, all values are to be converted to the actual mid- point market exchange rates prevailing at the test date.

7. Debt is defined as in ¶8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103) of the Executive Board (October 28, 2020). "Debt will be understood to mean a current, i.e., not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract."

8. A debt is considered concessional if it includes a grant element of at least 35 percent, and non-concessional otherwise. The grant element is the difference between the nominal value of the debt and its net present value, expressed as a percentage of the nominal value. The net present value of the debt at the date on which it is contracted is calculated by discounting the future stream of debt service payments due using a 5 percent discount rate.

9. Domestic (external) payment arrears of the government are defined as any of the following: (i) invoices that a spending ministry has received from a resident (non-resident) supplier of goods and services and for which payment has not been made within 90 days from the date the payment order (*ordonnancement*) was cleared, unless it can be ascertained that the goods and services in question were not delivered; (ii) in the case of specific contracts between resident (non- resident) parties and the government, any obligations (including debt service) that have not been paid at the time stipulated in the contracts, including any applicable grace period; (iii) tax credits confirmed by the proper authorities after review, and not paid within 90 days from the date when the payment order was issued; or (iv) wages and salaries and any payments to a government employee that were due to be paid in a given

[1] This definition impacts the end-March 2025 indicative target and end-June 2025 quantitative performance criterion on the domestic primary balance and for the remainder of the program.

month but remained unpaid on the 30th day of the following month. Arrears exclude debt service **that the creditor has forgiven or rescheduled to a later date.**

10. Social cash transfers refer to cash transfers supporting vulnerable households that have a direct effect on reducing poverty, including those financed by international development partners. Transfers related to cash for work, livelihood grants, and technical training refer to cash transfers that support vulnerable households in livelihood and income-generating activities supported by the World Bank's Shock Responsive and Resilient Social Safety Net Project (PFSS-RR) in Comoros.

B. Quantitative Performance Criteria and Indicative Targets

11. Unless otherwise stated, all quantitative targets (MEFP Table 1) will be assessed cumulatively from the beginning of the calendar year.

12. The floor on tax revenue is the tax portion of government domestic revenue described in ¶3. Thus, the sought-after increase in tax revenue specified in Table 1 of the MEFP will have to be realized entirely in the cash portion of domestic revenue.

13. The floor on the domestic primary fiscal balance (as defined in ¶5) will be adjusted as follows:

- The end-2025 floor on the domestic primary fiscal balance will be fully adjusted downward (i.e., more negative) for unexpected spending on COVID-19 vaccinations that is not financed by support for vaccinations from development partners such as the World Bank.
- The quarterly floor on the domestic primary fiscal balance will be adjusted upward (i.e., less negative) by one half of the amount by which domestic revenue (tax and non-tax) exceeds expectations. As a result, the authorities will be able to spend half of any excess revenue. For reference, domestic revenue at end-March, end-June, end-September, and end-December 2025 is projected to reach KMF 14,524.8 million, KMF 32,680.9 million, 57,260.9 million, and 76,232.4 million, respectively. For 2026, domestic revenue is projected to reach KMF 18,536.5 million and KMF 39,689.1 million at end-March and end-June, respectively.
- Given the definition of domestic revenue (¶3), the floor on the domestic primary fiscal balance will not be adjusted for unexpected changes in budget grants and loans. This implies that any additional budget support above expectations must be saved or used to reduce debt, while any shortfall in budget support would not require raising revenue or cutting spending to offset the lower budget support. Note that the previous bullet continues to apply even if budget support is lower than expected.

14. The floor on net international reserves of the BCC will not be adjusted for unexpected changes in budget grants and loans. The reason is that the current level of reserves is adequate, hence significant further accumulation is not needed, but their level should not fall below the floor of 6.8 months of imports that is assessed be adequate for Comoros.

15. The ceiling on domestic arrears applies to the net accumulation of domestic arrears from the beginning of the calendar year. This accumulation will be assessed by subtracting clearance of arrears incurred in the current year or earlier from gross accumulation of new arrears in the current year. The **ceiling on external arrears** applies continuously to the gross accumulation of new external arrears from the beginning of the calendar year (in other words, there should be no new external arrears accumulated at any point in time). Starting from January 1, 2024, the program definition of new external arrears exclude debt to the Arab Bank for Economic Development in Africa (BADEA), for which an alternate creditor is being sought, and debt to Exim Bank India, which relates to a power plant project under dispute and for which the Comorian authorities are seeking solutions with the Indian government. These exclusions are made on a temporary basis for these specific loans that are under discussion/dispute. This continuous performance criterion will be monitored continuously by the authorities and any nonobservance will be reported promptly to the Fund. For reference, the net accumulation of domestic arrears up to the end of 2024 is estimated at -4,494 million KMF (i.e. a net decumulation).

16. The floors on social cash transfers and transfers related to cash for work, livelihood grants, and technical training (as defined in ¶10) will be adjusted downward for shortfalls in the disbursements of World Bank grants for these projects. Similarly, they will be adjusted upward for disbursements above the projected amounts. For reference:

- The cumulative amount expected for social cash transfers at end-December 2025 is US$ 2,087,726 (or KMF 966.2 million at the program exchange rate defined in ¶1).
- The cumulative amounts expected for transfers related to cash for work, livelihood grants, and technical training are as follows:

Text Table 1. Union of the Comoros: Disbursements by the World Bank for the PFSS-RRC Transfers for Cash for Work, Livelihood Grants, and Technical Training
(Cumulative since start of the year)

	U.S. dollars	Millions KMF at the program exchange rate defined in ¶1
End-March 2025	506,698	234.5
End-June 2025	1,265,341	585.6
End-September 2025	1,735,739	803.3
End-December 2025	2,087,727	966.2
End-March 2026	762,965	353.1
End-June 2026	1,265,341	585.6

17. The ceiling on the contracting or guaranteeing of new non-concessional debt by the government or the BCC will be assessed continuously and excludes IMF credit. Normal short-term import and supplier credits (e.g., revolving credit lines) are excluded, these being self-liquidating operations, because the sales of imports are used to repay the debt. Debt being rescheduled or restructured is excluded from this ceiling to the extent that such non-concessional debt is used for debt management operations that improve the overall public debt profile. A debt is considered contracted on the signature date of the contract. This continuous performance criterion will be monitored continuously by the authorities and any nonobservance will be reported promptly to the Fund.

18. Standard continuous performance criteria include prohibitions on (1) the imposition or intensification of restrictions on making of payments and transfers for current international transactions; (2) the introduction or modification of multiple currency practices; (3) the conclusion of bilateral payments agreements that is inconsistent with Article VIII; and (4) the imposition or intensification of import restrictions for balance of payments reasons.

C. Reporting Requirements

19. The authorities will report to Fund staff the information and data in the form mutually agreed with the reporting agency and the frequency described in the table below. The authorities will transmit promptly to Fund staff any data revisions and consult Fund staff regarding any and all information or data not specifically addressed in this TMU but necessary for monitoring the program.

Table 1. Union of the Comoros: Periodic Data Required for the Extended Credit Facility

Agency	Data	Frequency	Deadline
Real Sector			
Agency	**Data**	**Frequency**	**Deadline**
INSEED	Consumer Price Index.	Monthly	1 month
INSEED	National accounts, including GDP deflator (historical data and projections).	Annually	9 months
INSEED/BCC	Economic bulletin / note, including data in Excel file.	Quarterly	3 months
SONELEC/INSEED	Electricity production and consumption.	Quarterly	1 month
SONOLEC	Financial statement	Annually	3 months
SCH	Financial statement	Annually	3 months
ONICOR	Financial statement	Annually	3 months
Monetary Sector			
Agency	**Data**	**Frequency**	**Deadline**
BCC	Monetary statistics, government net position, BCC accounts and consolidated accounts of other depository corporations, and reserve position.	Monthly	45 days
Fiscal Sector			
Agency	**Data**	**Frequency**	**Deadline**
TOFE Committee	TOFE (including a file detailing social spending: education, health, support for the most vulnerable)	Quarterly	3 months
Directorate of Public Accounting and the Treasury	Treasury cash flows	Monthly	2 weeks
Debt Directorate	Monitoring of public debt (contracted debt, disbursed debt, interest payments, principal repayment) due to external creditors and domestic financial institutions.	Quarterly	1 month
Debt Directorate	External debt arrears	As soon as incurred	As soon as incurred
Debt Directorate	Debt arrears with domestic financial institutions.	Monthly	1 month
Debt Directorate	Debt bulletin	Quarterly	3 months

Table 1. Union of the Comoros: Periodic Data Required for the Extended Credit Facility (concluded)

Customs	Imports in detail (volume, value and corresponding revenue for each tax and duty)	Monthly	1 month
Customs	Exports in detail (volume, value and corresponding revenue for each tax and duty)	Monthly	1 month
General Planning Commission (CGP)/CREF	Monitoring of projects by donor, specifying the terms of project financing (loans or grants) and their nature (investment or current expenditure)	Quarterly	45 days
External Sector			
Agency	**Data**	**Frequency**	**Deadline**
BCC	Imports including all petroleum products (volume, value)	Quarterly	2 months
BCC	Exports (volume, value)	Quarterly	2 months
BCC	Balance of payments	Annually	4 months
Financial Sector			
Agency	**Data**	**Frequency**	**Deadline**
BCC/Banking supervision	Financial soundness indicators of the banking system	Quarterly	1 month
BCC/ Banking supervision/ Banking Resolution	Monitoring reports of BPC/SNPSF, BDC and BFC	Quarterly	1 month

Statement by the Staff Representative on the Union of the Comoros
June 24, 2025

The following information became available after the issuance of the staff report. These updates do not alter the thrust of the staff appraisal.

1. **The authorities completed the two prior actions for the fourth review of the Extended Credit Facility (ECF) arrangement.** The ministerial decree to limit the application of the immediate release procedure (IM9) at the General Directorate of Customs (DGD) to medicines, perishable or (non-prohibited) hazardous goods, and the ministerial decree to grant the DGD the authority to recover arrears of customs taxes and duties in the Union of the Comoros were both signed by the Minister of Finance and endorsed by the Secretary General of the Government on June 11, 2025.

Statement by Mr. Adriano Ubisse and Mr. Mohamed Cheik
on Union of the Comoros
June 24, 2025

The Comorian authorities express their sincere appreciation for the constructive collaboration with Ms. Tambunlertchai and her team during the fourth review mission of the Extended Credit Facility (ECF). They commend the IMF staff across departments for their valuable technical assistance and broadly align with the staff's assessment. The authorities reaffirm their strong commitment to advancing reforms under the ECF arrangement and welcome the recognition of progress achieved. Despite ongoing social and climate-related challenges, they remain resolute in their pursuit of long-term stability and reform. They value the candid and productive policy dialogue and look forward to continued engagement to enhance economic resilience.

The Union of the Comoros continues to grapple with deep-rooted structural challenges and heightened vulnerability to climate-related shocks. Following a slowdown in 2024, marked by moderate inflationary pressures, early signs of economic recovery emerged by late 2024 and into 2025. However, recurrent climate shocks—including cyclones, rising sea levels, and flooding—have significantly disrupted development efforts. Tropical Depression Hidaya and Cyclone Chido caused widespread damage to infrastructure, agriculture, and livelihoods. Despite these setbacks, the Comorian authorities remain firmly committed to their reform agenda under the ECF-supported program. By leveraging strategic partnerships with the IMF and other development partners. They aim to bolster macroeconomic stability, foster inclusive growth, and enhance living standards for all Comorians.

Program Performance

1. Despite implementation delays stemming from a prolonged post-election transition, the Comorian authorities have made notable progress under the ECF-supported program since the last review. During the Fourth Review period, they successfully completed eight of the eleven structural benchmarks (SBs), including three completed ahead of schedule. Additionally, two of the five Quantitative Performance Criteria (QPCs)—on non- concessional external debt and net international reserves—were met. Regarding the unmet Quantitative Performance Criteria (QPCs), the authorities have taken prompt corrective actions to address them and remain committed to advancing progress on the outstanding structural benchmarks (SBs). To address the missed fiscal QPCs, the authorities have committed to adopting corrective measures by the end-2025 to reinforce domestic revenue mobilization. As part of prior actions, they have issued two ministerial decrees: one limiting products eligibles for the immediate release customs procedure—aimed at curbing abuses that contributed to customs collection slippages—and another authorizing the General Directorate of Customs to recover outstanding tax and customs duty arrears. Additionally, all external debt service arrears that had accumulated earlier in the year have now been cleared.

2. The authorities are also advancing several proposed structural benchmarks (SBs), including: (i) publishing a circular to define calculation methods for various taxes and import duties (targeted for end-June), (ii) configuring the SYDONIA software to ensure accurate computation of consumption tax and ad valorem excise duties (targeted for end-September), and (iii) recovering at least KMF 1 billion in tax arrears from the state-owned petroleum importer, SCH, by end-September. Concurrently, efforts are underway to address three missed SBs: (i) annexing a treasury plan to the 2025 Budget Law outlining mandatory expenditures and key tax deadlines; (ii) ensuring the General Directorate of Customs recovers at least 50 percent of unpaid customs duties related to expired suspension regimes as of June 30, 2024; and (iii) securing the Central Bank of the Comoros' (BCC) approval of formal time-bound recapitalization plans for undercapitalized banks. The authorities request rescheduling of these SBs to allow for effective implementation. **In light of the progress achieved, they request Executive Directors' support in the completion of the Fourth Review under the ECF arrangement, approval of modifications to the end-December 2025 QPCs on tax revenue and domestic primary balance (DPB), and waivers for the nonobservance of the end-December 2024 QPCs on tax revenue, the DPB, and the continuous QPC on the non-accumulation of external arrears.**

Recent Economic Developments and Outlook

3. GDP growth reached 3.3 percent in 2024, up from 3 percent in 2023, with a projected increase to 3.8 percent in 2025. Annual average inflation declined to 5 percent in 2024, down from 8.5 percent in 2023, though it remained elevated compared to pre-COVID-19 levels. In March 2025, year-on-year Inflation surged to 7.3 percent, due to base effects, supply shocks from Cyclone Chido, and strong Ramadan-related demand, which pushed up food prices. Domestic credit growth accelerated to 9.6 percent, driven by increased government financing and a recovery in private sector lending. To manage excess liquidity, the BCC kept the reserve requirement ratio at 12.5 percent and the minimum bid rate for reverse auctions at 3 percent, while raising the liquidity absorption ceiling to KMF 15 billion in October 2024. These measures helped contain inflation and fine-tune banking system liquidity. Given persistent inflationary pressures, the BCC remains vigilant and ready to tighten its stance if necessary.

4. The current account balance experienced a notable deterioration, with the deficit expanding from 1.5 percent of GDP in 2023 to 2.2 percent in 2024. This trend was primarily driven by heightened import demand for essential food products—including rice, flour, and poultry-based goods—as well as petroleum, particularly in the latter half of the year. Despite the widening trade deficit, robust remittance inflows continue to play a crucial role in mitigating the current account imbalance. Consequently, gross international reserves increased, ensuring 7.5 months of import coverage and contributing to financial stability amid ongoing external challenges.

5. The outlook remains broadly stable, with anticipated growth across all sectors, supported by favorable weather conditions and government efforts to stabilize inflation. Growth is projected at 3.8 percent in 2025, supported by recovering credit, trade, and public investment. Inflation is expected to average 3.8 percent, while the current account deficit may widen slightly due to energy imports before stabilizing around 3 percent. Reserves remain strong. Nevertheless, our authorities recognize the significant risks to the medium-term economic outlook posed by geopolitical uncertainties, financing constraints, and structural challenges such as limited economic diversification and climate-related vulnerabilities. Risks also include persistent inflation, infrastructure shortages, and potential declines in external support. On the upside, WTO membership and stronger investment could accelerate growth.

Fiscal Policy and Debt Management

6. Our Comorian authorities remain firmly committed to fiscal discipline and will focus on stronger revenue mobilization and prudent fiscal policies, despite the recent shocks. That said, tax revenue underperformed in late 2024, mainly due to weak trade and domestic tax collections, leading to a lower-than-expected domestic primary balance of -1.7 percent of GDP. Increased non-tax revenues and project grants provided only partial relief. Meanwhile, recurrent spending exceeded projections, and the financing shortfall was covered by higher domestic borrowing. The overall fiscal balance benefited from lower foreign-financed investment, and the authorities made progress in clearing domestic arrears. The latest Debt Sustainability Assessment (DSA) remains unchanged since the previous review, with Comoros' debt assessed as sustainable but at high risk of distress. The authorities are aware of the vulnerabilities, particularly those steaming from low revenue and recurring arrears. They view strong remittance inflows as critical to support debt sustainability, recognizing them as a stable source of financing that they aim to channel into productive investments.

7. To reinforce fiscal sustainability, governance, and economic resilience, the authorities are advancing comprehensive tax reforms, modernizing customs operations, and strengthening public financial management systems. Their strategy aims to enhance revenue collection through improved tax compliance, expansion of the tax base, digitization of procedures, and stronger enforcement mechanisms. With support from the IMF and development partners, they are implementing both short- and medium-term revenue mobilization measures. The newly operational Fiscal Policy Unit (UPF) will play a central role in shaping future tax policy. In line with Comoros' WTO post-accession strategy, the authorities are also working to rationalize tax exemptions, improve customs valuation practices, and implement trade facilitation reforms to support long-term fiscal stability.

8. The authorities reaffirm their strong commitment to fiscal consolidation and prudent debt management to ensure long-term sustainability and reduce financing vulnerabilities. Their strategy—anchored in the 2025 Finance Law—focuses on comprehensive tax reform, disciplined public investment, and enhanced Public Financial Management (PFM), while

securing concessional financing and negotiating the restructuring of inherited arrears. Reforms are progressing under the 2024–2033 Public Financial Management (PFM) strategy, with key milestones including the publication of the 2025 budget, the establishment of a Treasury Committee, and initial steps toward a Treasury Single Account. Debt transparency is also being strengthened through the use of the CSDRMS system, with a transition to Meridian planned by mid-2026. Governance and oversight of state-owned enterprises are being enhanced through regular audits, performance monitoring, and restructuring efforts with the recent establishment of the Directorate of State Holdings Management and Public Enterprise Financial Performance Monitoring.

Monetary and Financial Sector Policies and Reforms

9. Our authorities are engaged in preserving monetary and external stability, maintaining key policies to preserve parity and liquidity while reinforcing financial resilience. The Central Bank of Comoros (BCC) continues to uphold monetary measures that support price stability and a strong anchor to the euro, with ongoing improvements in liquidity management and market transparency. Additionally, the government is focused on safeguarding external stability, with comfortable level of international reserves, supported by remittances.

10. As part of their continued efforts to enhance financial sector stability, accessibility, and governance, the authorities have launched several key reforms and institutional measures. They established Comoros' guarantee company (SOGAK) and implemented a TEG-usury rate mechanism with AFD's support, aimed at improving credit allocation, reducing non-performing loans—whose ratio has remained stable at around 14 percent—and curbing excessive interest rates. In parallel, broader financial sector modernization is underway, including reforms to bolster loan recovery, finalize the Emergency Liquidity Assistance (ELA) framework, and develop a structured interbank market. The 2023 Public Debt Management Law has reinforced refinancing tools and liquidity management. The authorities are also advancing the restructuring of SNPSF, including approval of BPC's banking license and steps to improve governance, risk management, and inclusion. The creation of "SNPSF Liquidation" supports the recovery of non-performing assets, while BPC's new information system strengthens financial oversight. The upcoming steps focus on fully operationalizing banking services, lifting credit restrictions, and completing liquidation processes.

Structural and Governance Reforms

11. The authorities are committed to strengthening governance, enhancing transparency, and combating corruption through institutional reforms and improved financial oversight. Efforts include reinforcing the legal system to protect property rights and contracts, advancing fiscal transparency through the regular publication of financial reports and procurement contracts, and implementing anti-corruption measures such as the establishment of the Anti-Corruption

Chamber. Additionally, public administration reforms aim to improve efficiency by addressing absenteeism, enhancing recruitment processes, and modernizing personnel management systems. The government is also working to strengthen the framework for anti-money laundering and counter-terrorism financing (AML/CFT) through legislative updates and risk-based supervision, in alignment with international standards. Further commitments include reinforcing the autonomy of the Central Bank of Comoros (BCC) in accordance with recommendations from the IMF's safeguards assessment and enhancing economic data collection to support policy formulation.

12. Recognizing that climate change poses a significant medium-term risk to Comoros—with the potential for severe socio-economic impacts including loss of life, infrastructure damage, food insecurity, and disruptions to growth and financial stability—the authorities are committed to implementing climate adaptation strategies, notably by investing in resilient infrastructure with the support of international partners. They also recognize the critical role of reliable economic data in effective policymaking and have reaffirmed their commitment to strengthening statistical capacity in collaboration with the World Bank, the IMF, and other partners.

Concluding remarks

13. Our Comorian authorities reaffirm their strong commitment to sustainable development, fiscal stability, and financial resilience, recognizing the critical role of the IMF and other development partners in supporting their reform agenda. They highly value the Fund's engagement in economic and financial sector surveillance and will carefully consider its recommendations to further enhance governance and transparency. Moving forward, they remain dedicated to implementing reforms under the ECF arrangements, strengthening institutions and promoting inclusive growth.