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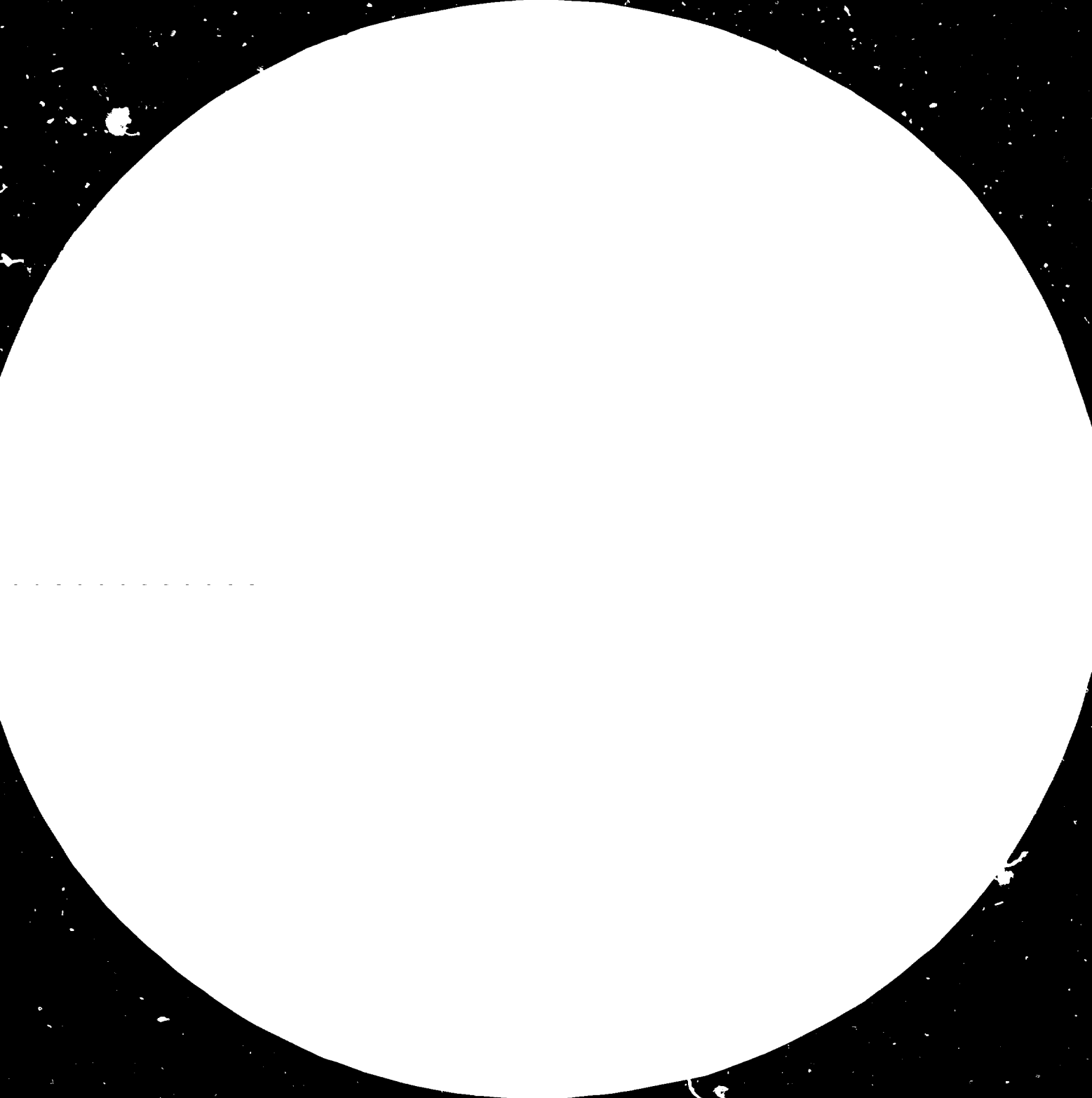
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**FEDERAL AND ISLAMIC
REPUBLIC
OF THE COMOROS**

SURVEY OF SELECTED ECONOMIC SECTORS*

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WORLD BANK/UNIDO
CO-OPERATIVE PROGRAMME

REPORT No. 22
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COMOROS

SURVEY OF SELECTED ECONOMIC SECTORS

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PREFACE

This report is based on the findings of a mission which visited the Comoros between 9 and 28 November 1981. It was prepared under the direction of the World Bank/UNIDO Co-operative Programme by O. Gonzalez-Hernandez (World Bank/UNIDO Co-operative Programme staff member) assisted by V. Valaydon, consultant. P. Beuzelin of the World Bank provided support to the Mission during field work.

The information in the report was updated during a subsequent visit to the Comoros by O. Gonzalez-Hernandez, 8 - 20 November 1982, during which time he assisted a World Bank Appraisal Mission with respect to the proposed credit line to the recently established Development Bank of Comoros.

The main objectives of the report are to survey selected sectors of the economy and to determine both broad terms of reference and the framework for the credit line. Through the Development Bank of Comoros, the proposed credit is expected to finance small- and medium-scale projects, not only in the manufacturing sector, but also in the construction, transport, tourism and artisan sectors. It will also cover the acquisition of equipment for agriculture and fisheries. For this reason, the present survey touches upon all of these sectors, describes and comments on the financial sector and relevant government policies, and, finally, recommends an appropriate framework and strategy for the proposed credit line.

Although the focus of the credit line is on small- and medium-scale projects, the survey covers the whole spectrum of productive activity in the Comoros, the bulk of which is in fact composed of small- and medium-scale enterprises. In addition, with only a few exceptions, practically all the projects identified by the Mission, can be classified as small- and medium scale.

CURRENCY EQUIVALENTS

Currency Unit Comorian Franc (CF) = Communauté Financière
Africaine Franc (CFAF)

	<u>Annual Average</u>	
	<u>CF 1</u> <u>= US\$</u>	<u>1 US\$</u> <u>= CF</u>
1975	0.0047	214.32
1976	0.0042	238.98
1977	0.0041	245.67
1978	0.0044	225.64
1979	0.0047	212.72
1980	0.0047	211.30
1981	0.0038	265.80
1982	(0.0034	(290.50 <u>1/</u>
	(0.0031	(320.73 <u>2/</u>

Fiscal Year: January 1 - December 31

Standards: Metric

Except when otherwise indicated, the symbol \$ refers to U.S. Dollars

1/ First two months. Figures used for calculations in report.

2/ First eleven months.

GLOSSARY OF ABBREVIATIONS

AGI	Administration Générale des Impôts
ADB	African Development Bank
ADF	African Development Fund
BCC	Banque Commerciale des Comores
BDC	Banque de Développement des Comores
BIC	Banque Internationale des Comores
CADER	Centre D'Appui au Développement Rural
COCE	Caisse Centrale de Coopération Economique
CEFADER	Centre Fédéral d'Appui et Développement Rural
CID	Centre for Industrial Development
CREDICOM	Société de Crédit pour le Développement des Comores
EDF	European Development Fund
EIB	European Investment Bank
IADF	International Agricultural Development Fund (of FAO)
IDB	Islamic Development Bank
IEC	Institut d'Emission des Comores
ILO	International Labour Office
IRAT	Institut de Recherches Agronomiques Tropicales et Cultures Vivrières
KfW	Kreditanstalt für Wiederaufbau
OPEC	Organization of Petroleum Exporting Countries
PTA	Preferential Trade Area
SAGC	Société Anonyme de Grande Comores
SCB	Société Commerciale Bambao
SME	Small and Medium Enterprises
SNTA	Société Nationale des Transports Aériens - Air Comores
STABEX	Système de Stabilisation des Recettes d'Exportation
STICOM	Société des Télécommunications Internationales Comoriënne
UNCTAD	United Nations Conference for Trade and Development
UNDP	United Nations Development Programme
UNEF	United Nations Equipment Fund
UNFPA	United Nations Fund for Population Activities

SUMMARY AND MAIN RECOMMENDATIONS

i. The archipelago of Comoros is situated to the east of the African continent at the north of the Mozambique Channel and is composed of four islands: Grande Comoros, Anjouan, Mohéli and Mayotte. The latter, although considered as being part of the Comorian State, is administered by France as an overseas territory.

Present Situation of Selected Economic Sections

ii. The Comoros ranks among the least developed countries of Sub-Saharan Africa. In 1980, per capita GDP in market prices was around \$337. Between 1970 and 1974, GDP at constant prices rose at a yearly average rate of 5.8 per cent, followed by severe drops of 13 per cent and 22 per cent in 1975 and 1976. From then on, and until 1980, GDP rose at an annual rate of 4.2 per cent. Prognostics indicate a marked recovery.

iii. Agriculture is the largest contribution to GDP formation at 41 per cent. Wholesale and retail trade, and public administration are the next largest contributors, with 24 per cent and 15 per cent respectively. Industry accounts for only 5 per cent.

iv. The bulk of economic activity in the Comoros can be categorized as small- and medium-scale, with most enterprises having an annual turnover of less than \$1 million. General constraints to the development of productive enterprises in the Comoros are mainly attributable to the country's poor resource endowment, limited infrastructure, small and fragmented market, geographical isolation and lack of capital and skills. On the other hand, despite some inherent shortcomings, Government policies affecting taxation, investment incentives and tariff structure, do not appear to have been significant constraints to development.

v. An ILO survey indicated the presence of 125 manufacturing establishments (employing at least one person) with a total employment of around 700 as of 30 June 1980. These enterprises engaged in the following activities: bakery, soft drink and carbonated water production and bottling, manufacture of wearing apparel, sawmilling, furniture making, printing, soap manufacture, ylang-ylang distillation, jewellery and artisan activity ^{1/}. All these establishments, with the exception of one ylang-ylang distillery, may be considered as being of medium to small scale, and are evenly dispersed between the islands of Grande Comoros and Anjouan. Many of them are very small establishments, some of them repair shops which would not normally be classified as industrial.

^{1/} The processing of vanilla husks, cloves and copra are accounted for under the agriculture sector.

vi. Agriculture occupies over 80 per cent of the workforce. Subsistence farming accounts for over 75 per cent of crops, mainly grains (rice and maize), tubers (manioc) and fruits (bananas and coconuts). High value cash crops, which represent almost the entire amount of merchandise exports, are ylang-ylang, vanilla, cloves and coconuts. Arguably, there appears to be enough arable land in the Comoros to satisfy the food needs of its population. However, in 1981 foodstuffs accounted for 45 per cent of imports, representing practically the entire merchandise export revenue. Malnutrition is still widespread, mainly due to inadequate supply of animal proteins. Yields of food crops are particularly low.

vii. Self-sufficiency in food production is the Government's highest priority and is translated into three main areas of action :

- substitution of imported rice by locally produced maize, pigeon peas and taro;
- the development, practically from scratch, of poultry and small cattle raising;
- the improvement of artisanal fishing.

The first two activities are coordinated by the "Centre Fédéral d'Appui et Développement Rural", a far reaching set of extensive services to rural development in general and to agriculture in particular.

viii. In 1980 construction activity in Comoros accounted for 9.2 per cent of GDP, and it is expected to expand significantly in the future. A substantial amount of public works is foreseen, financed mainly by external grants or concessional loans. The widespread practise of self-construction also appears to be on the upsurge. On the other hand, building materials manufacture has not kept pace with the overall expansion in the construction sector.

ix. The country's geographical isolation, its dispersion over a large area and the rugged nature of its terrain exacerbate the problems stemming from inadequate transportation means and infrastructure, between, within and to the islands. Despite ongoing and planned increases in the number of air, sea and road transport means and significant improvements to transportation infrastructure in terms of roads, harbours and airports, transportation will remain an important constraint to development because of topographical factors.

x. The telecommunication systems fail to satisfy current demand to deliver unsatisfactory services. A number of improvements are forthcoming. Although tourism potential in Comoros is limited, it can still be expanded from its present level. The Government's negotiations with two foreign groups to bring about an increase of bed capacity from the present 164 to around 500, should provide the needed expansion base. Still, a number of minor actions in terms of tourist amenities remains to be undertaken.

Government Policies

xi. The first National Plan of the Comoros covering 1983-85 should be finalized by the beginning of 1983. It is expected that the Plan will follow the Government's Programme of Action for the 1980s, which lists six key objectives:

- Food self-sufficiency
- Overcoming geographical isolation
- Improvement of power and water supply
- Population control and improvement of health
- Manpower development
- Improvement of land planning and housing

Apart from the extension services provided to agriculture by the CEFADER system, institutional support to the productive sectors is weak or non-existent.

xii. An Investment Code was established on 20 June 1980. It grants a number of incentives and guarantees to investments in industry, agriculture, tourism, mining, transport and telecommunications. It is applicable to minimum investments of CF 150 million, whereas the Comorian economy would benefit more from support to smaller enterprises. So far, it has not prompted any new investment activity. Certain changes are essential: the Code should be simplified; there should be a lower or no limit on investment levels or posts created; and corporate tax deductions should be awarded as opposed to those deductions currently granted. Further, the awarding of incentives by decree outside the Code, which is commonplace, should cease.

xiii. The Comorian fiscal system is based largely on that of France, which follows standard fiscal practice. However, the Comorian system is prey to serious deficiencies as regards administration and enforcement. IMF assistance has been provided in these areas and substantial improvements have already been achieved.

xiv. Trade balance has always been strongly deficitary and has been compensated by generous external aid, mostly in the form of grants. Imports are characterized by the high share of foodstuffs, which account for between 35 and 45 per cent. All imports are subject to licensing and there are de jure and de facto import monopolies for the main import commodities. Comorian exports are almost entirely composed of four commodities: ylang-ylang essences, vanilla, cloves and copra. Their export is affected by variations in price and quantity, speculative stocking, excessive market concentration and export monopolies.

xv. It is recommended to simplify current trade procedures and to undertake government to government agreements for importing main commodities. The creation of a Spice and Perfume Bureau to regulate and provide guidelines for these Comorian exports is advised. In general, tariffs seem to be reasonable, but increased uniformity would be advantageous. Export and import licenses should be abolished.

xvi. Price homologation and controls follow a rather elaborate system. Apart from price homologation to provide imported foodstuffs at low and stable prices, price controls should be relaxed or abolished since they do not incentivize domestic production.

Potential for the Development of Projects

xvii. The natural transport protection permits the development of import substitution industries, the potential of which has been little tapped.

In addition there is strong potential for certain export industries to process local agro-based raw materials; however, these will require larger investments. There are also a number of feasible projects in the other economic sectors covered by the survey. The main activities with short-term growth potential are those requiring smaller investments and which are marginally influenced by entrepreneurial, political and infrastructure factors.

xviii. The Mission reviewed 36 reasonably sound project proposals in various stages of preparation, never going beyond the pre-feasibility stage. The scarcity of financing appears to be one of the main hindrances to further pre-investment work.

xix. Of these 36 projects, only 1 has a total investment of over CF 290 million. The others may be considered to be small- and medium-scale. Most of the projects (29) are industrial - 10 agriculture-related, 5 construction-related and 14 in other industrial fields. Two projects are in the construction sector, four concern the acquisition of equipment for agriculture and fishery activities and one is transportation-related.

xx. Promotion of projects for financing by BDC should be carried out by CEFADER in the agricultural sector and by BDC's promotion Unit for all other sectors.

Financial Sector

xxi. At the end of 1982 the banking system in the Comoros was composed of a Currency Board, a Commercial Bank and a Development Bank. This system recently underwent a restructuring which was completed during 1982. The Currency Board increased control over the country's monetary and credit policies. In 1979 a monetary co-operation agreement was signed between the Governments of France and the Comoros; the Comoros became part of the Franc Zone and the Comorian Franc was set a fixed parity of 50 to the French Bank.

xxii. The Commercial Bank suffered from continuous overdraft transactions which led to a drastic reduction in short-term credit and practically stopped medium-term credit. It became bankrupt and closed down in early 1982. A new Commercial Bank (BIC) was established subsequently in which the state owns 34 per cent of the stock, the rest being held by foreign and local private shareholders. The Development Credit Corporation (CREDICOM) was established in 1974 to provide medium- and long-term small-sized development credits, but due to the country's economic difficulties as well as inefficient credit policies and management, its operations were folded in 1978. Since then it has limited itself to the recovery of outstanding debts.

The Development Bank of Comoros (BDC)

xxiii. Established in March 1982, BDC took over CREDICOM installations, personnel and outstanding debts. It has a paid up capital of CF 300 million, half from the state, one sixth from the European Investment Bank one sixth from CCCE and one sixth from the Central Bank. The present staff

of six professionals will be expanded to around nine by mid-1983 in order to cope with the expected increase in operations. Financing to construction will be limited to 30 per cent of forecasted grants. Debt: equity ratio is expected to be 70:30. Rates of interest will reflect the cost of capital but are expected to be less than the market rate.

xxiv. It is suggested that priority be given to the financing of projects in the following sectors: manufacturing (particularly construction and agro-based products) construction, transport and tourism. Despite the weight and importance of the agriculture sector, BDC's role in it should be limited to the acquisition of capital equipment. The Commercial Bank should handle straightforward agricultural credits. Priority should be given to smaller-sized projects and it is suggested that the credit ceiling for a single project be set at CF 50 million. A two-way delivery system, with appropriate different procedures and conditions, is suggested for financing projects needing credit up to and above CF 20 million.

xxv. The project portfolio for consideration for financing by BDC is estimated at around CF 1,800 million. The IDA credit line should be in the order of US\$ 3 million over a period of three and a half years (mid 1983-1986).

xxvi. The Mission recommends the establishment within BDC of a Promotion Unit to assist entrepreneurs in developing their ideas into bankable projects and later on to assist in their implementation. Assistance from UNIDO in the setting up and initial operation of this Unit has been secured.

INTRODUCTION

1. The archipelago of the Comoros is situated to the east of the African continent at the north of the Mozambique Channel and is composed of four islands: Grande Comoros, Anjouan, Mohéli and Mayotte 1/. The latter island, although considered as being part of the Comorian state, is administered by France as an overseas territory following the 1974 referendum which led to the independence of the archipelago in 1975. The four islands have a total surface area of 2,240 km² and a population of around 395,000 (1,870 km² and 340,000 inhabitants without Mohéli).
2. The islands are of volcanic origin with a rocky coastline not affording natural harbours and have a lush tropical vegetation. The climate is tropical maritime with seasons determined by the monsoon. However, climatic differences are marked more according to topography and distance from sea than by season. The periodic regional hurricanes barely touch the northern part of the archipelago.
3. Grande Comoros, the largest island in terms of both size and population, is the most recently formed and because of its porous soil has no water courses. The Karthala, a 2300 m high volcano with the widest active crater in the world, is in the south of the island. Anjouan is the second largest island in size and population and has the highest population density. Its soil has good clay formations furrowed by numerous water courses. Mohéli is the smallest island in size and population and has the lowest population density. It has wide fertile valleys and its coastline is less rugged as compared to the other islands and has more sandy beaches. Mayotte is mountainous, and is heavily eroded. Its clay soil is particularly fertile.
4. The majority of the population is Muslim and is racially relatively homogenous. Comorian, which derives from Swahili, is the language most commonly spoken, while French is used in the Administration.
5. The first inhabitants of Comoros were Bantus who arrived about 2,000 years ago from Africa. The Arabs penetrated the islands from the seventh to the fifteenth centuries in the course of regional trade flows, simultaneously introducing the

1/ The names Ngazidja, Ndzouani or Mdzouani, Mwali or Moili, and Maoré or Mahoré respectively are also used. Except when otherwise mentioned, this report refers to the three first islands only.

Islamic religion. Taking advantage of local feuds, France made the Comoros a colony in the 1840s. Following a referendum held at the end of 1974, the Comorian Parliament declared its unilateral independence from France in July 1975, while Mayotte continued to be French territory.

6. Less than a month after independence, the Government was overthrown by a coup which installed a Government seeking radical social and economic changes. At the end of 1975 France withdrew its financial and technical aid to the country. A period of economic instability and social unrest followed until May 1978 when a coup restored the previous regime. A new constitution was approved by referendum in October 1978 whereby a Federal Islamic Republic was proclaimed.

7. The President and Federal Assembly are elected by popular vote and the President selects the Prime Minister and the Cabinet. Each island elects its own local assembly, which enjoy relative administrative and legislative autonomy prescribed by the constitution.

I. PRESENT SITUATION AND CONSTRAINTS

OF SELECTED ECONOMIC SECTORS

A. Socio-Economic setting. Enterprise size

8. The Comoros ranks among the least developed countries of Sub-Saharan Africa. In 1980, GDP in market prices was US\$ 117 million, i.e. around \$337 per capita. Between 1970 and 1974 GDP at constant prices rose at a yearly average rate of 5.8 per cent, followed by severe drops of 13 per cent and 22 per cent in 1975 and 1976 due to the withdrawal of French technical and financial assistance following the unilateral declaration of independence in 1975 and the installation in the same year of a regime which undertook to implement radical social and economic changes. From 1976 to 1980 GDP rose at an annual rate of 4.2 per cent. Considering the population growth rate of over 3 per cent ^{1/}, per capita growth of GDP has been barely positive from 1976 on. First growth estimates of GDP at market prices in constant terms, for 1981 over 1980 are around 5% and forecasts for the medium-term plan (82-85) are 6-8% per annum.

9. At 41 per cent, agriculture is by far the largest contributor to GDP formation. Wholesale and retail trade, and public administration are the next largest contributors to GDP, with 24 per cent and 15 per cent respectively. Industry (excluding construction activities) accounts for only 5 per cent of GDP.

10. Although the country has the advantage of having relatively rich soil permitting a wide variety of agricultural activity, economic performance is hampered by geographic isolation, lack of infrastructure and skills and serious population pressure. Mayotte, which is still under French administration, faces the same constraints and its economic performance does not differ significantly. Despite a system of import and export licenses the Comoros has maintained a relatively open economy. Over period 1976-80, the rate of registered merchandise exports and imports to GDP averaged around 14 per cent and 23 per cent respectively.

11. The most recent estimate (1976) of the adult literacy rate gave a figure of 58 per cent. In 1980, the primary education enrolment rate was around 60 per cent, and 28 per cent for

^{1/} The two census carried out in 1966 and 1980 indicated an average population growth between these years of 3.6 per cent.

secondary education. In the same year, life expectancy was estimated at between 40 and 50 years and the infant mortality rate at 40 to 200 per 1,000 1/. Health and nutrition conditions are poor.

12. As of mid-1982 enterprises may be classified into four distinct categories:

- a) An expatriate colonial-type company and four to five family-owned companies, which virtually control the commercialization of the country's four basic export commodities: ylang-ylang essences, cloves, vanilla and copra. The expatriate company is also engaged in agriculture, forestry, woodworking, general import activity, electric energy and ylang-ylang distillation. It employs around 500 persons and has an estimated yearly turnover of around \$5 million. The other large-scale companies are basically engaged in trading, but some also have some manufacturing facilities, and employ between 50 and 150 persons each. Their annual turnover is estimated at between \$1 to \$5 million each. The parastatal meat import and distribution firm, petroleum products importing and distributing agency, and the national airline, with turnovers between \$3 to \$6 million each, also belong to this category.
- b) The second category is constituted by around fifteen relatively modern medium scale public parastatal and private enterprises. Apart from the utilities companies, they are engaged in construction, soap manufacture, soft drink and mineral water bottling, hotel business, coastal navigation and printing. Yearly turnover of these firms is between \$200,000 to around \$1 million each and employment varies between 30 and 150.
- c) The third category is composed of small traders, some of whom also engage in other activities such as ylang-ylang distillation, woodworking and artisan activity. This category has an estimated yearly turnover of up to \$200,000 each and provides a third of formal employment. Such firms have up to 10 employees.
- d) Small-scale farming makes up the bulk of the fourth category with a fraction constituted by fishing and artisan activity. There is also a certain degree of seasonal overlapping. Over 80 per cent of the work force, mostly rural, is engaged in this category with no formal employment.

1/ Source: UNFPA

13. It is evident from the above breakdown that the bulk of economic activity in the Comoros can be categorized as small or medium scale, with most enterprises having an annual turnover of less than \$1 million. Although the present survey was intended to be limited to small and medium scale economic activity, this would have resulted in an unbalanced perspective, due also to the fact that there is a high degree of interdependence among the four categories listed in the foregoing. This report will therefore not restrict itself to a description of SME, but will cover economic activity in the Comoros as a whole.

General Constraints to the Development of Productive Enterprises.

14. A minimum of prerequisites is needed for the development of productive enterprises, namely raw materials, capital, know how, manpower and market outlets; all these basic requirements are limited in the Comoros. There are only a few agriculture-based raw materials suitable for processing and, because of the country's isolation, imported raw materials supply is highly unreliable. Until the opening of the Development Bank on 22 March 1982, no proper development or term-financing institution existed and short-term financing is restricted to the limited short funds canalized by a commercial bank. Entrepreneurship and basic managerial and technical skills are scarce. The domestic market is limited due to the small purchasing power of its population, which is dispersed. External markets have so far only been established for the four major export commodities, for which more imaginative marketing is still needed.

15. Further major obstacles to development are limited infrastructural services and institutional support; and public utilities operating at full capacity. Examples of these impediments are the absence of suitable harbours, inefficiency and high cost of electricity ^{1/} and water supplies, inadequate transport facilities to, among, and within the islands, and poor telecommunications. Government structure is thin and there is no public or private infrastructural or technical assistance support available, apart from extension services provided to agriculture. Finally, further two factors also pose serious constraints to economic and social development, namely pressures deriving from population growth ^{2/} and the precarious state of health of the population.

^{1/} Price of kWh is among the highest in the world at CF 90-110 and will be increased soon by around 15%.

^{2/} Average of 3.6 per cent between 1966 and 1980 (Annex Table 7) compared to 2.6 per cent between 1970 and 1970 for low-income countries in Sub Saharan Africa.

16. The legal framework of Government policies lacks sufficient transparency and/or consistency in its application. Despite these shortcomings, tax policy and tariff structure do not appear to have been constraints to development. On the other hand, the Investment Code and the present system of price controls as described in II.C. and II.F. may present significant barriers to the establishment of new productive enterprises.

B. Manufacturing Industry and Artisan Activities

General

17. The definition of manufacturing industry used in this report is in line with the one used by the ILO Manpower Survey 1/ and includes establishments with a minimum of one employed person. Thus it covers very small establishments, which would be normally classified as artisan or service activities.

18. The industrial sector's contribution to the country's GDP was 4.8 per cent in 1980. This share declined steadily from 5.6 per cent in 1976, mostly because of the drop in ylang-ylang distilleries output. During this period industrial-derived GDP stood at around CF 1 billion (1979 prices).

19. Even taking into account the country's low per capita GDP, the productive sectors in the Comoros remain relatively underdeveloped. For instance, in 1979 the contribution of manufacturing and construction to GDP was 13 per cent, while the average for low-income Sub-Saharan countries was 20 per cent. This low level of industrialization may be explained by the minimal degree of utilization of industrial products by the majority of the population and the fact that the limited population segment which purchases modern consumer goods has free access to imports.

20. The establishment of the present manufacturing activities may be traced to three approaches:

- Satisfaction of basic needs of the population.
- Primary processing of agricultural raw materials for export.
- Import substitution with occasional utilization of local raw materials, of more recent date.

21. The ILO Manpower Survey indicates that as of 30 June 1980 there were 125 industrial establishments with a total employment of around 700. These engaged in the following activities: bakery, soft drink and carbonated water production and bottling, manufacture of wearing apparel,

1/ ILO Manpower Survey, Geneva, October 1981.

sawmilling, furniture making, printing, soap manufacture, ylang-ylang distillation, jewelery, and handicrafts ^{1/}. All these establishments, with the exception of one ylang-ylang distillery, may be considered as being of medium to small scale, and are evenly dispersed between the islands of Grande Comoros and Anjouan. No industrial activity was recorded in Mohéli. It was difficult to obtain precise industrial data on most enterprises since they frequently engaged in more than one particular activity, such as trade and agriculture. It was thus not possible to obtain a reliable weight distribution for each of the industrial sub-sectors, although it may be estimated that the most important are ylang-ylang distillation and furniture making. (The data on industrial enterprises collected by the Mission is presented in Annex 1).

22. Top and medium level management is provided mainly by expatriates; labour skills, normally in-plant trained, are adequate in view of the simplicity of manufacturing operations involved. Equipment ranges from very old to modern and rate of utilization is low because of the reduced market, seasonal utilization and irregular supply of production inputs. Repair and maintenance of equipment is normally rather deficient.

Constraints

23. The geographical isolation of the country and the size of its market are probably the most important constraints affecting the manufacturing sector. Production disruptions are frequent and due mostly to irregular supplies of imported inputs. In addition, the small market makes many manufacturing projects uneconomical. On the other hand, the country's geographical isolation represents a natural advantage in the form of transport protection for import substitution activities. However, this advantage has not yet been fully exploited and much remains to be done in this area. Projects identified by the Mission include a sizeable number of import substitution activities which, prima facie, seem feasible despite prevailing constraints to industry.

24. The next most important constraints are:
- a) Lack of capacity of public utility services, which results in frequent production disruptions to existing industries or creates a barrier for new ones.
 - b) Lack of term financing and technical assistance in support of project preparation and implementation.
 - c) Price fixing for the products affected (so far limited to household soap and soft drinks).

Corrective measures are being taken for a) and b), i.e. the expansion of utility services and the establishment of the Development Bank. It is therefore expected that the problems arising from these two sets of constraints will be alleviated progressively.

^{1/} The processing of vanilla husks, cloves and copra are accounted for under the agriculture sector.

25. In the longer term, the lack of semi-skilled and skilled manpower will become a constraint when production enters into more sophisticated fields and additional demand arises for semi-skilled and skilled workers.

26. Artisan activities face the major constraints of raw materials supply, lack of tourism and limited export outlets. Although design capabilities in this sector are basically sound, assistance is needed to diversify models and designs to make products more attractive to tourists and foreign markets. A survey of this sector was carried out in April-May by a French consultant ^{1/} with specific recommendations for the development of handicraft activities in Comoros. Based on these, Government policy guidelines are needed to provide some direction to the sector. The related Government agency is, however, now equipped to carry out this work and would need technical assistance for this purpose.

C. Agriculture

General

27. Agriculture is the largest contributor to GDP (between 42 and 47 per cent during 1976-80) and is by far the largest employer (over 80 per cent of the workforce). Over 75 per cent of cultivations are subsistence crops, mainly grains (rice and maize); tubers (manioc) and fruits (bananas and coconuts). Crop outputs have increased very slowly (total of slightly over 10 per cent) for the period 1966-1980, with the exception of fruits where increases during the same period were more substantial (25-80 per cent). Detailed output of main subsistence crops is indicated in Annex Table 9. High value cash crops, which represent almost the entire amount of merchandise exports, are ylang-ylang, vanilla, cloves and copra. Total exports of these commodities accounted for CF 4.4 billion in 1981, 50 per cent of which corresponded to vanilla alone. The importance of copra as an export crop had declined in recent years because of the closure of its traditional market in Madagascar, although it is still a major subsistence crop. Further data and information on these export crops are included in Annex 2.

28. According to the Institut de Recherches Agronomiques Tropicales et de Cultures Vivrières (IRAT), there is enough arable land in the Comoros to satisfy the food needs of its entire population. But there are other authoritative opinions which dispute this fact. In 1980 and 1981 foodstuffs accounted for 32 per cent and 45 per cent of imports respectively, representing practically the entire merchandise export revenue. However, malnutrition is still widespread, mainly due to

^{1/} "Étude des Potentialités de l'Artisanat aux Comores", Agence de Coopération Culturelle et technique, France, May 1982.

inadequate supply of animal proteins. Yields of food crops are particularly low. The most important reasons for this are poor use of land and water resources, rudimentary cultivation methods, lack of crop rotation, inadequate seed selection, minimal use of fertilizers, widespread rodents and other pests, insufficient commercialization channels partly caused by bad communications, and land erosion.

Land utilization and ownership

29. Surveys carried out by IRAT in 1966 and 1978 indicated that out of a useful agricultural surface of 86,500 ha, 51,000 ha are suitable for subsistence crops. The degree of utilization is irregular since in certain areas land is over-exploited, for instance on Anjouan, and under-exploited in others, such as on Mohéli. The surveys indicate that 45,000 ha are utilized for high value export cash crops (except coconuts) and that between 18,000 to 30,000 ha are covered by forests, depending on the definition given to "forest". Cash and subsistence crops are sometimes grown in the same plot.

30. Until independence in 1975, land ownership was traditionally dominated by large holdings owned either by companies or by a few individuals. Rough estimates indicate that the Government is entitled to up to 50 per cent of the useful agriculture surface, small tracts of which may, under certain conditions, be appropriated by landless peasants. The remaining land is distributed as follows:

- 20 per cent is owned by companies, practically entirely by an expatriate company; this percentage is decreasing because of sales to the Government and private buyers.
- 20 per cent is owned by a few families who normally live in the towns and do not cultivate the land directly. The average plot size is 30 ha and the largest 200 ha.
- 60 per cent is constituted by small plots, partly governed by the traditional "Magnahouli" system, derived from Koranic law; under this system property is inherited by women in Grande Comoros.

Government policies and support to the sector

31. Self-sufficiency in food production is the Government's highest priority and this goal has been translated into three main areas of action :

- The substitution of imported rice by locally produced maize, pigeon peas and taro, a local tuber.
- The development, practically from scratch, of poultry and small-cattle raising.
- The improvement of artisanal fishing.

32. The first two activities are coordinated by the Centre Fédéral d'Appui et Développement Rural (CEFADER), a far-reaching institution subordinate to the Ministry of Production and Industrial Development, which aims at rural development in general 1/. Created on 25 May 1980 to provide extension services to agriculture, CEFADER brought under its auspices a number of already existing programmes. It has a number of field affiliates, the Centres d'Appui au Développement Rural (CADER), which provide extension services to farmers. At present there are five CADERs and it is planned to establish two in 1983, three in 1984 and one in 1985 (financing is assured for four).

33. The CEFADER/CADER system aims at providing a multi-disciplinary range of extension services to the rural population. The agricultural sector was the first covered, and other sectors of the economy are also foreseen to be dealt with. The system is practically financially self-sufficient, apart from grants extended under foreign aid. Overall technical managerial and administrative advice to the system is provided by FAO. The CADERs offer small credits to farmers to provide for seeds, fito-sanitary equipment and products, hand tools, egg hatches, cattle and chicken feed. This financing was initiated within the framework of the maize operation, and it is expected to extend it gradually to other operations.

34. The CEFADER/CADER system is undertaking a number of initiatives to develop the cultivation of export and subsistence crops as well as stock farming and forestry. See Annex 3 for details on each of these projects.

35. The third activity which started under the recently created (September 1982) parastatal Société de Développement des Pêches aux Comores, consists of developing and motorizing new types of fishing craft, improving fishing techniques and providing landing and cold storage facilities. Financed by the ADB and by equipment grants from the Japanese Government, the project aims at increasing the present catch of 3,000-4,000 tons/year to 6,000 tons/year. The project would reduce the number of fishermen from 7,000 (half of whom only fish part-time) to around 1,000 2/.

36. To sum up, agriculture and fishery development follows a two-pronged approach which seems appropriate to the needs of the country:

- Reducing the country's dependency on imports by stepping up the output of foodstuffs (maize, rice, poultry, cattle and fish) and
- Increasing the level of export-oriented agricultural products and diversifying their markets, and increasing the distribution of the benefits thereof.

1/ Organigramme in Annex Table 10.

2/ The yearly fish catch in the Seychelles by 800 fishermen, also using artisan methods, is around 6,000 tons.

This approach is based essentially on increasing existing crops, but it is felt that good possibilities may also exist for diversification to other subsistence or export-oriented crops such as coffee, cocoa, green pepper, sugar cane, medicinal plants, tropical flowers (anturium, amaryllis, roses, orchids), certain fito-sanitary "clean" seeds such as peas, and high value tropical fruits such as sweet-sop, mangoes and lychees.

Constraints

37. Disprotection and price fixing at levels which are too low do not incentivize increased agricultural production. In addition, poor use of land and water resources, lack of fertilizers and pesticides, rudimentary cultivation methods, insufficient internal and external commercialization channels and land erosion constitute relevant problems facing agricultural development. The dichotomy between the Government's goal of achieving food self-sufficiency and the actual high rate of population growth will be difficult to reconcile.

38. The closure of the copra market in Madagascar has affected copra exports. While this currently represents a serious constraint, it may prove advantageous in the long run since it should serve to focus attention on the need to process copra into oil, which will be of more economic benefit to the country. On the other hand, the heavy investments required for such processing represent a constraint.

39. The development of three traditional export commodities - ylang-ylang, cloves and vanilla - continues to suffer from the lack of any clear cut policy and from their inadequate supply, marketing and quality control. The Government will be required to take steps in these areas.

40. Ylang-ylang distillation in particular typifies a paradoxical situation: During 1981, at local buying prices for essences, utilization of liquid fuels rendered this activity uneconomic. Profitability of small and medium distilleries using fuelwood was marginal and only assured by the obtention of third grade essence, which was the least salable of the different ylang-ylang essences. This situation improved during 1982, as prices and demand increased. Most of fuel wood is obtained fraudulently and is depleting forest resources. Much remains to be done on energy conservation and use of alternative fuels such as coconut shell-derived charcoal to substantially increase the fuel efficiency of distilleries, both large and small.

D. Construction and Building Materials

General

41. The participation of the construction sector in GDP (at market prices) has risen from 7.3 per cent in 1976 to 9.2 per cent in 1980. Construction activity, which picked up in 1979, is expected to continue develop strongly in the foreseeable future ^{1/}. A substantial amount of public works is expected to be carried out, mostly financed by external

^{1/} Public works alone are expected to grow at a rate of 16% per year during 1981-85.

grants or concessional loans estimated at over CF 30 billion over 1983-1985. Self construction activities, widespread in the Comoros, seem to be increasing at the same pace. However, the manufacture of building materials has not kept pace with this overall strong building development. Only wooden elements such as doors and windows are produced locally. Coral limestone, sand and palm leaves are the only local raw materials utilized in traditional construction. Cement bricks and blocks are the most commonly used basic materials in modern construction and are made wholly from imported cement. Apart from a brief experiment with stabilized earth bricks in 1978, no efforts have yet been made to utilize pozzolanic and clay-based materials or bricks.

Construction Firms

42. Employment in construction is high and variable. The ILO Manpower Survey indicated the existence of 39 construction firms employing a total of 3,210 persons. Of these construction firms, only five can be considered to be undertaking major civil works contracts. Each has a turnover of CF 200 million and employs around 100 persons. They are locally owned and essentially locally managed. Together the five firms undertake 70 per cent of all normal construction in Comoros. Not included in this category are self-construction and large-scale infrastructural public works such as the building of harbours, bridges and bituminous roads. The latter are mostly being undertaken by two foreign based companies. Each currently has orders to a value of around CF 6 billion, varying according to orders at hand, a certain volume of which is locally subcontracted.

The Public Works Department

43. The Public Works Department of the Ministry of Equipment has one workshop on each of the three islands. Those on Anjouan and Grande Comoros each employ around 100 persons on a permanent basis and up to 400 in peak periods. Their activities include construction of small buildings, gravel roads and small bridges as well as road repairs. Each of the workshops has facilities for cement brick manufacture, electrical and mechanical repairs to heavy vehicles, forging, welding, woodworking, manufacture of construction elements and furniture, and plumbing. Each workshop has a total turnover of approximately CF 200 million. The workshop on Mohéli, which was not visited by the Mission, is smaller than the two others.

44. Attached to the workshop on Moroni is a construction materials laboratory, which became operational in late 1982. It was financed by the World Bank for a total investment of CF 32 million. The laboratory conducts research and tests on soils, bitumen and bituminous concrete, concrete, and construction blocks and bricks.

Self Construction

45. As previously mentioned self-construction of private housing is common practice throughout the country. It is a tradition that each girl

of marrying age is provided a house by her family, and because of the limited spending power of most families, construction of the house is started very early on, sometimes immediately after a daughter is born. The Manpower Survey estimated that in June 1980 there were around 400 active self-construction yards where about 800 family members and 1,600 employees were working. Despite this tradition, the majority of families lives in simple shacks, normally with a wooden structure, and palm leaf, or sometimes corrugated steel, walls and roofs. In order to provide better accomodation, housing has been declared one of the Government's priorities. In line with this, HABITAT is currently executing a project for the design of three types of houses according to which pilot houses will be built. The most basic design - with a covered surface of 40 m² - is expected to cost CF 2 million, which is beyond the financial means of the majority of the population. A public real estate company, yet to be established, would build, administer and rent such houses, which are expected to number around 400 within 5 years. Along the same lines are the intentions of two private Comorian groups to build and commercialize low-cost housing, one company using local wood, the other cement bricks.

Constraints

46. The paucity and poor range of construction materials can be viewed as presenting a serious constraint to the burgeoning construction industry. Lack of production inputs, mostly cement, hampers the continuity of most construction projects, from self-construction to large-scale infrastructural programmes. On the other hand, if the local production of construction materials were to be accompanied by restrictive import legislation, raw materials supply may not necessarily improve or prices stabilize. The current situation whereby inputs, particularly cement, are imported piecemeal also constitutes a major constraint, which may be alleviated once harbour infrastructure projects are completed and materials can be imported in bulk. A caveat to any increased production of building materials is that a balance must be sustained between the utilization and depletion of local resources such as pozzolana, sand and coralline limestone.

Self-construction is hampered by the over-ambitiousness of most projects, lack of planning and excessive length of construction. A constraint which affects all construction activities is the lack of technical capacity of local firms.

E. Transport

General

47. The country's geographical isolation, its dispersion over a large area and the rugged nature of its terrain exacerbate the problems stemming from inadequate transportation means and infrastructure, between, within and to the islands. The anticipated economic upsurge and the continuing process of integration into a market economy have as a precondition the improvement of transportation. Cognizant of this, the Government has made the overcoming of geographical isolation one of its top priorities.

Land Transportation

48. Development of inland transportation seems to be keeping pace with economic development as the number of motorized vehicles increases and as the road situation improves. The roads along the coast of the two main islands have been completed and further road construction and improvements to the network are being undertaken. For instance, a major road project is under way at a cost of CF 3.4 Billion. Nevertheless, because of the country's rugged terrain, the planned road network will not reach a number of rural areas, some of them very fertile, and this will affect the transport of farm produce to urban centres. The bulk of farm produce is transported by human portage because of the inaccessibility of certain rural areas and because of the relatively high cost of transportation. Transportation by animals or animal-drawn vehicles, which could ameliorate this situation, is not viewed as an acceptable alternative, for reasons of tradition, nor would this be feasible in certain rural areas because of the volcanic nature of the soil.

49. The number of motorized passenger and commercial vehicles, deemed sufficient for present needs, is estimated at between 1,800 and 2,600; 60 per cent on Grande Comoros, 40 per cent on Anjouan and a negligible amount on Mohéli. Of this total, 535 are taxis and 200 Government vehicles. 60 per cent of all taxis are the so-called "taxi-brousse", which are light pick-ups used in rural areas. The other 40 per cent are small station wagons used mainly in urban areas. The few commercial vehicles are owned by traders, civil contractors and the Government.

Sea Transportation

50. External trade plays an important role in the Comorian economy and necessitates efficient international maritime traffic. Efficient inter-island transport is necessitated by the agricultural specialization of each island and the impossibility of having a broad spectrum of productive establishments on each island. Infrastructural deficiencies and the deterioration of vessels have rendered maritime traffic grossly inadequate. Inter-island freight and passenger service is done by one decaying assault landing barge, a cargo with a payload of 300 tons which mostly transports liquid hydrocarbons and limited amounts of cargo and passengers and several 8 - 10 m long wooden dhows ("boutres") which are either motorized or under sail and whose cargo no insurance company will consider insuring.

51. The assault landing barge belongs to the state-owned company Société Nationale des Transports Maritimes (SONATRAM), set up on 15 September 1982, which also owns three non-functional cargo ships, one of which could become operational after overhaul. In addition, it charters the cargo mentioned under 50. which belongs to the Société Nationale des Hydrocarbures. Plans for expansion of SONATRAM's fleet include the acquisition of:

- One brand new 200 ton large assault landing barge for inter-island passenger and cargo transport donated by the Government of Kuwait. It is expected to arrive shortly.
- One 2,400 ton oil tanker to ensure continuity of delivery of refined petroleum products from the Gulf area.
- One 2,300 - 3,000 ton cargo ship to ply sea routes to neighbouring countries and to Europe.

Financing for the latter two boats has not been assured and a request has been made to the Islamic Development Bank. SONATRAM is also seeking co-operation with foreign shipping companies with a view to jointly operating international and inter-island lines as an alternative to the acquisition of additional ships.

52. Maritime infrastructure is being improved. The harbour of Mutsamudu on Anjouan is being extended considerably to quay ships of up to 15,000 tons and it will become the Comoros' international harbour. In Fomboni, the capital of Mohéli, which at present lacks proper harbour facilities, the EDF is financing the construction and equipment of a small harbour for inter-island traffic. The harbour of Moroni is being improved, also with EDF financing.

53. Maritime traffic to and between the islands will improve substantially once these projects materialize, thus alleviating one of the main constraints to economic development. Moreover, improvements to shipping should also lead to diminished costs. At present, shipping costs between any two islands is around CF 7,000 per ton; shipping from Europe to the Comoros, adds between 30 to 100 per cent to f.o.b. bills.

Air Transportation

54. Air transport plays a significant role in the movement of goods and persons, particularly due to the present problems of maritime traffic.

55. The parastatal Société Nationale des Transports Aériens (Air Comores) has an inter-island flight network (serving the four islands six days a week). Due to the almost total breakdown of inter-island maritime traffic, the only Air Comoros F-27-200 plane has recently been operating almost at capacity in terms of passenger and cargo, whereas its load factor is normally around 30 per cent, well below its rentability threshold. Other international airlines operate weekly flights to Dar-es-Salaam, Jeddah, Mauritius, Nairobi, Nice and Paris. Air Comores plans to associate itself with foreign airlines to increase inter-island traffic and to undertake international flights to neighbouring countries.

56. Even taking into account the current low traffic level, airport infrastructure is not yet up to full standards. There is no freight depot in the main airport at Hahaya on Grande Comoros, nor is there a catering service for planes, although a company to provide such services in Moroni is foreseen.

In addition, an air terminal is needed in Mohéli, as are fire fighting, navigation and meteorological equipment, which are also lacking in Anjouan. The landing strip and services at the Hahaya airport on Grande Comoros were expanded in 1982 to accommodate jumbo planes.

F. Telecommunications

57. Geographical isolation and the problems associated with international inter-island transportation increases the significance of the role of telecommunications. Telecommunication systems, in particular telephonic, are inadequate. For instance one major industrial plant in Anjouan has no telephone. Difficulties and delays in communications are commonplace. Improvements are under situation may not improve sufficiently to cope with increasing demand.

58. There are four telephone lines and six wireless beams connecting Moroni to Paris and one telephone line and one wireless beam to Madagascar. They operate at close to capacity, which causes delays in communications abroad. A single line connecting Moroni with the other islands serves inter-island telephonic and telegraphic communications. Moroni's telephone system was automated in 1968 with a capacity of 800 lines, which have been fully utilized since 1979. There are presently around 500 requests for telephones pending, which cannot be satisfied. On Anjouan, the manual telephone centre of Mutsamudu links Ouani and Domoni by wire, while on Mohéli the Fomboni manual centre is linked only with the airport. The telephone capacity on both islands is fully utilized and further requests cannot be satisfied. In addition, the equipment is old and frequently breaks down.

59. Improvements to both the inter-island network, by means of hertzian beams, and the networks on each island are under way, representing an investment of CF 2 billion. However, a project to install a 2,000 line centre in Moroni, with a possibility of extending it to 10,000 lines, estimated at CF 3 billion, still lacks financing.

60. The telex system has 40 lines, 37 of which are occupied; 2 lines are open to the public. An extension of the capacity to 80 lines is planned.

G. Tourism

General

61. The Comoros possess a serene and unspoilt environment, white sandy beaches, unique skin-diving possibilities, and a good climate (the local hurricanes do not hit the islands)- all of which make it attractive for tourism. The Government intends to exploit this tourist potential. The two hotel projects described below will raise capacity to around

500 beds, which should satisfy hotel needs for the current decade. It must be borne in mind that mass tourism, similar to that in neighbouring island countries, will most probably never come about in the Comoros - beaches are few and small, there is no tourist infrastructure, and certain diseases such as malaria and hepatitis are widespread.

Hotel Accommodation

62. In 1980 the number of non-resident arrivals to Comoros was 5,000, of which only 1,900 stayed in hotels. Of these about 90 per cent were business people and external aid personnel and only 10 per cent real tourists. There are four hotels on Grande Comoros, three with a total of 132 beds, meeting international standards. There is one hotel on Anjouan with 32 beds. In addition, there are 14 restaurants on Grande Comoros and 4 on Anjouan, none of which are of international standard. Until recently, hotel capacity has been underutilized because of insufficient international transport connections and lack of contacts with international travel agencies and hotel chains, but improved international air links, the recent association with one hotel chain, the increased aid and the hosting of some international conferences and meetings have helped to increase hotel occupancy levels of late.

Expansion Plans

63. The Government has been negotiating two separate tourism projects with foreign hotel chains. Both projects involve the management under contract of the hotels by the respective foreign groups. The first project, the agreement for which was signed in early 1982 with a French group, has a total investment of CF 1.15 billion and involves the construction of a luxury hotel in Moroni-Djomani with 60 rooms; the renovation of the hotels in the north of Grande Comoros, in Moroni and Mutsamudu, and the construction of a small 10-bungalow hotel on Mohéli, which at present has no accommodation facilities whatsoever ^{1/}. The second project is under negotiation with a foreign hotel group to install a new hotel in the north of Grande Comoros and renovate and expand an existing hotel near Moroni.

^{1/} A local private group envisages the construction of a similar-sized but more modest hotel in Fomboni.

Table I-1 - Development of Hotel Capacity
(with international standards)

Island	Hotel	<u>Present</u> <u>no. of beds</u>	<u>Future</u> <u>no. of beds</u>
Grande Comoros	C	20	20
	I	52	100
	M	60	60
	D	-	120
	S	-	150
Anjouan	E	32	32
Mohéli	B	-	20
Total		164	502

Source: Mission estimates

II. GOVERNMENT POLICIES

A. Objectives

64. The first National Plan of the Comoros covering 1983-85 has been under preparation since early 1981 at the Direction Générale du Plan with UNDP-financed IBRD assistance. It should be finalized by early 1983. Also with IBRD assistance, the Government prepared a "Programme of Action for the 1980s" listing its overall development objectives, for submission to the UN Conference on Least Developed Countries held in Paris in September 1981. In accordance with this programme of action, Government efforts would concentrate on six key objectives:

- Food self-sufficiency;
- Overcoming geographical isolation;
- Improvement of power and water supply;
- Population control and improvement of health;
- Strengthening manpower development;
- Improvement of land planning and housing.

These objectives have been re-echoed in the National Plan currently under preparation.

65. Some of these objectives have not as yet been quantified, nor have the specific measures and financial means needed to achieve these objectives been elaborated. However, the Government has now started to define a number of policy measures from which guidelines for achieving these objectives begin to emerge, based on which technical and/or financial assistance planning can be started.

Food Self-sufficiency

66. This entails improving the population's basic diet and reducing the country's dependence on food imports. There is about 80,500 ha of usable agricultural space, which, arguably, could be enough to meet the country's basic food needs; at present only a fraction is being cultivated for food production. It will therefore be necessary to develop this potential through appropriate investment programmes dealing with the extension of feed crops. In addition, the development of cattle and poultry raising and the intensification of fishing activities has commenced. Complementing actions centering on prevention of soil erosion and the provision of agricultural extension services (CEFADER/CADER) assist the attainment of this objective.

Geographical Isolation

67. The problem of isolation affects the Comoros at three levels: rural isolation impedes communication within the islands themselves; communications between the three suffer from inter-island distances and lack of appropriate means; and the country's geographic isolation causes difficulties in communications with the rest of the world. These difficulties will be overcome gradually through the creation

or development of international and national harbours and airports; the improvement of road systems and internal and external telecommunications services as well as press facilities; and the gradual improvement of means of transportation.

Power and Water Supply

68. Energy resources on the Comoros are limited. Water resources are not adequately harnessed. Despite a recent increase, capacity of storage of liquid fuel is limited to a maximum of four to five months' consumption. Despite its low per capita energy consumption, the country's oil imports absorb about 30 per cent of export earnings. Government policy on energy centres on increasing the thermoelectric generation capacity on Grande Comoros from the present maximum level of 1,500 kW to 3,000 kW, and eventually to 6,000 kW. Regarding Anjouan and Mohéli, the goal is to develop their considerable hydroelectric potential to satisfy medium-term electric energy needs. The development of geothermal energy potential on Grande Comoros as well as biomass potential based on coconut shells on all three islands represent additional sources of supply. Water supply is a particularly serious problem on Grande Comoros, where there are no water courses because of the recent formation of the volcanic soil. Government policy for Grande Comoros centres on accelerating the boring programme already started; for Anjouan and Mohéli it is aimed at improving the distribution system.

Public Health

69. Public health and population growth control policies centre on the abatement of the effects of endemic diseases, particularly malaria, and on the adoption of a family planning system which will have an educational character and will respect the free choice of the population. No precise actions have been defined to achieve these objectives. A World Bank mission on population control is scheduled to visit Comoros in December 1982.

Manpower Development

70. Manpower development policy consists basically of the establishment of vocational training centres in health, education, agriculture and technical trades. IDA financing has been secured for the first three centres. In addition, all individual development projects are expected to contain a training component.

Land and Housing Planning

71. Government policy with respect to land planning focuses on the better utilization of available land, which will be defined in a specific National Plan yet to be prepared. This plan will indicate the optimal utilization of land for various purposes, e.g. agriculture, urban development, tourism, etc. Government housing policy is aimed at the development of low-cost housing through the utilization of local raw materials in preference to imported ones.

72. The Government awards highest priority to the development of subsistence crops, transport and communications, and construction (of both housing and infrastructure for transport and communications). The development of export crops, tourism and artisan activities are second priority areas. As already pointed out, some of these priority objectives have not been translated into quantified terms for each sector. They will need quantification and the drawing up of specific measures and financial needs to reach them, which should be included in the Development Plan currently under completion.

73. As far as industry is concerned, the National Plan is expected to aim at creating the optimal economic environment and to encouraging the private sector to assume a leading role. Industrialization is to be achieved mainly through the creation of small and medium scale establishments; for larger ventures, the Government intends to promote foreign investment, in joint partnership with local capital whenever possible. In addition, a study will be carried out to examine the feasibility of establishing an Export Processing Zone in Comoros.

B. Institutional Support to Productive Sectors

74. In line with the generally thin government structure, institutional support to the productive sectors, apart from agriculture, is weak or non-existent. The only governmental department concerned with the industrial sector is the Directorate of Industrial Development and Artisan Activities within the Ministry of Production and Industrial Development. This Directorate has three divisions, dealing with industry, fishing and artisan activities, respectively. Its professional staff is limited to one lawyer who is expected to carry out a wide range of activities from policy making to project identification, preparation and promotion. Attention has been focused on the latter functions.

75. Once the Development Bank with its Industrial Promotion Unit is established, it will be better placed to carry out project preparation and promotion, thus allowing the Directorate to concentrate on industrialization policies, restructuring of protection measures and incentives, and the setting out of priority industrialization areas, from which projects could be identified by the Development Bank. The Directorate has not yet engaged in artisan development. The design of industrial policies as well as the granting of incentives to industry (i.e. to new projects) has been undertaken by the Ministry of Finance, without consultation with the Directorate. Despite its staffing limitations, the Directorate ought to play a strong advisory role in industrial policy matters.

76. Telecommunications, maritime and air transportation and tourism are covered by the Secretaries of State for Transport and Tourism and for Telecommunications. Its handful of professional staff deals with policy-related matters as well as with the overseeing of public entities such as the Administration Nationale des Ports, the Société Comorienne

the Tourisme et de l'Hotellerie, the Société Nationale the Transport Maritimes, SNVA - Air Comores, and STICOM (Société des Télécommunications Internationales Comorienne). Apart from these activities, no other institutional support is provided by these Ministries to the sectors under their mandate.

77. The same situation applies to construction, water supply, and road transport, which fall under the Equipment Ministry and its affiliate public enterprises and departments - Société d'Eau et Electricité des Comores, and the Public Works Workshops. However, the recently established laboratory for construction materials should provide much needed extension services to contractors and manufacturers of construction materials.

78. Of all the major sectors, only agriculture receives a reasonable degree of institutional support. The CEFADER/CADER system aims at providing a useful and comprehensive set of extension services. Although covering only a small portion of the territory, the system is effective and is expanding rapidly. The sizeable amount of foreign aid supplied to this institution is put to good use.

79. The weakest areas of institutional support to the productive sectors are project preparation and training (technical skills and entrepreneurship development). Project preparation support is to be provided by the Industrial Promotion Unit of the Development Bank. Vocational training, as yet practically non-existent for most sectors, should be upgraded under a recently approved IDA loan which will cover health care, education and agriculture.

C. Investment Code

80. The Investment Code was established on 20 June 1980 and is administered by the Interministerial Investment Commission. The Code awards incentives and guarantees to investments in industry; agriculture and agro-industry; tourism; minerals prospecting and extraction; land, maritime and air transport; and telecommunications. The Investment Code is applicable to local and foreign investors established in the Comoros, as well as to national public enterprises. The incentives and guarantees awarded by the Code to foreign investors are additional to benefits resulting from bilateral government agreements.

81. The advantages awarded by the Code are applicable to investment programmes with either of the following characteristics:

- A minimum investment of CF 150 million over three years and the direct creation during the first year of operation of a minimum of 50 permanent jobs for Comorian nationals;
- The direct creation during the first year of operation of a minimum of 100 permanent jobs for Comorian nationals.

In both cases the enterprise should provide permanent training of its Comorian employees.

82. Benefits may also be awarded to the extension of an existing company, providing that the extension has separate management, accounting, and profit and loss accounts. Any company applying for benefits shall have a subscribed capital representing at least 25 per cent of the tangible and intangible investments under the project.

83. Investments made under the Code enjoy the following benefits:

a) Exemption for three years from customs duties and taxes on imports of capital goods, spare parts, and commercial vehicles; and for five years, a period which may be renewed, from customs taxes and duties on imports of raw materials and semi-finished products, including packaging materials, which are not produced in Comoros.

b) Exemption from corporate taxes that enterprises or their local subcontractors may incur in the implementation of their investment programmes.

c) Exemption from tax on land and building purchases.

d) Exemption for five years from company registration fees.

e) Exemption for five years from professional tax if the company is established in Moroni and for eight years if elsewhere.

f) Exemption from real estate taxes and additionals on buildings:

- For twelve years with effect from the year following its completion if the construction cost is equal to or less than CF 100 million.

- For fifteen years if the construction cost exceeds CF 100 million.

g) Exemption for five years from wage taxes paid to Comorian personnel. If the enterprise is established outside Moroni, the exemption is eight years.

h) Exemption for five years from the minimum corporate tax if the enterprise is established in Moroni, and for eight years if elsewhere.

i) Exemption for five years from income tax with respect to dividends and interests, commencing at such time as the company starts to be profitable.

j) For enterprises engaged in the agriculture, stock-raising, water and forestry sectors, exemption from:

(i) Customs taxes and duties in respect of:

- seeds and vegetable materials not produced locally;

- chemical products, fertilizer, herbicides, pesticides and fungicides not produced locally.

(Laboratories producing the above-mentioned products locally shall be exempt from corporate tax).

- (ii) Taxes on fuel and lubricants used by operating machinery and equipment other than road vehicles, up to a fixed annual quota.
- (iii) Customs taxes and duties and corporate tax on live animals imported to improve breeds.

k) For companies involved in tourism, exemption for five years from duties and taxes levied by local authorities or the Government, such as entertainment taxes.

Exception to these provisions are made in the case of projects which form part of the national economic and social development plan; have an important export function; or envisage a complete equipment renewal programme. In these cases, the benefits awarded refer solely to exemption from customs duties on commercial vehicles.

84. Under a so-called "Agreement Regime", the Investment Code offers a second package of incentives, which applies to companies whose investments are of "exceptional importance" to the country's development, without there being a definition of what this constitutes. These incentives entitle such enterprises to all or part of the benefits allowed normally under the Investment Code. The investment programme shall be for a minimum of CF 500 million, to be executed in three years. Companies under the "Agreement Regime" are not required to pay taxes and duties (not specified) for up to ten years, renewable.

85. A third incentive system is allowed under individual agreements which the Government may draw up with companies established outside Moroni with an investment programme for a minimum of CF 1 billion or the creation of 150 permanent jobs for Comorian nationals. The incentives in such cases appear to be negotiable.

Comments

86. The Investment Code has a number of basic deficiencies:

- It favours large-scale enterprises, whereas the Comorian economy would benefit more from support to small and medium-scale enterprises.

- It supports capital- and import-intensive economic development, not in line with the country's resource endowment. No exemptions are awarded for corporate taxes, which would be attractive to entrepreneurs - they are an inevitable component of all investment codes - and treat neutrally the capital/labour factors.

- The administrative controls required for applying the Code are overly complicated in view of the inexperienced and thin Government structure.

- No attempt has been made to determine the cost of the Code's application.

87. Thus far the Code has not attracted new investment and has therefore not yet been applied. Due in part to this, provisional packages of incentives, mainly in the form of customs duties exemptions, were awarded directly by decrees signed by the Minister of Finance. This practice came to an end in March 1982 and no new investments were made thereafter. The Ministry of Finance is aware of the need for a new Investment Code, but since its formulation will take a few months, it appears that the awarding of provisional incentives may continue until the issuance of the new Code.

Recommendations

88. It is beyond the framework of this report to recommend detailed changes to the Investment Code, which will be the object of specific assistance. The Mission focused on what ought to be the main objectives of a Code commensurate with the development strategy discussed in this report, which is recommended for pursual by the proposed credit line. This will call for the virtual rewriting of the current Code. It should be borne in mind that tax exemptions do not in themselves attract investments to a country where other investment factors (political stability, infrastructure and, availability of skilled manpower and long-term financing) are not favorable. Tax exemptions should rather form part of a comprehensive development programme.

The following comprise the Mission's recommendations for the new Investment Code:

- i) The Code's mechanisms should be easily understandable so as to result in the Code's application being simple and automatic.
- ii) Awards should be made within one month of application.
- iii) Fiscal costs should be determined and compared with the benefits anticipated. (it should be borne in mind that many new investments would not take place were it not for the Code's exemptions).
- iv) In rewriting the Code, the neutral treatment of capital and labour should be ensured or the latter favoured. Domestic resources, as opposed to imported inputs, should also be favoured.
- v) There should be no limit on investments or posts created; if a limit is set, it should be low.
- vi) The special exemptions applied to larger projects (with investments of over CF 500 million and CF 1 billion) should be abolished.
- vii) Membership of the Interministerial Commission should be reviewed with a view to its being more limited. The Minister of Finance should be its Chairman, and the Director of DGI, Director of Customs, and representatives of the Ministry of Industry and the Direction Générale du Plan should be members. The Development Bank could be the Secretariat of the Commission, since it is likely to finance most projects eligible under the Code.

Such a step would avoid projects being submitted to both the Development Bank and to the Commission, with the resultant double evaluation.

viii) The awarding of packages of incentives by decree outside the Code should be abolished.

ix) Special provisions could be made for export processing zones, although it is not expected that much will be done in this area in the near future.

x) Emphasis should be placed on exemption from customs duties and corporate taxes. In order to compensate for the lack of management and technical staff, temporary foreign personnel should be exempted from personal income tax.

89. Import duty relief favours capital intensity, but it is easy to control and at present forms the most attractive incentive for entrepreneurs in Comoros. It offers advantages to all firms, not only those making profits. It should definitely be awarded for machinery and spare parts. Exemption from raw material duties is a more difficult question: since the utilization of local raw materials should be favoured, this exemption should not be awarded, particularly because the present differential on duties for raw materials, parts and finished products offered by the tariff code seems adequate. However, import duty exemption for components and raw materials should be awarded under special provisions applicable to export processing zones.

90. Income tax (corporate tax) exemption would be relatively simple to apply but more difficult to control. It treats the capital and labour factors neutrally and is equally appropriate for export or import substitution activities. The length of the tax holiday should not vary with the level of capital expenditures, as is the case in some countries, since small and medium scale enterprises should be promoted. This exemption favours enterprises with higher profits, which thus need it least, and generates pressure to turn temporary tax holidays into permanent ones. It should be selective regarding the fields to be covered and should be applied to new enterprises and perhaps to productions which are new to the country. In the latter event, the danger of production monopolies may arise, which would be partly offset by the competition deriving from imports. Its duration should be a minimum of five years, with a maximum of ten years. Given the present circumstances, this exemption is not attractive to Comorian entrepreneurs, possibly because corporate taxes regularly are not paid. However, prevailing rates are high, and measures to ensure enforcement of its payment are being set up. These steps would make this incentive far more appealing.

D. Fiscal System

91. On January 1, 1982 a General Tax Administration - Administration Générale des Impôts (AGI) - was established common to both federal and island governments and is responsible for the assessment and control of all taxes. It is run as a public institution and has financial

autonomy. AGI consists of a head office as well as divisional and regional offices. Its director is empowered to enforce tax laws, inform the general public of any tax amendments, and take legal action against tax evaders and those failing to comply with the tax regulations. Up to December 1982, direct taxes are appropriated directly by the government of the islands whereas 60 per cent of indirect taxes and import duties accrue to the central government and 40 per cent to the governments of the islands, according to their population. A system will be established which will take effect in January 1983, whereby all tax collection will be done centrally by the treasury and will be distributed 58% to the central government and 42% to the governments of the islands.

93. In 1980, Government fiscal revenue from taxes and duties represented 10 per cent of GDP. Customs tariffs represented 88 per cent of the total fiscal revenue (Annex Table 11). Tax collection is grossly deficient both in terms of volume (number of contributors) and value (underevaluation of the base). Of 3,500 natural or juridical persons licensed to exercise trades or professions, corporate tax is paid by less than 1,200 persons. Sales tax is only collected from about 200 persons or firms. Income tax is paid by around 6,300 persons, but 5,000 are civil servants and 1,000 are traders who already pay corporate tax. Most employees in the private sector do not pay taxes. Finally, several taxes listed in the tax laws are not imposed, such as the tax on rented dwellings. There are also major deficiencies in the tax administration of the three islands. For instance, in 1980 the revenue from sales tax collected on Anjouan was higher than that of Grande Comoros, which has more economic activity. In 1980 only 53 percent of the tax income forecast, other than traffic fines, was actually collected by the islands. The situation has improved substantially, as can be observed in Annex Table 11.

E. Foreign Trade; Tariffs

94. The trade balance of the Comoros has been strongly deficitary during recent years.

Table I.2 Foreign Trade (1976-1981)
(CF million)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Imports	3,119	4,053	4,329	6,145	6,135	8,791
Exports	2,233	2,203	2,099	3,729	2,364	4,461
Deficit	-896	-1,850	-2,230	-2,406	-3,771	-4,430
Import Coverage Rate	71%	55%	48%	61%	38%	57%

Source: Central Bank (1976-1979) and Customs Department (1980-81)

Despite the persistent trade deficit no balance of payments problem has arisen because the Comoros has received generous development assistance from EDF/STABEX, France, and Arab funds, among others.

95. Imports are characterized by the high share of foodstuffs, which accounted for between 35 and 45 per cent. Rice alone normally accounts for 15-25 per cent of total imports, and in 1981 it accounted for 34 per cent. Imports of petroleum products were low, at 4-12 per cent of total imports, since high domestic prices and the early stage of economic development kept demand low. In principle, all imports are subject to licensing by the General Directorate of Economic Affairs. Apart from the de jure import monopolies for meat, fish (one mixed public-private company), alcoholic beverages and hydrocarbons and the de facto monopolies for rice, cement, sugar and flour, which are in the hands of the state and four or five traders, import licenses are awarded freely. A request for an import license ought to be made six months before the arrival of the product, but frequently it is only filed when the merchandise has already been unloaded. The following outlines the main exports to the Comoros and the main exporting countries:

Petroleum products	Kenya until recently, now Kuwait
Capital and consumer goods	EEC (mainly France)
Rice	China, Pakistan and Thailand
Meat	Kenya, EEC
Cement	Mozambique, Tanzania, Kenya

France is the major purchaser of Comorian exports, with a share varying in recent years from 29-54 per cent.

96. Comorian exports are almost entirely composed of four commodities: ylang-ylang essence, vanilla, cloves and copra, which in recent years accounted for 93 to 99 per cent of total exports.

97. The exports of these commodities is affected by such factors as variations in price and quantity, speculative stocking, excessive market concentration, vulnerability to artificial substitutes and export monopolies. Excessive market concentration is a particular problem for ylang-ylang essences, which are exported exclusively to France. The high market potential of ylang-ylang in the U.S.A. and Japan has not been tapped. The export monopoly problem is illustrated by the fact that only a few Comorian traders have export licenses for these commodities.

Recommendations on Foreign Trade

98. A number of improvements could be introduced in foreign trade procedures. As far as imports are concerned, government to government agreements should be made, covering quantities and prices of the principal import commodities, namely foodstuffs, over a period of, say, one year. These products would then be imported and distributed by traders within the framework of such agreements. Such a system would improve the supply situation and reduce and stabilize domestic food prices. This was already done for rice during 1982 and resulted in improved supplies and lower and constant consumer prices. On the export side, the prevailing monopolistic

situation should have helped to bring about a more stable demand situation, more stable pricing, and the ensuring of consistently high product quality. In reality, however, this has not been the case, and the monopolistic situation has not proved advantageous. Monopolistic export marketing is linked to an excessive market concentration: 100 per cent of ylang-ylang, over 50 per cent of vanilla and 40 per cent of cloves production are exported to France, while market potential exists in other countries. The Government could help to achieve market diversification and to ensure product quality through the creation of a "Spice and Perfumes Bureau", as recommended by a study commissioned under EDF. In addition, export licenses should be granted more freely, and exports should become more diversified to include other products, mostly of agricultural origin.

Tariff Structure

99. Tariffs are composed of two elements, namely the import customs duty itself, varying from 0 to 15 per cent of c.i.f. value and a consumption duty, ranging from 5 to 300 per cent over the c.i.f. price plus the customs duty. Certain foodstuffs comprise an exception to this; they have two relatively low components, one according to weight and the other ad valorem. There is a uniform 3 per cent customs service charges for storage, storage insurance and quay rates, which amount to less than 1 per cent.

100. Annex Table 14 gives the tariff rates for most imported products. It may be noted that foodstuffs are subject to rather low tariff rates. The apparent purpose is to supply the population with cheap food, but at the same time this policy represents a disprotection of domestic agriculture, which constitutes the livelihood of most Comorians. Tariffs on agricultural imports should therefore be adjusted to a level which does not discourage local production.

101. Tariffs for raw materials are normally lower than those for finished products, such as textiles and ready-made apparel, metal and metal products. This, together with the natural transport protection, provides an incentive for domestic manufacturing activities. Tariff rates for machinery in general do not differ significantly from the average, and so capital factor is treated neutrally.

102. In addition to tariff exemption granted by the Investment Code, customs duties exemptions are awarded for goods imported under aid programmes and capital goods up to a value of CF 1 million for the establishment of artisan, woodworking, ironmongery, watchmaking, masonry and fishing activities. Temporary imports of products and raw materials which will eventually be exported are also exempted. Tariff exemptions are awarded for some imports, mostly for cement, on a case by case basis by presidential executive decrees.

103. All exports are subject to licensing and to payment of export duties, which vary from 3.2 to 20 per cent. The main rates of export duties are given in Annex Table 15.

The Preferential Trade Area (PTA)

104. The Comoros signed the PTA agreement on 21 December 1982. Other signatories were 8 African countries (Djibouti, Ethiopia, Kenya, Malawi, Uganda, Somalia and Zambia), although the project had initially been subscribed to by 21 African countries. This agreement aims at the progressive reduction of tariffs for inter-area trade; industrial agricultural and transport co-operation; reduction or abolition of non-tariff restrictions; and instituting appropriate certificates of origin, to mention only the most important aims. A number of products have already been identified for which trade arrangements could be simplified and tariffs reduced. However, political differences and difficulties have affected implementation of the agreements and the recent defection of Tanzania, a key country in the PTA, may seriously hamper its eventual progress. In any case, economic advantages for the Comoros would only be minor and would be limited to imports since with the exception of copra, its traditional export commodities find their markets outside the PTA.

Recommendations on Tariffs

105. The tariff code of the Comoros, which dates from 1967 with subsequent amendments, is based heavily on the precepts of the French code. In the light of present conditions, the protection awarded by its tariff rates constitutes adequate incentive to local production.

106. However, certain long-range changes could be contemplated and introduced gradually:

- The uniformization of rates so as to simplify administrative control and reduce distortions to the economy. An adequate average decrease would be beneficial in the long run since local production already enjoys substantial transport protection. C.i.f. prices are 50-100 per cent over f.o.b. (and sometimes over 100 per cent for high volume/low value items).
- The increase in tariffs on foodstuffs in order to incentivize local production.
- The abolition of export and import licenses. Exports of some commodities could come under the control of the Government which would ensure quality and possibly enforce minimum prices. Also, the import of foodstuffs should fall within the framework of government to government purchase agreements.
- The adjustment of certain tariffs e.g. on soft drinks, which have been increased substantially to protect local production subject to price controls.

F. Price Controls

107. According to Comorian trade legislation, the price fixing for goods and services is free, except for those which have a marked effect on the cost of living. In such cases, prices are determined by fixed commercialization margins and/or by maximum absolute prices. The law specifies the need for homologation for a) imported products, where a formula with commercialization margins should be applied, and b) for first necessity goods, i.e. foodstuffs, clothing, household goods, construction materials, school supplies, transport equipment and hydrocarbons. Price homologation is to be exercised by a Commission headed by a representative of the Ministry of Finance and should comprise the General Director of Economic Affairs, the General Director of Customs, the Director of the Commercial Bank, a representative of the government of each island, a representative of the Chamber of Commerce and a representative of the importers. According to the country's constitution, however, enforcement of the controlled prices is to be exercised by the government of each island. Despite a rather liberal framework for pricing, controls may be applied legally for practically all transactions.

108. In practice, price controls are applied to all imported products, where the formula applied for each shipment provides reasonably good results both in terms of margins for traders and relatively low prices for customers. In addition, prices of locally manufactured products - so far limited to household soap and soft drinks - are homologated. This homologation creates problems for the manufacturers, since changes require a decree signed by the Prime Minister and are difficult to obtain. With inflation, fixed prices become too low, which causes financial difficulties to the producers. It is the view of the Mission that homologation of manufactured goods prices creates a barrier to the setting up of new manufacturing enterprises, due to the bad experience of the two producers whose prices are controlled. The pricing of agricultural produce is fixed by the governments of each island; the most recent pricing index was issued in early 1981. These price controls are virtually ignored.

109. Price homologation could help to provide the population with imported first necessity goods at low and stable prices and should therefore be maintained. This homologation should be accompanied by long term (around one year) government to government agreements, which should result in even more stable and probably lower prices. This system was applied during 1982 for rice with good results.

110. On the other hand, price controls for local manufactured goods should be abolished in order to stimulate the establishment of manufacturing enterprises for new products. There is no danger that a monopolistic situation and consequently high prices will develop as a consequence, since free importation of similar products should provide a suitable framework to regulate supplies and prices.

III. POTENTIAL FOR THE DEVELOPMENT OF INVESTMENT PROJECTS

A. In the Industrial Sector

111. A strategy for industrial development should follow a two-pronged approach: a) import substitution industries, mostly small and medium scale, where a relatively high value added may be achieved or which have a high transport cost content; and b) export oriented industries, of a larger scale and based on local raw materials.

Import Substitution Industries

112. Despite the constraints touched upon in the previous chapter, a sizeable potential for the establishment of new productive enterprises does exist. The natural transport protection and the availability of local raw materials are conducive factors to the establishment of import substitution activities. Products and services which could be undertaken by import substitution industries include: noodles, sea salt, ironmongery, mechanical and electrical workshops, furnace- or sun dried-clay bricks, pozzolanic cement, plastic sandals, sugar, clay pottery, simple hand tools, candy, aluminium ware, paint mixing and canning, soap flakes, polyurethane foam and mattresses, corrugated aluminium and steel, automobile repair, coffee roasting, tee-shirts, stone cutting and crushing, lava and pozzolona crushing, small abattoirs and paper articles.

Export Industries

113. Some export-oriented activities based on local raw materials may also have development potential. Related investments would obviously be larger than those required for import substitution activities, since international economic size would have to be attained. Such possible export oriented projects could include the production of coconut-based products, namely edible oil, soap and coconut fibre, and vanilla extract. Other export-oriented projects such as bottled mineral water and high value fruits and flowers would have to be analyzed to pinpoint optimal market outlets. Foreign partners may be needed for financial participation, transfer of know-how and export marketing expertise.

B. In Other Sectors

114. The following activities in the transport, tourism, construction, agriculture and fishery, and artisan sectors indicate feasible projects, taking into account the development framework described in the previous chapters:

- In the transport sector, the present system of "taxi-brousse" and "taxi-ville" seems to be well adapted to local needs and conditions. However, additional vehicles will be needed as demand for transportation

increases. On the other hand, mini-buses could be run along the already completed ring roads in Anjouan and Grande Comoros to meet additional passenger and cargo traffic needs.

- The two hotel projects mentioned earlier are expected to cover tourism needs for the next decade. The Mission suggests that Comoros should cater to a luxury type of tourism in order to maximize benefits from a limited capacity for tourism (see paragraph 63). A number of additional activities centering around tourism could be set up to offer goods and services such as artisan shops, restaurants, car rental firms, folkloric performances and local tour arrangements. Local entrepreneurs ought to move quickly to take advantage of the current absence of these services and set up their undertakings before the large hotel projects establish their own.

- Most large-scale construction work exceeds the financial and technical capabilities of local construction firms. However, this does not rule out local enterprises undertaking sub-contract work from foreign contractors, although in order to do so they will have to expand considerably, particularly in terms of technical competence and equipment. The building of modular low cost housing seems to have good prospects, although it is still limited to a segment of the population.

- Chapter V maintains that the Development Bank's role in agriculture and fishery should be limited to financing the acquisition of equipment; suggestions for potential activities in these sectors will thus be limited accordingly. The acquisition of equipment could include walk-behind tractors, hand tools, fences and poultry hatches by farmers or farming co-operatives as a result of the demonstration activities of the CEFADER/CADER system, and fishing boats, motors and fishing equipment mainly to fishermen's co-operatives stemming from the demonstration activities of the fishing project described in para. 35.

- In the artisan sector, the acquisition of raw materials and capital equipment only seems to be economically viable after artisans, such as woodworkers and carvers, form co-operatives. Artistic artisan ware could also be sold on a co-operative basis, to which end shops could be opened at strategic sites such as near or at the airport and main hotels.

C. Project Size

115. The main activities with short-term growth potential are those requiring smaller investments and which are less influenced by entrepreneurial, political and infrastructure factors. Smaller projects are easier to set up, require a lower level of investment and technical skills.

116. The Mission believes that three main factors bear on the potential of the larger projects, namely entrepreneurial skills, infrastructure and political stability. Local entrepreneurship for production-oriented projects is scarce. The Comorian entrepreneur is basically a trader, and he usually will only enter into productive activity when he envisages the production process as being unproblematic and profit margins high. Since the Comorian currency is freely convertible in French Francs, and considering the current high European interest rates, it is doubtful

whether entrepreneurs who have invested in France would be willing to transfer large amounts of capital back to the Comoros. It can therefore be expected that capital for larger investments will be provided by non-Comorians and thus any capital inflow will be linked to the country's political stability. A certain amount of democratization has already taken place and there does not appear to be a palpable degree of political tension. Relations with France are once again normal, apart from the fact that the Mayotte question has not yet been resolved. The prevailing infrastructural constraints are expected to ease once projects for development in that area proceed, thus facilitating production and transport of goods and improving the feasibility for the establishment of larger productive enterprises.

D. Specific Projects Identified

117. The Mission reviewed several project possibilities, and discussed these with Government officials and entrepreneurs, both national and expatriate. There was no doubt as to the interest of a number of entrepreneurs in several production projects. It was found that there are 36 reasonably sound project proposals in various stages of preparation, although never going beyond the pre-feasibility stage. The scarcity of financing appeared to be one of the main hindrances to further pre-investment work, a situation which will no doubt be ameliorated with the creation of the Development Bank.

118. Data on these projects are given in Annex 4. While this list is not exhaustive, the number of projects will not be much larger, since many additional or significantly different projects, particularly in the large-scale group, are unlikely to be put forward. The projects are listed in two groups according to their stage of preparation. The order in which they will be implemented will depend on their size and their interest to entrepreneurs.

119. Of the 36 projects listed, only one has a total investment of over CF 290 million. All the other projects may be considered small and medium scale ^{1/}. 11 Projects have total investments between CF 100 and 290 million, 20 between CF 100 and 10 million and 5 below 10 million. The list is less precise as regards the smaller projects category and it is here that additional or different projects may be expected. Most of the projects (29) are industrial; 10 are agriculture-related, 5 construction-related, and 14 are related to other industrial fields (non-agro-based food industries, light consumer goods and repair activities).

^{1/} For the purpose of this survey an upper limit of \$ 1 million for total investment (capital and working) was stipulated for medium and small scale projects corresponding to an approximate maximum employment generation of 100 at an investment level of \$ 10,000 per job.

Two projects are in the construction sector, four concern the acquisition of equipment for agriculture and fishery activities, and there is a transportation-related project. Seven of these projects are export oriented, the remainder being import substitution or domestic servicing activities.

120. It will be necessary to find local or foreign sponsors for the projects to be promoted by the Government. The amount earmarked for industry in the public investment programme for 1981 - 1985 (CF 191 million or 0.4 per cent of the total) is too small for any sizeable public participation in industrial ventures. Also, the precarious financial situation of public enterprises does not permit them to perform major investments on their own.

121. A number of projects other than those listed in Annex 4 were identified by or came to the attention of the Mission. However, constraints hamper their establishment and they may be classified only as long-term project possibilities, meriting further study at some point in the future. They are listed in Annex 5 for informative purposes.

E. Promotion of Projects

122. In the agriculture sector, promotion of projects for financing by the Development Bank could be performed effectively by the CEFADER/CADER system, since no other institution is better placed to ensure the identification and preparation of agricultural projects and to supervise their implementation. For small credits, such as for the purchase of simple tools, CEFADER/CADER would have to collect several similar credits and act as financial intermediary. Although it was not originally foreseen that it undertake such tasks, it is already doing this for small equipment provided under UNEF financing.

123. The Development Bank should have responsibility for project development for all the other productive sectors. Through its Industrial Promotion Unit, it should offer assistance to entrepreneurs in preparing the necessary feasibility work and application, in the selection of technology, and later on in the implementation of the projects. As can be seen from the project list at Annex 4, sufficient project ideas do exist, each with one or several interested promoters, which could be developed into bankable projects. However, project preparation capabilities of Comorian entrepreneurs or local consultants are practically nonexistent. An example of this is a recent request to the Development Bank for the installation of a consumer goods plant for which neither a market study nor cost estimates for land purchase, energy, covered area and equipment were provided.

124. Term financing by CREDICOM or the Commercial Bank had previously been awarded on the basis of political considerations or the solvency of the borrower rather than on the economic interest of the project which, should not be the case with the Development Bank. Projects beyond the financial capabilities of the Development Bank could still be developed to the profile or pre-feasibility stage and submitted for consideration to external banks. The Development Bank could provide minority credit for such projects but its main role would essentially be that of financial intermediary.

125. As previously mentioned, the incentives awarded by the Investment Code appear high and no additional fiscal incentives are necessary, since these would not go very far in stimulating investments by local entrepreneurs or attracting foreign investors. The recommended changes to the Investment Code should bring about positive economic results. However, the most important factors influencing the establishment of productive projects will continue to be those of a qualitative nature, such as political stability, assistance to entrepreneurs in project preparation, availability of training schemes for labour and management, improvement of infrastructure facilities, and long-term financing availability.

IV. FINANCIAL SECTOR

126. At the end of 1982 the banking system in the Comoros was composed of the following institutions:

- A currency board - Banque Centrale des Comores
- A commercial bank - Banque Internationale des Comores (BIC)
- A development bank - Banque de Développement des Comores (BDC)

A. Currency Board

127. The currency board was established in 1974 and has the exclusive right to issue legal tender. It received an initial capital grant from France of CF 250 million after the signature on 23 November 1979 of a monetary co-operation agreement, whereby the Comoros is part of the Franc Zone, the Comorian Franc having a fixed parity of CF 50 to the French Franc. This association ensures full convertibility of local currency, thus facilitating foreign trade. An operations account is kept with the Bank of France, through which all foreign transactions are made. Unlimited convertibility is offered for transactions within the Franc Zone, although an interest rate is payable for debtor accounts and certain quotas may be drawn up for other currencies. IEC normally has a credit balance with the French Treasury, amounting CF2,370 million as of 31 October 1982 as compared to CF 678 million in December 1980 and to CF 174 million in December 1979.

128. Up to 1981 IEC's main activity was the rediscounting of commercial bills, treasury bonds and medium term loan guarantee bills. It had relatively little influence over the level and distribution of credit in the country. Furthermore it had no legal authority to formulate, regulate or control monetary and credit policies. The Government therefore decided to convert IEC into a Central Bank in 1981, with increased control over the country's monetary and credit policies, without drastically changing its main statutory provisions. Its role is described in the Central Bank's Intervention Rules. According to the statutes of the Central Bank and the Franc Zone regulations, the deputy director of the Bank is a French official who also carries out technical assistance on currency management and the handling of monetary issues.

B. Commercial Bank

129. Until 1977, the Commercial Bank of the Comoros - Banque Commerciale des Comores - was a branch of the Banque de Madagascar et des Comoros, which held 84 per cent of the shares of the capital stock, while the Comoros held the remainder. The Government took over all shares in 1977. The bulk of its loans were short-term. A portion of its loans were on-lent by traders to farmers. However BOC went beyond its traditional field of operations and provided medium-term financing for six projects, for a total of FCFA 162 million. These Projects related mainly to the construction sector and, to a minor extent to industrial activities. Medium-term financing was provided for up to five years

for up to 50 per cent of the total cost of the project and with an interest rate of 9 per cent. As from 1980 the Commercial Bank's increasing current account overdraft transactions led to drastic reductions in short-term credit and stopped medium-term credit. The latter was also hampered by the lack of personnel capable of evaluating development projects. Its financial situation deteriorated further and its operations ceased on 31 January because of bankruptcy. It is now being liquidated.

A new commercial bank was established in February 1982 - the Banque Internationale des Comores (BIC) - with share capital of F 300 million distributed as follows:

Banque Internationale pour l'Afrique Occidentale	51%
Comorian state	34%
Local private shareholders	15% <u>1/</u>

The establishment of the Development Bank diminished the risk operations of the commercial bank, which will be able to concentrate on normal commercial banking tasks.

C. Development Bank

130. The société de Crédit pour le Développement des Comoros (CREDICOM) was established in 1974 with a capital of FCFA 100 million divided equally between the Caisse Centrale de Coopération Economique (CCCE) and the Comorian government (at that time the Comoros was still administered as a French overseas territory). CREDICOM was to provide medium- and long-term small-sized social credit and credit to private enterprises in the following sectors: agriculture, housing, artisan, trade, industry and tourism and for the acquisition of small equipment. Previous investments by CCCE in those sectors, valued at FCFA 333.5 million, were transferred to CREDICOM as of 1 January 1974. The withdrawal of French aid in June 1975, the laying off of a large number of civil servants who had constituted the bulk of its clients for housing loans and credits for building materials purchasing, political pressures on the part of the Government to grant credits to public enterprises and parastatals, particularly hotels which were not able to repay, and general economic difficulties which did not allow private enterprises to repay as scheduled, all led to the folding of CREDICOM's operations, which since 1978 were limited to the recovery of outstanding debts.

131. Credits awarded by CREDICOM from 1 January 1974 until the end of 1977 are summarized in the following table:

1/ Each private shareholder may not have more than 1%.

Table 6.2 Credits awarded by CREDICOM

Sector	<u>Number of Credits</u>	<u>Value</u> (million FCFA)
Agriculture	10	37
Fisheries and maritime transport	19	8
Hotels	4	78
Trade, air transport	8	287
Industry, artisans	39	226
Housing	218	226
Building materials	586	154
Purchase of automobiles	153	75
Purchase of simple equipment	39	9
Total	1,076	1,100

Source: CREDICOM

The credits granted under the heading Industry and Artisans were distributed as follows:

Table 6.3 Industry and Artisan CREDICOM Credits

	<u>Percentage</u>
Utility companies	27
Public works	40
Agriculture credit	4
Industrial working capital	7
Industrial investment	21
	100

Source: CREDICOM

Only 28 per cent of credits were for industry and none were awarded to artisans. The Commercial Bank provided about the same level of medium-term credit to industry as CREDICOM. CREDICOM closed down on 30 April 1982.

D. Banking Regulations

132. Banking activity in the Comoros is regulated by the law on banking and financial institutions approved on 26 June 1980. Some of its aspects merit special attention:

- A bank's equity should be at least 10 per cent of its financial commitments.
- Their assets should always exceed their liabilities by an amount equal to their paid-in capital or the capital endowment plus surpluses. The latter should be composed of 10 per cent of net profits after taxes on capital up to CF 100 million, and 5 per cent thereafter.

- Banks may not acquire or hold shares in other enterprises except with permission from the Central Bank and these can only be up to the limit of their paid-in capital less the net book value of real estate acquired.
- Banks may not award to the same natural or juridical person either credits, advances, guarantees or other financial commitments exceeding 25 per cent of their paid-in capital. This limit does not apply to credits guaranteed by property of recognized market value and only up to 80 per cent of that value, or to credits between banks.

Interest Bank Structure. Inflation.

133. In 1982 the Commercial Bank modified and simplified its interest rate structure, which as of end 1982 was as follows:

Table 6.1 Interest Rate Structure
of the BIC

<u>Short-term Bank Loans</u>	<u>%</u>
Advances)	15 to 19 (depending on risk)
Overdrafts)	
Discount (export, essentially vanilla)	13
<u>Medium-term Loans</u> (2 to 7 years)	none

It would be useful to compare this structure with the present rate of inflation. Lack of inflation data prevents this comparison. However, the GDP deflator for 1980 stood at 10.7 per cent. Inflation has probably increased in 1981. In 1982 it may be estimated to be in the region of 12%. More realistic estimates for current inflation should be carried out in order to determine a better interest rate structure and to enable the start a process of domestic savings, no matter how modest it may be.

V. THE DEVELOPMENT BANK OF COMOROS

A. Background and Role

135. The Banque de Développement des Comores (BDC) has the overall objective of contributing to the country's economic development. Its statutes (approved by Parliament on 22 August 1981) and a general declaration of policy have been published. The General Director started his functions in October 1981. The Bank started operations in March 1982. The BDC is expected to undertake the following:

- Provide financing to private, public and mixed investments in agriculture, livestock raising, fishing, industry, artisan activities, tourism, transport, services connected with production, co-operative movements, equipment for liberal professions, and housing.
- Participate with risk capital in the above operations.
- Study and implement risk investments for third parties, particularly the State and public enterprises.

136. The following improvements over the previous system are expected to result from the Development Bank's activities:

- Assistance will be offered to entrepreneurs in project preparation;
- Medium and long term financing, not available at present, will be provided;
- Loan supervision will be strengthened; and
- Compliance with liquidity ratios will be ensured.

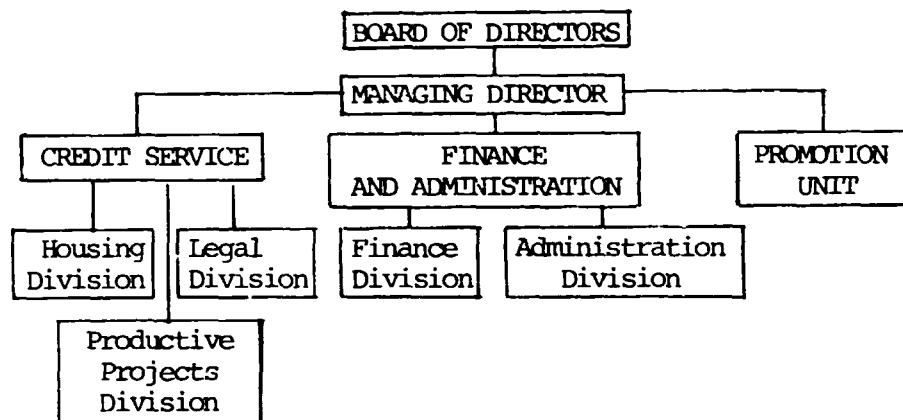
B. Capital, Ownership and Board of Directors

137. Authorized capital is fixed at CF 300 million and is entirely paid up, half by the State, one sixth by the European Investment Bank, one sixth by the CCCE and one sixth by the Central Bank. State participation is composed of the Bank's building, valued at CF 25 million, and 125 million in cash. BDC's assets will be around CF 500 million constituted by the capital plus CF 200 million of CREDICOM's estimated recoverable lending (the interest on which will be cancelled from 1977 until the present). BDC has rediscounting facilities with the Central Bank up to CF 300 million (100 million already committed by CREDICOM) at 5% interest. This rate will be revised as of April 1983 and will possibly be increased to 7%.

138. BDC's board consists of six members (three Government and three private representatives) representing the various shareholders (the Government, the European Investment Bank, the Caisse Centrale de Coopération Economique, and the Central Bank). Each member represents one sixth of the total stock.

C. Organization; Staff

139. BDC's organization structure is as follows:



The Credit Department is responsible for project evaluation, housing loans, and legal aspects, including arrears recovery and operational activities. The Finance and Administration Department handles accounting, physical facilities, personnel matters, administration, recruitment, and staff training.

140. The Managing Director, who is also the Chief of Finance and Administration, is an expatriate whose salary is financed 50% by CCCE, of which he is a staff member, and 50% by EDF. He has considerable experience in development banking in Africa.

141. As of December 1982, BDC's other staff was entirely composed of Comorians, as follows: a Chief of the Credit Department, an accountant, an assistant accountant, two arrears recovery officers, two secretaries/typists, a driver/clerk and a watchman. Most of the professional staff has had several years experience with CREDICOM.

142. Steps are being taken to appoint a Comorian Deputy Director or to promote an existing staff member to this post. Further staff to be recruited are a counterpart to the promotion unit head and a project/investment officer. This staff is deemed sufficient for the Bank's operations foreseen up to 1983. Since the Development Bank is not obliged to adopt the civil servant pay scale, it may be able to attract qualified staff more easily. However, due to the generally low level of qualified professional candidates in the Comoros, BDC may have to employ recent graduates and train them in-house and/or through fellowships in other African development banks.

143. Since demand for financing will be particularly strong for dwellings and it is intended to spread investments evenly among different sectors, financing for housing will be limited to 30 per cent of each year's grants 1/. BDC will not provide financing to the State for the acquisition of consumer goods, nor will it incur foreign exchange risks.

144. BDC's debt:equity ratio is expected to be 70:30 as a maximum. Equity investment will not exceed 25 per cent of net capital stock. Its equity in any one project will normally not exceed 30 per cent of its net capital stock and will have a sound and balanced portfolio in terms of loan approval, equity investment, sectoral distribution and range of activities. Rates of interest charged will reflect the cost of capital and, although they are expected to be less than the market rate, they will provide adequate spreads to cover BDC's administrative costs. 2/.

D. Strategy recommended for the BDC

Sectors to be Covered

145. All economic sectors should be covered by the Development Bank, as set out in its charter. However, because of the limitations imposed by the size of the Bank and its resources, particularly during the initial stage, and the relative interest of the different economic sectors in the development of the country, it is felt that the Bank's operations, at least during the initial years, should concentrate on selected priority sectors.

146. In accordance with the survey carried out under the present report, it is suggested that the following sectors should receive highest priority:

- Manufacturing (particularly construction materials and agro-based products)
- Construction
- Transport
- Tourism

147. Despite the enormous weight and importance of the agricultural sector in the economy, BDC's role in its development should be considered carefully. The Commercial Bank may prove to be the most appropriate channel for the financing of agriculture, and is already providing seasonal credit for export crops. In the long run, an agriculture

1/ For the first year of operation (1982) a total of CF 1,300 million financing is foreseen.

2/ According to BDC's management, a 5 per cent spread will be needed as a minimum while the World Bank suggests 7 per cent.

development bank to provide short and medium term credit could be envisaged. The Mission suggests that the Development Bank avoid typical agricultural credits until its rentability is well established. In fact, credits to small farmers would require a large and decentralized group of personnel to supervise them and coordinate them with CEFADER/CADER, which would entail expensive overheads. On the other hand, demand exists in agriculture for term credit to finance the purchase of a number of simple capital goods such as tools, presses and walk-behind tractors, and stocking equipment such as silos and cold chambers. The Development Bank should limit its activities in the agriculture sector to the purchase of such capital equipment. Credits could either be granted directly, if collateral does not constitute a problem, or, particularly for smaller credits, channelled through the CEFADER/CADER, which would be used as a financial intermediary in order to minimize overheads and consultancy charges. CEFADER is already involved in lending for small equipment provided under a UNEF grant of CF 70 million.

Size of Projects

148. Priority should be awarded to the smaller projects, normally with higher labour/capital ratios, which are simpler to implement and supervise and which have faster economic and financial results. According to the Bank's statutes, the credit ceiling for a single project (or several projects of the same enterprise) is set at CF 80 million for the present. In order to stress the Bank's involvement in small-scale enterprises, it is suggested that this ceiling be reduced to CF 50 million, the figure used in calculations for the projected IDA credit line.

149. In the longer term, however, whenever these have an obvious economic advantage, EDC should be associated in the development of larger projects, procure suitable financing from other sources of concessionary credit 1/, and eventually participate with minority financing.

150. Pre-investment and investment needs of medium-scale and modern small-scale projects differ from those of the traditional small-scale and artisan sectors. Conflicting interests will arise in the awarding of credits to these two groups of projects in view of the economic interest in financing smaller projects as opposed to the higher risk factor and overheads. It would therefore be advisable for the Development Bank to adopt a two-way delivery system for the financing of these two distinct categories of projects, in terms of approach, procedures and policy. A simple procedure could be developed for processing applications for financing of very small enterprises up to

1/ Such as CCCE, EDB and the IFC.

a ceiling to be set by BDC, say around CF 20 million. The Managing Director should be empowered to authorize such loans. The rules concerning collateral or security could be made more flexible. The rates of interest, debt: equity ratio and other terms and conditions for loans, such as repayment period, could differ from normal BDC stipulations. For instance, rather than the entrepreneur having to mortgage his property to obtain loan security, a personal guarantee from a civil servant, notable villager or other person with a guaranteed income could suffice. This strategy has proved successful in mobilizing small-scale entrepreneurship in other developing countries such as India and several African countries. During 1982, BDC started to work along these lines.

E. Project Portfolio

151. From findings of the Mission and its discussions with entrepreneurs and government officials, there seem to be around 36 projects in the sector under review for which investment could start in the next few years. These are described in paras. 117 to 119. In order to stress the concentration of the proposed IDA credit line on smaller projects, only projects with total investments of under CF 290 million were considered for the purpose of calculating the size of the credit line. That leaves 20 projects with total investments amounting to less than CF 100 million and 16 projects with total investments of over CF 100 million to around CF 290 million.

152. The Mission considers a 70:30 debt:equity ratio as being adequate and suggests that the credit ceiling for a single project be fixed at CF 50 million, as set forth in para. 148. In addition, the Mission estimates that only 80 per cent of the proposed projects with total investments of less than CF 100 million will eventually be implemented and only 50 per cent of projects with total investments of more than 100 million. Therefore the total estimated portfolio would amount to over CF 1,800 million, of which CF 830 million (approximately US\$ 3 million equivalent) would be financed by the Development Bank. The IDA credit line should thus be in the order of around US\$ 3 million over a period of 3 1/2 years (mid 1983-1986).

F. The Promotion Unit

153. Comorian entrepreneurs will need a substantial amount of technical assistance, especially in the initial phase in which project concepts are translated into bankable projects. A number of project concepts will also need to be elaborated in order to secure the interest of entrepreneurs, local or foreign. Furthermore, implementation of projects would also need scrutiny and technical assistance. In view of the lack of indigenous consultancy services, the Mission endorses the creation of a small promotion unit within the Development Bank to carry out this work. This unit could also appraise projects prepared

elsewhere. The establishment of such a promotion unit within the bank may not be strictly in accordance with the best banking practice, since credit applicants may get the impression that assistance from such a unit would entail an automatic credit award by the Bank, or that it would constitute a sort of guarantee on the Bank's part for the success of the project's implementation. On the other hand, it would seem to the Mission that locating the unit within the Development Bank would be the most practical approach in a country as small as the Comoros, and would also fulfil the aim of keeping public infrastructure to a minimum. Location notwithstanding, the unit should be independent and have a purely advisory role, both to the entrepreneur and to the Development Bank.

154. The promotion unit should be small, staffed by one or a maximum of two Comorians - an industrial engineer, or an industrial engineer and an industrial economist. In view of the need of expertise to set up and launch this unit, an expatriate consultant will be needed for at least two and a half years. The first year of expert assistance will be financed by UNIDO. The subsequent period could be financed from either UNDP/IPF funds or the IDA loan. The services of the unit should be provided free of charge during the first years of operation, in order to win the confidence of entrepreneurs. Once it is fully established, the unit's services should be charged to the entrepreneurs. These costs could be charged to the project or alternatively to a specialized project preparation facility which may include a risk sharing programme.

COMOROS - DATA ON MANUFACTURING ENTERPRISES^{1/}

1. There are four bakeries in the Comoros, two on Grande Comoros and two on Anjouan. They produce French-type bakery products, mainly bread and simple pastries. Wheat flour is imported. The bakeries sell either directly to customers or to intermediaries who sell the products in markets or on the streets.
2. The only soft drink and carbonated water bottling enterprise was established in Patsy (Anjouan) in 1973 and started production in 1975. It is majority foreign-owned but is being sold to local interests. It employs 39 persons. Except for the local water, all inputs, including the bottles, are imported. Turnover in 1980 was CF 154 million, less than three per cent of which corresponded to imports. Up to 1977, the firm had the import monopoly for alcoholic drinks, which accounted for about a quarter of its turnover. This franchise now belongs to another private company. There is a considerable unsatisfied demand for soft drinks. The plant is allegedly unable to increase its production from the present level of 2.9 million bottles a year and to diversify production because of financial constraints and production disruptions due to uneven supplies of production inputs, water and energy supplies.
3. There are around 12 small tailors producing wearing apparel to individual order. Ready-made garments are imported.
4. There are 59 woodworking shops producing furniture, doors and windows. Major woodworking shops are as follows:
 - a) The plant in Moroni belonging to the large expatriate enterprise which has 18 woodworking machines and employs around 50 persons.
 - b) The woodworking shops of the Public Works Departments in Moroni and Mutsamudu, each with about five woodworking machines. There is another smaller woodworking shop in the Public Works Department at Fomboni.
 - c) A woodworking shop in Mutsamudu, with five machines which were acquired recently, and a turnover of over CF 100 million per year. It also does some metal fabrication. A smaller branch was established recently in Fomboni.
 - d) Four woodworking shops in Domoni, the traditional artisan wood-carving centre of the Comoros, each with around three workers and one or two machines.
5. These workshops also produce small quantities of artistically carved wood pieces, which have a limited market in view of the lack of tourism on the islands and which are bought mainly by the local population for everyday use. The wooden furniture is decorated with some elaborate carving, which is typical of Comorian handwork.

^{1/} Data extracted from an ILO Manpower Survey undertaken in 1980 and from Mission observations and estimates.

6. The ILO manpower survey listed three sawmills. However, because of severe limitations on logging, only the sawmill on Mionbadjou (Grande Comoros) belonging to the large expatriate enterprise is fully operational. Its output has dropped from the rated capacity of 11 m³/day to around 7 m³/day. Logs are obtained from the enterprise's 7,400 ha forest reserve in the south of Grande Comoros. Because of the decreasing availability of local wood and its increased utilization as fuel, the woodworking industry has had to resort to imports of raw materials.

7. The only printing works in the Comoros was established in 1979. Until June 1981 its capital (CF 50 million) was 60 per cent foreign private owned and 40 per cent public, after which the foreign stock was acquired by the Comorian state, which now owns all the capital. Its turnover is about CF 60 million per year. The printing works, which employs 30 people, is well equipped and its products are of acceptable quality. However, due to small production batches, its equipment is utilized at below half its installed capacity and it cannot compete with prices of imported products. 80 per cent of its orders come from the Comorian Administration, whose payments are not made promptly. This has affected its profitability.

8. The soap making plant, a few kilometers north of Moroni, was established in 1974 with a capital of CF 25 million. It employs 15 persons and in 1980 produced 197 tons of household soap using local copra, while its installed capacity is 400 tons/year. Production has been profitable and locally produced soap currently accounts for about half of the market. Similar imported products, albeit of higher quality, cost about twice as much, partly because of duties of about 60 per cent. A few months ago a new production line was installed, at an investment of CF 40 million, for toilet soap, using imported ingredients. The plant's capacity is about 500 kg/hour but the current country's daily consumption is less than this figure. Locally produced toilet soap has not yet established a market position due to poor packaging and market preference for known brands. (There was a similar production of household soap run by the large expatriate enterprise from 1942 to 1959, with an output of around 200 tpy of soap and 50 tpy of coarse oil). Another household soap making plant is being established in Anjouan.

9. The substantial increase in recent years in the cost of fuel oil used by the ylang-ylang distilleries has caused the closure of many, particularly of the larger ones. Smaller distilleries have resorted to the almost sole use of woodfuel which, because of limitations of tree felling, is sometimes obtained illegally. At present there is only one large distillery, at Bambao, producing around 2 tons/year (1981). The remaining production is ensured by a large number of smaller distilleries using one to four stills, producing anything up to a ton per year. No exact count of such distilleries is available. Although the ILO survey indicated the existence of only 28, more accurate estimates suggest that there are around 65: 40 on Grande Comoros, 20 on Anjouan and 5 on Mohéli. The smaller distilleries are extremely inefficient due to the age of their stills and unsatisfactory combustion efficiency. Some of the larger distilleries plan installing heat saving devices to reduce their energy needs and the Government is experimenting with using solar energy. The results of the latter are doubtful.

10. There are reportedly 15 jewellers, 14 of which on Grande Comoros. All are really artisan shops producing gold and silver jewellery exclusively for the local market.

11. A survey undertaken in April-May 1982 by the French Agence de Coopération Culturelle et Technique indicated the existence of around 10,000 artisans divided into services, artistic works and technical trades. They produce textiles, garments, woven baskets, earthenware and wooden carvings. The wooden carvings, in the form of book (Koran) holders, small boxes and tables, would be the only products which would appeal to tourists or which have export potential. A few craftsmen in Anjouan, the traditional wood carving centre, appear interested in forming co-operatives to expand their production and to cater for tourism and exports. Designs are appealing, but not varied, and craftsmanship is not lacking. With appropriate help - namely more creative designs - artisan products with a more saleable orientation could be developed.

COMOROS - NOTES ON YLANG-YLANG, VANILLA, CLOVES AND COPRA

Ylang-Ylang

1. It is estimated that the production of ylang-ylang essences used in perfumes and cosmetics represents around 80 per cent of world production.

The export of ylang-ylang essence has been as follows:

Table Annex 2.1 YLANG-YLANG ESSENCE EXPORTS

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Quantity (tons)	99	60	73	60	61	61	32	40
Value (CF million, current)	785	514	618	587	637	662	403	454
Average price/kilo (CF thousand)	7.9	8.6	8.5	9.8	10.4	10.9	12.7	11.4

Source: Customs Department

It seems that the production potential of ylang-ylang flowers in the Comoros is slightly too high. On the other hand, many trees have low yields. It will be necessary to reduce the number of trees planted, which has already been started, and to renew plantations, which has not yet been embarked upon.

Commercialization is ensured by the monopoly of six traders, some of them producers, who divide the market among themselves in accordance with yearly agreements and who sell exclusively to French buyers. The lower qualities of ylang-ylang essences have been substituted gradually by other natural and synthetic essences, but market prospects for the higher qualities are good. It would be advantageous to try to tap other export markets, namely the U.S.A. and Japan. In addition, trade could be facilitated by diversifying the range of essences to include basil, combava, jasmin, "Corbeille d'or" and palmrose, among others, which at present are little exploited.

Vanilla

2. Comorian vanilla accounts for around 10 per cent of world production. Despite competition from synthetic products, which retail at a third of the price, market prospects are good.

Vanilla exports from Comoros have been as follows:

Table Annex 2.2 VANILJA EXPORTS

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Quantity (tons)	160	211	124	230	117	180	13	160
Value (CF million, current)	473	689	465	1085	737	2272	1930	2169
Average price/kilo (CF thousand)	3.0	3.3	3.75	4.7	6.3	12.6	14.9	13.6

Source: Customs Department

The ADF-funded CEFADER/CADER project, aimed at increasing production to 300 tons through better productivity, is a step towards meeting the strong world demand. If production rises considerably, a long term possibility could be the production of vanilla extract in the Comoros itself, such as that in Madagascar.

Cloves

3. World demand for cloves is strong and will remain so for the next few years. The bulk of Comorian cloves is sold on the European market and their share on the world market is minimal. When the ambitious plantation projects in Indonesia (the main user) and Brazil come to fruition, world prices may be driven down. The ADF-funded programme for vanilla also covers production and productivity increases for cloves. A possible alternative is the preparation of clove extract with medicinal applications. Exports of cloves in recent years are indicated in the following table:

Table Annex 2.3 CLOVE EXPORTS

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Quantity (tons)	521	880	220	330	342	816	949
Value (CF million, current)	n.a.	812	294	452	447	1247	1729
Average price/kilo (CF thousand)	n.a.	0.9	1.3	1.4	1.3	1.5	1.8

Source: Customs Department

It would be desirable to regularize annual production, influenced by fluctuations arising from the four year growth cycle of clove trees.

Copra

4. Coconut trees constitute the main cultivation in the Comoros. There are around 1,662 thousand trees - 787 on Grande Comoros, 460 on Anjouan and 415 on Mohéli - occupying some 30,000 ha. The trees produce approximately 75 million coconuts per year: 39 per cent is destroyed by rodents, 48 per cent is consumed by the population, and 13 per cent is transformed into copra in rudimentary drying furnaces. Apart from the limited amount utilized by the local soap factory, the bulk was exported to Madagascar. However, due to that country's recent lack of foreign exchange, exports diminished drastically and only few small batches were exported to other countries. The surplus is being stocked in the Comoros. As soon as the World Bank coconut project (see Annex 3,c.) begins taking effect, coconut production will no doubt increase. An attempt should be made to export copra to other markets and to ship it in bulk (rather than in bags, as is presently the case). Efforts in this direction will be facilitated by improved harbour facilities and shipping services. An alternative would be the installation of coconut oil production facilities, since this commodity has good price prospects.

Exports of copra in recent years are indicated in the following table:

Table Annex 2.4 COPRA EXPORTS

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Quantity (tons)	4179	1260	1323	1317	2060	2291	775	1020
Value (CF million, current)	496	93	123	133	205	254	85	78
Average price/ton (CF thousand)	119	74	93	101	100	111	110	76

Source: Customs Department

5. Ylang-ylang, vanilla and cloves have all been commercialized through de facto monopolies made up of a few exporters and a few buyers, mainly in Europe. Variations in demand/supply have frequently been caused by speculation by intermediaries. The three commodities have suffered from absence of clear cut policies and quality control and from inadequate commercialization strategies. Export promotion of ylang-ylang, vanilla and cloves was one of the subjects covered by a study sponsored by EDF. A recommendation within this study to establish a Comorian Office for Spices and Perfumes with a view to eliminating the deficiencies indicated above seems to have the right focus.

COMOROS - CEFADER PROJECTS

The following is a summary of the various CEFADER projects:

a. The vanilla, pidgeon peas, banana and clove project is financed by EDF at a cost of US\$ 7.6 million (1978-82). It aims at:

- Increasing green vanilla production from the present level of 700-900 tons per year to 1,500 tons per year in 10 years and to 2,400 tons per year in 15 years without extending the present cultivated area 1/. However, this part of the programme is being reformulated.
- Increasing the present production of pidgeon peas to 650 ton/year within 10 years.
- Increasing clove tree plantation on Anjouan to serve the twofold purpose of increasing its role as a cash crop up to 1,350 ton/year within 20 years and of supporting reforestation.
- Increasing banana production to 6,000 tons/year in 10 years by improving seed selection and reducing rejects.

b. The maize project aims at a partial substitution of rice consumption by maize through increasing maize production to 4,000 tons/year. It is financed by an EDF grant of US\$ 3.1 million. An extension EDF grant. The results of this operation have not always been favourable; the 1980/81 harvest was only 300 tons instead of an expected 750 tons because of lack of rain, causing difficulties to poultry raising. The 1981/82 harvest will be around 900 tons, near the planned figure of 1,000 tons.

c. The coconut project is being financed by the World Bank with a loan of \$ 5.2 million. It aims at reducing the present 39 per cent rate of destruction by rodents and to replace old, low-yielding trees.

d. The rice projects aims at increasing the production of rice from the present level of 3,000 tons/year to 8,000 by cultivating an additional 1,000/1,100 ha. Yield should increase from the present 400 kg/ha to 1,500 kg/ha for pluvial rice and 7-9 ton/ha for rice cultivated under flooding. Financing for the first stage, covering 100 ha of flooded grounds in Mohéli, has been secured under UNDP/FAO.

e. The market gardening project is also financed by FAO. It aims at increasing production of cash crops, such as salads, and improving commercialization channels, mainly by establishing distribution co-operatives. The establishment of necessary common storage facilities still lacks financing.

f. The stock farming project is being financed from a variety of sources (EDF, UNDP, UNICEF). One of the most important aspects of the projects is the development of poultry raising, which aims at increasing output to 4 million eggs and 325 tons of meat per year. This operation

1/ 5 kg of green vanilla is roughly equivalent to 1 kg of prepared vanilla.

also envisages the preparation of balanced poultry feed essentially using maize. Fish flour will also be used, once local fishing has developed to a sufficient degree. A pilot plant has been established in Moroni for the production of around 120 tons per year of chicken feed, but production has been limited by maize supplies. Within this operation, CEFADER plans to start the production of one-day chicks. It has been very well received by the population. Other areas covered by the stock farming operation are cattle raising, for which an experimental unit will be established on Grande Comoros, and pilot operations for goat and sheep raising, which are particularly adaptable to local grazing conditions. These projects have received a financing of \$ 300,000 from IADF.

g. The forestry project, although the longest term, is of foremost economic interest. Deforestation has been taking place for a century and its extent is such that climatic changes, possibly irreversible, have occurred. The operation, which started in 1980, aims at the reforestation of 6,000 ha of land within 20 years. In addition, it will ensure the protection of the existing forest against fire and indiscriminate tree felling. Financing for the project has not been entirely assured. FAO has financed a study on methods of forest exploitation in Maoueni on Grande Comoros. Furthermore, the fourth EDF has a pilot project for soil conservation with a forestry component. Follow-up by ADB is expected.

COMOROS - PROJECTS IDENTIFIED BY THE MISSION

Group 1 - Projects for which pre-investment work has been carried out

Project Product	Promoter	Yearly Output	Location	Total Investment in CF Million	Employment Generation	Degree of Preparation	Constraints	Observations
Copra project - edible oil, soap, fibres	Local	500 tons oil, 500 tons soap, 6,000 tons fibre	Moroni	280	300	Profile	One plant is already producing household soap	Singapore would be interested in buying 1,000 tons oil/year
Sugar mill	Government	1,000 - 1,400 tons	Mohéli	224	n.a.	Profile	-	CID requested to undertake study An alternative could be the refining of imported raw sugar
Bottled mineral water	Foreign	3-7 million 1.5 litre bottles	Patsy	198 (fixed)	22	Pre-investment study	Financial and other problems of promoter	Possibility of reducing investments with different bottle production technology
* Asterisk denotes Mission estimate								

Project Product	Promoter	Yearly Output	Location	Total Investment in CF Million	Employment Generation	Degree of Preparation	Constraints	Observations
Acquisition of construction equipment	Several local contractors	-	Anjouan Grande Comoros	Up to 200 *	n.a.	-	Cash flow problem of enterprises	-
Coconut flakes	Local or foreign	-	Anjouan	150	100	Profile	-	Export oriented
Plastic sandals	Local	500,000 pairs	Moroni	100 (fixed)	31	Pre-investment study (incomplete)	-	-
Argile-based bricks and tiles	Local	220,000 bricks	-	52-90*	n.a.	Profile under preparation	-	-
Salt works	Government	500-600 tons	Malé	63	n.a.	Profile	Climatic conditions may not be optimal	First phase of project covering all three islands; output 2,500 ton/year; total investment of CF 190 million
Market-gardening (acquisition of equipment)	CADER M' Rémani	n.a.	Nioumakélé	28-34 (fixed)	Around 1,200	Profile	-	Possibility of exports to Réunion and Mayotte
Ironmongery	Government	Equivalent to 200 window gates	Grande Comoros	16	12	Profile	There are already 7 public works enterprises, 4 woodworking and ironmongery shops and 1 ironmongery	Submitted to UNEF

Group 2 - Project Ideas

Project Product	Promoter	Yearly Output	Location	Total Investment in CF Million	Employment Generation	Degree of Preparation	Constraints	Observations
Edible coconut oil	Local	1,800 tons	Grande Comoros or Anjouan	290-420	n.a.	Idea	-	Possibility of production of alcohol and oil derivatives such as suntan oil. Export oriented.
Vanilla extract	Local	15 tons husks	Grande Comoros	170-220	n.a.	Idea	Importers abroad should be associated with the project	100 kg husk yields 2 kg extract
Water based and Acrylic paints	Local	150 to 160 ton/year	-	200	n.a.	Idea	-	-
Plastic ware	Local	50 tons	-	120* (equipment)	n.a.	Idea	-	-
Multi-purpose mechanical and electrical repair workshop	Government	n.a.	-	100	n.a.	Idea	-	Submitted to CID for further study
Foam mattresses	Local	n.a.	-	100	n.a.	Idea	-	-
Aluminium ware	Local	900,000 pieces	-	50-80 (equipment)	n.a.	Idea	Market not assured	

Project Product	Promoter	Yearly Output	Location	Total Investment in CF Million	Employment Generation	Degree of Preparation	Constraints	Observations
Poultry feed	None	n.a.	-	50	n.a.	Idea	-	Raw materials: maize, coconut oil, fish-flour
Soap powder and body lotion	Local	n.a.	Grande Comoros	50*	n.a.	Idea	-	-
Flower and fresh fruit exports	CEFADER	n.a.	Grande Comoros	50*	n.a.	Idea	-	Contracts with importers in France needed
Airport and plane catering	Government (Min. of Transport)	n.a.	Grande Comoros	50*	n.a.	Idea	-	-
Small abattoir	Existing mixed capital company	-	n.a.	50	n.a.	Idea	Financial problems of promoter	-
Lava and stone crushing stations (2)	Local	-	Anjouan and Grande Com.	30-40 each	n.a.	Idea	-	-
Corrugated aluminium and other aluminium products	Local	-	-	30*	-	Idea	Aluminium more expensive than zinc-coated steel but more durable	Based on imported sheet coil
Agricultural hand tools	Government	40 tons	-	30*	n.a.	Idea	-	Submitted to CID for further study

Project Product	Promoter	Yearly Output	Location	Total Investment in CF Million	Employment Generation	Degree of Preparation	Constraints	Observations
Tee-shirts	Local	-	Anjouan	20	n.a.	Idea	-	Tourist market oriented. Based on imported yarn
Zinc-coated corrugated roofing + other products	Local	-	-	20*	n.a.	Idea	-	Based on imported zinc-coated coil
Acquisition of raw materials and tooling	Wood-working co-operative	-	Anjouan	20	n.a.	Idea	-	-
Noodles	Local	200 to 300 tons	Moroni	20*	n.a.	Idea	-	-
Automobile repair shop	Local	-	Mohéli	20*	-	Idea	-	-
Envelopes and Pads	Local	20,000/day	Moroni	17 (equipment)	-	Equipment proforma invoices	Output too high. Choice of equipment to be reviewed. Financial problems of promoter	-
Ice Cream and Candy	Local	50 tons	-	15* (equipment)	n.a.	Idea	-	-

Project Product	Promoter	Yearly Output	Location	Total Investment in CF Million	Employment Generation	Degree of Preparation	Constraints	Observations
Pottery	None	30 tons	-	7*	n.a.	Idea	-	Submitted to CID for further study
Motor cultivators (purchase)	Local	-	Mohéli	2.5 each	-	Idea	-	-
Coffee roasting and grinding	None	-	Mohéli	5*	-	Idea	-	-
Engines for fishing dhows	Local	-	in the 3 islands	2* each	-	Idea	-	Total up to CF 15 m/year after 1983

COMOROS - LONG TERM PROJECT POSSIBILITIES

Coconut fibre panels. The manufacture of modular panels for housing and furniture would utilize coconut fibres. The fibres would be part of an integrated coconut project, still at a planning stage. The manufacture of fibre panels would need imported and expensive glues, and would be more costly than the traditional tressed coconut leaf panels. However, this could be a viable proposition if a coconut project materializes.

Stoneware ceramics. This project entails an upgrading of earthenware ceramics, using higher grades of raw materials and higher temperature firing. Because of significantly higher technology levels, the simple earthenware ceramics project should be preferred.

Maize mills. A number of small maize mills may be established downstream from the CEFADER maize programme. This programme is, however, far from its planned production levels.

Pharmaceutical preparations. The Central Supply Pharmacy in Moroni has a small laboratory for the preparation of certain products (suppositories, syrups and pomades). A unit for the preparation of solutions is envisaged. The preparation of additional products such as tablets of simple composition could also be undertaken. However, economic scales of production of even these simple products would be well beyond local market needs. Much needed medicines such as anti-malaria pills and antibiotics are too sophisticated for local production.

Small units for milk homogenization and packaging. Milk production is low and only 10 to 30 per cent is commercialized. Constant supplies and minimal acceptable production levels cannot be reached yet.

Fruit and juice preparation and canning. The project would exploit locally grown exotic fruits. Juices or fruits in syrup would be exported. High investment levels, difficulties in assuring constant supplies and the need to import cans make this project only an alternative to the air shipment of fresh fruits.

Textiles (raw and printed). At present, most textiles, for traditional and modern wear, mainly cotton and synthetics, are imported from France. The local market is thus accustomed to high quality fabrics. The levels of investment and output commensurate with this high quality would be excessive for local conditions.

Jeans factory. One entrepreneur would be interested in setting up such a plant based on imported textiles. Jeanswear has had little impact in the Comoros and the local market is still too limited to justify this production. However, exports to the FEC, to take advantage of not utilized export quotas, could be envisaged.

Silos for cement and foodstuffs. This project could become viable if and when government to government agreements are made for bulk purchases of these commodities and when appropriate harbour infrastructures are established.

Export Processing Zones. The idea is to utilize the increasing and cheap labour force to process mainly imported raw materials or semi-finished products for export. Present transport difficulties would make this project impossible to set up, and even when transport infrastructure is improved significantly, such zones may not be feasible within the foreseeable future. Partly because of widespread malaria, labour productivity would not be sufficiently high. In addition, the world economic slump, competition from neighbouring countries and high transportation costs to major consumer areas would compound the difficulties in setting up export processing zones.

COMOROS: RESUME OF THE FISCAL SYSTEM

T a x	Applicability and Rate (annual, unless otherwise indicated)	Exemptions and Deductions
1. <u>Income and Profit Taxes</u>		
1.1 Corporate tax on gross profit	Natural persons 40%. Juridical persons 50%. Minimum of CF 500,000. Enterprises with accounts prepared outside Comoros pay 2% of the turnover.	Consumer cooperatives, rural credit associations, welfare organizations.
1.2 Tax on non-distributed profits	-	Expected to be abolished soon
1.3 Income tax	Each family filing together. Rate fixed in line with income (2%-33%) plus a progressive rate (4%-35%).	Incomes less than CF 100,000; diplomatic and military personnel
2. <u>Real Estate Taxes</u>		
2.1 Built property tax	20% of rent value of dwellings. 30% of rent value of buildings for commercial and industrial use.	Properties used by the state, public enterprises and religious, medical and social services.
2.2 Tax on non-built properties	Owner of the property. 1% of market value.	As above
2.3 Land tax	User of the land. CF 500 to 2,000 per ha.	As above
3. <u>Taxes on Goods and Services</u>		
3.1 Professional licences	Natural or juridical persons engaged in a business activity or profession.	Incomes less than CF 100,000. Civil servants, artisans, farmers and fishermen without employees, midwives.

3.2	Multistades Sales tax	3% on sales except 10% on vehicles and jewelery 1% only once at wholesale level for foodstuffs, cement, household soap and certain pharmaceuticals CF 80,000/three years	Fuel retailers, exporters and agricultural produce, sales under aid programmes
3.3	Taxes on identity card for foreigners		
3.4	Tax on firearms	CF 5,000	Police and armed forces.
3.5	Road tax	CF 4,000 to 20,000 for private vehicles. CF 2,000 to 3,000/quarter for taxis. CF 4,000/ton/quarter for commercial vehicles.	Foreign vehicles.
4.	<u>Customs Duties</u>		
4.1	Customs duty	0 to 15%	Merchandise granted to the state, diplomatic goods, goods imported within the framework of the Investment Code, most foodstuffs.
4.2	Consumption duty on imports	Normally 5 to 53%. Luxury goods 53 to 130%. Tobacco 250%. Alcoholic drinks 200 to 300%.	As above, except foodstuffs.
4.3	Exports	3.2 to 20% Copra - 10.2% Vanilla - 20% Cloves - 15% Perfume essences - 11.6%	None
5.	<u>Other Taxes</u>		
5.1	Special rates for communities	10% of taxes paid for professional licences and property tax.	
5.2	Special rates for the Chamber of Commerce	10% of taxes paid for professional licences.	
5.3	Social Security	CF 300/quarter for accidents.	
5.4	Road fund on hydrocarbons	13 CF/L for gasoline 10 CF/L (15 CF/L after 1 Jan. 83) for gas-oil	

Source: Ministry of Finance

ANNEX TABLE 1: GROSS DOMESTIC PRODUCT BY SECTOR
AT CURRENT MARKET PRICES, 1976-1980
 (CF million)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Agriculture	5,689	6,734	7,195	8,991	10,224
Manufacturing	690	766	885	1,033	1,195
Utilities	70	80	88	90	110
Construction	935	1,123	1,379	1,738	2,354
Wholesale and Retail Trade	3,332	3,682	4,211	5,368	5,886
Transport	213	236	281	333	379
Banking, Insurance	364	405	496	597	687
Public Administration	1,437	1,099	2,291	3,069	3,675
Other Services	109	124	146	167	194
<u>GDP at Market Prices</u>	<u>12,839</u>	<u>14,249</u>	<u>16,972</u>	<u>21,386</u>	<u>24,704</u>
Indirect Taxes and Subsidies	1,263	1,522	1,904	2,511	2,119
<u>GDP at Factor Cost</u>	<u>11,576</u>	<u>12,737</u>	<u>15,068</u>	<u>18,875</u>	<u>22,585</u>

Source: World Bank

ANNEX TABLE 2: GROSS DOMESTIC PRODUCT BY SECTOR
AT CONSTANT 1979 PRICES, 1976-1980
 (CF million)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Agriculture	8,047	8,955	8,299	8,991	9,345
Manufacturing	984	1,018	1,007	1,033	1,074
Utilities	70	80	88	90	93
Construction	1,338	1,543	1,580	1,738	2,061
Wholesale and Retail Trade	4,753	4,877	4,790	5,368	5,294
Transport	304	313	320	333	341
Banking, Insurance	519	536	565	597	618
Public Administration	2,049	1,455	2,506	3,069	3,305
Other Services	155	165	166	167	174
<u>GDP at Market Prices</u>	<u>18,219</u>	<u>18,943</u>	<u>19,519</u>	<u>21,386</u>	<u>22,305</u>
Indirect Taxes and Subsidies	1,791	2,011	2,191	2,511	1,913
<u>GDP at Factor Cost</u>	<u>16,428</u>	<u>16,932</u>	<u>17,329</u>	<u>18,875</u>	<u>20,392</u>

Source: World Bank

**ANNEX TABLE 3: NUMBER OF ESTABLISHMENTS, EMPLOYMENT AND AVERAGE
GROSS MONTHLY SALARIES PAID PER ECONOMIC SECTOR AND ISLAND
(as of 30 June 1980)**

<u>Sectors</u>	<u>Total</u>			<u>Government</u>			<u>Private Enterprises</u>		
	<u>No. Establish.</u>	<u>Employment</u>	<u>Average Monthly Salary</u> (CF '000)	<u>No. Establish.</u>	<u>Employment</u>	<u>Average Monthly Salary</u> (CF '000)	<u>No. Establish.</u>	<u>Employment</u>	<u>Average Monthly Salary</u> (CF '000)
Agriculture	119	1,349	10	33	551	14	86	798	7
Industry	125	685	17	-	-	-	125	685	17
Utilities	14	206	23	6	6	12	8	200	24
Construction	130	3,579	18	24	1,565	12	106	2,014	23
Trade	159	1,210	20	1	19	16	158	1,191	20
Transport and Communication	75	975	31	16	468	26	59	507	36
Banking, Insurance	7	146	55	-	-	-	7	146	55
Public Services	432	4,597	27	406	4,376	27	26	221	29
Total	1,061	12,747	22	486	6,985	22	575	5,762	22
<u>Islands</u>									
Grande Comoros	605	7,624	22	277	3,947	23	328	3,677	20
Anjouan	388	4,210	23	159	2,416	22	229	1,794	25
Moheli	68	913	19	50	622	21	18	291	15

Source: ILO Manpower Survey, October 1981

ANNEX TABLE 4: NUMBER OF ESTABLISHMENTS, EMPLOYMENT
PER SECTOR AND SUB-SECTOR
 (as of 30 June 1980)

Annex Table 4
Page 1

<u>Sector and Sub-sector</u>	<u>Number of Establishments</u>	<u>Employment</u>
<u>Agriculture</u>	<u>104</u>	<u>1,074</u>
Mixed agriculture	15	410
Field crops	12	34
Market gardening	3	6
Mixed orchards	34	331
Industrial orchards (ylang-ylang, cloves, etc.)	12	82
Livestock production (small animals)	1	14
Picking and preparation of vanilla, cloves, etc.	27	197
<u>Forestry and Logging</u>	<u>15</u>	<u>275</u>
Forestry	14	83
Logging	1	192
<u>Food Industry</u>	<u>5</u>	<u>89</u>
Bakeries	4	60
Soft-drink industry	1	29
<u>Textile Industry</u>	<u>12</u>	<u>25</u>
Manufacture of wearing apparel	12	25
<u>Wood Products Manufacture</u>	<u>62</u>	<u>282</u>
Sawmills	3	97
Furniture making	59	185
<u>Paper and Paper Products Printing</u>	<u>1</u>	<u>21</u>
Printing	1	21
<u>Chemical Industries</u>	<u>29</u>	<u>244</u>
Soap making	1	14
Ylang-ylang distilleries	28	230
<u>Other Industries</u>	<u>16</u>	<u>24</u>
Jewellery	15	22
Artisanry	1	2

<u>Sector and Sub-sector</u>	<u>Number of Establishments</u>	<u>Employment</u>
<u>Utilities</u>	<u>14</u>	<u>206</u>
Electricity production and distribution	7	183
Water captation and distribution	7	23
<u>Construction</u>	<u>130</u>	<u>3,579</u>
General civil contractors	8	1,703
Building contractors	12	587
Self-construction	91	387
Public works contractors	18	839
Specialized contractors	1	63
<u>Wholesale Trade</u>	<u>50</u>	<u>855</u>
<u>Retail Trade</u>	<u>86</u>	<u>204</u>
<u>Restaurants and Hotels</u>	<u>23</u>	<u>151</u>
Restaurants	18	38
Hotels	5	113
<u>Transport and Storage</u>	<u>66</u>	<u>642</u>
Taxis	36	61
Road freight transport	11	48
Water transport	5	221
Auxiliary services to above	2	57
Air transport	4	70
Auxiliary services to above	8	185
<u>Communications</u>	<u>9</u>	<u>333</u>
<u>Financial Institutions</u>	<u>3</u>	<u>93</u>
<u>Insurance</u>	<u>2</u>	<u>9</u>
<u>Real Estate and Business Services</u>	<u>2</u>	<u>44</u>
Engineering services	2	44
<u>Public Administration</u>	<u>97</u>	<u>1,160</u>
<u>Sanitary and Similar Services</u>	<u>2</u>	<u>56</u>
<u>Social and Related Community Services</u>	<u>309</u>	<u>3,116</u>
Elementary education	241	1,840
Secondary education	27	596
Vocational training	1	11
Universities	1	22
Scientific institutions	1	11
Medical services	37	624
Trade associations	1	12

<u>Sector and Sub-sector</u>	<u>Number of Establishments</u>	<u>Employment</u>
<u>Recreational and Cultural Services</u>	<u>4</u>	<u>94</u>
<u>Personal Services</u>	<u>17</u>	<u>148</u>
Electrical repair shops	1	2
Motor vehicle repair	12	143
Watch and jewellery repair	1	1
Welding shops	1	2
Photographic studios	2	-
<u>International Bodies</u>	<u>3</u>	<u>23</u>
<u>GRAND TOTAL</u>	<u>1,061</u>	<u>12,747</u>

Source: ILO Manpower Survey, October 1981.

ANNEX TABLE 5: EMPLOYMENT BY SECTOR

	1970	1975	1980			%Total	%Public	%Private
			Total	Public	Private			
Agriculture	6933	5783	1349	551	798	10.6	40.8	59.2
Industry	278	591	685	-	685	5.4	0.0	100.0
Utilities	b)	b)	206	6	200	1.6	2.9	97.1
Construction	1392 ^{c/}	1292 ^{c/}	3579	1565	2014	28.1	43.7	56.3
Trade, Banking	666	1663	1356	19	1337	9.5	1.6	98.4
Transport	483	879	642	185	457	7.6	48.0	52.0
Communications	b)	b)	333	283	50	1.1	0.0	100.0
Services	<u>4631</u>	<u>5214</u>	<u>4597</u>	<u>4376</u>	<u>221</u>	<u>36.1</u>	<u>95.2</u>	<u>4.8</u>
Total	14383	15422	12747	6985	5762	100.0	54.8	45.2
out of which Mayotte ^{a/}	<u>1900</u>	<u>2200</u>	<u>7</u>	<u>-</u>	<u>7</u>			
Total without Mayotte	12483	13222	12740	6985	5755			

a) In 1980 excluding the island of Mayotte except for 7 employees of Air Comoros.

b) Included in services

c) Only private sector. Public sector activities included in services

Source: Employment Office, Moroni for 1970 and 1975; ILO manpower survey for 1980

Note: The drop of employment in agriculture is explained by the massive land sales by large plantations to individual farmers, most of them without employment, and therefore not accounted for.
The severe drop in trade and transport is due to the smaller response of these sectors in 1980 and the utilization of a different enterprise classification.

**ANNEX TABLE 6: EMPLOYMENT, SKILLED POSTS VACANT, OCCUPIED
BY FOREIGNERS AND FUTURE NEEDS**

Sector	Employment	Skilled Posts		Additional needs in skilled personnel		
		Vacant	Occupied by foreigners	1981	1982	1983
	As of 30 June 1980					
All Sectors	12747	455	233	563	520	581
Public	6985	352	157	504	481	535
Private	5762	103	66	59	39	46
Agriculture	1349	3	8	7	7	10
Industry	685	53	4	9	3	3
Utilities	206	4	2	1	-	-
Construction	3579	34	19	13	9	9
Wholesale and Retail Trade	1210	10	18	17	21	26
Transport	975	38	10	32	25	29
Banking, Insurances	146	-	5	-	-	-
Public Services	4597	313	157	484	455	504

Source: ILO Manpower Survey

ANNEX TABLE 7: EVOLUTION OF THE POPULATION
(1966-1980)

	<u>1966</u>	<u>1980</u>	<u>Increase</u>		<u>Average Annual</u>
			<u>In Figures</u>	<u>In Percentage</u>	<u>Growth in</u>
					<u>Percentage</u>
Grande Comoros	118,924	192,177	73,253	61.6	3.5
Anjouan	83,829	137,621	53,792	64.2	3.6
Moheli	9,545	17,194	7,649	80.1	4.3
<u>Total</u>	<u>212,298</u>	<u>346,992</u>	<u>134,694</u>	<u>63.4</u>	<u>3.6</u>

Source: Planning Department, June 1981

ANNEX TABLE 8: DISTRIBUTION OF TOTAL AND EMPLOYED POPULATION
PER ISLAND

(in percentage)

	Total Population		Employed		
	1966	1980	1965	1974	1980
Grande Comoros	55	55	40	57	60
Anjouan	40	40	52	37	33
Moheli	5	5	8	6	7
Total	100	100	100	100	100

Source: ILO Manpower Survey

Note: The severe drop in employment from 1965 to 1980 in Anjouan may be explained by the drop of employment in the Anjouan large plantations and a concentration of economic activities in Grande Comoros.

ANNEX TABLE 9: SUBSISTENCE CROPS OUTPUTS, 1976-80

(Tons)

<u>Grains and Tubers</u>	<u>1966</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Rice	3,350	3,375	3,484	3,661	3,700	3,770
Maize	1,155	1,353	1,469	1,545	1,700	1,900
Manioc	23,000	21,455	23,261	24,466	25,600	26,800
	(n.a)	(6,437)	(6,978)	(7,340)	(7,680)	(8,000)
Taro	1,207	1,207	1,303	1,368	1,400	1,600
	(n.a)	(360)	(391)	(411)	(420)	(480)
Yam	1,226	1,459	1,582	1,662	1,745	1,850
	(n.a)	(438)	(475)	(497)	(523)	(550)
Sweet Potatoes	2,612	3,090	3,350	3,523	3,700	3,900
	(n.a)	(927)	(1,005)	(1,057)	(1,100)	(1,165)
<u>Fruits</u>						
Bananas	23,000	27,548	27,868	31,415	36,000	41,400
	(n.a)	(13,770)	(14,930)	(15,707)	(14,000)	(16,500)
Coconuts	29,400	32,400	33,200	34,100	35,000	35,900
	(n.a)	(11,584)	(5,608)	(5,027)	(4,900)	(5,000)
Others	1,316	1,974	2,140	2,251	2,290	2,300
<u>Meat and Fish</u>						
Beef	n.a.	770	1,100	750	760	720
	(n.a)	(616)	(990)	(640)	(610)	(580)
Other Meats	n.a.	270	405		150	155
	(n.a)	(216)	(324)	(234)	(120)	(124)
Fish	n.a.	3,553	2,300	2,300	2,300	2,300
	(n.a)	(3,198)	(4,140)	(4,140)		
<u>Miscellaneous</u>						
Milk ^{1/}	n.a.	369	371	376	380	358
Eggs (in thousand units) ^{2/}	n.a.	413	413	413	475	438

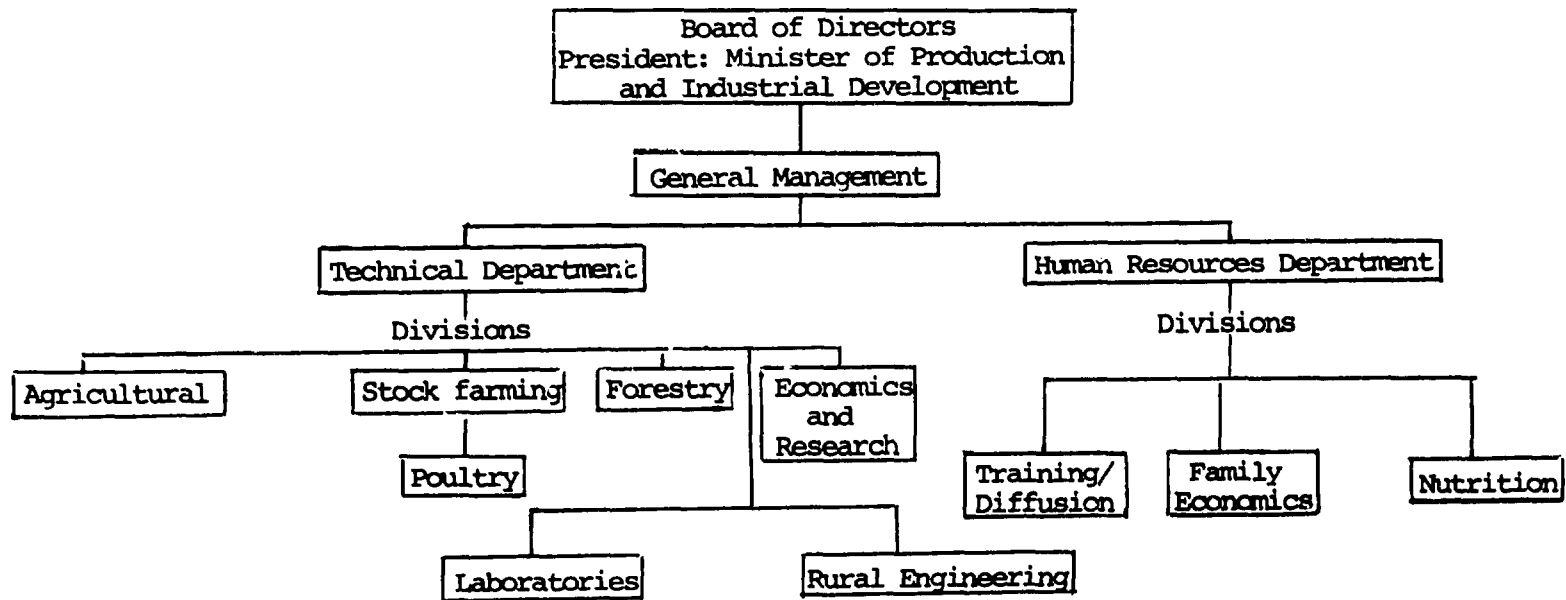
Note: Figures in brackets refer to production traded.

^{1/} Auto-consumption of milk estimated at 70 to 90%.

^{2/} Auto-consumption of eggs estimated at 25 to 40%.

Source: CEFADER and IRAT.

ANNEX TABLE 10: CEFADER'S ORGANIGRAM



Source: CEFADER

ANNEX TABLE 1

	1979	1980		Percentage	Forecasts
	Actual	Forecasts	Actual		
1. Corporate Tax	69.3	90.5	84.8	94	119.0
2. Income Tax	21.7	68.2	43.3	63	79.4
3. Professional Licenses	38.2	77.0	47.8	62	93.5
4. Sales Tax	13.4	138.4	35.6	26	153.4
5. Tax on non-distributed Profits	0	5.0	0	0	6.0
6. Real Estate Taxes	0.4	16.9	0.9	5	19.1
7. Entertainment Tax	0	8.3	1.2	14	9.6
8. Transport Tax	6.1	33.0	12.3	37	37.5
9. Others	0	61.1	40.1	66	168.6
<u>Total (1 to 9)</u>	<u>149.1</u>	<u>498.4</u>	<u>266.0</u>	<u>53</u>	<u>686.1</u>
10. Registration and Stamps	37.0	51.1	43.0	84	64.2
11. Property Income Tax	9.8	10.1	20.4	202	19.7
12. Service Revenues	110.0	207.9	163.8	79	327.3
13. Fines	1.3	24.3	2.6	11	50.1
14. Customs Duties	2,238.0	1,945.4	2,221.5	114	2,151.0
<u>Total (10 to 14)</u>	<u>2,396.1</u>	<u>2,238.8</u>	<u>2,451.3</u>	<u>109</u>	<u>2,612.3</u>
<u>Grand Total (1 to 14)</u>	<u>2,545.2</u>	<u>2,737.2</u>	<u>2,717.3</u>	<u>92</u>	<u>3,298.4</u>
Of which Fiscal Revenues	2,425.4	2,519.2	2,533.1	101	2,951.4

1/ As of 30 September 1982

Source: Central Tax Administration

FISCAL AND SERVICE REVENUES, 1979-1981

(CF Million)

1981		1982		
<u>Actual</u>	<u>Percentage</u>	<u>Forecasts</u>	<u>Actual</u>	<u>Percentage</u>
71.1	0	96.0	66.7	69
53.7	0	61.0	59.8	98
50.7	0	58.0	51.7	89
75.7	36	240.0	105.1	44
0	0	0	0	0
0.8	0	25.0	7.7	31
0.1	1	6.0	0	0
0.1	0	15.0	0.6	4
1.9	1	0	15.1	0
<u>254.1</u>	<u>27</u>	<u>501.0</u>	<u>306.7</u>	<u>61</u>
46.1	46	72.0	49.9	60
13.3	34	45.4	19.8	44
86.2	14	81.8	317.8	338
5.2	6	1.8	1.8	100
2,854.1	96	2,865.3	2,268.2	79
<u>3,004.9</u>	<u>82</u>	<u>3,066.3</u>	<u>2,657.5</u>	<u>87</u>
<u>3,252.0</u>	<u>71</u>	<u>3,267.3</u>	<u>2,964.2</u>	<u>83</u>
3,159.5	77	3,440.1	2,626.6	76

ANNEX TABLE 12: MERCHANDISE IMPORTS AT CURRENT PRICES. C.I.F. 1976-80

(Value CF million)

(Quantity in tons)

	1976		1977		1978		1979		1980		1981	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Food Products	<u>1,264.6</u>	<u>1,150.5</u>	<u>4,808.4</u>	<u>2,004.0</u>	<u>5,040.8</u>	<u>2,054.3</u>	n.a.	<u>2,871.0*</u>	n.a.	n.a.	n.a.	n.a.
Meat	147.4	144.4	839.7	343.1	924.3	365.0	n.a.	577.0*	693.0	472.4		
Rice	600.5	564.7	13,955.7	1,049.1	23,638.4	1,113.6	n.a.	1,508.0*	30,648.2	2,703.7		
Flour	73.1	40.3	2,088.0	131.1	1,394.6	104.7	n.a.	140.0*	950.7	90.0		
Sugar	126.5	75.4	1,951.6	161.0	2,743.5	256.2	n.a.	367.0*	920.5	134.3		
Miscellaneous	317.1	325.7	n.a.	319.7	965.0	214.8	n.a.	279.0*	n.a.	n.a.		
Finished Products	n.a.	<u>1,184.1</u>	n.a.	<u>1,042.5</u>	n.a.	<u>1,976.1</u>	n.a.	<u>2,400.0*</u>	n.a.	n.a.	n.a.	n.a.
Tobacco	43.0	54.0	49.9	62.2	52.8	79.5	n.a.	n.a.	19.1	36.7		
Pharmaceuticals	81.2	45.6	25.5	62.3	26.4	99.6	n.a.	n.a.	16.9	58.1		
Textiles	183.5	186.3	22.8	245.1	89.0	110.5	n.a.	n.a.	n.a.	n.a.		
Vehicles	37.7	103.9	167.5	49.7	572.0	476.0	n.a.	n.a.	n.a.	368.5		
Miscellaneous	n.a.	793.4	n.a.	623.2	n.a.	838.4*	n.a.	n.a.	n.a.	n.a.		
Petroleum Products	<u>349.8</u>	<u>513.0</u>	<u>9,245.9^{1/}</u>	<u>432.5^{1/}</u>	<u>5,311.8</u>	<u>385.4</u>	n.a.	<u>915.0</u>	<u>11,840.7</u>	<u>871.0</u>		
Aviation Fuel	34.2	42.0	n.a.	40.5	n.a.	n.a.	n.a.	n.a.	295.9	24.6		
Automobile Fuel	115.2	152.8	n.a.	95.3	n.a.	n.a.	n.a.	n.a.	3,149.5	299.2		
Gas Oil	148.0	167.8	n.a.	142.8	n.a.	n.a.	n.a.	n.a.	4,183.0	370.1		
Miscellaneous	52.4	150.4	n.a.	153.9	n.a.	n.a.	n.a.	n.a.	4,212.5	177.4		
Raw Materials and Semi-finished Products	n.a.	<u>529.7</u>	n.a.	n.a.	n.a.	<u>1,201.1*</u>	n.a.	<u>1,700.0*</u>	n.a.	n.a.	n.a.	n.a.
Of Animal and Vegetable Origin	n.a.	3.6	n.a.	4.1	n.a.	5.0*	n.a.	n.a.	n.a.	n.a.		
Of Mineral Origin	n.a.	16.9	n.a.	24.7	n.a.	30.0*	n.a.	n.a.	n.a.	n.a.		
Cement	131.1	160.4	14,582.0	222.3	7,999.0	145.4	n.a.	n.a.	20,962.1	460.7		
Iron and Steel	25.2	173.4	n.a.	n.a.	n.a.	520.7	n.a.	n.a.	958.9	157.0		
Miscellaneous	n.a.	174.9	n.a.	325.7	130.0	500.0*	n.a.	n.a.	n.a.	n.a.		
Capital Goods	n.a.	<u>675.9</u>	n.a.	<u>276.0</u>	n.a.	<u>665.3</u>	n.a.	<u>1,129.0</u>	n.a.	n.a.	n.a.	n.a.
Agricultural Equipment	n.a.	48.0	n.a.	2.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Industrial Equipment	n.a.	627.0	n.a.	273.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Total Imports	<u>3,118.6</u>	<u>4,053.2</u>	<u>48,084.0</u>	<u>4,329.8</u>	<u>50,403.0</u>	<u>6,282.2</u>	<u>60,100</u>	<u>9,015.0</u>	<u>89,697.0</u>	<u>8,791.0</u>		

n.a. = Not available

^{1/} In thousand litres.

Source: Customs Department.

* World Bank estimates.

ANNEX TABLE 13: MERCHANDISE EXPORTS AT CURRENT PRICES, 1976-80

(Values in CF million, quantity in tons)

	1976		1977		1978		1979		1980		1981 ^{1/}	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Ylang-Ylang Essences	73.1	618.0	60.0	587.1	61.1	637.9	61.2	661.9	32.0	403.1	40.2	453.8
Extra	19.6	299.1	15.6	265.0	18.5	318.0	17.6	n.a.	13.4	246.6	n.a.	n.a.
First Quality	4.1	40.3	2.5	29.0	3.8	45.5	4.0	n.a.	3.7	47.1	n.a.	n.a.
Second Quality	3.7	28.2	2.2	18.7	2.2	19.0	1.2	n.a.	1.8	16.4	n.a.	n.a.
Third Quality	45.5	246.4	39.1	262.4	36.2	247.6	38.4	n.a.	12.3	87.5	n.a.	n.a.
Solid	0.2	4.0	0.6	12.0	0.4	7.8	38.4	n.a.	0.3	5.3	n.a.	n.a.
Basil Essence	1.1	14.5	1.4	17.8	1.1	14.0	1.2	14.7	1.8	23.3	0.6	8.2
Other Essences	1.1	23.7	0.7	33.6	1.1	19.8	1.2	20.1	0.1	0.6	0.1	5.4
Vanilla	124.1	464.9	230.4	1,084.6	116.9	736.8	179.9	2,272.1	12.9	1,930.0	160.2	2,169.3
Copra	1,322.6	122.7	1,317.2	133.4	2,060.5	205.3	2,290.8	254.2	774.7	84.7	1,020.7	78.44
Cloves	880.2	812.0	219.9	294.1	329.6	452.2	342.0	446.4	816.2	1,247.2	949.2	1,728.5
Cocoa	10.7	5.1	12.0	9.7	8.1	3.6	14.7	6.3	8.0	4.37	2.3	.8
Coffee	31.7	17.4	18.2	16.9	22.8	10.8	16.9	9.1	2.0	1.2	5.1	2.0
Miscellaneous	2,859.2	145.7	239.3	25.7	181.8	22.2	845.0	49.3	86.1	2.7	210.0	8.9
Total Exports	6,303.8	2,224.0	2,099.1	2,202.9	2,783.0	2,102.6	3,752.9	3,734.1	1,765.0	2,363.9	2,388.4	4,455.3

Source: Customs Department.

^{1/} Preliminary figures.

ANNEX TABLE 14: CUSTOM TARIFFS ON IMPORTS

(Ad Valorem except if otherwise specified)

<u>Product</u>	<u>Customs Duty</u>	<u>Consumption Duty</u>
	<u>In Percentage</u>	
<u>Food Products</u>		
Meat	Exempted	5
Fish	Exempted	16
Milk (fresh and dried)	Exempted	16
Butter	Exempted	38
Dried Vegetables	5	25
Green Coffee	5	43
Roasted Coffee	10	43
Tea	5	38-43
Maize	5	26
Rice	Exempted	1 CF/Kg + 5.5
Other Grains	5	26
Grain Flour	5	32-38
Vegetable Oil and Fats	10	30-32
Sugar	10	10 CF/Kg + 11
Water	10	43
Soft Drinks	10	100
Beer	10	200
Wines	10	200
Liqueurs	10	2,500 CF/Hl + 300
Salt	Exempted	4 CF/Kg + 11
<u>Finished Products</u>		
Tobacco	10	266
Pharmaceuticals (anti-malaria, antibiotics)	5	5
Pharmaceuticals (others)	5	38
Clothing	10	65
Shoewear (plastic)	5	45
Shoewear (other)	10	45

<u>Products</u>	<u>Customs Duty</u>	<u>Consumption Duty</u>
<u>Finished Products contd.</u>		
Passenger Vehicles	5	43
Commercial Vehicles	Exempted	27
Boats	Exempted	16
Paints	5	43
Toothpaste	10	85
Household Soap	10	43
Toilet Soap	10	50
Plastic Articles	10	43
Leather Goods	5	43
Wood Products	10	16-43
Paper products	5	32
<u>Petroleum Products</u>		
Gasoline (non aviation)	10	29 CF/L
Petrol	10	5 CF/L
Gas Oil	Exempted	16
Fuel Oil	Exempted	16
Oil Gas	Exempted	32
Fertilizers	Exempted	16
Other Petroleum based Products	Exempted	43
<u>Raw Materials and Semi-finished Products</u>		
Stones	5	26
Lime	5	26
Cement	5	18
Skins and Hides	5	43
Wood	10	32
Paper	5	32
Synthetic Yarns	5	43
Synthetic Fabrics	10	60
Woollen Yarns	Exempted to 5	16-43
Woollen Fabrics	5	54
Cotton Yarns	Exempted to 5	16-43
Cotton Fabrics	5	54

<u>Products</u>	<u>Customs Duty</u>	<u>Consumption Duty</u>
<u>Raw Materials and Semi-finished Products cont.</u>		
Bricks	5	43
Iron and Steel Profiles	5	32
Zinc Corrugated Steel	5	17
Aluminium Foil	5	21-32
<u>Capital Goods</u>		
Tooling	5	43
Boat Engines	10	43
Other Engines	10	26
Cold Chambers	10	43
Sewing Machines	5	43
Woodworking Machine Tools	10	27
Metalworking Machine Tools	10	27

Source: Tariff Code.

ANNEX TABLE 15: CUSTOM TARIFFS ON EXPORTS

(Ad valorem except if otherwise specified)

<u>Product</u>	<u>Custom Duty (%)</u>
Coconut	10.6
Green Coffee	10.8
Pepper	6
Vanilla	20
Cloves	15
Copra	5.4
Coconut Oil	2 CF/Kg + 1.2
Perfume Essences	11.6+ 1000 CF/kg (Extra ylang-ylang essence)
Cocoa Fibres	8.6

Source: Tariff Code.

