

**SUBJECT : UNION OF THE COMOROS - DECISION POINT DOCUMENT UNDER**  
**THE ENHANCED HIPC INITIATIVE \***

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## **List of Acronyms and Abbreviations**

AfDB:	African Development Bank
AfDF:	African Development Fund
AMF:	Arab Monetary Fund
BADEA:	Arab Bank for Economic Development in Africa
BCC:	Central Bank of Comoros
COMESA:	Common Market for Eastern and Southern Africa
COTECNA:	Pre-shipment Inspection Company
DPO:	Development Policy Operation (World Bank)
DRA:	Debt Relief Analysis
DSA:	Debt Sustainability Analysis
ECF:	Extended Credit Facility (formerly PRGF, IMF)
EIB:	European Investment Bank
EPCA:	Emergency Post-Conflict Assistance
ESF-RAC:	Exogenous Shocks Facility-Rapid Access Component
FSAP:	Financial Sector Assessment Program
FSF:	Fragile States Facility (AfDB)
GFS:	Government Finance Statistics
HIPC:	Heavily Indebted Poor Country
I-CSN:	Interim Country Strategy Note (AfDB)
IFAD:	International Fund for Agricultural Development
IsDB:	Islamic Development Bank
ISN:	Interim Strategy Note (World Bank)
LDC:	Least Developed Countries
LIC:	Low-income country
MDG:	Millennium Development Goals
MDRI:	Multilateral Debt Relief Initiative
ODA:	Official Development Assistance
OPEC:	Organization of the Petroleum Exporting Countries
OFID:	OPEC Fund for International Development
PCCF:	Post-Conflict Country Facility
PEM:	Public Expenditure Management
PFM:	Public Financial Management
PRGSP:	Poverty Reduction and Growth Strategy Paper
REER:	Real effective exchange rate
SIGFIP:	Integrated Public Finance Management System
SCH:	National Hydrocarbon Company

## EXECUTIVE SUMMARY

### *Background*

Comoros is emerging from a long period of political and institutional instability that has been marked by political infighting since independence in 1975. Recent political developments have helped to create political stability and enhance the central government's authority over economic management and have allowed the normalization of engagement with key development partners. In this context, the Bank Group re-engagement in Comoros started in 2007 with an arrears clearance program that paved the way for the country to qualify for debt relief under the HIPC Initiative and helped develop a two-year Interim Country Strategy Paper 2009-2010. The strategy is in line with the Bank Group's emphasis on enhanced commitment in fragile states aimed at mitigating the countries' situation of fragility and assisting them to move towards a more stable political and economic development.

On June 29, 2010, the Boards of Directors of the IMF and the World Bank approved HIPC debt relief assistance to Comoros at Decision Point of about US\$144.8 million in end-December 2009 NPV terms. This document presents an assessment of the Bank Group's role in Comoros's debt relief under the HIPC Framework and the Bank Group's share of assistance at Decision Point.

### *Comoros's Eligibility for HIPC Initiative Assistance and Completion Point Triggers*

Four criteria are used to assess Comoros's Decision Point qualification and its eligibility for HIPC assistance: (i) widespread poverty; (ii) ongoing preparation of a Poverty Reduction Strategy Paper (PRSP); (iii) satisfactory macroeconomic management; and (iv) an unsustainable debt level. The assessment by the African Development Bank and the Bretton Woods Institutions concludes that with the implementation of agreed actions and measures, Comoros has fulfilled the requirements for debt relief under the HIPC Initiative and can now qualify for Decision Point debt relief assistance.

In consultation with the BWIs and key creditors, including the Bank Group, the Comorian authorities have drawn up a set of conditions for reaching the floating Completion Point under the enhanced HIPC Initiative, drawing on priorities identified in Comoros's Interim Poverty Reduction Strategy Paper (I-PRSP). In addition to the standard requirements on implementation of the country's poverty reduction strategy paper and macroeconomic stability, the Completion Point triggers include policy measures aimed at improving public financial management and governance; strengthening health, education and social sectors; supporting growth; and improving debt management capacity. Assuming a timely completion of a full PRSP, Comoros is expected to reach its Completion Point under the HIPC initiative by December 2012.

### *Comoros External Debt Stock and Debt Relief under HIPC and MDRI*

Comoros's public and publicly guaranteed external debt as at end-December 2009 was US\$286.8 million in nominal terms (equivalent to US\$213.1 million, in end-December 2009 NPV terms). After traditional bilateral debt relief, Comoros's debt is estimated at US\$257.4 million, in end-December 2009 NPV terms. This stock of debt requires total HIPC debt relief of US\$144.8 million in NPV terms to bring the debt to a sustainable level, implying a common reduction factor of 56 percent. Based on the burden sharing principle, multilateral creditors' assistance would amount to US\$111.2 million, and bilateral and commercial creditors' assistance to US\$33.6 million. The Bank Group's share of debt relief amounts to US\$34.6 million in 2009 NPV terms, equivalent to 31 percent of multilateral assistance, and 24 percent of the total assistance from all creditors. Out of this required debt relief from the Bank Group,

contributions amounting to US\$33.7 million have already been provided in the form of arrears clearance operations in 2007.

Upon reaching the Completion Point, Comoros would qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI). Preliminary estimates indicate that MDRI relief could amount to US\$52 million in NPV terms, assuming Comoros's reaching Completion Point by December 2012. Of this amount, debt cancellation of US\$30 million will be provided by IDA and US\$22 million by the Bank Group (ADF).

### ***Debt Sustainability and Sensitivity Analyses***

Traditional debt relief together with unconditional delivery of HIPC Initiative assistance would reduce Comoros's NPV of debt-to-exports ratio from 332 percent as of end-December 2009 to approximately 147.8 percent by 2012. With MDRI debt cancellation from IDA and ADF, the NPV would fall further to 88.4 percent of exports in 2012 and is projected to decline further over the long term. Sensitivity analyses indicate that Comoros's ability to service external debt after HIPC relief will remain highly vulnerable to external and growth shocks. The analysis underscores the importance of sustained domestic reform efforts to support the development of exports of goods and services, fiscal prudence and continued external concessional assistance heavily weighted toward grants.

### ***Indicative Financing Arrangements***

The Bank Group's share of Comoros's debt relief amounts to US\$34.6 million, in 2009 NPV terms. A contribution of US\$33.7 million in 2009 NPV terms has already been delivered by the Bank Group through its arrears clearance operations. This is slightly less than the required HIPC debt relief. However, with the expected contributions from the European Commission at Decision Point with regard to the remaining arrears of US\$3.4 million, the debt relief assistance due to Comoros from the Bank Group will be fully met. Therefore, no further debt relief directly from the Bank Group would be provided during the interim period. These arrangements are consistent with the HIPC Initiative approach. Debt relief provided by multilateral creditors in support of the country's arrears clearance is counted towards their contribution to debt reduction under the HIPC Initiative.

### ***Recommendations***

The Boards of Directors are invited to: (i) approve Comoros's qualification for HIPC assistance at the Decision Point under the Enhanced HIPC Initiative; (ii) approve the Bank Group's share of HIPC debt relief for Comoros, equivalent to US\$ 34.6 million in end-December 2009 NPV terms and (iii) note that the Bank Group's HIPC assistance will come entirely in the form of arrears clearance support.

# UNION OF THE COMOROS - DECISION POINT DOCUMENT

## UNDER THE ENHANCED HIPC INITIATIVE

### 1. Introduction

- 1.1. On June 29, 2010, Comoros became the 30th regional member country (RMC) to reach Decision Point under the HIPC Initiative following the International Monetary Fund (IMF)'s successful review of the country's economic performance under the program supported by the Extended Credit Facility (ECF)<sup>1</sup>. The Board of Directors of the IMF and the World Bank approved a HIPC debt relief assistance of about US\$144.8 million, in end-2009 NPV terms. This document presents the justification for Comoros's qualification for the HIPC Decision Point assistance as well as the proposed plan to finance the Bank Group's share of the country's costs of debt relief, which is estimated at US\$34.6 million in end-2009 NPV terms.
- 1.2. Comoros is emerging from a long period of political instability punctuated by violent transfers of presidential powers since independence in 1975. In 2001, a new constitution created the Union of the Comoros, allowing for each of the three islands to have its own president and parliament. This was followed by the landmark first election of a Union president in May 2006 and an agreed constitutional amendment in May 2009. Consolidation of these developments and reform efforts helped improve macroeconomic management and provided an opportunity to correct some of the shortcomings of the decentralization process initiated in the 2001 Constitution.
- 1.3. Key development partners, including the African Development Bank, the IMF<sup>2</sup>, the World Bank, and the Paris Club creditors have gradually resumed engagement with Comoros. This re-engagement has put the country on a path of strong sustained growth. In July 2009, the Bank Group approved a new Interim Country Strategy Paper (I-CSP) for 2009-10 following clearance of most of the arrears under the Post-Conflict Country Facility (PCCF) in 2007 and the lifting of sanctions on Comoros. The I-CSP builds on the Bank Group's strategic orientation for enhanced engagement in fragile states to assist countries transition out of fragility and to consolidate peace, stabilize their economies and lay the foundation for sustainable poverty-reduction and long-term economic growth, as well as help the beneficiary countries to qualify for debt relief assistance under the HIPC Initiative and Multilateral Debt Relief Initiative (MDRI).
- 1.4. This document sets out Management's proposal for the Bank Group to provide debt relief to Comoros under the enhanced HIPC Initiative in coordination with other development partners at Decision Point. The rest of the document is organized as follows: Section II assesses Comoros's eligibility for HIPC Initiative assistance and discusses the Completion Point triggers; Section III presents the current debt stock and discusses the HIPC and MDRI debt relief; Section IV summarizes results of the debt sustainability analysis for Comoros and the sensitivity of the debt burden indicators to some adverse shocks; Section V reviews the Bank Group's interventions in Comoros; Section VI presents the indicative financing arrangements, followed by recommendations for the Board's consideration in Section VII.

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<sup>1</sup> Completion of the first review allowed the disbursement of an amount equivalent to SDR1.56 million (about US\$2.30 million), bringing total disbursements under the arrangement to SDR 5.78 million (about US\$8.54 million).

<sup>2</sup> Comoros benefited from IMF support under Emergency Post-Conflict Assistance (EPCA) and the Exogenous Shocks Facility-Rapid Access Component (ESF-RAC) in 2008.

## **2. Comoros's Eligibility for HIPC Initiative Assistance and Completion Point Triggers**

- 2.1. Four requirements are used to assess Comoros's Decision Point and eligibility for the HIPC Initiative assistance, namely, (i) high incidence of poverty and other measures of the social-economic progress; (ii) the preparation of an Interim Poverty Reduction Strategy Paper (I-PRSP); (iii) satisfactory macroeconomic management; and (iv) an unsustainability of the external debt.

### ***Poverty and Social Issues***

- 2.2. With weak economic performance and persistent political instability in recent years, poverty is widespread and the social situation remains dire. The last household survey, fielded in 2004 with support from development partners (UN), indicated that 37 percent of Comoros' households (or 44.8 percent of individuals) live below the poverty line. The incidence of poverty varies across islands and is generally higher in rural areas. Comparison of 1995 and 2004 survey data shows that the overall situation seems to have improved somewhat (with percentage of households living below the poverty line dropping from 47 to 37 percent), albeit inequalities in per capita expenditures are substantially increasing – probably due to variances in inflows of remittances, which disproportionately benefited the better-off island of Ngazidja. In the absence of more recent data, the authorities estimate the incidence of poverty to have increased since 2004, given Comoros's recent overall weak economic performance. Nevertheless, some progress was made towards achieving several Millennium Development Goals (MDGs), with Comoros being on track to achieve some of the goals: net primary enrollment rate, ratio of female to male primary enrollment, mortality of children under 5 (per 1,000 births), and prevalence of HIV as percent of population. Also substantial progress has been made on five others: proportion of population below poverty line, levels of women employed in the nonagricultural sector, infant mortality rate, maternal mortality and proportion of births assisted by qualified health workers. See annex 3 for more details.

### ***Poverty Reduction Strategy***

- 2.3. Preparation and implementation of a participatory PRSP is a key condition for qualification for assistance from the HIPC Initiative. In September 2009, the government of Comoros officially adopted the country's first full Poverty Reduction and Growth Strategy Paper (PRGSP). The document builds on the strategy laid out in the Interim PRSP, which was approved by the Boards of the World Bank and the IMF in May 2006. With Comoros experiencing rapid succession of political upheavals that have hampered policy formulation and implementation over so many years, completing a full PRSP was a significant achievement. Moreover, since the early 2000s, the PRSP framework has been instrumental in anchoring the national reconciliation process and guiding the authorities in the gradual formulation of a development vision for the country.
- 2.4. The Bank Group has financed the finalization of the PRSP and an accompanying action plan for implementation of capacity building assistance under the Fragile State Facility (FSF) Pillar III (Targeted Support Window). The FSF will finance the work of a Technical Assistance teams in 2010 and 2011 to continue the implementation of the fiscal reform and to support the “*Commissariat Général au Plan*” to undertake a prioritization exercise of the PRSP. The PRSP has been finalized with the assistance of an international consultant as well as 2 national consultants that will assist in the implementation phase (Monitoring and Evaluation, and aid coordination).

### ***Economic Developments and Policy Track Record***

- 2.5. Economic conditions in Comoros have yet to recover from the effects of persistent political instability and the recent global crises. Real GDP growth was a mere 1 percent in 2008 and picked up to 1.8 percent in 2009, driven by donor-funded public programs, remittances-based private sector construction, and expansion of the financial sector. With the easing of pressures on food and fuel prices since 2008, inflation is broadly under control<sup>3</sup> and relatively softer energy prices have contributed to a narrowing of the external current account deficit to an estimated 7.9 percent of GDP in 2009 (11.1 percent in 2008).
- 2.6. Comoros's overall reform performance in the last two years demonstrates encouraging first steps against a backdrop of a difficult international context, and considering the severe capacity constraints and other institutional weaknesses it faces. The IMF has noted that macroeconomic policies under its 2008/09 EPCA and Extended Credit Facility (ECF)-supported programs have been broadly satisfactory albeit with some fiscal slippage. The most recent ECF program was approved in September 2009 for an amount equivalent to SDR13.57 million (about US\$20.03 million). Under the ECF instrument, particularly in revenue mobilization, the domestic primary budget deficit (benchmark) was exceeded by 1.0 percentage point of GDP. To this end, the Comorian government has taken corrective measures including the (i) appointment of a permanent secretary for the reform-monitoring committee; (ii) reestablishment of the revenue sharing mechanism and completion of comprehensive reform strategies for strengthening revenue mobilization and improving expenditure management and; (iii) preparation of consolidated quarterly fiscal accounts, communicated to donors in a timely fashion.
- 2.7. The Bank Group's current intervention in Comoros includes a budget support operation and institutional capacity building project. Key measures that have been adopted have been important for the consolidation of peace and putting the country on a path of economic growth.

### ***Unsustainability of the external debt***

- 2.8. As of end-December 2009, Comoros's public and publicly guaranteed external debt before traditional debt relief was estimated at US\$286.8 million, in nominal terms, equivalent to US\$213.1 million in NPV terms. After the application of traditional debt relief, the NPV of debt was estimated at US\$257.4 million<sup>4</sup> which was about 343.0 percent of exports of goods and services. The NPV of debt-to-exports ratio, is above the HIPC Initiative threshold of 150 percent, rendering Comoros's debt as unsustainable. Thus, Comoros qualifies for debt relief under the HIPC Initiative's export criterion
- 2.9. The authorities are endeavoring to complete bilateral debt relief agreements on terms consistent with the understandings reached with Paris Club creditors in November 2009. They remain committed to prudent debt management and to preserving close contacts with donors and creditors, to secure long-term debt sustainability. Paris Club creditors agreed to provide an exceptional debt treatment to Comoros, beyond standard Naples terms. Arrears on short-term debt—a senior category of debt normally not treated by the Club, but which constitutes the bulk of Comoros' debt to the Club—were deferred and are to be repaid over 8 years. Overall, the agreement treats debts amounting to US\$13 million and reduces by about 80 percent the

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<sup>3</sup> After accelerating to above 7 percent in 2008, inflation fell to 2.1 percent in 2009.

<sup>4</sup> Difference between the debt stock before and after traditional bilateral treatments is due to the debt relief resulting from the arrears clearance operations that were added to the NPV of debt stock as at end December 2009.

payments due by Comoros over the program period (2009–12). The agreement includes a clause further reducing debt service payments due if Comoros reaches the HIPC decision point.

### ***Overall Assessment of Eligibility for HIPC Initiative Assistance***

- 2.10. From the above discussions, Management believes that Comoros has fulfilled all the requirements for debt relief under the HIPC Initiative. In the period ahead, it will be important to continue to strengthen public finances by increasing revenue mobilization and better aligning spending with available government resources. This requires steadfast implementation of the revenue and expenditure measures under the revised 2010 budget, and the reduction of the wage bill to levels compatible with medium-term budget viability. To that end, the Comorian authorities and the IMF, World Bank and the Bank Group have reached an understanding on the appropriate Completion Point triggers. A copy of the HIPC Decision Point document prepared by the IMF and the World Bank, which provides detailed information on Comoros's position at the Decision Point, is attached as Annex 3.

### ***Completion Point Triggers***

- 2.11. In consultation with the Breton Woods Institutions (BWIs) and the Bank Group, the authorities have drawn up a set of conditions for reaching the floating Completion Point<sup>5</sup> under the enhanced HIPC Initiative. In addition to the standard triggers on PRSP implementation and macroeconomic stability, Comoros's Completion Point triggers include policy measures aimed at improving public financial management and governance; strengthening the social sectors; supporting growth; and improving debt management. Public financial management and governance triggers would advance ongoing efforts to improve overall budget management. The triggers relating to the social sectors and to structural reforms are intended to improve key health and education outcomes, and to enhance the competitiveness and growth potential of the economy. The structural reform agenda aims to raise economic growth and accelerate poverty alleviation. A key priority is to restructure public utility companies aimed at ensuring a reliable and competitive supply of energy and telecommunications services. The summary of the agreed Completion Point triggers is attached as Annex 2.
- 2.12. Key development partners, including the Bank Group<sup>6</sup> will work together to monitor the Completion Point triggers, with each institution leading on areas of primary competence, while also incorporating contributions of staff from the other institutions. The IMF will take the lead in monitoring macroeconomic stability. The World Bank and the Bank Group will focus on progress in the implementation of the PRSP and on sector-related triggers, including those pertaining to public financial management and service delivery, and to tracking of pro-poor expenditures financed with HIPC Initiative assistance. The Bank Group, IDA and IMF will jointly monitor structural reforms and progress in improving external debt management. Strict adherence to the reform agenda and preservation of political stability will be crucial for the program's success. These are especially important in view of persistently weak institutional capacity, recurrent inter-island tensions, and vulnerabilities to external shocks.

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<sup>5</sup> Under the enhanced framework, the completion point is "floating" as it is tied to the implementation of key structural reforms and poverty reduction policies.

<sup>6</sup> The Bank's Budget Support Operation has contributed towards macroeconomic stability, one of the key requirements for HIPC debt relief.

### **3. Debt Stock and Assistance under the HIPC Initiative and the MDRI**

- 3.1. At end-2009, Comoros' public and publicly guaranteed external debt was estimated at US\$286.8 million in nominal terms. This corresponds to US\$213.1 million in NPV terms, equivalent to about 45 percent of GDP; 330.6 percent of exports; and 320.7 percent of fiscal revenues. Multilateral creditors accounted for slightly over three-fourths of the total debt stock in nominal terms, with liabilities to IDA alone constituting 42.1 percent of total external debt, 13.3 percent to the Bank Group and 3.5 percent to the IMF. The Paris Club creditors, with France the major creditor, accounted for almost 26 percent of nominal bilateral and commercial claims at end-2009. Non-Paris Club official creditors account for an estimated 15.1 percent of total external debt. Commercial creditors held 2.3 percent of Comoros' total external debt outstanding at end-2009.

#### *Arrears Clearance Operations*

- 3.2. As result of the long political instability and the related economic decline, Comoros accumulated external arrears which stood at US\$54.0 million, in nominal terms (as at end 2009). Of this aggregated arrears, a stock of US\$36 million was owed to multilateral creditors, US\$13.5 million to bilateral claimants, and US\$4.5 million to commercial creditors. The bulk of arrears to the ADF were cleared between December 2007 and April 2009 under the PCCF<sup>7</sup>, with the contribution credited to the Bank Group estimated at US\$33.7 million<sup>8</sup>. With respect to the bilateral donors, only the European Commission (EC) committed to deliver its contribution to the arrears clearance in the amount of US\$3.4 million when Comoros reaches the HIPC Decision Point. The Islamic Development Bank has agreed to defer any arrears to them until December 2010. Comoros has contacted the remaining multilateral creditors to start negotiations to clear arrears in the context of a comprehensive resolution of the country's debt situation under the HIPC Initiative process.

#### *HIPC Debt Relief Assistance*

- 3.3. After full application of traditional debt relief mechanisms, the country's NPV of debt is estimated at US\$257.4 million at end-2009, equivalent to 343.0 percent of exports of goods and services. Comoros's NPV of debt to exports ratio exceeded the HIPC Initiative threshold of 150 percent<sup>9</sup>. Therefore, the country qualifies for debt relief under the HIPC Initiative's "export window" based on end-2009 data. The HIPC assistance needed to bring down Comoros's NPV of debt-to-export ratio from 343 percent to the HIPC threshold of 150 percent is estimated at US\$144.8 million in end-2009 NPV terms, implying a common reduction factor of 56 percent. Based on proportional burden sharing, multilateral creditors' assistance would amount to US\$111.2 million, and bilateral and commercial creditors' assistance to US\$33.6 million (in NPV terms).

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<sup>7</sup> See document: Union of the Comoros – Proposal for Arrears Clearance under the Arrears Clearance Programme and Post-Conflict Country Facility – Ref: ADB/BD/WP/2007/151 of December 18, 2007. Under this arrears clearance operation, 69 percent of the cost was financed from the Facility, 1 percent by Comoros, and 30 percent by bilateral donors.

<sup>8</sup> Using the data (date, amount, donor, and currency) on arrears clearance operations under the Post-Conflict Country Facility.

<sup>9</sup> The enhanced HIPC Initiative considers a country's debt to be sustainable if the net present value (NPV) debt-to export ratio is maximal 150 percent, based on the debt sustainability analysis at the enhanced HIPC decision point (*Export window*). In cases where a country has both (a) an export-to-GDP ratio of at least 30 percent and (b) a government revenue-to- GDP ratio of at least 15 percent, the enhanced HIPC framework considers also a fiscal window, whereby it is assumed that a country's debt is sustainable if the NPV debt-to government revenue ratio is maximal 250 percent (*Fiscal window*).

- 3.4. The Bank Group's share of HIPC debt relief amounts to US\$34.6 million in 2009 NPV terms, equivalent to 31 percent of multilateral assistance, and 24 percent of the total assistance from all creditors. The Bank Group has already provided US\$33.7 million in 2009 NPV terms, and the remaining arrears of US\$3.4 million that will be cleared at Decision Point by the European Commission will be counted toward the Bank Group's contribution to the debt relief. Table 1 provides a breakdown of Comoros's total debt relief in NPV terms.

**Table 1: Breakdown of Creditor Participation in Comoros's HIPC Assistance**

(US\$ millions, in End-2009 NPV terms)

	Decision Point Assistance	Percent in Multilateral Creditors (%)	As percent of Total Assistance (%)
<b>Total HIPC Debt Relief</b>	<b>144.8</b>	<b>-</b>	<b>100</b>
Bilateral & Commercial Creditors	33.6	-	23
Multilateral Creditors	111.2	<b>100</b>	77
<i>Of which:</i>			
<i>African Development Bank Group<sup>10</sup></i>	<i>34.6</i>	<i>31</i>	<i>24</i>
<i>World Bank</i>	<i>45</i>	<i>40</i>	<i>31</i>
<i>IMF</i>	<i>4.3</i>	<i>4</i>	<i>3</i>
<i>Others Multilateral Creditors</i>	<i>27.3</i>	<i>25</i>	<i>19</i>

#### ***Expected Debt Relief Assistance under MDRI***

- 3.5. On reaching the Completion Point under the Enhanced HIPC Initiative, Comoros would qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI). If Comoros reaches the Completion Point by December 2012, preliminary estimates indicate that MDRI relief could amount to US\$52 million in NPV terms. Of this amount, US\$30 million will be provided by IDA and US\$22 million by the ADF. The estimated MDRI debt relief to be provided by the ADF includes the cancellation of debt disbursed and outstanding before end-2004 and would be delivered in full at Completion Point. In this respect, according to the debt data, all outstanding loans are eligible for cancellation under MDRI.

#### **4. Debt Sustainability Outlook and Sensitivity Analysis**

- 4.1. Traditional debt relief together with unconditional delivery of HIPC Initiative assistance would drive down Comoros' NPV of debt-to-exports ratio from 343 percent as of end-December 2009 to approximately 142.7 percent by 2012. With MDRI relief added, the NPV would fall further to 86.5 percent of exports in 2012, as a result of cancellation of debt to IDA and the ADF. The NPV of debt is projected to decline further over the long term. With both HIPC and MDRI debt relief, the NPV of debt would continue to decline to 80.2 percent of exports by 2029, assuming sustained growth in exports and the authorities' prudent borrowing policy. Debt service would average about 3.9 percent of revenues or 4.0 percent of exports during 2009-2019.
- 4.2. The sensitivity analysis indicates that Comoros's ability to service external debt after HIPC relief is vulnerable to external and growth shocks. The achievement of a robust external debt position is also heavily influenced by the composition and terms of external assistance. Under the debt relief analysis, the bulk of external assistance is assumed to be grants and the remaining

<sup>10</sup> Debt relief analysis carried out excludes the remaining arrears to be cleared by the European Commission at decision point.

borrowing to be on very concessional terms throughout the projection period. The analysis underscores the importance of a sustained domestic reform effort to support the development of exports of goods and services (notably tourism), secure external assistance heavily weighted toward grants and ensure fiscal prudence. To this end, the Institutional Capacity Building Project approved by the Bank Group in July 2009 will strengthen the systems and structures needed for improving the country's debt management capacity and long term debt sustainability.

## **5. Bank Group Interventions in Comoros**

### *Strategic Group Strategy*

- 5.1. The Bank Group re-engagement in Comoros is recent. Following the resolution of the Anjouan crisis in 2008 and the lifting of sanctions in February 2009 after clearance of its arrears with the Bank under the Post Conflict Countries Facility (PCCF), a two-year Interim Country Strategy Paper 2009-2010 (I-CSP) was approved in April 2009. The I-CSP is aligned to the Interim Growth Strategy and Poverty Reduction Paper (I-GSRP) prepared by the Government of Comoros. This strategy builds inter alia on the new strategic orientations of the Bank for increased commitment in fragile states aimed at mitigating the country's fragility and providing support to an enabling environment for sustainable development. It also aims at assisting Comoros towards reaching the Completion Point under the HIPC Initiative in the near future. The Bank's I-CSP (2009-2010) rests on two pillars: (i) strengthening institutions and the macroeconomic framework, and (ii) improving water supply and sanitation.
- 5.2. The basic financial package available for Comoros for the 2009-2010 period stands at UA 15.9 million, comprising the normal performance-based ADF-11 allocation (UA5.9 million) and the FSF Pillar I Supplemental Support (UA10 million). In addition, Comoros was allocated UA 2.5 million under the FSF Targeted Support Window for capacity building. Comoros is also eligible and has benefitted from other Bank facilities, such as resources of the Rural Water Supply and Sanitation Initiative (RWSSI) for UA 2.0 million as well as the Special Relief Fund (SRF) for UA 2.2 million. Almost all the resources have been committed, for a balance of UA 0.55 million under the Pillar III of the FSF, which has to be utilized by June 2012 for capacity building activities in line with the PRSP.
- 5.3. Under the I-CSP, three operations were approved: (i) the Economic Support Reform Programme (ESRP) in July 2009, consisting of a budget support amounting to UA 2.0 million; (ii) the Institutional Capacities Strengthening Project (ICSP) in July 2009 for 5.26 million<sup>11</sup>; and, (iii) the Water Supply and Sanitation Project in December 2009 for UA 10.64 million. Resources of the Pillar III of the FSF have been committed up to 1.95 million for capacity building activities in public financial management (PFM) and the water sector. In addition, two emergency operations were approved for the Food Crisis response (UA 1.5 million) in December 2008 and Assistance to Victims of Flood in September 2009 from SRF resources for UA 1 million.

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<sup>11</sup> A Supplementary Grant to the ICSP of UA 0.6 million is slated to be considered by the Board in September 2010.

### ***Bank Group Portfolio in Comoros***

- 5.4. The Bank Group started operations in Comoros in 1978 and has since approved thirteen operations comprising twelve projects and one study. Cumulative Bank Group commitments net of cancellations amount to UA 46.7 million as of 30 June 2010, the bulk of this financing (64%) being from the concessional window, the African Development Fund (ADF). In addition, the AfDB approved in February 2009, a commitment amounting to UA1.5 million emergency financing to assist in mitigating the adverse impact of the food crisis. Overall, the Bank Group operations in Comoros have been directed toward supporting economic-related infrastructure, budget support and rural livelihoods. In terms of sectoral distribution, infrastructure sector projects received the largest share (51 percent) of the total resources committed, followed by multi-sectoral (30.2 percent) and agriculture (11.2 percent).
- 5.5. Currently, the Bank's ongoing portfolio in Comoros is composed of five operations, the Economic Support Reform Program (ESRP), the Institutional Capacities Strengthening Project (ICSP), the Water Supply and Sanitation Project (WSSP) and the two emergency operations (Assistance to Flood Victims and Food Crisis Response which is under completion). Overall, current disbursement trends remain in line with forecasts. A Country Portfolio Performance Review (CPPR) is scheduled for the second half of 2011. The Bank Group's portfolio in Comoros is attached as Annex 1.
- 5.6. The objective of the ICSP is to strengthen national capacities in PFM, debt management and macroeconomic statistics. Key measures of the budget support that have been adopted in the framework mainly include: (i) Adoption of the Budget Procedures Manual, (ii) Adoption of the new harmonized budget nomenclature, (iii) Adoption of the manual of procedures for the treasury management, and (iii) Adoption of the new Public Expenditure regulation and of public expenditure justification nomenclature.
- 5.7. Since June 2009, the Bank Group has been financing several activities that have been important for Comoros to reach the HIPC Decision Point using, the FSF. The activities financed by the FSF Pillar III essentially include: i) the finalization of the PRSP and associated action plan; ii) the financing of a team of 5 national long term consultants to support the "*Commissariat Général au Plan*"; and iii) the financing of a long-term PFM advisor who has provided assistance in preparing the PFM strategy and the associated action plan as well as in its implementation.
- 5.8. Furthermore, the support from the Bank Group directly contributes towards to fulfillment of the following HIPC Completion Point triggers: (i) Public financial management and governance, (ii) Structural reform and; (iii) Debt Management. FSF pillar III will finance a Technical Assistance Team in 2010 and 2011 to continue the implementation of the fiscal reform as well as a Technical Assistance Team to support the "*Commissariat Général au Plan*" in undertaking a prioritization exercise of the PRSP; to provide training of 80 persons in planning tools and methodology; and to prepare a pilot Public Investment Plan for key ministries. FSF Pillar III is also financing capacity building activities in the Water Sector including the audit of the Comoros Water and Electricity Company<sup>12</sup>.

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<sup>12</sup> By end-December 2010, the government will also complete a reform strategy for the electric company, developed with the assistance of the Bank Group.

## **6. Indicative Financing Arrangements**

- 6.1. The Bank Group's share of debt relief at Decision Point amounts to US\$34.6 million, in 2009 NPV terms. Contributions estimated at US\$33.7 million, in 2009 NPV terms have already been delivered by the Bank through the arrears clearance operation under the PCCF<sup>13</sup>. This contribution is slightly less than the debt relief required from the Bank at HIPC decision point. Given the prospective clearance of the remaining arrears of US\$3.4 million by the European Commission at the Decision Point, the total debt relief to be credited to the Bank Group will exceed the debt relief required (equivalent to US\$34.6 million) from the Bank under the HIPC Initiative. Consequently, no further HIPC debt relief would be provided to Comoros by the Bank Group during the interim period<sup>14</sup>. According to the agreement reached with the HIPC Trust Fund, up-front payments to clear arrears of eligible countries under the Bank Group's arrears clearance mechanism are acknowledged as part of its contributions toward its commitment under the Enhanced HIPC Initiative<sup>15</sup>. The total debt relief committed by the Bank Group will be revised to reflect the European Commission's contribution during the HIPC DSA exercise which will be carried out at Completion Point.

## **7. Recommendations**

- 7.1. In light of the foregoing, the Boards of Directors are invited to:
- (i) approve Comoros's qualification for HIPC assistance at the Decision Point under the Enhanced HIPC Initiative;
  - (ii) approve the Bank Group's share of HIPC debt relief for Comoros, equivalent to US\$34.6 million in end-December 2009 NPV terms; and
  - (iii) note that the Bank Group's HIPC assistance will come entirely in the form of arrears clearance support already provided.

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<sup>13</sup> See document: Union of the Comoros – Proposal for Arrears Clearance under the Arrears Clearance Programme and Post-Conflict Country Facility – Ref: ADB/BD/WP/2007/151 of December 18, 2007.

<sup>14</sup> In line with the method agreed among multilateral development banks, any concessional clearance of arrears done by multilateral creditors in the context of the HIPC Initiative would be counted as part of their contribution to debt relief under the HIPC Initiative.

<sup>15</sup> Similar to arrangements were applied to Cote d'Ivoire, Congo Republic, Liberia and Togo.

## Annex 1: Bank Group Portfolio in Comoros, as of June 30, 2010

(Amount in millions)

Project	Sector	Effectiveness	Closing Date	Amount		Undisbursed on 31/03/10 (UA)
				UA	US\$	
<b>Institutional Capacities Support Project (ICSP)</b>	Multisector	19/11/09	31/12/13	5.26	8.0	5.02
<b>Budget Support</b>	Multisector	14/09/09	31/12/10	2.0	3.0	1
<b>Water Supply and Sanitation Project</b>	Public Utilities	-	-	10.64	16.10	10.64
<b>Food Crisis Response</b>	Agriculture	14/09/09	31/12/09	1.5	2.27	-
<b>Emergency Assistance to Victims of Flood</b>	Social	-	-	0.66	1.0	-
<b>Total</b>				20.06	30.37	16.66

*Source: OREB (Bank Group), June 2010*

## Annex 2: Triggers for the Floating Completion Point

### **PRSP**

- Satisfactory implementation for at least one year of the full PRSP, as evidenced by an Annual Progress Report submitted by the government to IDA and the IMF.

### **Macroeconomic stability**

- Maintenance of macroeconomic stability as evidenced by satisfactory implementation of the ECF-supported program.

### **Public financial management and governance**

- Regularly produce detailed quarterly budget execution reports for a period of at least 12 months prior to reaching the completion point.
- Adopt the terms of reference for a feasibility study for a comprehensive computerized public financial management system, including an estimate of the cost and a timetable for the installation of the proposed system.
- Adopt by law a public procurement code consistent with relevant COMESA norms and develop related implementing regulations; and successfully implement the new code prior to the country's attainment of the HIPC Initiative completion point;
- Adopt a revised set of organic frameworks (organigram and staffing plans), consistent with the 2009 constitutional amendments, for all ministries.
- Government approval and submission to Parliament of a draft law establishing the constitutionally-mandated Chamber of Accounts for external control of budget operations.

### **Structural reform**

- Officially adopt reform strategies to strengthen management of Comores Télécoms (telecommunications), Société Comorienne des Hydrocarbures (oil import and storage), and MAMWE (electricity); and issue calls for expressions of interest to identify a strategic partner for at least one of the three companies

### **Social sectors**

#### **Education: Strengthen efforts towards achieving MDG 2; the authorities will:**

- Construct and equip 210 primary school classrooms following agreed standards (22 on Moheli, 126 on Anjouan, and 62 on Ngazidja).
- Construct 100 separated latrines for improved hygiene and promotion of girls' participation.
- Provide 300,000 textbooks and 25, 000 school kits (including basic school supplies) for vulnerable children.

#### **Health: Strengthen efforts towards achieving MDGs 4 and 6; the authorities will:**

- Conduct a national measles vaccination campaign for children 9–47 months to achieve 90-percent coverage nationwide (and thus consolidate progress in reducing infant mortality).
- Carry out a national survey on risk factors for non communicable diseases to guide the development of a national strategy to reduce the growing burden of noncommunicable diseases.

### **Debt Management**

- Improve public debt management systems, particularly adopting effective debt management software.
- Produce detailed annual reports on external and domestic debt no later than six months after year end, including data on existing stocks, new loans, and debt service due and paid. At least one such report should be available prior to Comoros reaching the HIPC completion point.
- Amend the 2003 decree (décret N°03-62/PR) establishing the debt management office to refocus its mandate and activities, consistent with the office's capacity limitations.

**Annex 3: IMF/World Bank HIPC Decision Point Document for Comoros**

INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL MONETARY FUND

UNION OF THE COMOROS

**Enhanced Heavily Indebted Poor Countries (HIPC) Initiative  
Decision Point Document**

Prepared by the Staffs of the International Development Association  
and the International Monetary Fund

Approved by Otaviano Canuto and Obiageli K. Ezekwesili (IDA)  
and Roger Nord and Thomas Dorsey (IMF)

June 3, 2010

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## ACRONYMS

AfDB	African Development Bank
AfDF	African Development Fund
AMF	Arab Monetary Fund
BADEA	Arab Bank for Economic Development in Africa
BCC	Central Bank of Comoros
CF	Comorian franc
COMESA	Common Market for Eastern and Southern Africa
COTECNA	Pre-shipment inspection company
DPO	Development Policy Operation (World Bank)
DRA	Debt Relief Analysis
DSA	Debt Sustainability Analysis
EC	European Commission
ECF	Extended Credit Facility (formerly PRGF, IMF)
EIB	European Investment Bank
EPCA	Emergency Post-Conflict Assistance
ESF-RAC	Exogenous Shocks Facility-Rapid Access Component
EU	European Union
FSAP	Financial Sector Assessment Program
GFS	Government Finance Statistics
HIPC	Heavily Indebted Poor Country
I-CSN	Interim Country Strategy Note (AfDB)
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IsDB	Islamic Development Bank
ISN	Interim Strategy Note (World Bank)
LDC	Least Developed Countries
LIC	Low-income country
MAMWE	Comoros Water and Electricity Company
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NPV	Net present value
ODA	Official Development Assistance
OPEC	Organization of the Petroleum Exporting Countries
OFID	OPEC Fund for International Development
PCCF	Post-Conflict Country Facility
PEM	Public Expenditure Management
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRGSP	Poverty Reduction and Growth Strategy Paper
REER	Real effective exchange rate
SIGFIP	Integrated Public Finance Management System
SCH	National Hydrocarbon Company

## EXECUTIVE SUMMARY

- In the last two years, the Union of the Comoros (hereafter “Comoros”) has made measured progress on political and economic reforms. Relations with key development partners, including the IMF, World Bank, and African Development Bank (AfDB); as well as Paris Club creditors, have been regularized. While economic activity remains subdued, growth is trending up. On the political front, the country’s multi-layer electoral cycle is being streamlined; and the political landscape consolidated notwithstanding tensions following a failed attempt by the ruling coalition to extend President Sambi’s term beyond its limit of May 2010.
- The Debt Relief Analysis (DRA) confirms that Comoros would qualify for debt relief under the export window of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Comoros’ public and publicly-guaranteed external debt in nominal terms was estimated at US\$287 million (including arrears) as of end-December 2009. After applying traditional debt relief mechanisms, the country’s NPV of debt-to-export ratio at end-2009 is estimated at 343 percent, which is above the HIPC Initiative threshold of 150 percent.
- Comoros has also fulfilled the other requirements to qualify for debt relief under the HIPC Initiative. In particular, the country: (i) adopted a full PRSP in September 2009; and (ii) has established a satisfactory track record of policy performance under IMF- and IDA-supported programs. In addition, understandings have been reached between IMF and IDA staffs and the Comoros authorities on appropriate completion point triggers. These were broadly supported by the Executive Directors of the IMF and IDA during their discussions in March and April 2010 on the preliminary HIPC document. Reducing Comoros’ NPV of debt-to-export ratio to 150 percent requires total HIPC debt relief of US\$145 million in NPV terms, implying a common reduction factor of 56 percent. A sensitivity analysis of Comoros’ external debt after full delivery of HIPC Initiative assistance shows that under worsening economic conditions, Comoros’ debt ratios could increase above HIPC initiative thresholds. Therefore, in addition to comprehensive debt relief, maintaining sustainable levels of indebtedness would require steady implementation of growth-enhancing economic policies and prudent debt management.
- Upon reaching the HIPC completion point, Comoros will also qualify for relief under the Multilateral Debt Relief Initiative (MDRI), which is estimated to reduce debt service on debt to IDA and the AfDF by approximately US\$52.2 million (in NPV terms). There will be no IMF MDRI debt relief as Comoros had no outstanding debt to the Fund at end 2004.

## I. INTRODUCTION

1. **This paper, prepared jointly by the staffs of the IMF and IDA, presents an assessment of the eligibility of the Union of the Comoros (hereafter “Comoros”) for assistance under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.**<sup>1</sup> The assessment is based on a joint HIPC debt relief analysis (DRA)<sup>2</sup> conducted by staffs of International Development Association (IDA) and the International Monetary Fund (IMF) and the Comorian authorities, following data reconciliation missions to Moroni in January and April 2010. It builds on the preliminary HIPC document for Comoros discussed by the Executive Boards of the IMF and IDA on March 29 and April 8, 2010, respectively. The Directors agreed that Comoros is eligible for assistance under the HIPC Initiative and that the country could reach its decision point provided that it continued satisfactory performance under the Extended Credit Facility (ECF) arrangement and agreed on appropriate completion point triggers. Regarding the latter, Directors broadly supported the triggers outlined in the preliminary document. The main changes and additions to the preliminary HIPC document are: (i) an update on recent political and economic developments; (ii) an update of the macroeconomic framework; (iii) more specific definition of some of the floating completion point triggers in the public finance, health and education sectors; and (iv) annexes containing a Debt Sustainability Analysis (DSA) under the Debt Sustainability Framework for Low Income Countries and an assessment of debt management capacity.

2. **The analysis reveals an NPV of debt-to-exports ratio of 343 percent at end-December 2009 after traditional debt relief mechanisms are applied, significantly above the HIPC Initiative threshold.** Possible HIPC debt relief at end-December 2009 is estimated at US\$145 million in NPV terms, with a common reduction factor of 56 percent. Assuming that the country meets its completion point triggers, including continued satisfactory performance under its donor-supported reform agenda, at the completion point Comoros would also qualify for debt relief under the Multilateral Debt Relief Initiative (MDRI), in an amount estimated at about US\$52.2 million in NPV terms. Debt relief under the HIPC Initiative and the MDRI would help accelerate progress towards the Millennium Development Goals (MDGs).

3. **This paper is organized as follows.** Section II provides background information on Comoros’ eligibility under the HIPC Initiative, including the country’s recent progress in the political and economic areas. Section III discusses the country’s medium- to long-term macroeconomic framework and its poverty reduction strategy. Section IV summarizes the DRA and presents the magnitude of HIPC and MDRI assistance likely to accrue to the country, including through arrears clearance. Section V outlines reforms that will serve as completion point triggers. Section VI presents issues for discussion by Executive Directors.

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<sup>1</sup> “Enhanced HIPC Initiative” is hereafter referred to as “HIPC Initiative.”

<sup>2</sup> Also known as HIPC-DSA (Debt Sustainability Analysis).

## II. BACKGROUND AND ELIGIBILITY FOR HIPC INITIATIVE ASSISTANCE

### A. Country Background and Political Developments

4. **Comoros is emerging from a long period of political instability punctuated by violent transfers of presidential powers since independence in 1975.** Progress in nation building and political reconciliation has been slow. In 2001, a new constitution created the Union of the Comoros, providing for each of the three islands to have its own president and parliament. This was followed by the landmark first election of a Union president in May 2006. However, a crisis emerged in June 2007 when alleged irregularities in the election of Anjouan island president, Colonel Bacar, prompted the Union government, backed by the African Union (AU) and the Arab League, to reject the results. Colonel Bacar refused to heed international calls for new elections. As a result, Union-island cooperation disintegrated, preventing IMF Board consideration of a PRGF-supported program that had been negotiated in late 2007. This adversely affected economic management, donor support, and growth.

5. **In the last two years, pro-Union authorities have been elected in the hitherto separatist island of Anjouan, and amendments to the constitution have enhanced central government authority over budget and economic management.** Also, in an unexpectedly bold sign of strengthening of the judiciary, on May 8, 2010, the Constitutional Court rebuked President Sambu's attempt to extend his term beyond the initial limit of May 2010. In the same ruling, the court called for the holding of nation-wide presidential and local elections by November 2011; and agreed to an interim presidential mandate by the incumbent. Consistent with the court's ruling, President Sambu named an interim cabinet on May 26, 2010. It is hoped these developments would ease political tensions that have been rising in recent months.

### B. ECF and IDA Status

6. **As they gradually overcome a long period of political instability, the Comorian authorities have put in place an ambitious medium-term economic reform program to rekindle growth and better combat poverty.** In this context, they benefited from IMF support under Emergency Post-Conflict Assistance (EPCA) and the Exogenous Shocks Facility-Rapid Access Component (ESF-RAC) in 2008, and are currently supported by the Fund under the ECF. The ECF-supported program draws on Comoros' PRSP and aims to achieve fiscal consolidation and restore external viability; promote financial sector soundness; strengthen institutions of governance; and improve the investment climate.

7. **IDA's new Interim Strategy Note (ISN) for FY 2010–12 aims to help Comoros reach the enhanced HIPC completion point by 2012.**<sup>3</sup> Approved by the Board of IDA in

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<sup>3</sup> Comoros is currently an IDA-only country with nominal per capita GNI of about US\$ 750 in 2009 (using the World Bank's Atlas methodology). The country is PRGT-eligible and is on the list of ring-fenced countries grandfathered by the IMF Board in October 2006 (Decision No. 13797 (06/88)).

June 2010, the interim strategy aims to: (i) reduce social vulnerability; and (ii) build state capacity and accountability. IDA is providing a mix of knowledge products and financing instruments to support these objectives. The main instrument for the first objective is the Services Support Project (SSP), which includes a cash-for-work component financed by the Food Price Crisis Support Fund. An Emergency Global Crisis Response Project is planned for FY10 to provide support to the most vulnerable groups affected by the global economic crisis. Key interventions in support of the second objective include a planned FY10 Governance Reform Support DPO, eventually followed by a second DPO in FY12, and an Economic Governance Support TA project. In FY 2010, IDA also plans to undertake a series of public expenditure notes; as well as an analytical work program on the political economy of reforms in key sectors, to inform the institution's overall engagement in the country.

**8. Other donors and creditors are gradually resuming support to Comoros, including the African Development Bank (AfDB), the European Union (EU), and development partners of the Arab League and Gulf region.** In July 2009 the Board of the AfDB approved a new Interim Country Strategy Paper (I-CSP) for 2009–10 following clearance of most of the arrears under the Post-Conflict Country Facility (PCCF) between 2007 and 2009 and the lifting of related sanctions. Under the I-CSP the AfDB assists the country in: (i) improving economic management through support for institutional capacity building; and (ii) creating a better environment through improved water supply and sanitation. In early 2010, the EU extended a US\$11 million budget grant under the V-Flex Facility to help cushion the effects of exogenous shocks from the global economic crisis; EU budget support for 2010 is projected at USD\$9 million. In addition to France and China, several Arab League countries, including Kuwait, Saudi Arabia, and Libya, are providing much needed budgetary and project assistance. In May 2010, the Qatari authorities disbursed a grant of EUR 20 million to clear domestic arrears.

### C. Poverty and Social Issues

**9. With weak economic performance and persistent political instability in recent years, poverty is widespread and the social situation remains dire.** The last household survey, fielded in 2004, indicated that 37 percent of households (44.8 percent of individuals) live below the poverty line. The incidence of poverty varies across islands and is generally higher in rural areas. Comparison of 1995 and 2004 survey data shows that the overall situation seems to have improved (from 47 to 37 percent of households), albeit inequalities in per capita expenditures also increased substantially, probably due to variances in inflows of remittances which disproportionately benefited the better-off island of Ngazidja. In the absence of more recent survey data, the

Key Poverty & Social Indicators–2008	
Poverty (% below poverty line)	44.80
Young adult literacy rate (%)	71
Female literacy rate (%)	87
Gross primary enrollment	86
Female primary enrollment (%)	73
Under-five mortality (per 1,000)	71
Life expectancy at birth (years)	69
Child malnutrition (%)	23.1
HIV prevalence (%)	0.8

Note: Percent of total population, unless otherwise indicated

Source: World Bank, Comoros PRSP 2009

authorities assume the incidence of poverty to have increased since 2004, given Comoros' recent overall weak economic performance.

10. **Nevertheless, some progress was made towards achieving several Millennium Development Goals (MDGs) through 2007.** Comoros is on track to achieve 4 of 12 MDGs, and substantial progress has been made on five others (Table 1).

**Table 1. Comoros: Progress in Achieving the Millennium Development Goals**

MDG Indicators	1990–96*	2004–07**	Target 2015	Status
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Proportion of population below poverty line (%)	54.7	44.8	27	Progress
Malnutrition prevalence for children under 5 (%)	13.9	24.9	7	Off track
<b>Goal 2: Achieve universal primary education</b>				
Net primary enrollment rate (%)	63.2	85	100	On track
<b>Goal 3: Promote gender equality and empower women</b>				
Ratio of female to male primary enrollment (%)	85	96	100	On track
Levels of women employed in the nonagricultural sector (%)	3.1	13.7	50	Progress
Proportion of seats held by women in national parliament (%)	-	2.3	50	Off track
<b>Goal 4: Reduce child mortality</b>				
Infant mortality rate (per 1,000 births)	86.3	59	28.7	Progress
Mortality for children under 5 (per 1,000 births)	130	74	43.3	On track
<b>Goal 5: Improve maternal health</b>				
Maternal mortality (per 100,000 births)	517	381	129	Progress
Proportion of births assisted by qualified health workers (%)	52	62	100	Progress
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				
Prevalence of HIV in % of population (15-49 years old)	-	0.12	<.025	On track
<b>Goal 7: Ensure environmental sustainability</b>				
Access to an improved water source (% of population)	92	85	100	Off track

\* Indicates data available for the date in time period closest to 1990 (MDG benchmark date).

\*\* Indicates data available for latest date in time period.

Source: Comoros PRGSP, 2009

#### **D. Recent Economic Developments and Policy Track Record**

11. **Economic conditions in Comoros have yet to recover from the effects of persistent political instability and the recent global crises.** Real GDP growth was a mere 1 percent in 2008, picking up to 1.8 percent in 2009, driven by donor-funded public works, remittances-based private sector construction, and expansion of the financial sector. With the easing of pressures on food and fuel prices since 2008, inflation is broadly under control and relatively softer energy prices have contributed to a narrowing of the external current account deficit to an estimated 7.9 percent of GDP in 2009 (11.1 percent in 2008).

12. **Comoros' overall reform performance in the last two years constitutes encouraging first steps,** against a backdrop of a difficult international context, and considering the severe capacity constraints and other institutional weaknesses it faces.

**13. Macroeconomic policies under the 2008/09 EPCA- and ECF-supported programs have been broadly satisfactory albeit with some fiscal slippage.**

- a. Despite weakening somewhat in recent months, revenue collection has been generally consistent with expectations, the result of initial efforts, including enhanced computerization, to improve customs and tax administration.
- b. On the spending side, critical initiatives to improve expenditure management, especially the introduction of a new budgetary and treasury committee, have begun restoring order in spending operations, although severe difficulties persist in bringing the wage bill under control.
- c. At end-March 2009, the EPCA target for the primary domestic budget balance (0.6 percent of GDP) was met; and the ceiling on net domestic credit to the government was observed with a substantial margin (0.5 percent of GDP).

**14. Available data indicate that thirteen of sixteen quantitative performance criteria and benchmarks through end-March 2010 under the ECF were met.** In particular, at end-December 2009, revenue mobilization was slightly better than programmed, and the target on net domestic credit to the government was met. However, the domestic primary budget deficit (benchmark) was exceeded by 1.0 percentage point of GDP. This reflects spending overruns on wages and on domestically-funded capital outlays, as the government effected a CF 1.7 billion (0.9 percent of GDP) capital transfer to Comoros Telecoms to help the stated-owned company meet its share of the cost of a regional under-ocean optic fiber communication cable project. In the first quarter of 2010, weakened focus on tax and customs administration resulted in the revenue target being missed by a small margin; but the target on the domestic primary fiscal deficit was met, as the authorities cut spending on goods and services and domestically funded investment.

**15. Performance in the structural area under the two programs has also been broadly satisfactory.** All but one of the structural indicators under the EPCA instrument were met; and under the ECF most structural benchmarks through end-March 2010 have been observed, albeit with delays in some cases. The government notably:

- a. appointed a permanent secretary for the reform-monitoring committee;
- b. reestablished the revenue sharing mechanism and completed comprehensive reform strategies for strengthening revenue mobilization and improving expenditure management;
- c. prepared consolidated quarterly fiscal accounts, timely communicated to Fund staff;
- d. maintained an automatic fuel price adjustment mechanism;
- e. completed an audit of domestic arrears (with technical support from the EU), and a related arrears clearance strategy;

- f. completed and submitted to Parliament in April 2010 new personnel frameworks for government ministries that are compatible with medium-term budget viability (an end-March 2010 structural benchmark);
- g. conclusively tested computerization of civil service wage management, setting the stage for routine operation in the coming months (an end-March 2010 structural benchmark); and
- h. adopted an IFC-approved reform strategy for the state-owned telecommunications company; and while pursuing consultations with the IFC on reform options for the hydro-carbon importing company, the authorities are taking steps to begin addressing management inefficiencies in the company—including the appointment of a new Board of Directors.

### **III. MACROECONOMIC FRAMEWORK AND OUTLOOK AND POVERTY REDUCTION STRATEGY**

#### **A. Macroeconomic Outlook**

16. **The government's medium-term reform program, anchored in the PRSP, aims to invigorate economic growth and improve living conditions within a stable macroeconomic environment.** Beyond subsistence agriculture, economic recovery is to be driven by accelerated (donor-funded) public works and increased FDI in tourism—as suspended projects are resumed. The reform agenda is focused on improving the business environment and governance to encourage investment, and expanding infrastructure to underpin private sector activity, in particular tourism, as well as support agricultural productivity and diversification. Other positive factors include the gradual improvement in world economic conditions. Following a rebound in 2009 on the back of falling import prices, the terms of trade are expected to modestly improve in the medium-term despite some firming of import prices as the global economy recovers. Growth-supporting import growth would remain relatively strong, spurred by remittances and higher FDI (Box 2).

17. **Macroeconomic stability is to be supported by a prudent fiscal policy stance.** Fiscal consolidation, combined with comprehensive debt relief and higher foreign aid, would create fiscal space for increased pro-growth and pro-poor spending, while preserving debt sustainability and avoiding accumulation of new arrears. Programmed fiscal adjustment is to be achieved through gradually raising revenue from just under 14 percent of GDP in 2009 to 15 percent of GDP by 2013, and keeping expenditures in check. The wage bill is projected to modestly decline in relation to GDP, after an uncontrolled expansion in the last decade. Additional spending in priority areas (health, education, infrastructure, and restructuring of state-owned banks and enterprises) will mostly be secured through domestic spending reallocations and efforts to raise external assistance to regional standards as well as by ensuring early achievement of HIPC and MDRI debt relief.

18. **Monetary and exchange rate developments will continue to be governed by the exchange rate peg under the Franc Zone arrangement.** This will continue to be the country's main anchor of price stability.

19. **The main risks to the medium-term outlook are political tensions between the Union and Island authorities, a slower-than-expected pace of reform implementation, and uncertainties in the pace of the global economic recovery.** To mitigate these risks, the authorities need to closely adhere to their reform agenda so as to improve economic competitiveness, strengthen public finance management, preserve donor support, and enhance investor confidence. Program implementation would also benefit from more expeditious national political reconciliation.

**Table 2. Comoros: Medium- to Long-Term Macroeconomic Framework, Selected Indicators, 2009–29**

	2009 Prel.	2010	2011	2012	2009-2029 (avg)
(Annual percentage change, unless otherwise indicated)					
National income and prices					
Real GDP	1.8	2.1	2.5	3.5	3.7
GDP deflator	4.6	3.8	3.3	3.0	3.2
Consumer price index (annual averages)	4.8	2.6	2.9	2.8	3.0
Consumer price index (end period)	2.1	3.1	2.7	2.9	2.9
Money and credit					
Domestic credit	35.2	7.2	9.1	9.6	11.6
Broad money	13.5	7.5	6.5	6.5	7.4
External sector					
Export volume	81.3	18.1	1.7	2.3	2.3
Import volume	11.7	-0.8	-7.1	3.1	3.1
Terms of trade	39.4	-13.0	-3.7	1.2	3.6
(in percent of GDP, unless otherwise indicated)					
Government budget					
Domestic Revenue	13.9	14.3	14.2	14.5	15.9
Total grants	9.7	13.7	7.1	7.1	7.6
Total expenditure	23.0	23.2	23.1	22.7	23.4
Domestic primary balance	-2.6	-1.5	-1.2	-0.5	0.4
Overall balance (cash basis)	0.8	-2.7	-2.2	-1.6	-0.4
External sector					
Exports of goods and services	14.7	15.0	14.9	14.7	14.4
Imports of goods and services	48.2	50.5	47.2	46.1	40.1
Current account balance	-7.9	-8.9	-12.5	-11.8	-8.5
Excl. official and private transfers	-33.6	-35.9	-32.6	-31.5	-25.6
NPV In percent of GDP <sup>1</sup>	46.0	41.7	40.1	38.3	27.3
NPV of external debt (end-year) in percent of exports of goods & services <sup>1</sup>	328	307	286	274	201

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

<sup>1</sup> Corresponds to the case before traditional debt relief (Table A5)

## B. Poverty Reduction Strategy

20. **On September 10, 2009, the government of Comoros officially adopted the country's first full Poverty Reduction Strategy Paper (Poverty Reduction and Growth Strategy Paper, PRGSP).** The document builds on the strategy laid out in the interim PRSP,

which was presented to the Boards of IDA and the IMF in May 2006. For a fragile state, where a rapid succession of political upheavals has hampered policy formulation and implementation over so many years, completing a full PRSP is in and of itself a noteworthy achievement. Moreover, since the early 2000s, the PRSP framework has been instrumental in anchoring the national reconciliation process and guiding the authorities in the gradual formulation of a development vision for the country.

21. **Both the I-PRSP and the full PRSP are the result of a thorough and inclusive participatory process.** The process was managed by a steering committee and brought together numerous stakeholders—representatives of civil society, traditional and religious leaders, NGOs and development partners—through sectoral working groups (chaired by the relevant Secretary General in each ministry) and a series of participatory workshops held at regular intervals. An important feature of the PRSP preparation process was the involvement of island authorities through local branches of the National Planning Commission, maintained even during separatist crises.

22. **The PRGSP sets an ambitious policy agenda focused on:** (i) stabilizing the economy and laying the foundations for sustained and equitable growth by strengthening public finance and improving infrastructure provision; (ii) strengthening key sectors of the economy with the highest growth and poverty reduction potential: tourism, agriculture and fishing; (iii) Improving governance and social cohesion; (iv) improving human development outcomes, particularly in healthcare and education, through better social service delivery; and (v) promoting environmental sustainability and civilian security. Achieving these objectives will be challenging given the paucity of resources available from domestic or external sources as well as important capacity constraints and aid absorption bottlenecks. However, at a “Conference for development and investment” hosted by the Government of Qatar on March 9–10, 2010 bilateral partner countries pledged substantial financial assistance in support of Comoros’ development efforts. Effective mobilization could contribute to significantly alleviating the first constraint.

23. **The monitoring and evaluation of the PRGSP are carried by four oversight organizations, a number of sectoral technical groups (GTS), and island-level monitoring committees (COPSED).** Related activities are under the primary responsibility of the Technical Steering Committee (PRGS-TSC) operating from the National Planning Commission, and working with the Technical Secretariat for PRGS Monitoring and Evaluation and the Ministry of Finance’s Economic and Financial Reform Monitoring Committee (CREF).

## IV. DEBT RELIEF ANALYSIS AND POSSIBLE HIPC AND MDRI ASSISTANCE<sup>4</sup>

### A. Debt Reconciliation Status

24. The DRA below draws on data provided by the authorities and creditors for public and publicly-guaranteed external debt disbursed and outstanding as of end-2009. The reconciliation process was completed jointly by the IMF, IDA and the authorities in January and April 2010. All multilateral and 98.3 percent of bilateral and commercial debt were reconciled.<sup>5</sup>

### B. Structure of External Debt

25. At end-2009, Comoros' public and publicly guaranteed external debt was estimated at US\$286.8 million (including arrears) in nominal terms. This corresponds to US\$213.1 million in NPV terms. Multilateral creditors accounted for slightly over three-fourths of the total debt stock in nominal terms, with liabilities to IDA alone constituting 42.0 percent of total external debt. Other multilaterals with substantial claims on Comoros are the AfDF (13.3 percent of total external debt), BADEA (9.6 percent), IMF (3.5 percent), IsDB (3.3 percent) and IFAD (2.8 percent). OFID, EIB and AMF held claims amounting to a combined share of 2 percent of total debt. The Paris Club creditors, with France as the major

**Table 3. Comoros: Nominal Stocks and Net Present Value of Debt at end-2009 by Creditor Groups**

	Nominal Debt Stock 1/		Legal Situation		NPV of Debt 1/		Base Situation for	
	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total	of HIPC Debt Relief 1/ 2/	Percent of total
Total	286.8	100.0	54.0	100.0	213.1	100.0	257.4	100.0
Multilateral	219.6	76.6	35.8	66.4	163.3	76.6	197.6	76.8
World Bank	120.4	42.0	-	-	80.1	37.6	80.1	31.1
AfDB Group	38.1	13.3	3.4	6.3 3/	27.8	13.0	61.5 4/	23.9
IMF	10.1	3.5	-	-	7.6	3.6	7.6 5/	2.9
BADEA	27.6	9.6	27.6	51.1	27.6	12.9	27.6	10.7
Others 6/	23.5	8.2	4.8	9.0	20.2	9.5	20.9	8.1
Bilateral	60.6	21.1	13.7	25.3	43.3	20.3	57.6	22.4
Paris Club:	17.8	6.2 7/	12.1	22.5 7/	17.5	8.2 7/	15.3	6.0
Other Official Bilateral:	42.9	14.9	1.5	2.8	25.8	12.1	42.3 8/	16.4
Commercial	6.6	2.3	4.5	8.3	6.5	3.0	2.2	0.8

Sources: Comorian authorities; and Fund and World Bank staff estimates.

1/ Includes arrears.

2/ Base situation for the calculation of HIPC debt relief; assumes a stock-of-debt operation on Naples terms at end-December 2009; and comparable action by other official bilateral creditors on eligible debt (pre-cutoff and non-ODA).

3/ Technical arrears, to be cleared at Decision Point by the European Commission.

4/ The relief resulting from the 2007-09 arrears clearance mechanism were added back to the NPV of debt stock as of end-2009.

5/ NPV of debt service is calculated with fixed interest rates at end-2009 in line with treatment of other creditors. In Table A8 (HIPC delivery table), the IMF calculates debt service projections based on its own interest rate projections, which leads to a small difference in the NPV calculation according to the HIPC method and its own method.

6/ Other multilaterals include IsDB, IFAD, OFID, EIB and AMF. The Comoros has no arrears with the IsDB. The relief resulting from debt rescheduling and an interest penalty waiver (AMF) and the moratorium on debt service payments and arrears (IsDB) were added back to the NPV of debt stock as of end-2009.

7/ Does not include the implementation of the November 2009 Paris Club agreement.

8/ The relief resulting from the 2007 rescheduling agreements were added back to the NPV of debt stock as of end-2009.

<sup>4</sup> The DRA presented in the paper is based on the HIPC Initiative's methodology.

<sup>5</sup> The un-reconciled 1.7 percent of bilateral and commercial debt is due to Banque Postale, representing 0.4 percent of the total debt.

creditor, accounted for 26.5 percent of nominal bilateral and commercial claims at end-2009 (6.2 percent of Comoros' total external debt before the November 2009 Paris Club restructuring agreement). Non-Paris Club official creditors are Kuwait, Saudi Arabia, Mauritius, and United Arab Emirates, accounting for an estimated 15.0 percent of total external debt. Three commercial creditors (*Banque Postale*, *Cotecna*, and *Hopitaux de Paris*) held 2.3 percent of Comoros' total external debt outstanding at end-2009.

26. **As of end-2009, about one fifth of Comoros' external debt was in arrears, but these have been deferred pending agreement on restructuring discussions with creditors.**<sup>6</sup> The stock of external arrears stood at US\$54.0 million, of which US\$35.8 million was owed to multilateral creditors, US\$13.7 million to bilateral claimants, and US\$ 4.5 million to commercial creditors. Arrears to BADEA made up the largest share of arrears to multilateral creditors at end-2009. The bulk of arrears to the AfDB Group were cleared between December 2007 and April 2009 under the Post-Conflict Country Facility (PCCF);<sup>7</sup> a residual amount of US\$3.4 million is to be cleared by the EC under the FSF when Comoros reaches the HIPC decision point, together with an amount of US\$1.9 million owed to the EIB. The IsDB has agreed to a moratorium on debt service and payment of arrears until December 2010, and the AMF has rescheduled its loan on concessional terms. Comoros has contacted the remaining multilateral creditors to start negotiations to clear arrears in the context of a comprehensive resolution of the country's debt situation under the HIPC Initiative process. Arrears to Paris Club members stood at US\$12.1 million at end-October 2009; they will be cleared through bilateral arrangements, consistent with the general rescheduling agreement of November 2009. Other bilateral and commercial creditors have either agreed to defer arrears pending a treatment in the context of the HIPC Initiative process or are holding discussions with the authorities on their restructuring.

### C. Possible Assistance under the HIPC Initiative

27. **Comoros qualifies for debt relief under the HIPC Initiative's "export window" based on end-2009 data.** After full application of traditional debt relief mechanisms, the country's NPV of debt is estimated at US\$257.4 million at end-2009, equivalent to 343.0 percent of exports of goods and services.<sup>8</sup>

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<sup>6</sup> In line with the method agreed with multilateral development banks, any concessional rescheduling of arrears done by multilateral creditors in the context of the HIPC Initiative would be counted as part of their contribution to debt relief under the HIPC Initiative (see the attachment to "HIPC Debt Initiative: The Chairman's Summary of the Multilateral Development Banks' Meeting", March 6, 1998, IDA/SecM98-90).

<sup>7</sup> This has been renamed into Fragile States Facility (FSF) with the same terms and conditions.

<sup>8</sup> Remittances are not included in the HIPC DRA.

**Table 4. Comoros: HIPC Initiative Assistance Under a Proportional Burden-Sharing Approach** <sup>1,2</sup>  
(In millions of U.S. dollars, unless otherwise indicated)

	Debt Outstanding (NPV terms) end-2009 (A)	Debt Outstanding (NPV terms) Post-HIPC (B)	Reduction of the NPV of Debt due to HIPC (A-B) /3
Total	257	113	144.8
(as percent of export)	343	150	193.0
of which:			
Multilateral <sup>3/</sup>	198	86	111
Bilateral	58	25	32
Commercial	2	1	1
Memorandum Items:			
Common reduction factor (percent) <sup>4/</sup>	56		
Exports <sup>5/</sup>	75		

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

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Includes a hypothetical stock-of-debt operation on Naples terms (end-December 2007) and comparable treatment by other official bilateral creditors.

3/ The relief resulting from arrears clearance (AfDB), moratorium on debt service and arrears (IsDB) and debt rescheduling and interest penalty waiver (AMF) were added back to the NPV of debt stock as of end-2009 in order to credit these institutions for the debt relief already granted through these operations.

4/ Each creditor's NPV reduction in percent of its exposure at the reference date, end-December 2009, calculated as (A-B)/A.

5/ Based on a three-year average of exports on the previous year (e.g., export average over 2007-2009 for NPV of debt-to-exports ratio in 2009).

28. **The amount of debt relief needed to bring Comoros' NPV of debt-to-exports ratio down to the HIPC threshold of 150 percent is estimated at US\$144.8 million in end-2009 NPV terms.** This implies a common reduction factor of 56 percent. Based on proportional burden sharing, multilateral creditors' assistance would amount to US\$111.2 million, and bilateral and commercial creditors' assistance to US\$33.6 million (in NPV terms). The country has already been granted some HIPC Initiative debt relief through earlier arrears clearance operations (Box 1). As of June 4, 2010, most multilateral creditors, IDA, IMF, AfDF, EIB, IFAD, BADEA and IsDB, representing 98 percent of the NPV of debt owed to multilateral creditors, have indicated their willingness to provide HIPC Initiative debt relief to Comoros. AMF and OFID have not yet committed, but communication is ongoing.

29. **The illustrative scenarios below on the delivery of HIPC Initiative debt relief are based on the assumption that Comoros reaches its HIPC decision point in mid-2010 and its completion point by end-2012.**

- **IDA** assistance would amount to US\$45 million in NPV terms. After the approval of the decision point, IDA will provide interim relief in the form of a reduction in debt service up to a maximum of 65 percent from July 2010 to June 2030. The details of IDA's anticipated assistance are provided in Table A7.
- **IMF** assistance would total US\$4.27 million in NPV terms. There would be no immediate HIPC interim assistance from the IMF following the approval of the decision

point by the IDA and IMF Boards. There will be no PRGT principal repayment obligations until 2014, and the PRGT interest obligations have been waived by the IMF to all low-income member countries through 2011. Possible HIPC interim assistance could be considered after 2011 (Table A8).

- **AfDB Group**'s assistance would amount to US\$34.6 million in NPV terms, which is almost covered by the December 2007 to April 2009 arrears clearance operations under the PCCF.<sup>9</sup> Furthermore, the remaining technical arrears will be cleared at decision point.

### **Box 1. External Arrears Clearance**

**Comoros has made substantial progress in reaching understandings with key creditors on arrears.**

Nearly one-fifth of the country's official external debt (US\$54 million) was in arrears at end-2009; Comoros has no arrears to IDA and the IMF. Most of the arrears have been or are expected to be cleared through concessional arrears clearance operations and Comoros has either reached or is negotiating understandings with creditors to that effect on terms at least comparable to those granted by Paris Club creditors where applicable. Consistent with the HIPC Initiative methodology, the grant element embedded in the arrears clearance is counted toward the creditor's contribution to debt reduction under the HIPC Initiative.

**Nearly all of the arrears to the AfDB Group were cleared between December 2007 and April 2009 under the Post-Conflict Country Facility.** 69 percent of the cost was financed from the PCCF, 1 percent by Comoros, and 30 percent by bilateral donors. All donors have delivered their contribution except the European Commission (EC), which will finance the clearance of the remaining arrears at decision point.

**The authorities have made progress in discussions on the clearance of arrears with other multilateral creditors.** The arrears to the EIB will be cleared at the decision point, and at the completion point the remaining outstanding loan will be cancelled under the LDC initiative, provided that Comoros is still classified as an LDC. The AMF cleared arrears in March 2008. The authorities have also contacted the IsDB, OFID and BADEA to renegotiate the clearance of arrears; all three have responded favorably to the request. Moreover, the IsDB has already provided a moratorium on arrears and debt service payments until December 2010. The government is expected to clear arrears to these creditors in the context of the HIPC Initiative on terms consistent with Comoros's limited repayment capacity.

**Comoros has been accorded an exceptional debt restructuring treatment by the Paris Club.** In the context of the ECF-supported in September 2009, Paris Club creditors agreed to provide an exceptional debt treatment to Comoros, beyond the standard Naples terms. Arrears on short-term debt—a senior category of debt normally not treated by the Club, but which constitutes the bulk of Comoros' debt to the Club—were deferred and are to be repaid over eight years. Overall, the agreement treats debts amounting to US\$13 million and reduces by about 80 percent the payments due by Comoros over the program period (2009–12). The agreement includes a clause further reducing debt service payments due if Comoros reaches the HIPC decision point. In addition, Saudi Arabia and Kuwait, two of Comoros' main non-Paris Club creditors partly delivered their shares of relief through rescheduling agreements in 2007.

<sup>9</sup> The PCCF provides partial funding for arrears clearance operation to countries which: (i) demonstrate respect for the AfDB Group's preferred creditor status; and (ii) are eligible for HIPC debt relief, but not yet reached the decision point under the Initiative.

- **Other multilateral creditors'** assistance would amount to US\$27.3 million in NPV terms. Some creditors have rescheduled loans or canceled some arrears in 2008 and 2009, which will be credited to their HIPC relief effort, but the bulk is expected to be delivered through cancellation or concessional rescheduling of arrears and/or debt service reduction, to commence at decision or completion points (Table A9).
- The **Paris Club** creditors are assumed to provide their share of HIPC debt relief through a Cologne flow operation (i.e., a 90 percent NPV reduction) after Comoros reaches its decision point, with the remaining HIPC assistance delivered through a stock of debt operation at the completion point.
- Regarding the **non-Paris Club official bilateral creditors** and **commercial creditors**, Comoros has concluded rescheduling agreements with Kuwait and Saudi Arabia on terms at least as favorable as those agreed to with the Paris Club creditors. Debt rescheduling on terms comparable to those granted by Paris Club creditors is assumed for the other creditors.

#### **D. Possible Assistance under MDRI and Bilateral Debt Relief Beyond HIPC**

30. **Upon reaching the completion point, Comoros would benefit from bilateral debt relief beyond HIPC from the Paris Club.** The additional relief from the Paris Club would cancel the remaining debt, further reducing the PV of debt after completion point by about US\$2 million.

31. **In addition, Comoros would qualify for MDRI debt relief from IDA and the AfDF.** The country has no debt eligible for MDRI relief from the IMF. The MDRI debt relief provided by IDA and the AfDB Group would cover all outstanding debt disbursed prior to end-December 2003 and end-December 2004, respectively, and still outstanding at the two institutions' implementation dates.<sup>10</sup>

32. Preliminary estimates indicate that MDRI debt relief could amount to US\$52.2 million in NPV terms, assuming that Comoros reaches the completion point in December 2012. Of this amount, US\$29.8 million would be provided by IDA and US\$22.4 million by the AfDB Group.

33. **Finally, the EIB will cancel all remaining outstanding debt under the LDC initiative, provided that Comoros is still classified as an LDC.** This would amount to \$0.36 million in PV terms.

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<sup>10</sup> IDA MDRI debt relief would be on debt outstanding as of the end of the quarter in which the completion point will be reached; MDRI from AfDF will be delivered at the completion point.

## **E. Impact of Debt Relief and Sensitivity Analysis**

34. **Traditional debt relief together with unconditional delivery of HIPC Initiative assistance would drive down Comoros' NPV of debt-to-exports ratio from 343.0 percent as of end-December 2009 to approximately 142.7 percent by 2012** (Table A5). With MDRI and LDC initiative relief added, the NPV would fall further to 86.5 percent of exports of goods and services in 2012, as a result of cancellation of debt to IDA, the AfDF and the EIB. Additional relief from bilateral creditors would lower the NPV of debt to exports to 86.0 percent.

35. **The NPV of debt is projected to decline further over the long term. With both HIPC and MDRI debt relief, the NPV of debt would continue to decline to 80.2 percent of exports of goods and services by 2029, reflecting projected growth in exports and the authorities' prudent borrowing policy.** Debt service would average about 3.9 percent of revenues or 4.0 percent of exports during 2009–19 and 3.4 percent of revenues and 4.0 percent of exports during 2020–29.

36. **In a lower-exports alternative scenario, the debt burden initially exceeds the HIPC Initiative threshold before returning below the benchmark during 2020–29. Under an alternative scenario with permanently lower growth, Comoros' external public debt would remain below the HIPC Initiative threshold through 2029.** In the first alternative scenario (Table A6), exports of goods and services are assumed to be lower by about 30 percent in dollar terms by 2027 relative to the baseline. In this case, the NPV of debt would decline over the long term, reaching 68.6 percent of revenues by 2029 (125.9 percent of exports of goods and services, 12.1 percent of GDP). Debt service would average some 5.6 percent of revenues and 6.6 percent of exports of goods and services during 2009–2019. The second scenario assumes a weakening of the average annual growth rate from 3.8 percent to 1.5 percent throughout 2009–29. In this case, the NPV of debt would decline over the long term, reaching 121.8 percent of revenues by 2029 (107.7 percent of exports of goods and services, 18.6 percent of GDP). Debt service would average some 6.4 percent of revenues and 6.1 percent of exports of goods and services during 2009–19.

37. **The sensitivity analysis indicates that Comoros' ability to service external debt after HIPC relief is very vulnerable to external and growth shocks.** The achievement of a robust external debt position is also heavily influenced by the composition and terms of external assistance; under the DRA the bulk of external assistance is assumed to be grants and the remaining borrowing to be on very concessional terms throughout the projection period. The small export base (including tourism) constrains the amount of debt that Comoros will be able to service in the medium and long term, especially if public expenditure is to give priority to achieving the MDGs. The analysis underscores the importance of a sustained domestic reform effort to support the development of exportable production and services, notably tourism, and to secure external assistance heavily weighted toward grants.

### Box 2. Key Macroeconomic Assumptions Underlying the DRA

Key medium- to long-term macroeconomic assumptions used in the baseline DRA scenario include:

**Annual real GDP growth:** averages 3.8 percent over the projection period (FY 2010–29).

**CPI inflation:** is projected to decline from 7.4 percent in 2008 to about 3 percent over the longer-term horizon.

**Real exchange rate and terms of trade:** After a modest appreciation in 2008–09, the real effective exchange rate is projected to remain broadly stable throughout the latter part of the projection period; the terms of trade would recover from the 2008 deterioration, and moderately improve thereafter.

**Remittances:** on average, remittances are projected to converge to the historical norm of 14.5 percent of GDP during 2013–29, from almost 20 percent of GDP in 2009, following unusually strong growth in 2008.

**External current account deficit** (excluding official grants): is projected to narrow from an annual average of 11 percent of GDP during 2010–16 to about 7 percent of GDP over the remainder of the projection period, with the improvement mostly stemming from moderating food and consumer products imports in the long run—reflecting progress in import substitution. Goods exports are projected to grow slower than nominal GDP, on account of stagnating prices. However, the growth rate of nonfactor services exports (tourism) would be stronger than that of nominal GDP. Accordingly, goods and non factor services exports are projected to remain broadly stable in relation to GDP.

**Government balance:** The primary balance (total revenue and grants less noninterest expenditure) is projected to improve from a deficit of 2.6 percent of GDP in 2009, and to move into surplus beginning in 2015, as revenue collection improves and more efforts are made to maintain spending under control.

**External assistance, scaling up, and concessionality:** The framework assumes that up to 2012 external assistance will be mostly in the form of grants, averaging about 7 percent of GDP. Over the long-term (2012–29), further assistance will be available on concessional terms and mostly in grants, including from IDA and AfDB. Loans from sources other than IDA, IMF and AfDB are assumed to be provided under IDA terms (with a grant element of 50 percent) until 2015, after which the grant element is projected to gradually decline to 30 percent.

**Domestic borrowing:** The scenario assumes no new medium- to long-term domestic borrowing beyond central bank's short-term cash advances to the treasury.

## V. DECISION AND FLOATING COMPLETION POINTS

### A. Triggers for the Floating Completion Point

38. **IMF and IDA staffs have reached understandings with the authorities on completion point triggers, summarized in Box 3.** In addition to the standard triggers on PRSP implementation and macroeconomic stability, Comoros' completion point triggers include policy measures aimed at improving public financial management and governance; strengthening the social sectors; supporting growth; and improving debt management. Public financial management and governance triggers would advance ongoing efforts to improve overall budget management, notably by instituting better expenditure control mechanisms

### **Box 3. Triggers for the Floating Completion Point<sup>11</sup>**

#### **PRSP**

- Satisfactory implementation for at least one year of the full PRSP, as evidenced by an Annual Progress Report submitted by the government to IDA and the IMF.

#### **Macroeconomic stability**

- Maintenance of macroeconomic stability as evidenced by satisfactory implementation of the ECF-supported program.

#### **Public financial management and governance**

- Regularly produce detailed quarterly budget execution reports for a period of at least 12 months prior to reaching the completion point.
- Adopt the terms of reference for a feasibility study for a comprehensive computerized public financial management system, including an estimate of the cost and a timetable for the installation of the proposed system.
- Adopt by law a public procurement code consistent with relevant COMESA norms and develop related implementing regulations; and successfully implement the new code prior to the country's attainment of the HIPC Initiative completion point;
- Adopt a revised set of organic frameworks (organigram and staffing plans), consistent with the 2009 constitutional amendments, for all ministries.
- Government approval and submission to Parliament of a draft law establishing the constitutionally-mandated Chamber of Accounts for external control of budget operations.

#### **Structural reform**

- Officially adopt reform strategies to strengthen management of Comores Télécoms (telecommunications), Société Comorienne des Hydrocarbures (oil import and storage), and MAMWE (electricity); and issue calls for expressions of interest to identify a strategic partner for at least one of the three companies

#### **Social sectors**

##### **Education: Strengthen efforts towards achieving MDG 2; the authorities will:**

- Construct and equip 210 primary school classrooms following agreed standards (22 on Moheli, 126 on Anjouan, and 62 on Ngazidja).
- Construct 100 separated latrines for improved hygiene and promotion of girls' participation.
- Provide 300,000 textbooks and 25, 000 school kits (including basic school supplies) for vulnerable children.

##### **Health: Strengthen efforts towards achieving MDGs 4 and 6; the authorities will:**

- Conduct a national measles vaccination campaign for children 9–47 months to achieve 90-percent coverage nationwide (and thus consolidate progress in reducing infant mortality).
- Carry out a national survey on risk factors for non communicable diseases to guide the development of a national strategy to reduce the growing burden of noncommunicable diseases.

#### **Debt Management**

- Improve public debt management systems, particularly adopting effective debt management software.
- Produce detailed annual reports on external and domestic debt no later than six months after year end, including data on existing stocks, new loans, and debt service due and paid. At least one such report should be available prior to Comoros reaching the HIPC completion point.
- Amend the 2003 decree (décret N°03-62/PR) establishing the debt management office to refocus its mandate and activities, consistent with the office's capacity limitations.

<sup>11</sup> The first two triggers (PRSP implementation and satisfactory macroeconomic performance) are requirements for reaching the completion point under the IMF PRGT-HIPC Trust Instrument.

and procurement practices.<sup>12</sup> They are also intimately linked to the political reconciliation process, as consolidated budgetary reporting, the development of an integrated automated public financial management system and the revision of the personnel frameworks all imply a significant degree of cooperation and trust between the Union and island executives. The triggers relating to the social sectors and to structural reforms are intended to improve key health and education outcomes, and to enhance the competitiveness and growth potential of the economy.

**39. IDA and IMF staffs will work together to monitor the completion point triggers, with each institution leading on areas of primary competence, while also incorporating contributions of staff from the other institution.** IMF staff will take the lead in monitoring macroeconomic stability. IDA staff will focus on progress in the implementation of the PRSP and on sector-related triggers, including those pertaining to PFM and service delivery, and to tracking of pro-poor expenditures financed with HIPC Initiative assistance. IDA and IMF staffs will jointly monitor structural reforms and progress in improving external debt management.

#### **B. Monitoring Public Spending Following Provision of HIPC Assistance**

**40. The government is committed to ensuring that assistance under the HIPC Initiative is used to enhance poverty related spending.** Securing the effective use of debt relief assistance for poverty reduction and, more generally, the capacity to implement and monitor a shift in the composition of expenditure toward poverty-related objectives is a key element of the HIPC Initiative. The authorities will continue their ongoing efforts to strengthen the programming, management and control of public expenditures, and to improve service delivery in key sectors. Within this framework, technical assistance from IDA, IMF, AfDB and other donors is greatly needed; it will be important to establish adequate budget management capacity.

**41. While Comoros does not have a budget classification by program or a fully functional budget classification, there are mechanisms in place that can be used to adequately monitor the use of resources made available by the HIPC Initiative.** Existing budget and accounting classifications allow for monitoring of budget allocations and expenditures following two dimensions: (i) administrative (ministries and islands authorities) including development projects; and (ii) economic (expenditure types). The budget is also presented in the annexes of the budget law following a functional classification with broad categories (such as education and health), which is prepared using estimates from the administrative classification. Also, in the absence of a program budget, projects can be

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<sup>12</sup> Not requiring a specific length of track record for public procurement implementation before the HIPC completion point appears justified given Comoros' weak domestic capacity in that area. Even with donor support, government approval of the new code and the strengthening of relevant services would likely take at least two years; the significant investment limits the likelihood that the gains made would not be preserved.

individually coded within the administrative classification to allow recording and reporting on project expenditures.

42. **The use of resources made available by the HIPC Initiative prior to the completion point will be monitored at the entity (e.g., ministries, public institutions, and executing agencies) and project levels.** Entities, which are already coded in the budget classification, will be identified according to their core mandate in relation to poverty reduction. The same process will be followed to identify individual projects in areas which contribute to poverty reduction as defined in the PRSP. A key challenge will be to put in place mechanisms to record expenditures according to their destinations, which could allow for monitoring of both budget allocations and expenditures for entities and projects identified as contributing to poverty reduction.

43. **The government intends to use HIPC related savings to fund activities identified in the PRSP.** The resources from HIPC Initiative assistance would mostly be allocated to health and education; while other areas, such as major infrastructure programs, would be financed with resources from other external resources (Box 4). The poverty-related programs and projects to be financed with interim assistance support have been included in the FY2010 budget and would need to be included in subsequent budgets. Going ahead, the planned introduction of an effective procurement code will strengthen and modernize the public procurement system, promoting transparency and competition in line with international best practices.

#### **Box 4. Medium-Term Expenditure Priorities**

##### **Education**

- Increase primary and secondary school completion rates.
- Reduce illiteracy prevalence.

##### **Health**

- Increase health personnel and financial means available to major health facilities.
- Improve availability of drugs, other materials, and vaccines, with a view to reducing prevalence of major endemic diseases: tuberculosis, malaria as well as improving mother and child health.

##### **Agriculture and food security**

- Expand income generating activities at the community level, including those that increase food production and/or facilitate the supply of food products to markets and the population.
- Expand availability of quality services to producers—advice, agricultural education and training, and research and development for improving the supply of agricultural inputs.

##### **Infrastructure**

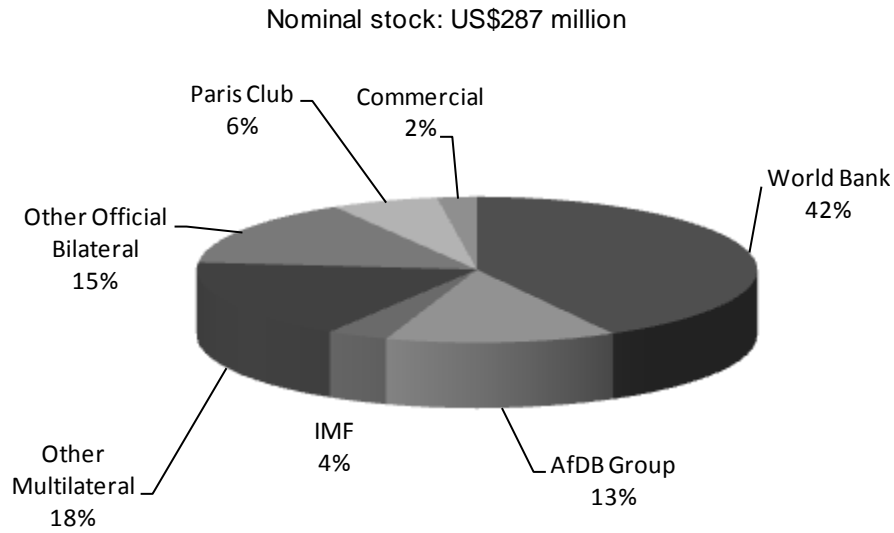
- Expand supply of, and hence access to, electricity and telephone, through expeditious reform of public utilities.
- Expand and improve port and road infrastructure.

## VI. ISSUES FOR DISCUSSION

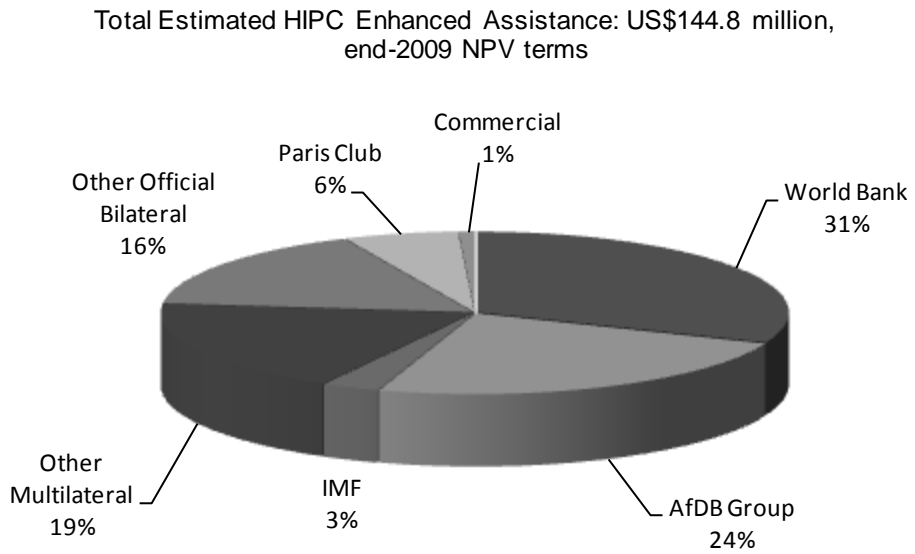
44. **This paper assesses whether Comoros qualifies for assistance under the Enhanced HIPC Initiative. Executive Directors' views and guidance are sought on the following issues:**

- **Qualification and decision point:** Do Directors agree that Comoros qualifies for assistance under the HIPC Initiative and do they approve the decision point?
- **Amount and delivery of assistance:** In order to reduce the NPV of debt to the threshold of 150 percent of exports of goods and services, the total amount of assistance under the Enhanced HIPC Initiative is estimated at US\$144.8 million in NPV terms. Under proportional burden sharing, US\$45 million in NPV terms would be provided by IDA; and assistance from the IMF would amount to US\$4.27 million in NPV terms. Do Directors agree that IDA should provide interim assistance between the decision and completion points, in line with existing guidelines?
- **Floating completion point:** Do Directors agree that the HIPC floating completion point will be reached when the triggers in Box 3 have been met? Debt relief will be provided unconditionally only when the completion point triggers have been met and satisfactory assurances of other creditors' participation under the enhanced HIPC Initiative for Comoros have been received.

**Figure 1a. Comoros: Composition of Stock of External Debt at End-2009 by Creditor Group**  
(Nominal stock: \$287 million)

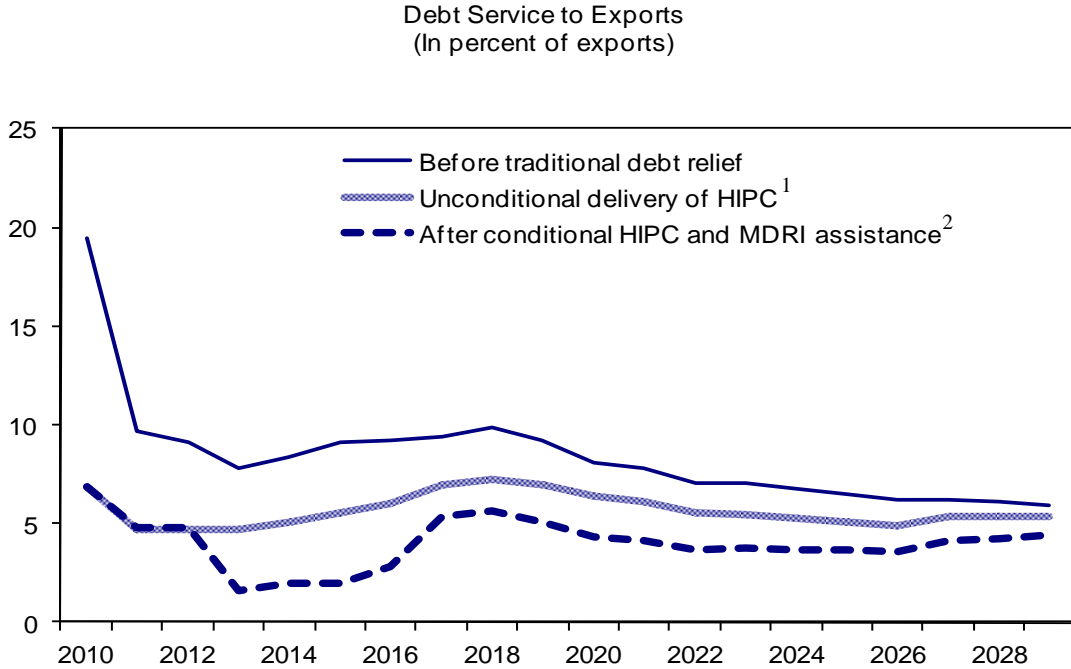
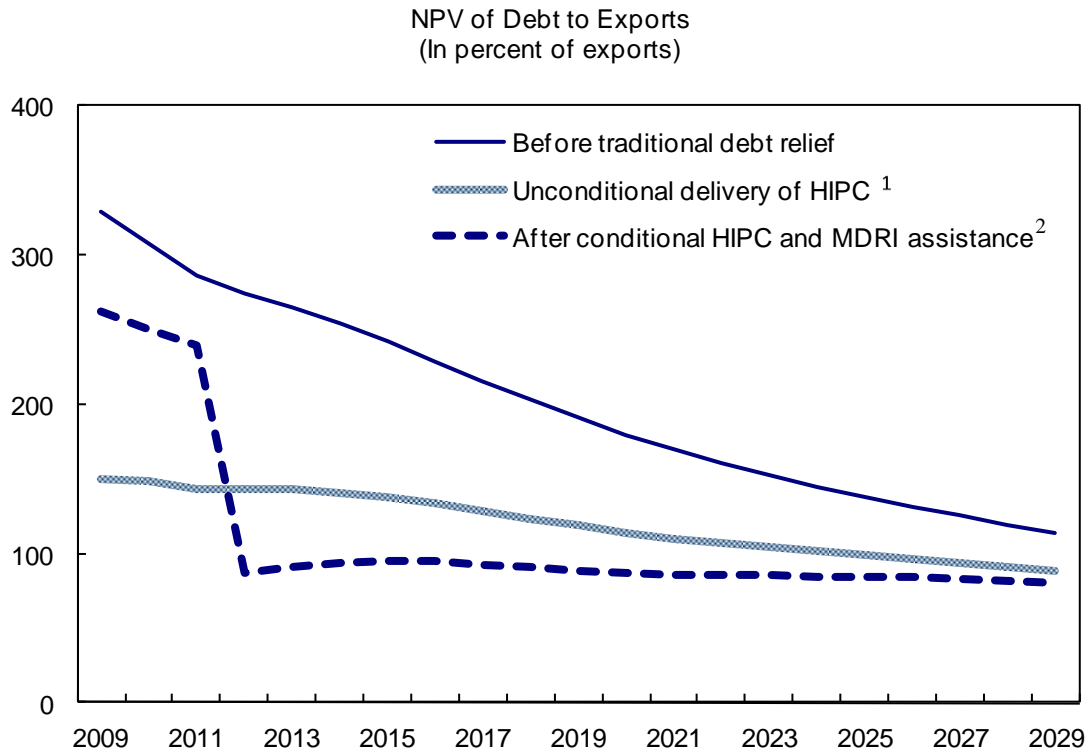


**Figure 1b. Comoros: Potential Costs of the HIPC Initiative by Creditor**



Sources: Comorian authorities and staff estimates.

Figure 2. Comoros: External Debt Sustainability Indicators, 2009–29

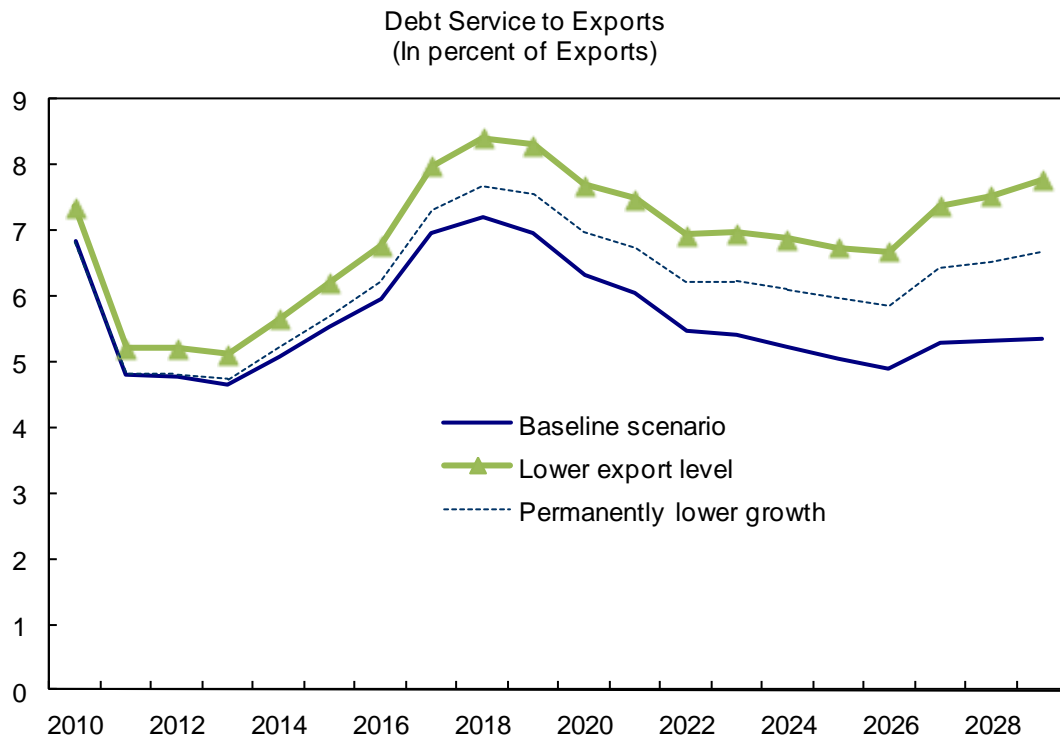
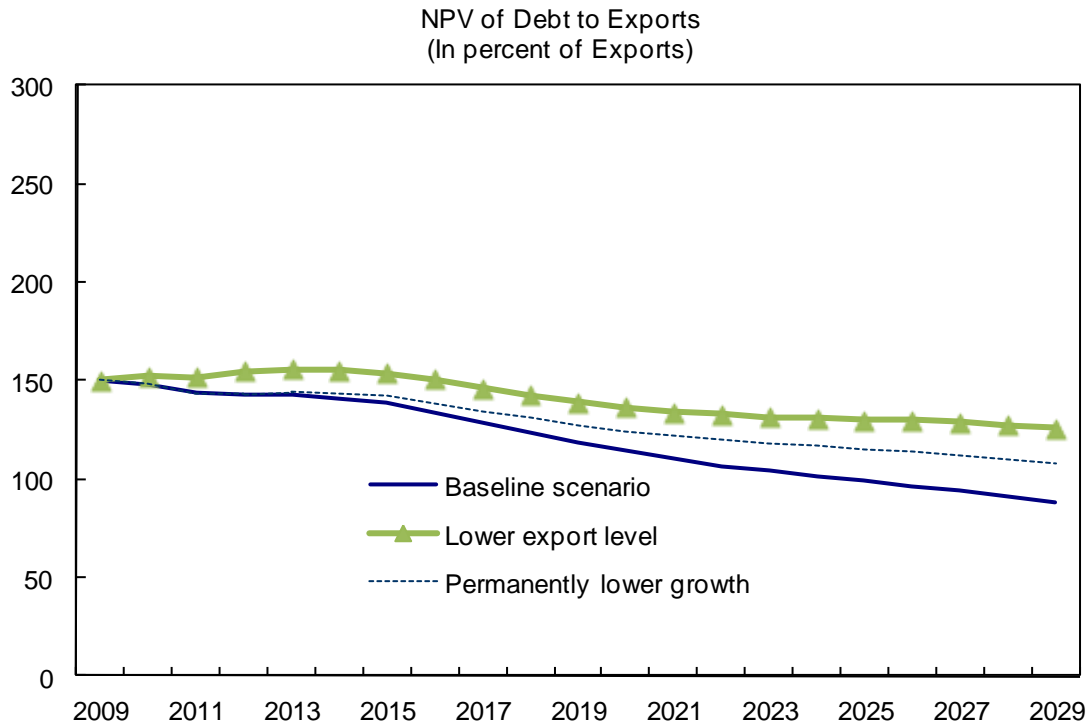


Sources: Comorian authorities and staff estimates.

1/ Assumes full delivery of estimated HIPC initiative debt relief from July 2010

2/ Assumes HIPC and MDRI delivery at completion point.

**Figure 3. Comoros: Sensitivity Analysis, 2009–29**  
 After unconditional delivery of enhanced HIPC assistance



Sources: Comorian authorities and staff estimates.

**Table A1. Comoros: Discount and Exchange Rate Assumptions as of end-December 2009**

Currency Name	Discount Rate 1/ (In percent per annum)	Exchange Rate 2/ (Currency per U.S. dollar)
Comorian Franc	4.31	341.50
Swiss Franc	2.85	1.03
Chinese Yuan	3.91	6.83
Danish Krone	4.57	5.19
Euro	4.31	0.69
Japanese Yen	1.97	92.06
Norwegian Kroner	4.45	5.78
Special Drawing Rights 3/	3.91	0.64
Swedish Krona	4.44	7.12
U.S. Dollar	4.09	1.00
Memorandum item:		
Paris Club cutoff date	June 20, 1999	

Sources: OECD; and IMF, *International Financial Statistics*.

1/ The discount rates used are the average commercial interest reference rates over the six-month period prior to end-December 2009, i.e., the end of the period for which actual debt and export data are available.

2/ The exchange rates are expressed as national currency per U.S. dollar at end-December 2009.

3/ The IsDB, AfDB Group and AMF use the Islamic dinar (ISD), African currency unit (UAC) and Arab accounting dinar (AAD) respectively, which are all linked to the SDR (ISD 1=UAC 1=AAD 1/3=SDR 1) and use the same discount rate as the SDR.

**Table A2. Comoros: Nominal Stock and Net Present Value of Debt as of December 31, 2009, by Creditor Groups**

	Nominal Debt Stock 1/		Legal Situation		NPV of Debt 1/		Base Situation for Calculation of HIPC Debt Relief 2/	
	US\$ million	Percent of total	Arrears Stock		NPV of Debt 1/		NPV of Debt	
			US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total
<b>Total</b>	<b>286.8</b>	<b>100.0</b>	<b>54.0</b>	<b>100.0</b>	<b>213.1</b>	<b>100.0</b>	<b>257.4</b>	<b>100.0</b>
<b>Multilateral</b>	<b>219.6</b>	<b>76.6</b>	<b>35.8</b>	<b>66.4</b>	<b>163.3</b>	<b>76.6</b>	<b>197.6</b>	<b>76.8</b>
World Bank	120.4	42.0	-	-	80.1	37.6	80.1	31.1
AfDB Group	38.1	13.3	3.4	6.3 3/	27.8	13.0	61.5 4/	23.9
IMF	10.1	3.5	-	-	7.6	3.6	7.6 5/	2.9
BADEA	27.6	9.6	27.6	51.1	27.6	12.9	27.6	10.7
IsDB	9.4	3.3	-	-	8.7	4.1	9.1 6/	3.5
IFAD	8.0	2.8	0.2	0.3	5.6	2.6	5.6	2.2
OFID	3.6	1.3	3.6	6.7	3.6	1.7	3.6	1.4
EIB	1.6	0.6	1.0	1.9	1.4	0.7	1.4	0.5
AMF	0.9	0.3	0.0	0.0	0.9	0.4	1.2 7/	0.4
<b>Bilateral and Commercial</b>	<b>67.2</b>	<b>23.4</b>	<b>18.1</b>	<b>33.6</b>	<b>49.8</b>	<b>23.4</b>	<b>59.8</b>	<b>23.2</b>
<b>Bilateral</b>	<b>60.6</b>	<b>21.1</b>	<b>13.7</b>	<b>25.3</b>	<b>43.3</b>	<b>20.3</b>	<b>57.6</b>	<b>22.4</b>
Paris Club:	17.8	6.2 8/	12.1	22.5 8/	17.5	8.2 8/	15.3	6.0
Post-cutoff date	1.7	0.6	-	-	1.6	0.8	1.6	0.6
ODA	1.7	0.6	-	-	1.6	0.8	1.6	0.6
Non-ODA	-	-	-	-	-	-	-	-
Pre-cutoff date	16.1	5.6	12.1	22.5	15.9	7.5	13.7	5.3
ODA	2.3	0.8	-	-	2.1	1.0	1.6	0.6
Non-ODA	13.8	4.8	12.1	22.5	13.9	6.5	12.1	4.7
EEC-IDA Administered Loans	0.4	0.1	-	-	0.3	0.1	0.2	0.1
France	15.9	5.5	10.7	19.8	15.8	7.4	13.7	5.3
Italy	1.4	0.5	1.4	2.7	1.4	0.7	1.4	0.6
<b>Other Official Bilateral:</b>	<b>42.9</b>	<b>14.9</b>	<b>1.5</b>	<b>2.8</b>	<b>25.8</b>	<b>12.1</b>	<b>42.3</b>	<b>16.4</b>
Kuwait	26.4	9.2	-	-	14.4	6.7	25.1 9/	9.8
Mauritius	1.0	0.3	0.2	0.5	0.9	0.4	0.9	0.3
Saudi Arabia	14.1	4.9	-	-	9.2	4.3	15.3 9/	6.0
United Arab Emirates	1.3	0.4	1.3	2.4	1.3	0.6	1.0	0.4
<b>Commercial</b>	<b>6.6</b>	<b>2.3</b>	<b>4.5</b>	<b>8.3</b>	<b>6.5</b>	<b>3.0</b>	<b>2.2</b>	<b>0.8</b>
Post-cutoff date	6.6	2.3	4.5	8.3	6.5	3.0	-	-
Pre-cutoff date	-	-	-	-	-	-	-	-
Banque Postale	1.1	0.4	1.1	2.1	1.1	0.5	0.4	0.1
Cotecna	2.1	0.7	-	-	2.0	0.9	0.7	0.3
Hopitaux De Paris	3.3	1.2	3.3	6.1	3.3	1.6	1.1	0.4

Sources: Comorian authorities; and Fund and World Bank staff estimates.

1/ Includes arrears.

2/ Includes a hypothetical stock-of-debt operation on Naples terms at end-2009 and at least comparable action by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).

3/ Technical arrears, to be cleared at Decision Point by the European Commission.

4/ The relief resulting from the 2007-09 arrears clearance mechanism were added back to the NPV of debt stock as of end-2009.

5/ NPV of debt service is calculated with fixed interest rates at end-2009 in line with treatment of other creditors. In Table A8 (HIPC delivery table), the IMF calculation service projections based on its own interest rate projections, which leads to a small difference in the NPV calculation according to the HIPC method and its own method.

6/ The relief resulting from the October 2009 moratorium on debt service payments and arrears were added back to the NPV of debt stock as of end-2009.

7/ The relief resulting from the March 2008 rescheduling and interest penalty waiver were added back to the NPV of debt stock as of end-2009.

8/ Does not include the implementation of the November 2009 Paris Club agreement.

9/ The relief resulting from the 2007 rescheduling agreements were added back to the NPV of debt stock as of end-2009.

**Table A3. Comoros: External Debt Service, 2010–29**  
(In millions of U.S. dollars, unless otherwise indicated)

	2010	2011	2012	2013	2014	2019	2024	2029	Averages	
									2010 - 2019	2020 - 2029
<b>Before traditional debt relief and multilateral arrears clearance</b>										
Total	17.2	9.0	8.9	8.1	9.1	14.1	14.9	18.5	11.5	15.4
Existing debt <sup>2/</sup>	17.1	8.7	8.6	7.7	8.7	9.5	9.5	9.2	10.0	9.1
Multilateral	13.7	6.4	6.8	6.5	7.5	8.8	7.5	7.0	8.6	7.4
World Bank	3.9	4.1	4.2	4.2	4.7	5.4	5.5	5.3	4.6	5.5
IMF	0.0	0.0	0.0	0.0	0.7	1.3	0.0	0.0	1.0	0.0
AIDB Group	1.5	1.5	1.7	1.7	1.7	1.6	1.6	1.3	1.6	1.5
Others	8.4	0.9	0.9	0.6	0.5	0.5	0.4	0.3	1.4	0.4
Official bilateral	1.9	1.7	1.8	1.2	1.2	0.8	2.0	2.2	1.2	1.7
Paris Club	1.0	1.1	1.2	0.6	0.6	0.1	0.0	0.0	0.6	0.0
Non Paris Club	0.9	0.5	0.5	0.5	0.5	0.7	2.0	2.2	0.6	1.7
Commercial	1.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
New debt	0.1	0.2	0.3	0.4	0.5	4.5	5.4	9.3	1.5	6.3
Debt service to exports ratio	19.5	9.7	9.1	7.8	8.3	9.2	6.8	5.9	10.1	6.8
Debt service to revenue ratio	20.4	10.1	9.2	7.7	7.9	8.1	5.8	4.9	9.7	5.8
<b>After traditional debt relief <sup>3/ 4/</sup></b>										
Total	51.1	8.2	8.9	8.7	9.8	14.7	14.7	19.3	15.3	15.8
Existing debt <sup>2/</sup>	51.0	8.0	8.6	8.3	9.3	10.2	9.3	10.0	13.8	9.5
Multilateral	49.5	6.4	6.8	6.5	7.5	8.8	7.5	7.0	12.2	7.4
World Bank	3.8	4.1	4.2	4.2	4.7	5.4	5.5	5.3	4.6	5.5
IMF	0.0	0.0	0.0	0.0	0.7	1.3	0.0	0.0	1.0	0.0
AIDB Group	4.9	1.5	1.7	1.7	1.7	1.6	1.6	1.3	2.0	1.5
Others	40.9	0.9	0.9	0.6	0.5	0.5	0.4	0.3	4.6	0.4
Official bilateral	1.3	1.5	1.7	1.7	1.7	1.3	1.6	2.8	1.5	1.9
Paris Club	0.6	0.8	1.0	1.0	1.0	0.8	1.1	1.6	0.8	1.2
Non Paris Club	0.7	0.7	0.7	0.7	0.7	0.6	0.6	1.2	0.7	0.8
Commercial	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.1	0.2
New debt	0.1	0.2	0.3	0.4	0.5	4.5	5.4	9.3	1.5	6.3
Debt service to exports ratio	57.9	8.9	9.1	8.4	8.9	9.6	6.7	6.2	14.2	7.0
Debt service to revenue ratio	60.5	9.3	9.2	8.2	8.5	8.5	5.7	5.1	14.0	5.9
<b>After HIPC assistance <sup>5/</sup></b>										
Total	6.0	4.4	4.7	4.8	5.6	10.7	11.4	16.8	7.0	12.5
Existing debt <sup>2/</sup>	5.9	4.2	4.4	4.4	5.1	6.1	6.1	7.5	5.5	6.2
Multilateral	4.9	3.3	3.6	3.2	3.6	5.3	4.4	5.6	4.3	4.8
World Bank	2.6	1.4	1.5	1.5	1.6	1.9	1.9	1.8	1.7	1.9
IMF	0.0	0.0	0.0	0.0	0.3	0.9	0.0	0.0	0.5	0.0
AIDB Group	1.5	1.5	1.7	1.7	1.7	1.6	1.6	1.3	1.6	1.5
Others	0.9	0.4	0.4	0.0	0.0	0.9	1.0	2.5	0.4	1.3
Official bilateral	1.0	1.0	0.8	1.2	1.5	0.7	1.5	1.7	1.2	1.3
Paris Club	0.9	0.9	0.7	0.7	1.0	0.2	0.0	0.0	0.8	0.0
Non Paris Club	0.1	0.1	0.1	0.5	0.5	0.5	1.5	1.7	0.4	1.3
Commercial	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1
New debt	0.1	0.2	0.3	0.4	0.5	4.5	5.4	9.3	1.5	6.3
Debt service to exports ratio after HIPC assistance	6.8	4.8	4.8	4.7	5.1	7.0	5.2	5.4	5.9	5.4
Debt service to revenue ratio after HIPC assistance	7.1	5.0	4.8	4.6	4.8	6.2	4.5	4.5	5.6	4.6
<b>Reduction in debt service as a result of HIPC Initiative assistance <sup>6/</sup></b>										
	45.1	3.8	4.2	3.9	4.2	4.1	3.2	2.5	8.3	3.3
<b>After HIPC and MDRI assistance <sup>7/</sup></b>										
Total	6.0	4.4	4.7	4.7	5.6	10.7	11.4	16.8	7.0	12.5
Existing debt <sup>2/</sup>	5.9	4.2	4.4	4.3	5.1	6.1	6.1	7.5	5.5	6.2
Multilateral	4.9	3.3	3.6	3.2	3.6	5.3	4.4	5.6	4.3	4.8
World Bank	2.6	1.4	1.5	1.5	1.6	1.9	1.9	1.8	1.7	1.9
IMF	0.0	0.0	0.0	0.0	0.3	0.9	0.0	0.0	0.5	0.0
AIDB Group	1.5	1.5	1.7	1.7	1.7	1.6	1.6	1.3	1.6	1.5
Others	0.9	0.4	0.4	0.0	0.0	0.9	0.9	2.5	0.4	1.3
Official bilateral	1.0	1.0	0.8	1.2	1.5	0.7	1.5	1.7	1.2	1.3
Paris Club	0.9	0.9	0.7	0.7	1.0	0.2	0.0	0.0	0.8	0.0
Non Paris Club	0.1	0.1	0.1	0.5	0.5	0.5	1.5	1.7	0.4	1.3
Commercial	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1
New debt	0.1	0.2	0.3	0.4	0.5	4.5	5.4	9.3	1.5	6.3
Debt service to exports ratio after HIPC and MDRI assistance	6.8	4.8	4.8	4.6	4.8	5.0	3.7	4.4	4.1	4.0
Debt service to revenue ratio after HIPC and MDRI assistance	7.1	5.0	4.8	4.6	4.8	4.4	3.2	3.7	3.9	3.4
<b>Reduction in debt service as a result of MDRI assistance</b>										
	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0
<b>After conditional additional bilateral and multilateral relief beyond enhanced HIPC and MDRI assistance <sup>7/ 8/</sup></b>										
Total	6.0	4.4	4.6	4.6	5.6	10.7	11.4	16.8	7.0	12.5
Existing debt <sup>2/</sup>	5.9	4.2	4.3	4.3	5.1	6.1	6.1	7.5	5.5	6.2
Multilateral	4.9	3.3	3.6	3.2	3.6	5.3	4.4	5.6	4.3	4.8
World Bank	2.6	1.4	1.5	1.5	1.6	1.9	1.9	1.8	1.7	1.9
IMF	0.0	0.0	0.0	0.0	0.3	0.9	0.0	0.0	0.5	0.0
AIDB Group	1.5	1.5	1.7	1.7	1.7	1.6	1.6	1.3	1.6	1.5
Others	0.9	0.4	0.4	0.0	0.0	0.9	0.9	2.5	0.4	1.3
Official bilateral	1.0	1.0	0.8	1.2	1.5	0.7	1.5	1.7	1.2	1.3
Paris Club	0.9	0.9	0.6	0.5	0.8	0.2	0.0	0.0	0.7	0.0
Non Paris Club	0.1	0.1	0.1	0.5	0.5	0.5	1.5	1.7	0.4	1.3
Commercial	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1
New debt	0.1	0.2	0.3	0.4	0.5	4.5	5.4	9.3	1.5	6.3
Debt service to exports ratio after HIPC, additional bilateral relief and MDRI	6.8	4.8	4.7	4.6	4.8	5.0	3.7	4.4	4.0	4.0
Debt service to revenue ratio after HIPC, additional bilateral relief and MDRI	7.1	5.0	4.7	4.6	4.8	4.4	3.2	3.7	3.9	3.4
<b>Reduction in debt service as a result of Additional bilateral assistance beyond HIPC</b>										
	0.0	0.0	0.1	0.2	0.1	0.0	0.0	0.0	0.1	0.0
<b>Memorandum items:</b>										
Exports of goods and nonfactor services <sup>9/</sup>	88.3	92.5	97.5	103.1	109.9	152.9	219.4	313.1	116.1	231.6
Government revenues <sup>10/</sup>	84.4	88.4	96.5	105.7	115.4	173.1	256.6	376.6	123.5	272.8

Sources: Comorian authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated. Fiscal year ends in December.

2/ Includes only principal and interest due on debt outstanding as of the reference date (12/31/2009) and does not include projected penalty interest on arrears.

3/ Includes the impact of hypothetical arrears clearance operation by AIDB Group, BADEA, IFAD, OFID, EIB and AMF.

4/ Assumes a hypothetical stock of debt operation on Naples terms and comparable treatment from other bilateral creditors.

5/ Bilateral and commercial creditors are assumed to provide a Cologne flow rescheduling on eligible debt during the interim period and a Cologne stock of debt operation at the completion point (end December 2012). Multilateral creditors are assumed to provide HIPC debt relief as of the decision point, except for IsDB, IFAD, BADEA, OFID, which are assumed to provide relief at the completion point.

6/ The reduction is measured as the difference between the projected debt service after full use of traditional debt relief and debt service after the application of HIPC relief.

7/ MDRI assistance applies to IDA and ADF (Comoros has no MDRI-eligible debt to the IMF) and starts after the assumed completion point (December 2012). This scenario also includes debt cancellation at completion point by the EIB under the LDC Initiative, assuming Comoros is still classified as an LDC. Assumes that MDRI has no impact on Comoros's new borrowing over the projection period.

8/ Paris Club creditors deliver, under bilateral initiatives, additional debt relief beyond the HIPC Initiative at the completion point detailed on Table A9.

9/ As defined in IMF, Balance of Payments Manual, 5th edition, 1993. Refers to current year exports.

10/ Revenues are defined as central government revenues, excluding grants.

**Table A4. Comoros: Net Present Value of External Debt 2009–29**  
(In millions of U.S. dollars, unless otherwise indicated)

	2009	2010	2011	2012	2013	2014	2019	2024	2029	Averages	
										2009 - 2019	2020 - 2029
<b>I. Before traditional debt-relief 1/</b>											
NPV of total debt	247.4	246.1	250.2	254.6	259.4	263.4	272.5	295.6	332.8	260.8	301.1
NPV of outstanding debt	247.4	236.6	233.6	230.7	228.6	225.4	200.6	177.4	145.0	223.3	173.1
Official bilateral and commercial	49.8	47.7	46.6	45.9	45.8	45.7	46.8	46.1	40.4	46.6	44.9
Paris Club	17.5	16.8	15.9	14.8	14.3	13.7	12.3	12.2	12.1	14.2	12.2
Other official bilateral	25.8	25.8	26.2	26.6	27.1	27.5	30.0	29.4	23.8	27.6	28.3
Commercial	6.5	5.1	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.7	4.5
Multilateral	197.6	188.9	187.1	184.8	182.8	179.6	153.9	131.4	104.6	176.7	128.1
World Bank	80.1	79.5	78.5	77.3	76.1	74.5	63.0	47.1	27.3	73.3	44.6
AIDB Group	61.5	60.9	60.4	59.5	58.7	57.9	53.3	48.1	42.4	57.7	47.4
IMF	7.6	7.9	8.2	8.5	8.8	8.5	0.0	0.0	0.0	6.0	0.0
Other multilateral	48.4	40.6	40.0	39.4	39.1	38.8	37.5	36.2	34.9	39.7	36.0
Multilateral debt in arrears	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8
NPV of new borrowing	0.0	9.5	16.6	23.9	30.8	38.1	71.8	118.1	187.8	37.5	128.1
<b>II. After traditional debt relief 1/</b>											
NPV of total debt	257.4	169.6	174.9	179.9	184.6	188.7	197.3	221.3	259.3	193.4	226.8
NPV of outstanding debt	257.4	160.1	158.3	156.0	153.8	150.6	125.5	103.2	71.6	155.9	98.8
Official bilateral and commercial	59.8	41.3	41.4	41.3	41.2	41.1	41.8	41.9	37.1	43.0	40.8
Paris Club	15.3	15.4	15.2	14.9	14.6	14.3	13.4	11.4	6.7	14.4	10.6
Other official bilateral	42.3	23.8	24.0	24.3	24.5	24.7	26.3	28.8	29.5	26.5	28.6
Commercial	2.2	2.2	2.2	2.2	2.1	2.1	2.1	1.7	0.9	2.1	1.6
Multilateral	197.6	118.8	116.9	114.7	112.6	109.5	83.7	61.2	34.5	112.9	58.0
World Bank	80.1	79.5	78.5	77.3	76.1	74.5	63.0	47.1	27.3	73.3	44.6
AIDB Group	61.5	23.8	23.3	22.4	21.6	20.8	16.2	11.0	5.3	24.0	10.3
IMF	7.6	7.6	7.9	8.2	8.5	8.8	1.3	0.0	0.0	6.7	0.0
Other multilateral	48.4	7.9	7.3	6.7	6.3	5.4	3.2	3.1	1.8	9.0	3.0
NPV of new borrowing	0.0	9.5	16.6	23.9	30.8	38.1	71.8	118.1	187.8	37.5	128.1
<b>III. After conditional delivery of enhanced HIPC assistance 3/</b>											
NPV of total debt	196.8	199.6	208.9	132.4	139.6	146.1	169.5	206.7	258.4	166.2	213.9
NPV of outstanding debt	196.8	190.1	192.3	108.4	108.8	108.0	97.6	88.6	70.6	128.6	85.8
Official bilateral and commercial	49.8	42.2	41.9	25.7	26.1	25.6	23.9	23.1	18.6	30.2	22.2
Paris Club	17.5	15.1	14.1	4.5	4.2	3.4	0.3	0.0	0.0	5.9	0.0
Other official bilateral	25.8	25.2	26.3	20.1	20.7	21.0	22.6	22.2	18.1	22.6	21.4
Commercial	6.5	1.9	1.5	1.1	1.1	1.1	1.1	0.9	0.5	1.7	0.8
Multilateral	147.0	147.9	150.4	82.7	82.8	82.4	73.7	65.5	52.0	98.4	63.6
World Bank	74.0	74.4	75.8	35.4	35.3	35.1	33.0	29.8	25.7	45.4	29.3
AIDB Group	24.4	23.8	23.3	22.4	21.6	20.8	16.2	11.0	5.3	20.6	10.3
IMF	7.6	7.9	8.2	4.1	4.2	4.1	0.0	0.0	0.0	4.1	0.0
Other multilateral	41.0	41.8	43.1	20.8	21.6	22.4	24.5	24.7	21.0	28.3	24.0
NPV of new borrowing	0.0	9.5	16.6	23.9	30.8	38.1	71.8	118.1	187.8	37.5	128.1
<b>IV. After unconditional delivery of enhanced HIPC assistance 4/</b>											
NPV of total debt	112.6	118.6	125.6	132.4	139.6	146.1	169.5	206.7	258.4	143.6	213.9
NPV of outstanding debt	112.6	109.0	109.1	108.4	108.8	108.0	97.6	88.6	70.6	106.1	85.8
Official bilateral and commercial	26.1	25.9	26.0	25.7	26.1	25.6	23.9	23.1	18.6	25.1	22.2
Paris Club	6.7	5.8	5.2	4.5	4.2	3.4	0.3	0.0	0.0	3.3	0.0
Other official bilateral	18.5	19.1	19.8	20.1	20.7	21.0	22.6	22.2	18.1	20.8	21.4
Commercial	0.9	1.0	1.1	1.1	1.1	1.1	1.1	0.9	0.5	1.1	0.8
Multilateral	86.4	83.1	83.0	82.7	82.8	82.4	73.7	65.5	52.0	80.9	63.6
World Bank	35.0	35.5	35.5	35.4	35.3	35.1	33.0	29.8	25.7	34.7	29.3
AIDB Group	26.9	23.8	23.3	22.4	21.6	20.8	16.2	11.0	5.3	20.8	10.3
IMF	3.3	3.8	3.9	4.1	4.2	4.1	0.0	0.0	0.0	2.9	0.0
Other multilateral	21.2	19.9	20.3	20.8	21.6	22.4	24.5	24.7	21.0	22.5	24.0
NPV of new borrowing	0.0	9.5	16.6	23.9	30.8	38.1	71.8	118.1	187.8	37.5	128.1
<b>V. After conditional delivery of enhanced HIPC and MDRI assistance 3/ 5/ 6/</b>											
NPV of total debt	196.8	199.6	208.9	80.3	88.6	96.6	126.4	172.5	234.1	131.9	180.8
NPV of outstanding debt	196.8	190.1	192.3	56.3	57.8	58.5	54.5	54.4	46.3	94.3	52.8
Official bilateral and commercial	49.8	42.2	41.9	25.7	26.1	25.6	23.9	23.1	18.6	30.2	22.2
Paris Club	17.5	15.1	14.1	4.5	4.2	3.4	0.3	0.0	0.0	5.9	0.0
Other official bilateral	25.8	25.2	26.3	20.1	20.7	21.0	22.6	22.2	18.1	22.6	21.4
Commercial	6.5	1.9	1.5	1.1	1.1	1.1	1.1	0.9	0.5	1.7	0.8
Multilateral	147.0	147.9	150.4	30.6	31.8	32.9	30.6	31.3	27.8	64.1	30.5
World Bank	74.0	74.4	75.8	5.6	5.8	5.9	6.4	6.8	6.9	24.8	6.7
AIDB Group	24.4	23.8	23.3	0.0	0.0	0.0	0.0	0.0	0.0	6.5	0.0
IMF	7.6	7.9	8.2	4.6	4.7	4.9	0.0	0.0	0.0	4.8	0.0
Other multilateral	41.0	41.8	43.1	20.4	21.2	22.1	24.2	24.5	20.9	28.1	23.8
NPV of new borrowing	0.0	9.5	16.6	23.9	30.8	38.1	71.8	118.1	187.8	37.5	128.1
<b>VI. After conditional additional bilateral and multilateral relief beyond enhanced HIPC and MDRI assistance 3/ 5/ 6/ 7/</b>											
NPV of total debt	196.8	199.6	208.9	79.8	88.3	96.4	126.4	172.5	234.1	131.8	180.8
NPV of outstanding debt	196.8	190.1	192.3	55.9	57.5	58.3	54.5	54.4	46.3	94.2	52.8
Official bilateral and commercial	49.8	42.2	41.9	25.2	25.7	25.4	23.9	23.1	18.6	30.1	22.2
Paris Club	17.5	15.1	14.1	4.0	3.9	3.2	0.3	0.0	0.0	5.8	0.0
Other official bilateral	25.8	25.2	26.3	20.1	20.7	21.0	22.6	22.2	18.1	22.6	21.4
Commercial	6.5	1.9	1.5	1.1	1.1	1.1	1.1	0.9	0.5	1.7	0.8
Multilateral	147.0	147.9	150.4	30.6	31.8	32.9	30.6	31.3	27.8	64.1	30.5
World Bank	74.0	74.4	75.8	5.6	5.8	5.9	6.4	6.8	6.9	24.8	6.7
AIDB Group	24.4	23.8	23.3	0.0	0.0	0.0	0.0	0.0	0.0	6.5	0.0
IMF	7.6	7.9	8.2	4.6	4.7	4.9	0.0	0.0	0.0	4.8	0.0
Other multilateral	41.0	41.8	43.1	20.4	21.2	22.1	24.2	24.5	20.9	28.1	23.8
NPV of new borrowing	0.0	9.5	16.6	23.9	30.8	38.1	71.8	118.1	187.8	37.5	128.1

Sources: Comorian authorities and staff estimates and projections.

1/ Includes the impact of arrears clearance operations by the AIDB Group in 2007 (actual) and BADEA, IFAD, AMF, OFID and EIB (hypothetical) as well as loan rescheduling agreements with the ISDB (2009) and AMF (2008).

Also includes the relief resulting from the 2007 rescheduling agreements added back to the 2009 NPV of debt stock (Kuwait and Saudi Arabia).

2/ In terms of simple historical three-year average of exports of goods and nonfactor services.

3/ Assumes interim relief under the enhanced HIPC Initiative from July 2010 to December 2012.

4/ Assumes full delivery of estimated HIPC initiative debt relief from July 2010

5/ MDRI assistance applies to the World Bank and the AIDB Group, and starts after the assumed completion point (December 2012). This scenario also includes debt cancellation at completion point by the EIB under the LDC Initiative, assuming Comoros is still classified as an LDC.

6/ For the AIDB Group, the actual NPV of debt after unconditional delivery of HIPC assistance is smaller than the number shown in this table, which is the NPV of debt required to bring the total NPV of debt down to 150 percent of exports (similarly for the EIB), because the amount of arrears clearance pledged by the AIDB Group and the EIB will reduce their debt by more than the common reduction factor.

7/ Paris Club creditors deliver, under bilateral initiatives, additional debt relief beyond the HIPC Initiative at the completion point detailed on Table A9.

**Table A5. Comoros: External Debt Indicators, 2009–29<sup>1</sup>**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Averages		
																						2009 - 2019	2020 - 2029	
(In percent, unless otherwise indicated)																								
<b>I. Before traditional debt-relief</b>																								
NPV of debt-to-GDP ratio	46.2	41.8	40.2	38.4	36.5	34.5	32.5	30.5	28.6	26.9	25.2	23.8	22.6	21.5	20.4	19.4	18.6	17.8	17.0	16.2	15.5	34.7	19.3	
NPV of debt-to-exports ratio 2/ 3/	329.7	308.0	286.3	274.6	265.5	254.6	242.3	228.7	215.5	203.2	191.0	179.9	169.8	160.8	152.6	144.7	137.9	131.4	125.5	119.6	114.0	254.5	143.6	
NPV of debt-to-revenue ratio 4/	331.9	291.5	283.2	263.9	245.4	228.3	211.3	196.0	181.3	169.2	157.4	147.1	137.6	129.6	122.1	115.2	109.3	103.4	98.1	93.1	88.4	232.7	114.4	
Debt service-to-exports ratio	...	19.5	9.7	9.1	7.8	8.3	9.1	9.2	9.4	9.9	9.2	8.1	7.8	7.1	7.1	6.8	6.5	6.2	6.1	5.9	10.1	6.8		
Debt service-to-revenue ratio 4/	...	20.4	10.1	9.2	7.7	7.9	8.5	8.4	8.4	8.8	8.1	7.1	6.7	6.1	6.1	5.8	5.5	5.3	5.2	5.1	4.9	9.7	5.8	
<b>II. After traditional debt relief and multilateral arrears clearance 5/ 6/</b>																								
NPV of debt-to-GDP ratio	48.1	28.8	28.1	27.1	26.0	24.7	23.4	22.0	20.6	19.4	18.3	17.3	16.5	15.7	15.1	14.6	14.0	13.6	13.1	12.6	12.1	26.0	14.5	
NPV of debt-to-exports ratio 2/ 3/	343.0	212.2	200.1	194.0	189.0	182.3	174.3	164.9	155.5	146.9	138.3	130.7	123.8	117.9	113.1	108.4	104.3	100.3	96.5	92.7	88.9	191.0	107.7	
NPV of debt-to-revenue ratio 4/	345.3	200.8	197.9	186.5	174.7	163.5	152.0	141.3	130.8	122.3	114.0	106.9	100.4	95.1	90.5	86.2	82.7	78.9	75.5	72.1	68.9	175.4	85.7	
Debt service-to-exports ratio	...	57.9	8.9	9.1	8.4	8.9	9.7	9.8	9.9	10.3	9.6	8.6	8.2	7.5	6.9	6.7	6.5	6.4	6.4	6.3	6.2	14.2	7.0	
Debt service-to-revenue ratio 4/	...	60.5	9.3	9.2	8.2	8.5	9.0	8.9	8.9	9.1	8.5	7.5	7.1	6.5	5.9	5.7	5.5	5.4	5.3	5.3	5.1	14.0	5.9	
<b>III. After conditional delivery of enhanced HIPC assistance 7/</b>																								
NPV of debt-to-GDP ratio	36.8	33.9	33.5	20.0	19.6	19.1	18.6	17.9	17.1	16.4	15.7	15.1	14.7	14.3	13.9	13.6	13.3	13.1	12.7	12.4	12.1	22.6	13.5	
NPV of debt-to-exports ratio 2/ 3/	262.2	249.8	239.0	142.7	142.9	141.2	138.4	134.0	128.5	123.9	118.8	114.3	110.2	106.9	104.1	101.2	98.9	96.7	94.2	91.4	88.5	165.6	100.6	
NPV of debt-to-exports ratio (existing debt only)	262.2	237.8	220.1	116.9	111.4	104.3	96.6	89.3	81.8	74.9	68.5	62.9	57.7	52.8	48.0	43.4	39.2	35.3	31.4	27.7	24.2	133.1	42.2	
NPV of debt-to-revenue ratio 4/	264.0	236.4	236.4	137.2	132.1	126.6	120.7	114.8	108.1	103.1	97.9	93.4	89.3	86.2	83.3	80.6	78.4	76.1	73.6	71.2	68.6	152.5	80.1	
Debt service-to-exports ratio	...	6.8	4.8	4.8	4.7	5.1	5.5	6.0	6.9	7.2	7.0	6.3	6.0	5.5	5.4	5.2	5.0	4.9	5.3	5.3	5.4	5.9	5.4	
Debt service-to-revenue ratio 4/	...	7.1	5.0	4.8	4.6	4.8	5.1	5.4	6.2	6.4	6.2	5.5	5.2	4.7	4.6	4.5	4.3	4.1	4.4	4.4	4.5	5.6	4.6	
<b>IV. After unconditional delivery of enhanced HIPC assistance 8/</b>																								
NPV of debt-to-GDP ratio	21.0	20.1	20.2	20.0	19.6	19.1	18.6	17.9	17.1	16.4	15.7	15.1	14.7	14.3	13.9	13.6	13.3	13.1	12.7	12.4	12.1	18.7	13.5	
NPV of debt-to-exports ratio 2/ 3/	150.0	148.4	143.8	142.7	142.9	141.2	138.4	134.0	128.5	123.9	118.8	114.3	110.2	106.9	104.1	101.2	98.9	96.7	94.2	91.4	88.5	137.5	100.6	
NPV of debt-to-exports ratio (existing debt only)	150.0	136.4	124.8	116.9	111.4	104.3	96.6	89.3	81.8	74.9	68.5	62.9	57.7	52.8	48.0	43.4	39.2	35.3	31.4	27.7	24.2	105.0	42.2	
NPV of debt-to-revenue ratio 4/	151.0	140.4	142.2	137.2	132.1	126.6	120.7	114.8	108.1	103.1	97.9	93.4	89.3	86.2	83.3	80.6	78.4	76.1	73.6	71.2	68.6	124.9	80.1	
Debt service-to-exports ratio	...	6.8	4.8	4.8	4.7	5.1	5.5	6.0	6.9	7.2	7.0	6.3	6.0	5.5	5.4	5.2	5.0	4.9	5.3	5.3	5.4	5.9	5.4	
Debt service-to-revenue ratio 4/	...	7.1	5.0	4.8	4.6	4.8	5.1	5.4	6.2	6.4	6.2	5.5	5.2	4.7	4.6	4.5	4.3	4.1	4.4	4.4	4.5	5.6	4.6	
<b>V. After conditional delivery of enhanced HIPC and MDRI assistance 9/</b>																								
NPV of debt-to-GDP ratio	36.8	33.9	33.5	12.1	12.5	12.6	12.8	12.7	12.3	12.0	11.7	11.6	11.4	11.4	11.3	11.3	11.3	11.2	11.1	10.9	18.4	11.3		
NPV of debt-to-exports ratio 2/ 3/	262.2	249.8	239.0	86.5	90.7	93.3	95.5	95.4	92.6	90.6	88.6	87.2	86.1	85.5	85.1	84.5	84.2	83.9	83.0	81.8	80.2	134.9	84.1	
NPV of debt-to-exports ratio (existing debt only)	262.2	237.8	220.1	60.7	59.2	56.5	53.7	50.7	45.9	41.6	38.2	35.8	33.5	31.4	29.0	26.6	24.5	22.5	20.2	18.0	15.9	102.4	25.7	
NPV of debt-to-revenue ratio 4/	264.0	236.4	236.4	83.2	83.9	83.7	83.3	81.8	77.9	75.4	73.0	71.3	69.8	68.9	68.0	67.2	66.7	66.0	64.9	63.7	62.2	125.4	66.9	
Debt service-to-exports ratio	...	6.8	4.8	4.8	1.6	1.9	2.0	2.8	5.4	5.6	5.0	4.3	4.1	3.7	3.8	3.7	3.6	3.6	4.1	4.2	4.4	4.1	4.0	
Debt service-to-revenue ratio 4/	...	7.1	5.0	4.8	1.6	1.8	1.9	2.6	4.8	5.0	4.4	3.8	3.6	3.2	3.2	3.2	3.1	3.0	3.4	3.5	3.7	3.9	3.4	
<b>VI. After conditional additional bilateral and multilateral relief beyond enhanced HIPC and MDRI assistance 9/</b>																								
NPV of debt-to-GDP ratio	36.8	33.9	33.5	12.0	12.4	12.6	12.8	12.7	12.3	12.0	11.7	11.6	11.4	11.4	11.4	11.3	11.3	11.3	11.2	11.1	10.9	18.4	11.3	
NPV of debt-to-exports ratio 2/ 3/	262.2	249.8	239.0	86.0	90.4	93.1	95.4	95.4	92.6	90.6	88.6	87.2	86.1	85.5	85.1	84.5	84.2	83.9	83.0	81.8	80.2	134.8	84.1	
NPV of debt-to-exports ratio (existing debt only)	262.2	237.8	220.1	60.2	58.9	56.3	53.6	50.7	45.9	41.6	38.2	35.8	33.5	31.4	29.0	26.6	24.5	22.5	20.2	18.0	15.9	102.3	25.7	
NPV of debt-to-revenue ratio 4/	264.0	236.4	236.4	82.7	83.6	83.5	83.2	81.8	77.9	75.4	73.0	71.3	69.8	68.9	68.0	67.2	66.7	66.0	64.9	63.7	62.2	125.3	66.9	
Debt service-to-exports ratio	...	6.8	4.8	4.7	1.5	1.8	1.9	2.8	5.4	5.6	5.0	4.3	4.1	3.7	3.8	3.7	3.6	3.6	4.1	4.2	4.4	4.0	4.0	
Debt service-to-revenue ratio 4/	...	7.1	5.0	4.7	1.4	1.7	1.7	2.5	4.8	5.0	4.4	3.8	3.6	3.2	3.2	3.2	3.1	3.0	3.4	3.5	3.7	3.9	3.4	

Sources: Comorian authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt at end-December 2009.

2/ Exports are defined as in IMF, Balance of Payments Manual, 5th edition, 1993.

3/ Based on a three-year average of exports on the previous year (e.g., export average over 2007-2009 for NPV of debt-to-exports ratio in 2009).

4/ Revenue is defined as central government revenue, excluding grants.

5/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.

6/ Includes the impact of arrears clearance operations by the AfDB Group in 2007 (actual) and BADEA, IFAD, OFID and EIB (hypothetical) as well as loan rescheduling agreements with the IsDB (2009) and AMF (2008). Also includes the relief resulting from the 2007 rescheduling agreements added back to the 2009 NPV of debt stock (Kuwait and Saudi Arabia).

7/ Assumes interim relief under the enhanced HIPC Initiative from July 2010 to December 2012 and full delivery of assistance in December 2012.

8/ Assumes full delivery of estimated HIPC initiative debt relief as of July 2010.

9/ MDRI assistance applies to IDA and ADF (Comoros has no MDRI-eligible debt to the IMF) and starts after the assumed completion point (December 2012).

This scenario also includes debt cancellation at completion point by the EIB under the LDC Initiative, assuming Comoros is still classified as an LDC.

Assumes that MDRI has no impact on Comoros's new borrowing over the projection period.

**Table A6. Comoros: Sensitivity Analysis, 2009–29<sup>1</sup>**  
After unconditional delivery of enhanced HIPC assistance

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Averages		
																						2009 - 2019	2020 - 2029	
(In percent, unless otherwise indicated)																								
<b>I. Baseline scenario 2/</b>																								
NPV of debt-to-GDP ratio	21.0	20.1	20.2	20.0	19.6	19.1	18.6	17.9	17.1	16.4	15.7	15.1	14.7	14.3	13.9	13.6	13.3	13.1	12.7	12.4	12.1	18.7	13.5	
NPV of debt-to-exports ratio 3/ 4/	150.0	148.4	143.8	142.7	142.9	141.2	138.4	134.0	128.5	123.9	118.8	114.3	110.2	106.9	104.1	101.2	98.9	96.7	94.2	91.4	88.5	137.5	100.6	
NPV of debt-to-revenue ratio 5/	151.0	140.4	142.2	137.2	132.1	126.6	120.7	114.8	108.1	103.1	97.9	93.4	89.3	86.2	83.3	80.6	78.4	76.1	73.6	71.2	68.6	125	80	
Debt service-to-exports ratio	...	6.8	4.8	4.8	4.7	5.1	5.5	6.0	6.9	7.2	7.0	6.3	6.0	5.5	5.4	5.2	5.0	4.9	5.3	5.3	5.4	5.9	5.4	
Debt service-to-revenue ratio	...	7.1	5.0	4.8	4.6	4.8	5.1	5.4	6.2	6.4	6.2	5.5	5.2	4.7	4.6	4.5	4.3	4.1	4.4	4.4	4.5	5.6	4.6	
<b>II. Sensitivity analysis</b>																								
<b>I. Lower export level scenario 6/</b>																								
NPV of debt-to-GDP ratio	21.0	20.1	20.2	20.0	19.6	19.1	18.6	17.9	17.1	16.4	15.7	15.1	14.7	14.3	13.9	13.6	13.3	13.1	12.7	12.4	12.1	18.7	13.5	
NPV of debt-to-exports ratio 3/ 4/	150.0	152.3	151.6	154.8	156.0	155.2	153.8	150.5	146.1	142.7	139.1	136.4	134.2	132.8	131.6	130.7	130.2	129.9	128.8	127.5	125.9	150.2	130.8	
NPV of debt-to-revenue ratio 5/	151.0	140.4	142.2	137.2	132.1	126.6	120.7	114.8	108.1	103.1	97.9	93.4	89.3	86.2	83.3	80.6	78.4	76.1	73.6	71.2	68.6	124.9	80.1	
Debt service-to-exports ratio	...	7.4	5.2	5.2	5.1	5.6	6.2	6.8	8.0	8.4	8.3	7.7	7.5	6.9	7.0	6.9	6.7	6.7	7.4	7.5	7.8	6.6	7.2	
Debt service-to-revenue ratio	...	7.1	5.0	4.8	4.6	4.8	5.1	5.4	6.2	6.4	6.2	5.5	5.2	4.7	4.6	4.5	4.3	4.1	4.4	4.4	4.5	5.6	4.6	
<b>II. Permanently lower growth 7/</b>																								
NPV of debt-to-GDP ratio	21.0	20.3	20.5	20.7	20.9	20.8	20.7	20.5	20.0	19.7	19.3	19.1	18.9	18.9	18.8	18.8	18.8	18.9	18.8	18.7	18.6	20.4	18.8	
NPV of debt-to-exports ratio 3/ 4/	150.0	148.3	143.9	143.3	144.3	143.6	142.1	138.8	134.4	131.0	127.3	124.3	121.8	120.0	118.2	116.6	115.3	114.1	112.2	110.1	107.7	140.6	116.0	
NPV of debt-to-revenue ratio 5/	151.0	141.0	143.8	143.1	143.4	142.0	140.1	137.6	134.0	132.3	129.6	127.7	126.0	125.3	124.6	124.1	124.9	124.7	124.0	123.1	121.8	140	125	
Debt service-to-exports ratio	...	6.8	4.8	4.8	4.7	5.2	5.7	6.2	7.3	7.7	7.5	7.0	6.7	6.2	6.2	6.1	6.0	5.9	6.4	6.5	6.7	6.1	6.4	
Debt service-to-revenue ratio	...	7.2	5.1	5.0	4.9	5.4	5.9	6.5	7.7	8.2	8.1	7.6	7.4	6.9	6.9	6.9	6.8	6.8	7.5	7.7	8.0	6.4	7.2	

Sources: Comorian authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after HIPC debt relief assumed delivered unconditionally as of July 2010.

2/ The macroeconomic projections for the baseline scenario are described in Section III.

3/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

4/ Based on a three-year average of exports on the previous year (e.g., export average over 2007-2009 for NPV of debt-to-exports ratio in 2009).

5/ Revenue is defined as central government revenue, excluding grants.

6/ Assumes a lower export level of 30 percent.

7/ Assumes a lower growth of 1.5 percent.

**Table A7. Comoros: Possible Delivery of World Bank Group's Assistance under the Enhanced HIPC Initiative, 2010–44<sup>1</sup>**  
(In millions of U.S. dollars, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023	2033	2043	2044	Cumulative 2012-23	2010-44
<b>I. Relief under the Enhanced HIPC Initiative</b>															
Debt service before HIPC assistance 1/	3.8	4.1	4.2	4.2	4.7	4.8	4.8	4.9	5.3	5.4	3.8	0.6	0.3	59.9	133.7
of which principal	2.9	3.2	3.4	3.4	3.9	4.1	4.1	4.2	4.6	4.9	3.6	0.6	0.3	51.7	120.4
of which interest	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.5	0.1	0.0	0.0	8.2	13.3
Debt service after HIPC assistance 1/	2.6	1.4	1.5	1.5	1.6	1.7	1.7	1.7	1.8	1.9	3.8	0.6	0.3	20.9	67.6
of which principal	1.9	1.1	1.2	1.2	1.4	1.4	1.4	1.5	1.6	1.7	3.6	0.6	0.3	18.0	62.0
of which interest	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.0	0.0	2.9	5.6
Savings on debt service to IDA 2/	1.2	2.7	2.8	2.8	3.0	3.2	3.1	3.2	3.5	3.5	0.0	0.0	0.0	39.0	66.1
of which principal	0.9	2.1	2.2	2.2	2.5	2.7	2.7	2.7	3.0	3.2	0.0	0.0	0.0	33.7	58.4
of which interest	0.3	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.0	0.0	0.0	5.3	7.7
<b>II. Relief under the MDRI 3/</b>															
Projected stock of IDA credits outstanding at implementation date 4/			110.9												
Remaining IDA credits after MDRI			15.8												
Debt stock reduction on eligible credits 3/ 5/			95.0												
Due to HIPC relief 6/			48.3												
Due to MDRI			46.7												
Debt service due after HIPC relief and the MDRI				0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.7	0.6	0.3	1.8	12.1
<b>Memorandum item:</b>															
Debt service to IDA covered by HIPC assistance (in percent) 7/	32.5	65.1	65.1	65.1	65.1	65.1	65.1	65.1	65.1	65.1	-	-	-	65.1	49.4
Debt service to IDA covered by HIPC assistance and MDRI (in percent) 8/				98.7	97.8	96.9	96.8	96.9	97.0	97.1	81.7	-	-	97.0	90.9
IDA debt service relief under the MDRI (in SDR) 9/	-	-	-	0.9	1.0	1.0	1.0	1.0	1.1	1.1	2.0	-	-	11.7	32.8

Source: IDA staff estimates.

1/ Principal and interest due to IDA correspond to prorated projections on disbursed and outstanding debt as of end-December 2009, converted to U.S. dollar.

2/ Enhanced HIPC assistance from June 2010 to December 2012.

3/ Stock of debt and debt service denominated in SDRs are converted into U.S. dollar by applying the end-2009 exchange rate.

4/ Stock of debt outstanding on January 1, 2013.

5/ Debt disbursed as of December 31, 2003 and still outstanding at the December 31, 2012.

6/ HIPC relief is assumed to proportionally reduce repayments of principal and charges on IDA credits disbursed as of end-December 2003 and still outstanding as of December 31, 2012.

7/ Based on debt disbursed and outstanding as of end-2009.

8/ Based on debt disbursed and outstanding as of end-2003.

9/ For SDR denominated credits, debt relief under the MDRI is estimated as debt service on SDR denominated credits minus USD-based HIPC debt relief on these credits. HIPC debt relief is converted into SDR equivalent amounts, from July 2009 onwards, by applying the IDA15 foreign exchange reference rate of 1.524480 U.S. dollars per SDR. For USD denominated credits, debt relief under the MDRI is estimated as debt service on USD denominated credits minus USD-based HIPC debt relief on these credits. The resulting MDRI debt relief amounts are converted into SDR equivalent amounts by applying the IDA15 foreign exchange reference rate.

**Table A8. Comoros: Possible Delivery of IMF Assistance Under the Enhanced HIPC Initiative 2010–19<sup>1</sup>**  
(in millions of U.S. dollars, unless otherwise indicated)

	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>(Based on the US\$/SDR exchange rate as of December 31, 2009)</b>										
<b>I. Pre-MDRI Debt relief (under the HIPC Initiative only) 2/</b>										
HIPC-eligible debt service due on IMF obligations 3/	-	-	0.03	0.03	0.7	2.0	2.0	2.0	2.0	1.3
Principal	-	-	-	-	0.7	2.0	2.0	2.0	2.0	1.3
Interest 4/	-	-	0.03	0.03	0.02	0.02	0.02	0.01	0.01	0.002
HIPC assistance—deposits into member's Umbrella Account										
Interim assistance 5/	-	-	0.03							
Completion point disbursement 6/			4.5							
Completion point assistance			4.2							
Completion point interest			0.27							
IMF assistance—drawdown schedule from member's Umbrella Account	-	-	0.03	-	0.5	1.1	1.1	1.1	1.1	0.4
IMF assistance without interest	-	-	0.03	-	0.2	0.8	0.8	1.0	1.0	0.3
Estimated interest earnings 7/	-	-	-	-	0.2	0.3	0.3	0.1	0.1	0.05
Debt service due on current IMF obligations after IMF assistance	-	-	-	0.03	0.3	0.9	0.9	0.9	0.9	0.9
Delivery schedule of IMF assistance (in percent of the total assistance; on a flow basis)	-	-	0.6	-	5	20	20	23	24	8
Share of debt service due on IMF obligations covered by HIPC assistance (in percent)	-	-	100	-	63.9	54.9	54.6	54.4	54.6	29.5
Proportion (in percent) of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Umbrella Account 5/	-	-	100	-	30.4	42.0	42.0	48.3	50.4	25.6
<b>II. Post-MDRI Debt relief (under both MDRI and HIPC Initiatives)</b>										
Projected pre MDRI cutoff date debt at completion point 8/				4.5						
Delivery of remaining HIPC assistance for post MDRI cutoff date debt (on stock basis):				4.5						
<b>III. Debt service due to the IMF after HIPC and MDRI debt relief</b>										
Principal	-	-	-	0.01	0.01	0.02	0.2	2.0	2.0	1.3
Interest	-	-	-	0.01	0.01	0.02	0.02	0.01	0.01	0.002

Source: Fund staff estimates and projections.

1/ Total IMF assistance under the enhanced HIPC Initiative is US\$4.270 million in NPV terms calculated on the basis of data available at the decision point, excluding interest earned on Comoros' Umbrella account and on committed but undisbursed amounts as described in footnote 6.

2/ Estimated hypothetical delivery of HIPC assistance on flow basis in the absence of MDRI decision.

3/ Forthcoming obligations estimated based on schedules in effect as of April 30, 2010. Interest obligations do not include net SDR charges and assessments.

4/ Effective January 7, 2010 interest charges on concessional loans are waived through 12/31/11. The Fund will review interest rates for all concessional facilities in late 2011 and every two years thereafter. After 2011, projected interest charges are based on 0.25 percent per annum for the ECF credit outstanding.

5/ As there would be no principal or interest obligations due through 2011, it is projected that a HIPC interim assistance will be deposited into Comoros' Umbrella account in June 2012 to cover 100 percent of eligible PRGT interest due to the Fund in June and December 2012.

6/ The remaining IMF's grant HIPC assistance is assumed to be disbursed into member's account at the completion point in December 2012, which is reflected in the calculation of interest.

7/ Estimated interest earnings on: (a) amounts held in Comoros' Umbrella Account; and (b) up to the completion point, amounts committed but not yet disbursed. The projected interest earnings are estimated based on assumed interest rates which are gradually rising to 4.5 percent in 2015 and beyond; actual interest earnings may be higher or lower.

8/ Comoros does not have MDRI-eligible credit outstanding to the IMF.

**Table A9. Comoros: Status of Creditor Participation Under the Enhanced HIPC Initiative**

	Debt relief in NPV terms (US\$ millions)	Percentage of total assistance	Modalities to deliver debt relief
IDA	45.1	31.1	Interim assistance will be delivered through reduction in debt service reduction started from July 2010 on all debt outstanding and disbursed at end-2009.
AfDB Group	34.6	23.9	The AfDB Group has provided nearly all its required debt relief via arrears clearance under the Post-Conflict Country Facility between 2007 and 2009. Including arrears clearance at the decision point by the European Commission, the AfDB Group have fully delivered its HIPC relief.
IMF	4.3	2.9	There will be no principal payments until 2014, interest payments are waived through 2011, and part of HIPC relief is applied to the interest payment in 2012. Thereafter, the IMF will give debt relief. Possible HIPC interim assistance could be considered after 2011.
BADEA	15.5	10.7	Debt relief assumed to be given after completion point via concessional rescheduling.
OFID	2.0	1.4	Debt relief assumed to be given after completion point via concessional rescheduling.
EIB	0.8	0.5	Arrears up to the decision point will be cancelled by a budget support operation. This will already exceed the required relief. The remaining debt will be cancelled at the completion point under the LDC initiative, provided Comoros is still classified as an LDC.
AMF	0.6	0.4	Debt relief assumed to be given after decision point via concessional rescheduling.
IsDB	5.1	3.5	Debt relief assumed to be given after completion point via concessional rescheduling.
IFAD	3.2	2.2	Debt relief assumed to be given after completion point via cancellation of debt service.
<b>Total multilateral</b>	<b>111.2</b>	<b>76.8</b>	
Paris Club Creditors	8.6	6.0	Interim assistance will be delivered through a Cologne flow during the interim period.
Non-Paris Club Creditors	23.8	16.4	
Kuwait	14.1	9.8	Kuwait has partly delivered its relief through a loan rescheduling in 2007.
Mauritius	0.5	0.3	
Saudi Arabia	8.6	6.0	Saudi Arabia has partly delivered its relief through a loan rescheduling in 2007.
United Arab Emirates	0.5	0.4	
Commercial creditors	1.2	0.8	
Banque Postale	0.2	0.1	
Cotecna	0.4	0.3	
Hopitaux De Paris	0.6	0.4	
<b>Total bilateral and commercial</b>	<b>33.6</b>	<b>23.2</b>	
<b>TOTAL</b>	<b>144.8</b>	<b>100.0</b>	

Sources: Comorian authorities; and Bank-Fund staff estimates.

Table A10. Paris Club Creditors' Delivery of Debt Relief under Bilateral Initiatives

Countries Covered		ODA (In percent)		Non-ODA (In percent)		Provision of Relief	
		Pre-cutoff	Post-cutoff	Pre-cutoff	Post-cutoff	Decision Point (In percent)	Completion Point
		Date Debt	Date Debt	Date Debt	Date Debt		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Australia	HIPCs	100	100	100	100 <sup>2/</sup>	2/	2/
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	-	100 flow	Stock
Canada	HIPCs <sup>3/</sup>	- <sup>4/</sup>	- <sup>4/</sup>	100	100	100 flow	Stock
Denmark	HIPCs	100	100 <sup>5/</sup>	100	100 <sup>5/</sup>	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow <sup>6/</sup>	Stock
Finland	HIPCs	100	- <sup>7/</sup>	100	- <sup>7/</sup>	-	-
Germany	HIPCs	100	100	100	100	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 <sup>8/</sup>	100	100 <sup>8/</sup>	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, the	HIPCs	100 <sup>9/</sup>	100	100	-	90-100 flow <sup>9/</sup>	Stock <sup>10/</sup>
Norway	HIPCs	10/	10/	11/	11/	-	-
Russia	HIPCS	- <sup>12/</sup>	- <sup>12/</sup>	100	100	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	-	Stock
Sweden	HIPCs	-	- <sup>13/</sup>	100	-	-	Stock
Switzerland	HIPCs	- <sup>14/</sup>	- <sup>14/</sup>	90-100 <sup>15/</sup>	-	90-100 flow	Stock
United Kingdom	HIPCs	100	100	100	100 <sup>16/</sup>	100 flow <sup>16/</sup>	Stock
United States	HIPCs	100	100	100	100 <sup>17/</sup>	100 flow	Stock

Source: Paris Club Secretariat.

1/ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor.

In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ Australia: post-cutoff date non-ODA relief to apply to debts incurred before a date to be finalized; timing details for both flow and stock relief are to be finalized.

3/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. of Congo, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100% cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal, and Tanzania.

4/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

5/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

6/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at decision point. Once countries have reached completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

7/ Finland: no post-Cutoff date claims

8/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of the related amounts falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

9/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

10/ Norway has cancelled all ODA claims.

11/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after HIPCs' completion point.

12/ Russia has no ODA claims

13/ Sweden has no ODA claims.

14/ Switzerland has cancelled all ODA claims.

15/ In some particular cases (Central African Republic, Liberia, Republic of Congo, Sierra Leone, Togo), Switzerland will write off 100 percent of the remaining debt stock at completion point; all other HIPCs will receive debt relief according to Paris Club terms.

16/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at decision point of any debt service paid before the decision point.

17/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

Table A11. HIPC Initiative: Status of Country Cases Considered Under the Initiative, January 27, 2010

Country	Decision Point	Completion Point	Target		Assistance Levels 1/					Estimated Total	
			NPV of Debt-to-Gov. Exports revenue (in percent)	Gov.	(In millions of U.S. dollars, present value)					Percentage Reduction in NPV of Debt 2/	Nominal Debt Service Relief (In millions of U.S. dollars)
					Total	Bilateral and commercial	Total	IMF	Multilateral		
<b>Completion point reached under enhanced framework (26)</b>											
Afghanistan	Jul. 07	Jan. 10	150		582	446	136	-	76	51	1,280
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
<i>original framework</i>	Sep. 97	Sep. 98	225		448	157	291	29	54	14	760
<i>enhanced framework</i>	Feb. 00	Jun. 01	150		854	268	585	55	140	30	1,300
Burkina Faso					553	83	469	57	231		930
<i>original framework</i>	Sep. 97	Jul. 00	205		229	32	196	22	91	27	400
<i>enhanced framework</i>	Jul. 00	Apr. 02	150		195	35	161	22	79	30	300
<i>topping-up</i>	...	Apr. 02	150		129	16	112	14	61	24	230
Burundi	Aug. 05	Jan. 09	150		833	127	706	28	425	92	1,366
Cameroon	Oct. 00	Apr. 06	150		1,267	879	322	37	176	27	4,917
Central African Rep.	Sept. 07	Jun. 09	150		578	186	362	27	207	68	804
Congo Rep. of	Mar. 06	Jan. 10		250	1,575	1,462	113	8	47	31	1,738
Ethiopia					1,982	637	1,315	60	832		3,275
<i>enhanced framework</i>	Nov. 01	Apr. 04	150		1,275	482	763	34	463	47	1,941
<i>topping-up</i>	...	Apr. 04	150		707	155	552	26	369	31	1,334
Gambia, The	Dec. 00	Dec. 07	150		67	17	49	2	22	27	112
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
<i>original framework</i>	Dec. 97	May 99	107	280	256	91	165	35	27	24	634
<i>enhanced framework</i>	Nov. 00	Dec. 03	150	250	335	132	202	40	41	40	719
Haiti	Nov. 06	Jun. 09	150		140	20	120	3	53	15	213
Honduras	Jul. 00	Mar. 05	110	250	556	215	340	30	98	18	1,000
Madagascar	Dec. 00	Oct. 04	150		836	474	362	19	252	40	1,900
Malawi					1,057	171	886	45	622		1,628
<i>enhanced framework</i>	Dec. 00	Aug. 06	150		646	164	482	30	333	44	1,025
<i>topping-up</i>	...	Aug. 06	150		411	7	404	15	289	35	603
Mali					539	169	370	59	185		895
<i>original framework</i>	Sep. 98	Sep. 00	200		121	37	84	14	43	9	220
<i>enhanced framework</i>	Sep. 00	Mar. 03	150		417	132	285	45	143	29	675
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
<i>original framework</i>	Apr. 98	Jun. 99	200		1,717	1,076	641	125	381	63	3,700
<i>enhanced framework</i>	Apr. 00	Sep. 01	150		306	194	112	18	62	27	600
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
<i>enhanced framework</i>	Dec. 00	Apr. 04	150		521	211	309	28	170	53	944
<i>topping-up</i>	...	Apr. 04	150		143	23	119	14	70	25	246
Rwanda					696	65	631	63	383		1,316
<i>enhanced framework</i>	Dec. 00	Apr. 05	150		452	56	397	44	228	71	839
<i>topping-up</i>	...	Apr. 05	150		243	9	235	20	154	53	477
São Tomé and Príncipe					124	31	93	1	47	128	263
<i>enhanced framework</i>	Dec. 00	Mar. 07	150		99	29	70	-	24	83	215
<i>topping-up</i>	...	Mar. 07	150		25	2	23	1	23	45	49
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Sierra Leone	Mar. 02	Dec. 06	150		675	335	340	125	123	81	994
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
<i>original framework</i>	Apr. 97	Apr. 98	202		347	73	274	69	160	20	650
<i>enhanced framework</i>	Feb. 00	May 00	150		656	110	546	91	357	37	1,300
Zambia	Dec. 00	Apr. 05	150		2,499	1,168	1,331	602	493	63	3,900
<b>Decision point reached under enhanced framework (9)</b>											
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Cote d'Ivoire	Mar. 09	Floating		250	3,005	2,311	694	38	402	24	3,129
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Liberia	Mar. 08	Floating	150		2,846	1,420	1,426	732	375	91	4,008
Togo	Nov. 08	Floating		250	270	120	150	0.3	98	19	360
<b>Total assistance provided/committed</b>					<b>42,597</b>	<b>21,786</b>	<b>20,682</b>	<b>3,406</b>	<b>3/</b>	<b>9,728</b>	<b>70,529</b>

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Equivalent to SDR 2181.98 million at an SDR/USD exchange rate of 0.640563, as of January 27,

## Annex I. Comoros: Debt Management Capacity

Debt management is shared between the debt management office (DMO),<sup>1</sup> and the national debt committee.<sup>2</sup> The DMO, which is part of the Ministry of Finances, will work under the Treasury<sup>3</sup> supervision starting in 2011 according to the new organic law. Its mission is to define the government policy for debt accumulation and servicing. The DMO is responsible for the management of public debt, debt of state-owned enterprises and publicly guaranteed debt, and for preparing analytical reports for the Minister of Finance and the Budget. It is also in charge of making debt service projections, preparing invoices and sending them to the treasury, which authorizes the central bank to transfer amounts of debt service due to creditors.

The mission of the national committee is to ensure the coordination of the debt policy and management of public debt with fiscal and monetary policy and to execute the debt management strategy. The minister of finance is the only government member who is allowed to sign new loan agreements, while the national committee only gives advice.

Coordination with international institutions on debt issues is shared with another unit, the CREF.<sup>4</sup> This department's mission is to coordinate implementation and monitoring of economic and financial reforms. In particular, it negotiates programs with the IMF, collects and compiles and analyzes economic, financial and fiscal data from the federal and island finance offices, the central bank and other ministries. Meanwhile, the DMO<sup>5</sup> coordinates all activities with respect to debt and debt rescheduling with the IMF, World Bank, Paris Club and bilateral creditors.

In theory, the DMO consists of a director, an officer for external debt service, an officer for domestic debt service, a statistician, an information analyst and an accountant. The minimum qualification of the staff is a master's degree. The staff seems reasonably knowledgeable. In practice however, the DMO is understaffed with only two full-time and one part-time staff and no director.

Loan disbursement projections are currently generated by the National Planning Commission,<sup>6</sup> but the DMO expects to be able to generate these projections in the future, when the debt management software, CS-DRMS2000+, is installed in early 2011 with

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<sup>1</sup> Established by decree (décret N°03-62/PR) in 2003 as the *Direction Nationale de la Dette* (DND).

<sup>2</sup> Established by decree (Décret N°08-27/PR), consisting of the minister of finance, minister of external affairs, planning minister, director general of the budget, director of the DMO, and others.

<sup>3</sup> *Direction Générale du Trésor*.

<sup>4</sup> Established by decree (décret N°07-018/PR) in 2007, *Cellule des Réformes Économiques et Financières*.

<sup>5</sup> Art 9, Arrêté N° 03-005/MFBECEIP/CAB.

<sup>6</sup> *Commissariat Général au Plan*.

assistance by the AfDB. Until then, data on the debt stock and debt projections will continue to be kept in an Excel spreadsheet file.

The DMO is a member of a debt management capacity building project by the BCEAO/BEAC,<sup>7</sup> which receives assistance from Pôle Dette<sup>8</sup> in the areas of building a strategy for debt reduction, a financial strategy, financial programming, and putting in place a legal framework in line with international standards. Currently however, Comoros does not have a formal debt strategy; instead the country seems to give priority to payments to the largest multilateral creditors, while endeavoring to secure agreements to prevent accumulation of arrears to the smaller creditors. The DMO uses Debt-Pro for analyzing debt and for creating debt sustainability and debt relief simulations.

The DMO has no regular official publications, but it publishes a table with debt service of the current year and the debt stock of the previous year, and frequently informs the Vice-President and Finance Minister of developments in the debt stock. The department sporadically publishes articles on debt in the written press. It communicates with creditors primarily via internet.

Unfortunately, due to the lack of debt management capacity in terms of staffing, training, and software, the DMO has not been proactive so far in debt management. Its analytical capacity would need to be reinforced especially when beginning the HIPC Initiative process. The DMO could improve its debt management capacity by making more use of debt management database software; and the government is planning to install such software with associated training with the support of the AfDB. It could also increase the number of staff, provide more training for them, and produce more frequent publications on the country's debt outlook.

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<sup>7</sup> The Central Bank of West African States (BCEAO) and the Bank of Central African States (BEAC).

<sup>8</sup> Pôle-Dette is the regional debt management training unit for Central Africa and Western Africa, which runs the debt management capacity building project created by the training centers of the BCEAO and the BEAC.

## Annex II. Joint IMF/World Bank Debt Sustainability Analysis 2010

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*Comoros is in debt distress. The debt sustainability analysis (DSA) shows that Comoros is in debt distress and would remain so under the baseline scenario for most of the projection period.<sup>2</sup> In the alternative scenario, which for illustrative purposes assumes a hypothetical access to HIPC decision point in mid-2010 and HIPC completion point and MDRI debt relief within the next two years, debt would become manageable.*

### A. Introduction

1. **This DSA is based on the Debt Sustainability Framework (DSF) for Low-Income Countries.** The DSA presents the projected path of Comoros' external and public sector debt burden indicators, and assesses the country's future sustainability of debt. Methodologically, the DSA differs from the HIPC Debt Relief Analysis (DRA) in the decision point document in that it compares the evolution over the projection period of debt-burden indicators against policy-dependent indicative thresholds. In contrast, under the HIPC DRA, the historical debt burden indicators are compared to uniform thresholds in order to evaluate eligibility and calculate the amount of debt relief that the country qualifies for under the HIPC initiative. Moreover, the DSA uses uniform discount rate and exchange rate projections; and same-year exports to calculate debt ratios, whereas the HIPC DRA uses currency-specific discount rates, base year exchange rates, and three-year average exports.

2. **The last fully elaborated DSA for Comoros, which was prepared in 2008, and the 2009 update assessed the country as being in debt distress.** At that time Comoros was accumulating arrears to external creditors and the relevant debt indicators in NPV terms breached the indicative thresholds. Compared to the 2009 assessment<sup>3</sup>, the DSA results presented below show more favorable dynamics of debt indicators in the medium term,

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<sup>1</sup> This DSA has been prepared jointly by the World Bank and Fund staffs using the Debt Sustainability Framework (DSF) for Low Income Countries approved by the Executive Boards of the IMF and IDA. The fiscal year covers the period from January to December.

<sup>2</sup> See "Debt Sustainability in Low-Income Countries: Proposal for an Operational Framework and Policy Implications" (<http://www.imf.org/external/np/pdr/sustain/2004/020304.htm> and IDA/SECM2004/0035, 2/3/04), "Debt Sustainability in Low-Income Countries: Further Considerations on an Operational Framework and Policy Implications" (<http://www.imf.org/external/np/pdr/sustain/2004/091004.htm> and IDA/SECM2004/0629, 9/10/04), and "Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries" (<http://www.imf.org/external/pp/longres.aspx?id=4419>). Comoros is classified as a "weak performer" based on the quality of its policies and institutions as measured by the World Bank's Country Policy and Institutional Assessment (CPIA) average score for the period 2006-2008. The corresponding indicative thresholds are 30 percent for the NPV of debt-to-GDP ratio, 100 percent for the NPV of debt-to-exports ratio, 200 percent for the NPV of debt-to-revenue ratio, 15 percent for the debt service-to-exports ratio, and 25 percent for the debt service-to-revenue ratio.

<sup>3</sup> EBS/09/132, Supplement 1 (August 31, 2009).

reflecting improved macroeconomic performance, as well as arrears clearance operations, HIPC initiative interim debt relief, debt relief granted under the November 2009 Paris Club agreement, and the assumption of relief on comparable terms by other creditors.

## **B. Baseline Scenario**

3. **The baseline macroeconomic assumptions for the present DSA are consistent with the long-term macroeconomic projections underlying the ECF arrangement and the HIPC DRA.** Sustained by a gradual improvement in the external environment, steady inflows of remittances and FDI, notably in tourism, as well as enhanced financial intermediation, economic activity is expected to rebound in the medium term. The upward revision from the previous growth projections for the period 2010-12 reflects mostly a better growth outcome for 2009 when credit to the private sector expanded significantly following the entry of two new banks and aggressive bank lending. The better-than-initially anticipated growth performance in 2009 was also driven by a surge in construction activity. GDP growth is assumed to accelerate further to around 4 percent in the long run as the prospects for improving terms of trade trigger additional investment in the agricultural sector, which together with improvements in economic infrastructure would enhance competitiveness and facilitate exports.

4. **After accelerating to above 7 percent in 2008, inflation fell to 2.1 percent in 2009 (y-o-y) contained by easing food and energy costs.** Pressures on domestic prices are expected to remain subdued in the coming years. A long-term projection of 3 percent annual change in the CPI is compatible with the fixed exchange rate regime under the Franc Zone arrangement, which provides an important anchor of price stability.

5. **A key assumption underlying the DSA is a steady strengthening of the fiscal policy position consistent with the ECF-supported program.** Under the latter, the domestic primary deficit is projected at 1.5 percent of GDP in 2010 (2.6 percent of GDP in 2009). Fiscal consolidation is expected to continue in the medium term, allowing the achievement of a positive primary fiscal balance by 2015.

6. **The current account deficit is projected to deteriorate slightly in 2010-11, driven by strong growth-supporting imports.** Over the long run, the current account (including official grants), would gradually converge to about -4.6 percent of GDP by 2030 (-7.9 percent of GDP in 2009) as food and consumer goods imports slacken. As a share of GDP, goods imports are projected to revert to long-run historical averages (20-25 percent of GDP) reflecting the impact of terms of trade improvements and import substitution in agriculture and manufacturing. Exports of goods are projected to grow in volume terms in line with real GDP; they would however decline in relation to nominal GDP as a result of stagnating prices. The growth rate of nonfactor services exports (tourism) would slightly exceed that of nominal GDP. Remittances, which constitute a major source of external financing, are projected to remain robust, although increasing at more moderate rates. The

improved outlook for FDI compared to prospects under the previous macroeconomic framework mostly reflects the resumption of projects in tourism and other pledges made at the March 2010 Arab League conference on development and investment in Comoros. Official capital transfers (investment grants) will continue to be an important source of external financing for Comoros.

7. **The baseline scenario for the DSA takes account of recent arrears clearance operations,<sup>4</sup> and debt relief granted under the November 2009 Paris Club agreement together with assumed relief on comparable terms by other official bilateral and commercial creditors, as well as delivery of interim of IMF and IDA HIPC assistance starting in mid-2010 up to end-2012.<sup>5</sup>** Consistent with the DSF guidelines, the baseline does not include the delivery of HIPC, MDRI and bilateral or multilateral beyond-HIPC assistance. The evolution of Comoros debt indicators which incorporate the full impact of the HIPC Initiative and MDRI debt relief is presented as an alternative scenario.

### C. Debt Sustainability Analysis

#### External debt sustainability

8. **Under the baseline scenario, the NPV of debt-to-exports ratio breaches the indicative threshold during the projections period (Table 1a, Figure 1).** While remittances are a significant source of external financing for Comoros, including them in the DSA would not alter the assessment that Comoros is in debt distress because of the existing external arrears and protracted breaches of the debt ratio thresholds. However, once the arrears are cleared, remittances would likely play an important role in determining the country's debt rating. The ratios of NPV of debt-to-GDP and to-revenue remain close to or slightly above the respective thresholds in the medium term and steadily decline thereafter. Overall, there is an improvement in the projected paths of the debt burden indicators from the previous DSA, especially in initial years. The improvement largely derives from the new debt service schedule consistent with the assumptions of the baseline scenario, and to a smaller extent from changes in the underlying macroeconomic framework. The debt service ratios are below the indicative thresholds and remain so throughout the projections horizon. The differences in the baseline debt indicators presented in the HIPC DRA and the LIC DSA can be explained both by differences in the methodology and in the underlying assumptions about debt service. In particular, HIPC DRA and LIC DSA use different denominators (three-year historical moving average versus current year) and discount rates, and recent

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<sup>4</sup> The bulk of arrears to the AfDF were cleared between December 2007 and April 2009 and Comoros has engaged in negotiations with the remaining creditors to clear arrears as part of the HIPC Initiative process.

<sup>5</sup> Paris Club debt relief is assumed to be topped up to standard Cologne terms at the decision point. For those multilateral creditors for which debt service is not being paid and have not previously rescheduled, it is assumed that outstanding arrears and current debt service falling due is deferred to end-2012. After 2012, it is assumed that Comoros will resume paying debt service falling due, while the stock of existing arrears is considered to be deferred/under discussion pending resolution and is left outstanding.

arrears clearance and rescheduling operations are added back into the base of the HIPC DRA debt stock. Also, the LIC DSA takes into account the Paris Club debt relief granted in November, which went beyond the traditional terms used in the HIPC DRA. Overall, about 80 percent of the difference in the NPV of debt-to-exports ratios is due to the debt numerator and the remaining 20 percent is attributable to the different export values in the denominator. The drop in the debt ratios in 2010 in the LIC DSA reflects attainment of the decision point and the assumption that debt relief on terms comparable to the Paris Club treatment is granted by non-Paris Club official creditors and commercial creditors.

9. **Bound tests indicate that Comoros' external debt outlook is subject to significant vulnerabilities (Table 1b, Figure 1).** Sensitivity analysis based on standardized tests suggests that in case of adverse temporary shocks the external debt indicators for Comoros would deteriorate considerably. In the scenario, which in the first two years assumes one standard deviation below the historical average of non-debt flows (including FDI and current transfers), the NPV of debt-to-exports ratio increases to almost 300 percent and stays significantly above the indicative threshold for the rest of the projections period. This highlights the unsustainable nature of the country's debt situation and its strong dependence on external non-debt financing. Similarly, in the scenario that assumes a one-time 30 percent nominal depreciation of the national currency, the NPV of debt-to-GDP and NPV of debt-to-revenue ratios breach the corresponding thresholds for a prolonged period of time. Shocks tend to have a lesser effect on the debt service ratios, in part owing to the high degree of concessionality of new loans. The historical scenario, which assesses the evolution of the debt ratios under the assumption that key variables are at their historical averages, implies a more pronounced improvement in the debt burden indicators in the initial years.<sup>6</sup> This pattern is largely explained by the lower current account deficit in earlier years as compared to the one prevailing in 2009 and in the medium-term balance of payments projections.

10. **The alternative country-specific scenario, which assumes additional delivery of debt relief at completion point, indicates a marked improvement in Comoros' external debt outlook.** Under this scenario, the NPV of debt-to-exports ratio still exceeds the 100 percent indicative threshold but the debt burden is at a much more manageable level compared to the baseline. The ratios of NPV of debt to GDP and to revenue fall comfortably below the respective thresholds and remain in sustainable ranges. This underscores the importance of debt relief under the HIPC Initiative and MDRI in securing external debt sustainability for Comoros.

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<sup>6</sup> In the sensitivity analysis calculations, the historical averages have been computed for the recent 7-year period as opposed to the 10-year period set as default in the DSA template. This change has been made to exclude observations, which due to data reporting problems, introduce a considerable upward bias in the historical current account balance.

## Public Sector Debt Sustainability

**11. When domestic public debt is included in the analysis, the debt burden indicators deteriorate only slightly (Table 2a, Figure 2).** In the baseline scenario, the debt-to-GDP ratio and the debt-to-revenue ratio steadily decline over time, driven largely by the dynamics of the external public debt.

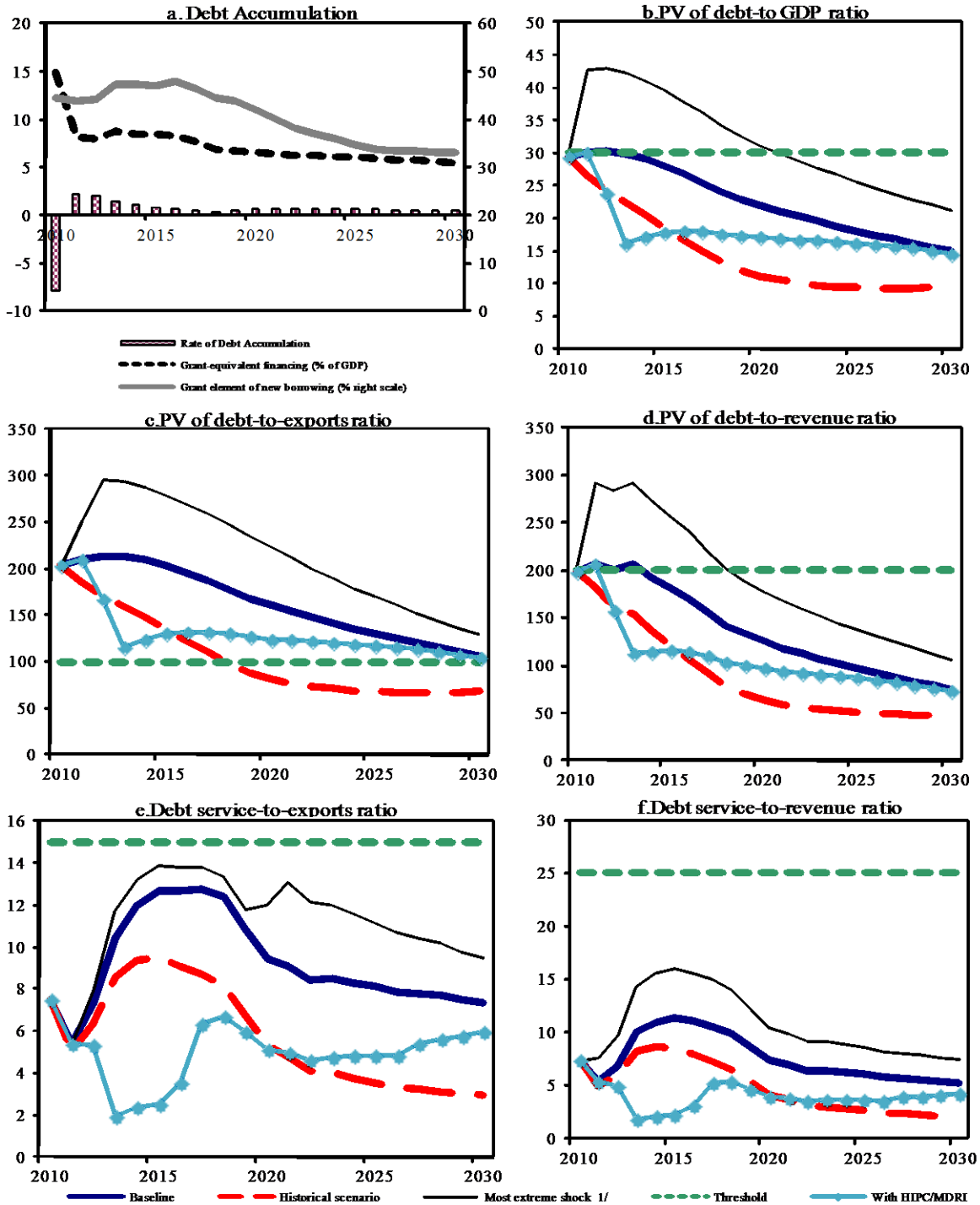
**12. Sensitivity analysis suggests that public debt dynamics are vulnerable to adverse shocks (Table 2b, Figure 2).** Lower long-run economic growth would have a noticeable effect on key debt burden ratios. When historical averages are used for GDP growth and the primary budget balance, the debt indicators deteriorate markedly, thereby confirming the need for both stronger growth and steady fiscal consolidation as outlined in the ECF-supported program.

### D. Conclusion

**13. The low-income country debt sustainability analysis shows that Comoros is in debt distress and is likely to remain so under the baseline scenario for a prolonged time period.** Full delivery of HIPC debt relief and MDRI will significantly improve the country's external debt situation. These conclusions are consistent with the results from the 2009 DSA update.

**14. Alternative scenarios and stress tests highlight the vulnerability of Comoros to negative shocks.** Besides comprehensive debt relief, maintaining sustainable levels of indebtedness would require steady implementation of growth-enhancing economic policies, including fiscal prudence, as well as prudent debt management, as evidenced by the results from the public DSA.

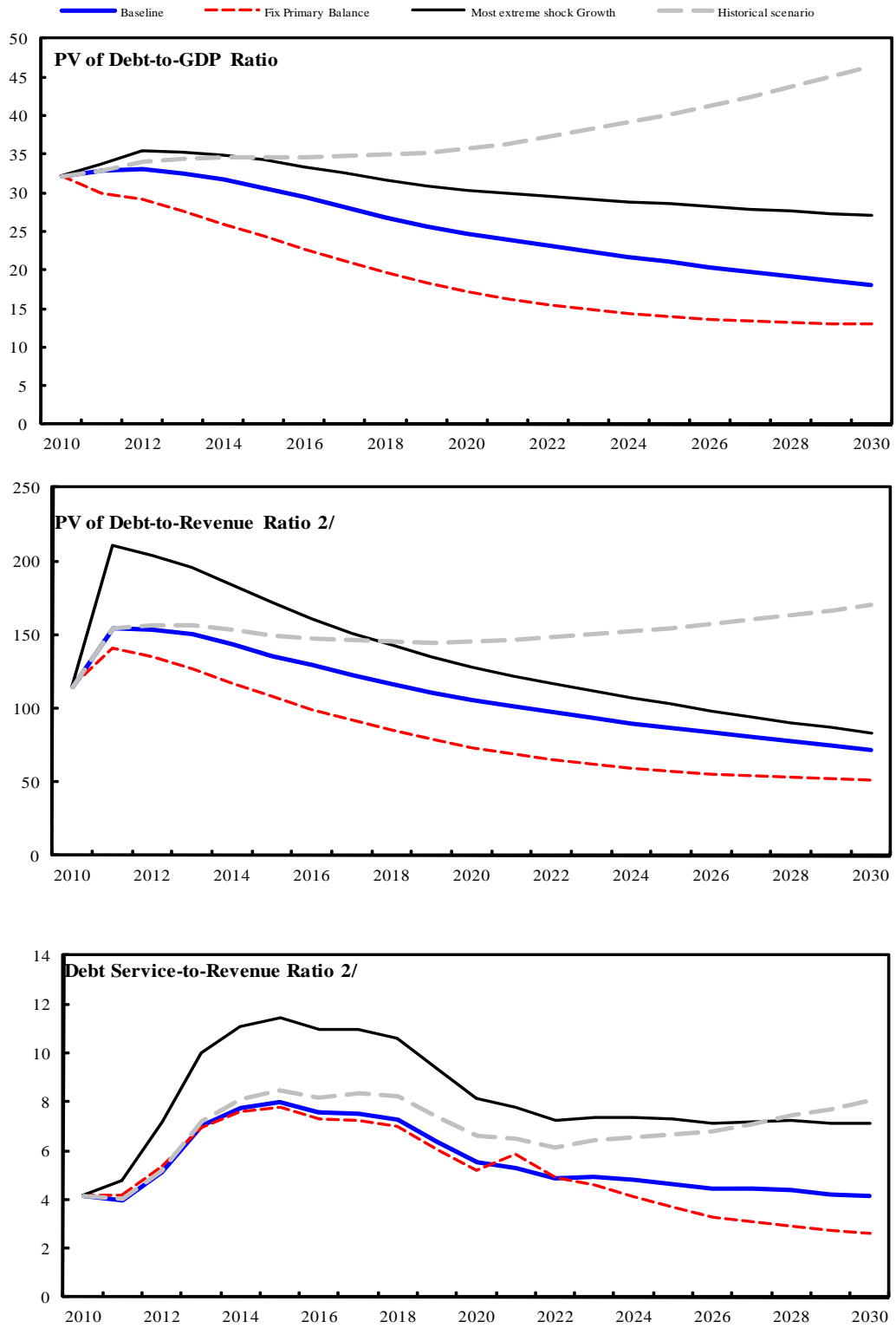
Figure 1. Comoros: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2020. In figure b. it corresponds to a One-time depreciation shock; in c. to a Non-debt flows shock; in d. to a One-time depreciation shock; in e. to a Non-debt flows shock and in figure f. to a One-time depreciation shock

Figure 2. Comoros: Indicators of Public Debt Under Alternative Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.  
 1/ The most extreme stress test is the test that yields the highest ratio in 2020.  
 2/ Revenues are defined inclusive of grants.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2007-2030 1/  
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average	Standard Deviation	Projections									
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-2015 Average	2020	2030	2016-2030 Average
<b>External debt (nominal) 1/</b>	<b>57.6</b>	<b>54.2</b>	<b>51.3</b>			<b>45.0</b>	<b>45.5</b>	<b>45.5</b>	<b>44.8</b>	<b>43.8</b>	<b>42.4</b>			<b>33.2</b>	<b>21.1</b>
o/w public and publicly guaranteed (PPG)	57.6	54.2	51.3			45.0	45.5	45.5	44.8	43.8	42.4			33.2	21.1
Change in external debt	-12.2	-3.3	-2.9			-6.4	0.5	0.0	-0.6	-1.0	-1.4			-1.6	-1.0
Identified net debt-creating flows	-4.7	3.1	4.8			1.6	7.3	6.2	5.0	4.9	4.7			4.2	3.5
<b>Non-interest current account deficit</b>	<b>5.9</b>	<b>10.5</b>	<b>7.5</b>	<b>4.4</b>	<b>3.6</b>	<b>5.2</b>	<b>10.7</b>	<b>10.0</b>	<b>8.8</b>	<b>8.5</b>	<b>8.2</b>			<b>6.3</b>	<b>4.4</b>
Deficit in balance of goods and services	27.2	34.9	34.0			35.9	32.8	31.9	30.6	29.9	29.2			24.7	18.4
Exports	14.1	13.4	14.2			14.5	14.4	14.2	14.0	13.9	13.8			13.7	14.1
Imports	41.3	48.3	48.2			50.5	47.2	46.1	44.6	43.8	43.0			38.4	32.5
Net current transfers (negative = inflow)	-19.9	-23.3	-25.7	-17.3	4.5	-27.0	-20.1	-19.7	-19.2	-18.7	-18.2			-16.0	-12.1
o/w official	-2.8	-2.8	-5.9			-7.8	-0.7	-0.7	-0.6	-0.6	-0.7			-0.7	-0.7
Other current account flows (negative = net inflow)	-1.4	-1.1	-0.7			-3.7	-2.0	-2.2	-2.7	-2.7	-2.8			-2.4	-1.9
<b>Net FDI (negative = inflow)</b>	<b>-1.7</b>	<b>-0.9</b>	<b>-2.6</b>	<b>-0.7</b>	<b>0.8</b>	<b>-2.9</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-2.5</b>	<b>-2.3</b>	<b>-2.2</b>			<b>-1.1</b>	<b>-0.3</b>
<b>Endogenous debt dynamics 2/</b>	<b>-8.9</b>	<b>-6.6</b>	<b>-0.1</b>			<b>-0.7</b>	<b>-0.8</b>	<b>-1.2</b>	<b>-1.3</b>	<b>-1.3</b>	<b>-1.3</b>			<b>-1.0</b>	<b>-0.6</b>
Contribution from nominal interest rate	0.4	0.5	0.4			0.3	0.2	0.3	0.4	0.4	0.4			0.3	0.2
Contribution from real GDP growth	-0.3	-0.5	-1.0			-1.1	-1.1	-1.5	-1.7	-1.7	-1.6			-1.3	-0.8
Contribution from price and exchange rate changes	-9.0	-6.6	0.4			...	...	...	...	...	...			...	...
<b>Residual (3-4) 3/</b>	<b>-7.5</b>	<b>-6.4</b>	<b>-7.7</b>			<b>-8.0</b>	<b>-6.8</b>	<b>-6.2</b>	<b>-5.6</b>	<b>-5.9</b>	<b>-6.1</b>			<b>-5.8</b>	<b>-4.5</b>
o/w exceptional financing	-4.6	-0.2	-3.1			-8.1	-0.4	-0.1	0.0	0.0	0.0			0.0	0.0
PV of external debt 4/	...	...	36.9			29.5	30.2	30.4	29.9	29.1	28.1			22.0	14.9
In percent of exports	...	...	260.4			202.8	209.8	213.9	213.5	209.5	203.7			160.4	106.0
<b>PV of PPG external debt</b>	<b>...</b>	<b>...</b>	<b>36.9</b>			<b>29.5</b>	<b>30.2</b>	<b>30.4</b>	<b>29.9</b>	<b>29.1</b>	<b>28.1</b>			<b>22.0</b>	<b>14.9</b>
In percent of exports	...	...	260.4			202.8	209.8	213.9	213.5	209.5	203.7			160.4	106.0
In percent of government revenues	...	...	265.2			199.2	207.0	200.8	206.5	193.1	182.0			125.6	75.1
<b>Debt service-to-exports ratio (in percent)</b>	<b>12.0</b>	<b>13.3</b>	<b>10.7</b>			<b>7.5</b>	<b>5.4</b>	<b>7.3</b>	<b>10.4</b>	<b>11.9</b>	<b>12.7</b>			<b>9.4</b>	<b>7.4</b>
<b>PPG debt service-to-exports ratio (in percent)</b>	<b>12.0</b>	<b>13.3</b>	<b>10.7</b>			<b>7.5</b>	<b>5.4</b>	<b>7.3</b>	<b>10.4</b>	<b>11.9</b>	<b>12.7</b>			<b>9.4</b>	<b>7.4</b>
<b>PPG debt service-to-revenue ratio (in percent)</b>	<b>13.3</b>	<b>13.6</b>	<b>10.9</b>			<b>7.4</b>	<b>5.3</b>	<b>6.8</b>	<b>10.1</b>	<b>11.0</b>	<b>11.4</b>			<b>7.4</b>	<b>5.2</b>
Total gross financing need (Billions of U.S. dollars)	0.0	0.1	0.0			0.0	0.1	0.1	0.1	0.1	0.1			0.1	0.1
Non-interest current account deficit that stabilizes debt ratio	18.1	13.9	10.4			11.6	10.2	10.0	9.4	9.5	9.6			7.9	5.3
<b>Key macroeconomic assumptions</b>															
Real GDP growth (in percent)	0.5	1.0	1.8	2.0	1.5	2.1	2.5	3.5	4.0	4.0	4.0	3.3	4.0	4.0	4.0
GDP deflator in US dollar terms (change in percent)	14.8	12.9	-0.8	7.5	10.0	1.9	2.2	2.4	2.5	2.8	2.8	2.4	3.0	3.0	3.0
Effective interest rate (percent) 5/	0.6	1.0	0.7	1.0	0.2	0.7	0.6	0.7	0.9	0.9	0.9	0.8	0.8	1.0	0.9
Growth of exports of G&S (US dollar terms, in percent)	20.8	8.3	6.7	10.9	11.9	6.7	3.6	4.8	5.1	5.9	6.0	5.3	7.7	7.5	7.2
Growth of imports of G&S (US dollar terms, in percent)	23.4	33.2	0.7	13.9	14.1	9.0	-2.1	3.5	3.3	4.9	4.9	3.9	5.0	5.5	5.1
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	44.6	43.9	44.3	47.3	47.3	47.1	45.7	41.9	33.1	38.5
Government revenues (excluding grants, in percent of GDP)	12.7	13.1	13.9			14.8	14.6	15.2	14.5	15.1	15.4			17.5	19.9
Aid flows (in Billions of US dollars) 7/	0.0	0.1	0.1			0.1	0.0	0.0	0.0	0.0	0.1			0.1	0.1
o/w Grants	0.0	0.1	0.1			0.1	0.0	0.0	0.0	0.0	0.1			0.1	0.1
o/w Concessional loans	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			15.0	8.2	8.0	8.7	8.5	8.5			6.6	5.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			87.2	81.7	81.3	83.5	83.9	85.1			87.1	86.4
<b>Memorandum items:</b>															
Nominal GDP (Billions of US dollars)	0.5	0.5	0.5			0.6	0.6	0.6	0.7	0.7	0.8			1.1	2.1
Nominal dollar GDP growth	15.3	14.0	1.0			4.1	4.7	5.9	6.6	6.9	6.9	5.8	7.1	7.1	7.1
PV of PPG external debt (in Billions of US dollars)	...	...	0.2			0.2	0.2	0.2	0.2	0.2	0.2			0.2	0.3
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...			-7.8	2.3	2.0	1.5	1.2	0.9	0.0	0.6	0.4	0.5

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $[r - g - \rho(1+g)] / (1+g+\rho)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate, and  $\rho$  = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are derived over the past 7 years.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b.Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030  
(In percent)

	Projections							2020	2030
	2010	2011	2012	2013	2014	2015			
<b>PV of debt-to GDP ratio</b>									
<b>Baseline</b>	29	30	30	30	29	28	<b>22</b>	15	
<b>A. Alternative Scenarios</b>									
A1. Key variables at their historical averages in 2010-2030 1/	29	27	24	22	21	19	<b>11</b>	10	
A2. New public sector loans on less favorable terms in 2010-2030 2	29	31	32	33	33	32	<b>28</b>	23	
A3. Alternative Scenario :With HIPC/MDRI	29	30	24	16	17	18	<b>17</b>	15	
<b>B. Bound Tests</b>									
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	29	31	32	32	31	30	<b>23</b>	16	
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	29	31	32	31	31	30	<b>23</b>	15	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	29	31	31	31	30	29	<b>23</b>	15	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	29	36	42	41	40	39	<b>31</b>	18	
B5. Combination of B1-B4 using one-half standard deviation shocks	29	34	37	37	36	34	<b>27</b>	17	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	29	43	43	42	41	40	<b>31</b>	21	
<b>PV of debt-to-exports ratio</b>									
<b>Baseline</b>	203	210	214	214	209	204	<b>160</b>	106	
<b>A. Alternative Scenarios</b>									
A1. Key variables at their historical averages in 2010-2030 1/	203	185	171	160	148	135	<b>82</b>	68	
A2. New public sector loans on less favorable terms in 2010-2030 2	203	215	226	232	234	234	<b>207</b>	162	
A3. Alternative Scenario :With HIPC/MDRI	203	210	168	116	123	129	<b>124</b>	104	
<b>B. Bound Tests</b>									
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	203	209	213	213	209	203	<b>160</b>	106	
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	203	228	260	259	254	247	<b>196</b>	126	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	203	209	213	213	209	203	<b>160</b>	106	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	203	251	295	293	287	280	<b>223</b>	129	
B5. Combination of B1-B4 using one-half standard deviation shocks	203	237	270	269	263	256	<b>204</b>	122	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	203	209	213	213	209	203	<b>160</b>	106	
<b>PV of debt-to-revenue ratio</b>									
<b>Baseline</b>	199	207	201	206	193	182	<b>126</b>	75	
<b>A. Alternative Scenarios</b>									
A1. Key variables at their historical averages in 2010-2030 1/	199	182	161	155	136	121	<b>64</b>	48	
A2. New public sector loans on less favorable terms in 2010-2030 2	199	212	212	224	216	209	<b>162</b>	114	
A3. Alternative Scenario :With HIPC/MDRI	199	207	158	112	114	116	<b>97</b>	74	
<b>B. Bound Tests</b>									
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	199	211	212	218	204	192	<b>133</b>	79	
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	199	210	211	217	203	191	<b>133</b>	77	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	199	209	206	212	199	187	<b>130</b>	77	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	199	248	277	284	265	250	<b>175</b>	91	
B5. Combination of B1-B4 using one-half standard deviation shocks	199	230	247	253	236	223	<b>155</b>	84	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	199	292	283	292	273	257	<b>178</b>	106	

Table 1b. Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030 (continued)  
(In percent)

<b>Debt service-to-exports ratio</b>									
<b>Baseline</b>	7	5	7	10	12	13	<b>9</b>	7	
<b>A. Alternative Scenarios</b>									
A1. Key variables at their historical averages in 2010-2030 1/	7	5	6	9	9	10	<b>5</b>	3	
A2. New public sector loans on less favorable terms in 2010-2030 2	7	5	8	11	13	14	<b>10</b>	11	
A3. Alternative Scenario :With HIPC/MDRI	7	5	5	2	2	3	<b>5</b>	6	
<b>B. Bound Tests</b>									
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	7	5	7	10	12	13	<b>9</b>	7	
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	7	6	8	12	14	15	<b>11</b>	9	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	7	5	7	10	12	13	<b>9</b>	7	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	7	5	8	12	13	14	<b>12</b>	10	
B5. Combination of B1-B4 using one-half standard deviation shocks	7	5	8	11	13	14	<b>11</b>	9	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	7	5	7	10	12	13	<b>9</b>	7	
<b>Debt service-to-revenue ratio</b>									
<b>Baseline</b>	7	5	7	10	11	11	<b>7</b>	5	
<b>A. Alternative Scenarios</b>									
A1. Key variables at their historical averages in 2010-2030 1/	7	5	6	8	9	9	<b>4</b>	2	
A2. New public sector loans on less favorable terms in 2010-2030 2	7	5	7	11	12	13	<b>8</b>	8	
A3. Alternative Scenario :With HIPC/MDRI	7	5	5	2	2	2	<b>4</b>	4	
<b>B. Bound Tests</b>									
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	7	5	7	11	12	12	<b>8</b>	6	
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	7	5	7	10	11	12	<b>8</b>	5	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	7	5	7	10	11	12	<b>8</b>	5	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	7	5	7	11	12	12	<b>9</b>	7	
B5. Combination of B1-B4 using one-half standard deviation shocks	7	5	7	11	12	12	<b>9</b>	6	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	7	8	10	14	16	16	<b>10</b>	7	
<i>Memorandum item:</i>									
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	40	40	40	40	40	40	<b>40</b>	40	

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2a. Comoros: Public Sector Debt Sustainability Framework, Baseline Scenario, 2007-2030  
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate					Projections			2016-30 Average	
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-15			2016-30
												Average	2020		
<b>Public sector debt 1/</b>	60.9	57.3	54.1			47.7	48.2	48.2	47.5	46.4	45.0		36.0	24.1	
o/w foreign-currency denominated	57.6	54.2	51.3			45.0	45.5	45.5	44.8	43.8	42.4		33.2	21.1	
Change in public sector debt	-12.3	-3.6	-3.1			-6.5	0.5	0.0	-0.7	-1.1	-1.4		-1.6	-1.0	
Identified debt-creating flows	-13.5	1.8	-9.0			-12.9	-1.0	-1.7	-1.7	-2.0	-2.3		-2.5	-2.7	
Primary deficit	1.6	2.0	-1.0	1.4	1.3	-5.2	1.5	0.8	1.0	0.6	0.4	-0.2	-0.3	-1.2	-0.6
Revenue and grants	20.3	23.5	23.6			28.0	21.3	21.7	21.7	22.1	22.6		23.4	25.0	
of which: grants	7.6	10.4	9.7			13.2	6.7	6.5	7.2	7.1	7.2		5.9	5.1	
Primary (noninterest) expenditure	21.9	25.5	22.7			22.8	22.8	22.4	22.7	22.8	23.0		23.1	23.7	
Automatic debt dynamics	-10.5	0.0	-4.9			0.4	-2.1	-2.4	-2.6	-2.7	-2.6		-2.2	-1.4	
Contribution from interest rate/growth differential	-2.3	-2.0	-2.1			-1.7	-1.8	-2.2	-2.3	-2.3	-2.3		-1.9	-1.2	
of which: contribution from average real interest rate	-1.9	-1.4	-1.1			-0.5	-0.7	-0.6	-0.5	-0.5	-0.5		-0.4	-0.3	
of which: contribution from real GDP growth	-0.4	-0.6	-1.0			-1.1	-1.1	-1.6	-1.9	-1.8	-1.8		-1.4	-1.0	
Contribution from real exchange rate depreciation	-8.3	1.9	-2.8			2.1	-0.3	-0.2	-0.3	-0.4	-0.4		...	...	
Other identified debt-creating flows	-4.6	-0.2	-3.1			-8.1	-0.4	-0.1	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-4.6	-0.2	-3.1			-8.1	-0.4	-0.1	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.1	-5.4	5.8			6.5	1.5	1.7	1.0	1.0	0.9		0.9	1.7	
<b>Other Sustainability Indicators</b>															
<b>PV of public sector debt</b>	3.3	3.1	39.7			32.2	32.9	33.1	32.6	31.7	30.6		24.8	18.0	
o/w foreign-currency denominated	0.0	0.0	36.9			29.5	30.2	30.4	29.9	29.1	28.1		22.0	14.9	
o/w external	...	...	36.9			29.5	30.2	30.4	29.9	29.1	28.1		22.0	14.9	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	5.8	6.2	3.0			-1.9	4.6	4.2	4.8	4.7	4.5		3.5	2.6	
PV of public sector debt-to-revenue and grants ratio (in percent)	16.5	13.0	168.2			114.8	154.4	152.9	150.1	143.1	135.5		105.7	72.0	
PV of public sector debt-to-revenue ratio (in percent)	26.4	23.4	285.2			217.5	225.7	218.6	224.6	210.2	198.6		141.5	90.4	
o/w external 3/	...	...	265.2			199.2	207.0	200.8	206.5	193.1	182.0		125.6	75.1	
Debt service-to-revenue and grants ratio (in percent) 4/	8.6	7.9	7.1			4.2	4.0	5.1	7.0	7.8	8.0		5.5	4.2	
Debt service-to-revenue ratio (in percent) 4/	13.8	14.3	12.1			7.9	5.8	7.3	10.5	11.4	11.7		7.4	5.2	
Primary deficit that stabilizes the debt-to-GDP ratio	14.0	5.6	2.2			1.2	1.0	0.8	1.7	1.7	1.8		1.3	-0.3	
<b>Key macroeconomic and fiscal assumptions</b>															
Real GDP growth (in percent)	0.5	1.0	1.8	2.0	1.5	2.1	2.5	3.5	4.0	4.0	4.0	3.3	4.0	4.0	4.0
Average nominal interest rate on forex debt (in percent)	0.6	1.0	0.7	1.0	0.2	0.7	0.6	0.7	0.9	0.9	0.9	0.8	0.8	1.0	0.9
Average real interest rate on domestic debt (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Real exchange rate depreciation (in percent, + indicates depreciation)	-12.2	3.4	-5.3	-4.8	10.8	4.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	5.2	5.5	4.6	4.3	2.1	3.8	3.3	3.0	3.1	3.3	3.3	3.3	3.0	3.0	3.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.2	-0.1	0.1	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	44.6	43.9	44.3	47.3	47.3	47.1	45.7	41.9	33.1	...

Sources: Country authorities; and staff estimates and projections.

1/ Covers general government gross debt.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are derived over the past 7 years.

Table 2b.Comoros: Sensitivity Analysis for Key Indicators of Public Debt 2010-2030

	Projections							
	2010	2011	2012	2013	2014	2015	2020	2030
<b>PV of Debt-to-GDP Ratio</b>								
<b>Baseline</b>	32	33	33	33	32	31	25	18
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	32	33	34	34	35	35	36	46
A2. Primary balance is unchanged from 2009	32	30	29	28	26	24	17	13
A3. Permanently lower GDP growth 1/	32	33	33	33	32	32	27	26
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	32	34	35	35	35	34	30	27
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	32	34	35	34	34	32	26	19
B3. Combination of B1-B2 using one half standard deviation shocks	32	34	35	35	34	34	29	24
B4. One-time 30 percent real depreciation in 2011	32	45	44	43	41	39	30	21
B5. 10 percent of GDP increase in other debt-creating flows in 2011	32	40	40	39	38	37	30	21
<b>PV of Debt-to-Revenue Ratio 2/</b>								
<b>Baseline</b>	115	154	153	150	143	136	106	72
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	115	154	156	156	153	149	145	170
A2. Primary balance is unchanged from 2009	115	141	135	127	117	108	74	52
A3. Permanently lower GDP growth 1/	115	155	154	152	146	139	116	103
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	115	157	161	160	155	149	128	107
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	115	158	162	159	152	144	112	75
B3. Combination of B1-B2 using one half standard deviation shocks	115	157	162	160	154	147	123	97
B4. One-time 30 percent real depreciation in 2011	115	211	204	196	184	171	128	83
B5. 10 percent of GDP increase in other debt-creating flows in 2011	115	186	183	179	171	162	127	82
<b>Debt Service-to-Revenue Ratio 2/</b>								
<b>Baseline</b>	4	4	5	7	8	8	6	4
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	4	4	5	7	8	8	7	8
A2. Primary balance is unchanged from 2009	4	4	5	7	8	8	5	3
A3. Permanently lower GDP growth 1/	4	4	5	7	8	8	6	5
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	4	4	5	7	8	8	6	6
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	4	4	5	7	8	8	6	5
B3. Combination of B1-B2 using one half standard deviation shocks	4	4	5	7	8	8	6	5
B4. One-time 30 percent real depreciation in 2011	4	5	7	10	11	11	8	7
B5. 10 percent of GDP increase in other debt-creating flows in 2011	4	4	6	8	8	8	6	6

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.