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COMOROS

SUMMARY OF DRAFT NATIONAL PROGRAMME OF ACTION  
(preliminary version)

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## I. INTRODUCTION

1. The main economic resources of the Comoros are agricultural products, exports of which have been on the decrease in recent years. In the Comoros, the primary sector accounts for around 41 per cent of gross domestic product (GDP), the secondary sector for 11 per cent and the service sector, which is dominated by trade in imported goods, 48 per cent. Export revenues cover only 8.5 per cent of import costs. Private transfers (eight times higher than export revenues) and official transfers (three times higher) are therefore resources of prime importance. The Comorian economic system is driven by three engines: exports of a few agricultural products, private transfers (mostly from the Comorian diaspora in France) and international aid. The future of each of these engines is uncertain: exports are suffering from falling prices for land produce, official assistance is on the decrease and transfers from the diaspora may fall with the second generation.

## II. REVIEW OF THE 1990s

2. The economic development of the Comoros in the 1990s can be summed up as one of economic stagnation and a fall in people's standard of living. Against this background, in December 1991, the Comoros adopted for the first time a three-year structural adjustment programme with the support of the International Monetary Fund (IMF) and the World Bank. The main aim was to restore the major macroeconomic balances, with priority being given to putting public finances on a sound footing.

### The structural adjustment programme and economic growth

3. When the structural adjustment programme was being implemented, the country benefited from a structural adjustment facility which enabled it to make up the budget deficit. The programme had many negative social repercussions, with around 3,000 State officials losing their jobs. The programme did not have the expected effect on the economy, as there was no significant increase in production. The devaluation of the Comorian franc against the French franc in January 1994 affected the cost of living almost exclusively and did not give the expected boost to import-substitution activities. In fact, it can be seen that production stood still while the exchange rate moved.

### The structural adjustment programme and foreign trade

4. The 1994 devaluation, far from helping to boost exports, actually caused them to fall (by 27 per cent in value). Moreover, the cost of imports rose. There has therefore been neither a negative effect on the volume of imports nor a positive impact on exports. This is because the lack of competitiveness of the country's exports, which are not very diversified, is structural, not just dependant on price effects.

### The structural adjustment programme and the balance of payments

5. The deterioration in the balance of payments has become more pronounced in recent years, with the growing trade deficit and the relative decrease in official development assistance,

particularly since 1993: 1994 saw a marked worsening of the trade balance and the beginning of a downward trend in official development assistance (in 1996, the latter was 39 per cent below its 1994 level). No improvement has been noted in the balance of payments since the structural adjustment programme was set up. This leaves the Comoros in a position of permanent dependence on the outside world.

#### The structural adjustment programme and poverty

6. The Comoros is one of the poorest countries in the world. Currently, over half the population lives below the poverty line (41 per cent of the population in Grande Comore, 70 per cent in Anjouan and 64 per cent in Mohéli). If the current trend persists, 93.4 per cent of households in the islands of the Comoros will be classed as poor in 2015. Poverty is more evident in rural areas than in urban areas.

### III. MAIN OBSTACLES TO DEVELOPMENT

7. The Comorian economy is handicapped by both internal and external constraints:

#### Internal constraints

- Problems related to political instability;
- Infrastructural weaknesses (inadequate air and sea links, expensive electricity and water);
- Poor competitiveness compared with the other countries in the region (high production costs), capital flight abroad;
- Constraints on private-sector development: weak infrastructure, the high cost of public services, the unskilled workforce;
- Illiteracy and poverty in women;
- The shortage of skilled human resources in the production sector (the civil service has become the sole employer of graduates);
- Strong demographic pressure: the Comorian population is growing at an annual rate of 2.7 per cent (faster than GDP) and per capita income has fallen in real terms by 7 per cent in 10 years;
- Lower prices for exports of vanilla, ylang-ylang and cloves, and a reduction in the area available for cultivation;
- The paucity of tourist accommodation (300 rooms) and the fairly high cost of air transport.

External constraints

- The country is heavily dependent on official development assistance (15-20 per cent of GDP), which has also financed the annual budget deficit of up to 10-15 per cent of the budget;
- Private transfers, which contribute to household income and various social and community investments, are in danger of being reduced;
- The external debt is a serious handicap (debt-servicing was equivalent to 284 per cent of exports in 1996);
- Foreign direct investment is almost non-existent because of the weak infrastructure and bad business climate.

IV. PROGRAMME OF ACTION FOR 2001-2010

8. The Comoros has never had a long-term development strategy. Currently, sectoral strategies are being worked out under the auspices of the Central Planning Department. It is intended to implement them in phases: an 18-month transitional phase during which a programme for reconstruction and national reconciliation will be implemented and a phase for the long-term strategy.

9. The overall development objectives can be reduced to two vital goals: poverty reduction and economic growth. It is accepted that deep-rooted poverty and serious inequalities are obstacles to sustainable growth. For this reason, with the help of the World Bank, an 18-month transitional programme has been set up with the main aim of reducing poverty.

First phase: Programme for Reconstruction and National Reconciliation (2001-2002)

10. The Programme for Reconstruction and National Reconciliation is a short-term programme (12-18 months) supported by the World Bank and all the development partners of the Comoros; its main aim is to combat poverty. The targets for action have been determined in close cooperation with local communities and civil society, with a view to identifying the main concerns in the fight against poverty. These are poverty reduction, support for the economic and financial sector, good governance and support for decentralization.

Second phase: Strategy for economic growth (2002-2010)

First aim: to exploit economic potential

11. The main aim for the next 10 years is to achieve sustainable socio-economic development by exploiting the country's economic potential, mainly in agriculture, the manufacturing sector and tourism. Trade is also more and more widely practised, even by civil servants. Once it becomes more profitable to engage in trading activities, there is little investment in production activities.

Second aim: to improve the economic environment

12. Sustainable development and the fight against poverty are only feasible in a stable and attractive economic environment. The following actions are therefore envisaged:

- Road, air and maritime transport programmes are currently being drawn up;
- Taxation on the production inputs that are necessary for economic development will be reduced and measures will be taken to increase productivity;
- To encourage investment, it is intended to set up a semi-public body to advise, inform and help investors;
- Lastly, action should be taken to improve the legal economic framework, develop human resources and limit demographic pressure.

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