

**COUNTRY PROFILE:****UNION OF THE COMOROS**

IES/02: ATTACHMENT A

**DATED:****SEPTEMBER 2007****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	<i>ZZ</i>	Off cover

*Recent Political Highlights*

- The Comoros archipelago comprises three main islands of Grand Comore, Moheli, Anjouan plus several other small islets. Mayotte is administered by France but claimed by Comoros. The electoral system provides for a semi-autonomous government and president for each island, with rotating presidency for the Union government. The Union of the Comoros is ruled by President Ahmed Abdallah Sambi who comes from Anjouan. He became president of the Union following a landslide victory in the May 2006 elections. A president from Moheli is set to take office in 2010.
- The first round of presidential elections for the islands were held on June 10 this year on two of the three islands- Grand Comore and Moheli, after the African Union (AU) and the Union government postponed the poll on Anjouan until June 17, following intimidation in the run-up to voting and incidents of violence that claimed the lives of two soldiers. Mohamed Bacar, who was elected president of Anjouan in 2002 was asked to step down on April 14 by the Constitutional Court on grounds that he had served his term and an interim president would be nominated to head the government until elections were held. Bacar however refused to step down, printed his own ballot papers and went ahead with the election despite a declaration by the AU and the Union government that the poll would be deemed invalid (Bacar is a former chief of police and participant in the island's 2001 military coup, and is said to command 100% loyalty from the gendarmerie, who possess heavy weapons in their armoury). He then inaugurated himself in mid-June as president of the island for a second term after claiming a landslide victory of 90% although voter turnout was very low. Efforts by the international community to resolve the situation have thus far been fruitless and calls for new elections dismissed by Bacar. The people of Anjouan are taking the situation very seriously and are afraid that continued defiance could lead to violence.
- Tension is mounting, sparking fears of possible military action and postponing much-needed international developmental assistance. Military intervention is an option on the table but everyone is trying to persuade Bacar to organise a new election. An African Development Bank (ADB) meeting to write off Comoros debt scheduled for mid-July was postponed to September because of the Anjouan electoral crisis. If the conflict is not resolved the September meeting could also be in jeopardy. The ADB debt write off is a condition for the IMF to engage in negotiations leading to Comoros acceding to the HIPC (Highly Indebted Poor Countries) process, to try and reduce the external debt estimated at 72% of GDP in 2005. The much needed bilateral assistance is dwindling while various donors await the resolution of the situation.

*Recent Economic Highlights*

- The population was estimated at 690,000 in 2006, with 86% of the population living on the three main islands. The people of the Comoros are among the poorest in Africa and the country is heavily dependent on foreign aid. Natural resources are in short supply and most of the land is unsuitable for crop production.
- In 2006, GDP amounted to over \$386m. The country's economy is dominated by the services sector and agriculture. In 2005, services contributed 55% to GDP, whilst agriculture, hunting, forestry and fishing contributed 36% with the balance being accounted for by industry. The tourism sector is relatively underdeveloped receiving about 20,000 foreign visitors annually, but has been identified by government as a priority growth sector. The World Travel and Tourism Council forecasts the tourism sector to contribute about 3% or \$12.7m to GDP in 2007 and account for 5.5% of total employment (9,000 jobs).
- The IMF forecasts GDP growth to rise from 1.2% in 2006 to 3% in 2007 and 4.5% in 2008, boosted by the authority's reform programme which seeks to increase foreign investment. Inflation is projected to remain stable at 2.5%, consistent with the exchange rate peg; since 1999 the Comoran Franc is pegged to the euro at a rate of 491.97 KMF: €1.
- The IMF expects the external debt to decline from 71.1% of GDP in 2006 to 58.6% of GDP in 2007 reaching 15.5% of GDP in 2010, due to the HIPC debt relief from 2007 and concessional clearance of arrears over a 15-year period.

*Latest Trade Developments*

- Main exports: vanilla, cloves, perfume oil and copra
- Main imports: rice, petroleum, meat, wheat flour, cotton textiles and cement. Foodstuffs constitute 32% of total imports.
- Major trade partners: US, France, Singapore, Turkey, Germany, Netherlands, South Africa, Kenya, UAE, India, China, Pakistan and Italy.
- South African exports totalled R57.3m in 2006 and R65m in the year to June 2007. South African imports from Comoros totalled R889,000 in 2006 and R879,000 in the year to June 2007.

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