

Pension Reform in Comoros

Mehdi El-Herradi, Martin Blumhart, Moustapha Diouf,
and Jasmina Papa

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IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on January 27, 2026. This paper is also published separately as IMF Country Report No 26/48.

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Prepared by Mehdi El-Herradi, Martin Blumhart, Moustapha Diouf, and Jasmina Papa

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ABSTRACT: This paper assesses the financial outlook of the pension system in Comoros based on recent actuarial analyses and examines reform options. It documents structural imbalances arising from system design features, limited contributor coverage, and demographic dynamics, which are projected to generate increasing financing pressures over time. The analysis identifies the key drivers of projected deficits and evaluates policy measures to restore financial sustainability, including parametric adjustments and institutional strengthening. As one of the first comprehensive actuarial-based assessments of pension reform in a fragile state context, the paper provides an analytical framework to support reform sequencing while safeguarding social protection objectives and improving system efficiency.

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SELECTED ISSUES PAPERS

Pension Reform in Comoros

Union of the Comoros

Prepared by M. El-Herradi, M. Blumhart, M. Diouf, and J. Papa.



UNION OF THE COMOROS

SELECTED ISSUES

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**The African
Department**

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PENSION REFORM IN COMOROS¹

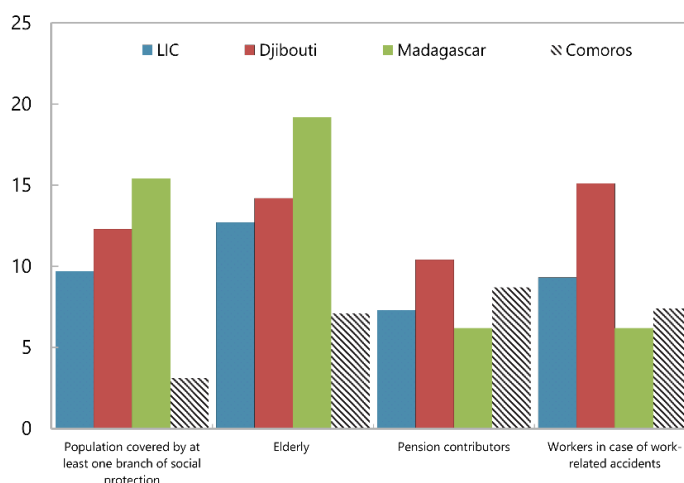
A. Executive Summary

Social protection coverage is limited in Comoros, with only a small share of the population benefitting from formal safety nets. In this context, the public pension system—managed by the Caisse des Retraites des Comores (CRC)—plays an important role in providing income security to affiliated retirees and contributing to broader social stability. However, mounting financial imbalances risk undermining the system’s ability to deliver on its benefit commitments. Building on actuarial analyses in collaboration with the International Labour Organization (ILO), this paper assesses the outlook of the CRC’s defined benefit schemes and identifies the key sources of its financial vulnerability, particularly within the civil servants’ scheme. The paper also presents a comprehensive reform strategy aimed at improving the pension system’s sustainability while preserving its essential social protection function. Even under the most comprehensive combination of parametric adjustments, however, the system is projected to continue requiring some level of transitional financing over the medium term.

B. Context

1. Social protection coverage in Comoros is among the lowest in the region. According to the latest available estimates, only about 3 percent of the population was covered by at least one branch of the social protection system in 2022², a figure significantly below the 9.7 percent average for low-income countries (LIC) and regional peers (Figure 1). While coverage of pension contributors is relatively higher than in some peers, access to benefits for the elderly and other groups remains comparatively low. Several structural factors contribute to these outcomes, including the predominance of informal employment (Drissi-Bourhanbour, 2024; IMF, 2022)—estimated at 88 percent of the active population—as well as regulatory gaps and limited coordination across institutions (ILO, forthcoming). These challenges have constrained the ability of

Figure 1. SDG Indicator 1.3.1 (Selected)
(Social Protection Coverage, In Percent)



Note: Indicator 1.3.1 measures the proportion of the population receiving at least one form of social protection, among others: old-age benefits, maternity benefits, family allowances, unemployment protection, and social assistance for the most vulnerable.

Source: ILO-World Social Protection Data Dashboard, ILO (2023).

¹ Prepared by M. El-Herradi, M. Blumhart, M. Diouf, and J. Papa.

² Excluding health.

the broader social protection system to deliver adequate support to vulnerable segments of the population.

2. The pension system in Comoros—the *Caisse des Retraites des Comores (CRC)*—serves as the main component of the formal safety net, providing income support to retirees and their families. However, the CRC is facing mounting financial sustainability challenges, particularly within the civil servants' scheme, driven by a widening gap between rising benefit expenditures and a stagnating contributory base, compounded by inadequate contribution levels and weak governance. These pressures threaten the CRC's long-term financial sustainability and highlight the need for reform to support national modernization efforts and uphold international commitments, including those under the recently ratified ILO Convention No. 102.

3. This paper contributes to the ongoing pension reform agenda in Comoros by quantifying the projected financing gap of the pension fund and examining the impact of various reform scenarios using actuarial simulations. Based on this analysis, the paper presents a comprehensive set of policy recommendations to help improve the system's long-term sustainability. The rest of the paper is organized as follows. Section C describes the architecture of the pension system and diagnoses its primary structural vulnerability—a deteriorating demographic balance within the system. Section D outlines the methodology used in the actuarial analysis. Section E presents the core diagnosis of financial unsustainability and the projected financing needs. Section F examines the projected impact of potential parametric and package reforms. Section G summarizes the findings, proposes a set of reform options, and concludes.

C. The Pension System's Structure and Challenges

4. The CRC administers three distinct defined-benefit schemes covering civil servants, non-civil servants (including employees in the private sector and non-civil servant public workers), and Members of Parliament (MPs). These schemes provide protection against three types of life-cycle risks: old-age, disability, and death. The absence of accumulated reserves and the prevailing cross-financing practices mean that the system operates on a pay-as-you-go (PAYG) basis, with contributions from current workers used to cover the benefits of current retirees and administrative costs. Participation is mandatory for formal sector workers, with contributions shared between employers and employees.

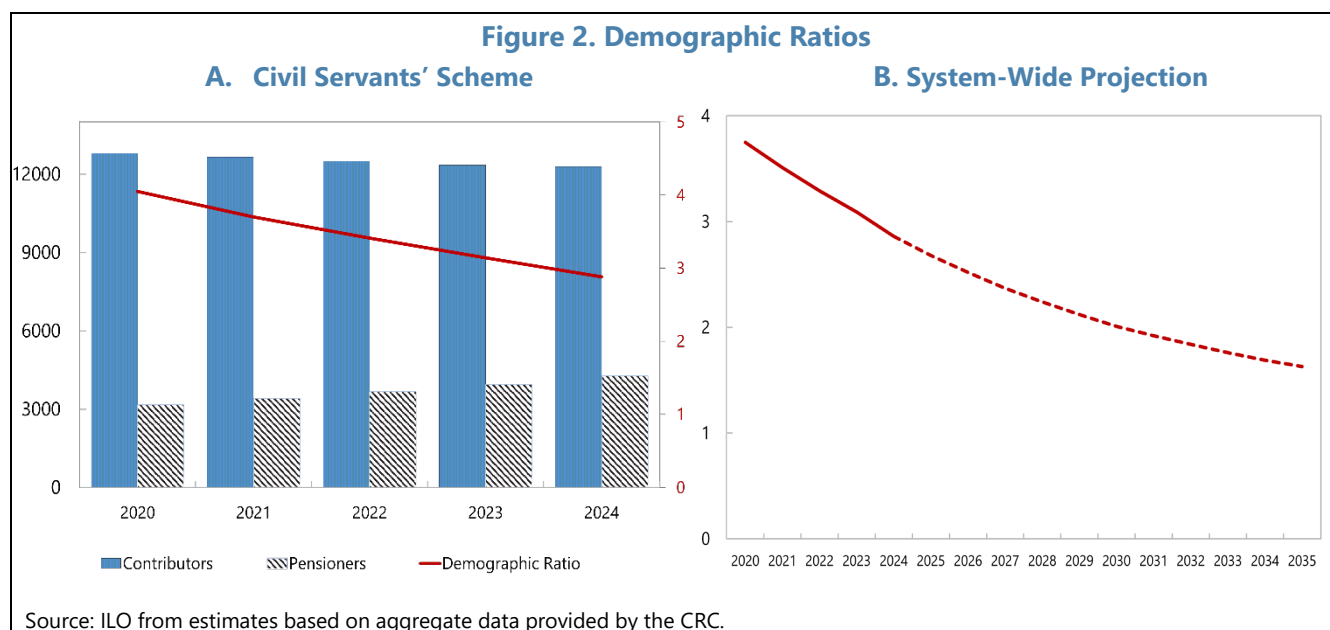
5. Each of the three CRC regimes is governed by distinct parameters that determine eligibility and benefit levels (Table 1). The schemes for civil and non-civil servants share similar core features, including a minimum retirement age of 55 and 15 years of contributions to be eligible for a pension. The primary difference lies in the pension accrual rate—the percentage of final salary earned for each year of service, which is 2 percent for civil servants versus 1.33 percent for non-civil servants. In contrast, the scheme for MPs is significantly more generous, featuring a much shorter minimum requirement of only five years of contributions and a higher accrual rate of 5 percent. A key structural weakness across the main schemes is the short salary reference period used to calculate benefits—typically the average of the last six months—which creates distortions by inflating pension liabilities relative to the actual contribution base (ILO, IMF, 2025).

Table 1. Union of the Comoros: Key Parameters of CRC Pension Schemes

Scheme	Contribution Rate	Statutory Retirement Age	Minimum Contribution Period	Benefit Formula
Civil Servants	17% (12% employer, 5% employee)	55–65 (category-dependent)	15 years	2% × years of service × last 6 months' average salary
Non-Civil Servants	8% (5% employer, 3% employee)	55–65 (category-dependent)	15 years	1.33% × years of service × last 6 months' average salary
Members of Parliament	26% (10% employer, 16% employee)	55	5 years	5% × years of service × final parliamentary indemnity

Source: CRC, ILO and IMF.

6. The system's demographic foundation is rapidly eroding. The sustainability of a PAYG system is highly sensitive to the demographic balance between active contributors and pensioners—a balance that is deteriorating sharply in Comoros, posing the main structural challenge to the CRC's sustainability (Figure 2).³ This decline is particularly significant in the civil servants' scheme, where the demographic ratio—a measure that reflects the number of contributors per beneficiary—dropped from 4.1 in 2020 to just 2.9 in 2024 (Figure 2, panel A). The system-wide demographic ratio shows a similar decline over the same period, as long-term projections point to mounting pressure, with the ratio expected to fall from 2.9 in 2024 to only 1.6 by 2035 (Figure 2, panel B).



³ The period covered is limited to the most recent years, due to concerns about the reliability of the data.

7. This adverse demographic trend is driven by a combination of factors affecting both the number of contributors and beneficiaries. A primary driver is the stagnant contributory base, which is particularly constrained in the public sector by recurrent hiring freezes (D’Harcourt, 2019). The contributory base is further limited by difficulties in expanding coverage among non-civil servants, including low enforcement of mandatory registration and weak compliance. At the same time, rising life expectancy—albeit less pronounced than in other regions—is gradually increasing the average duration of retirement, while declining fertility rates are contributing to a growing demographic dependency ratio, both of which add long-term pressure on the system. Despite these unfavorable demographic and economic developments, the main technical parameters of the system—retirement age, minimum length of service, and accrual rate—have remained unchanged. The combination of these weaknesses has created an important financing gap, which is evaluated in section E.

D. Methodology

8. The analysis presented in this document is based on a financial sustainability study conducted at the request of the Comorian authorities. A full report, entitled “Report to the Comoros Pension Fund – Sustainability Study” (ILO, forthcoming), has been submitted to the authorities. This source document provides a more detailed analysis consistent with professional standards for actuarial reporting.

9. The financial sustainability study was developed using a multipronged, tailored approach involving data collection, technical exchanges, and on-site visits. Targeted requests were sent to the CRC to obtain key datasets required for modelling. These efforts were complemented by field visits and ongoing technical discussions, which clarified current management practices and informed the refinement of assumptions.

10. Despite the constructive involvement of the teams, significant gaps remain in the Fund’s administrative data. Key member information—such as date of birth, gender, and contribution history—is often missing or inconsistent, highlighting weaknesses in the Fund’s information system. Discrepancies also exist between internal data sources, and the financial statements are unaudited. To address these issues, substantial data reconstruction was carried out using best-estimated assumptions to provide a coherent basis for analysis. Supplementary data was also sourced directly from the Ministry of Civil Service to help fill the gaps.

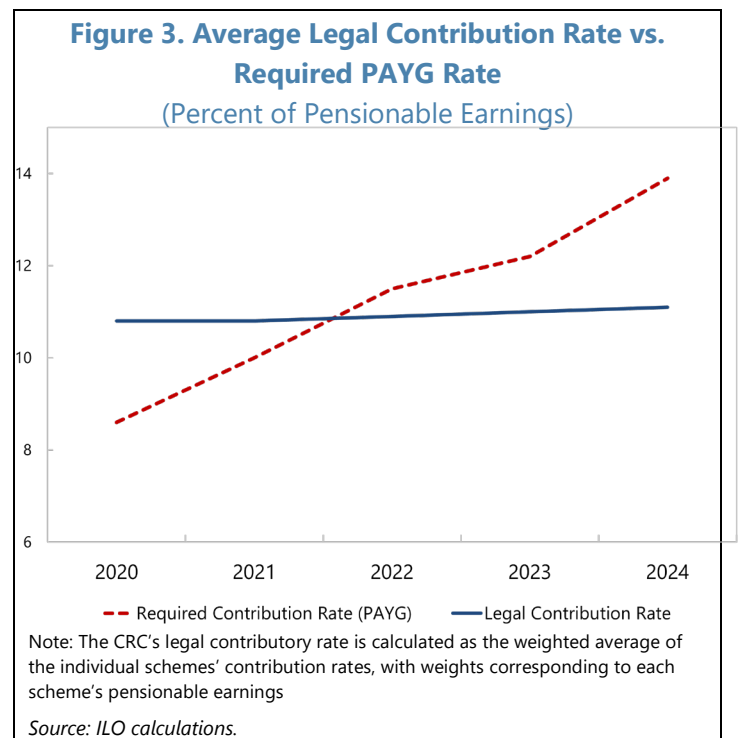
11. The study was conducted using a scheme-by-scheme approach prior to consolidation into a single framework. The three schemes managed by the CRC—for civil servants, members of Parliament, and non-civil servants—were analyzed separately, although the Fund’s management and financial statements typically present aggregated results. This disaggregated analysis offers clearer insight into the specific dynamics of each group, highlights internal imbalances, and identifies adjustment levers unique to each scheme. The final consolidation provides a comprehensive assessment of the system’s overall financial sustainability.

12. Projection methods were chosen based on the quality of data available for each scheme. For the civil servants’ scheme, which had relatively more complete data, a cohort-based projection was conducted using the actuarial modelling tool developed by the International Labor Organization (ILO) to assess the financial sustainability of pension systems. For the other two schemes, projections relied on aggregate assumptions applied to average headcounts and cash flows, calibrated using observed financial flows from recent years. All assumptions are fully documented in the full report, in line with established reporting standards.

13. The results of the financial sustainability study should be interpreted as indicative estimates, reflecting underlying structural trends. Ongoing data limitations preclude the use of precise point estimates. The primary aim of the results presented below is to illustrate the sources of imbalance, quantify their magnitude, and support informed decision-making. Key recommendations of this report include improving data quality — particularly individual member records — conducting external audits of the financial statements and strengthening the monitoring of key pension system indicators.

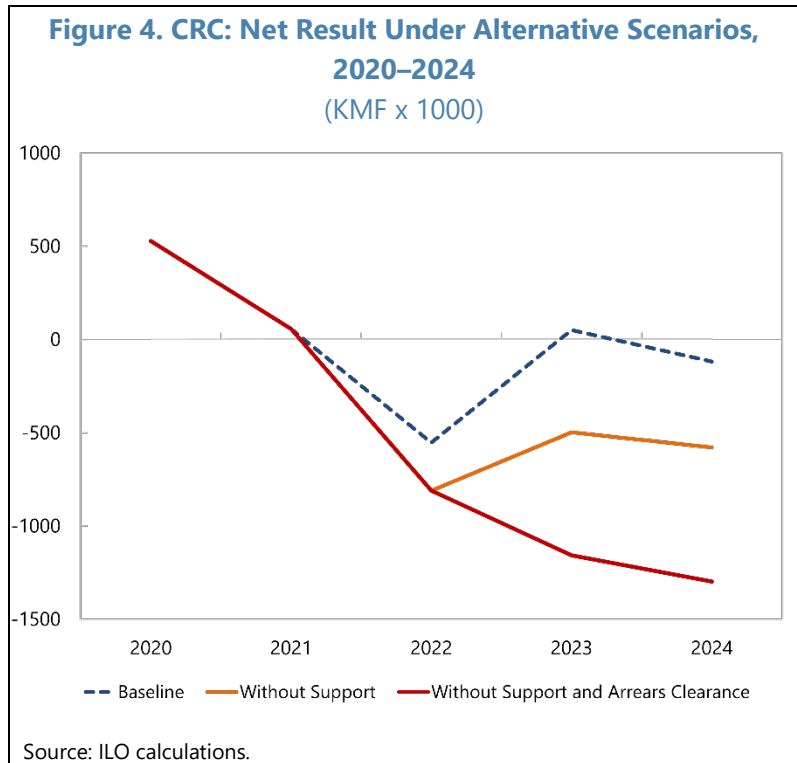
E. Financial Assessment and Outlook

14. The CRC’s financial position has deteriorated in recent years, leading to significant liquidity pressures and intensifying sustainability risks. In 2024, the system recorded a deficit of over KMF 118 million, reflecting a shift whereby expenditures—including benefits and administrative costs—now systematically exceed ordinary contribution revenues. The *de facto* PAYG nature of the system and the absence of reserves mean that any imbalance directly leads to a cash deficit, threatening the timely payment of benefits. The growing gap is illustrated by the divergence between the system’s average legal contribution rate and its PAYG required rate—the theoretical rate that must be applied to insured wages each year to finance all benefits and administrative costs from the same period (Figure 3). While the legal rate has remained broadly stable, the required rate has risen steadily, surpassing the legal threshold in 2022. This crossover marked a critical turning point: since then, ordinary contributions have no longer sufficed to meet annual obligations, resulting in liquidity shortfalls and, in some cases, delays in pension payments. The situation underscores the system’s vulnerability to demographic pressures and its limited capacity to self-correct under current parameters.



15. To address growing liquidity pressures, the CRC has become reliant on exceptional and temporary support to meet its payment obligations. In addition to increasing the civil servants' contribution rate from 14 percent to 17 percent in January 2025, two mechanisms have been mobilized: first, the gradual clearance of the government's past unpaid contribution arrears⁴; and second, ad-hoc budget support provided on a discretionary basis to cover payment shortfalls when the CRC was unable to pay pensions, including two large disbursements of KMF 548 million in 2022 and KMF 527 million in 2024 to cover pension payments to civil servants and MPs.

In the absence of these exceptional measures, the CRC's annual deficit would have exceeded KMF 1.3 billion in 2024—more than ten times the headline figure (Figure 4). While these transfers have mitigated immediate payment disruptions in recent years, they remain an unpredictable and unsustainable solution.



16. The pension system's financial imbalance is primarily driven by the public sector schemes, as the non-civil servants' scheme remains the only one generating a surplus.

Scheme-level analysis reveals significant and persistent deficits in both the civil servants' and MPs' schemes. The civil servants' scheme—the largest in terms of beneficiaries and expenditure—recorded a deficit of KMF 274 million in 2024⁵, while the MPs' scheme posted a KMF 69 million deficit, despite its relatively smaller size. In both cases, legal contribution rates fall well short of the level needed to ensure financial balance. In the civil servants' scheme, the PAYG required contribution rate reached nearly 22 percent of salaries in 2024, compared to the 14 percent legal rate in effect during the period (Annex Figure 1, panel A). The gap is even wider in the MPs' scheme, where the required rate exceeded 75 percent against a legal rate of just 26 percent (Annex Figure 1, panel B).

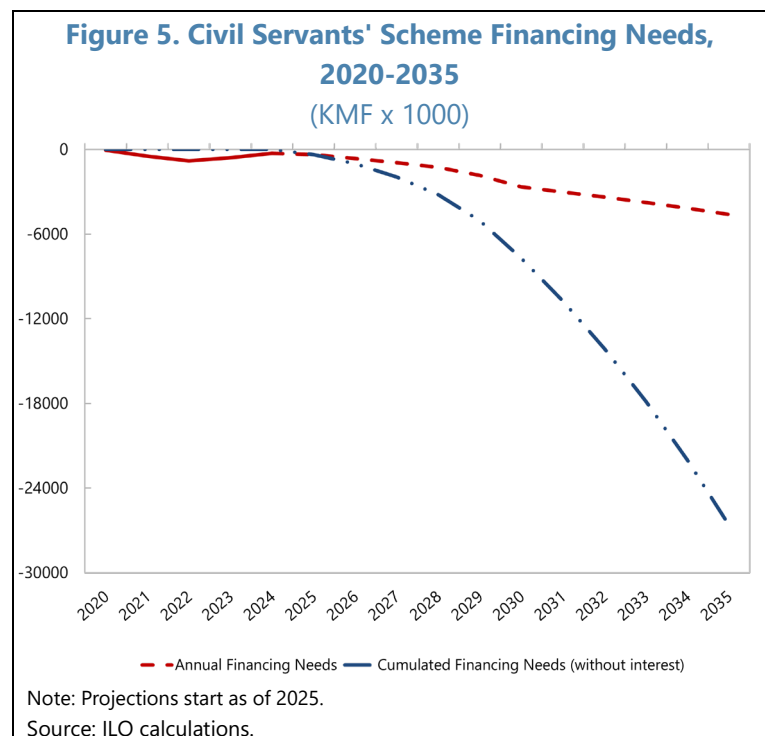
⁴ The government began settling arrears on unpaid contributions in 2023 through monthly transfers of KMF 60 million, with outstanding payments expected to continue until 2029.

⁵ This figure represents the theoretical deficit of the scheme. The shortfall would have been significantly larger—over KMF 1.4 billion in 2024—without exceptional state support, including ad-hoc budget transfers and the gradual clearance of past contribution arrears (see Annex Figure 2).

17. The CRC’s consolidated financial management masks a system of informal cross-subsidization that has become increasingly unsustainable. Surpluses generated by the non-civil servants’ scheme are currently used to partially offset the large deficits of the civil servants’ and MPs’ schemes. Although not formally embedded in the legal framework, this practice prevents the non-civil servants’ scheme from building reserves for its eventual maturity phase. Moreover, this cross-financing mechanism has reached its limit: the surplus from the non-civil servants’ scheme is no longer sufficient to offset the rising deficits in the public sector schemes. As the following paragraphs will show, continued reliance on these diminishing surpluses is not a sustainable solution and is expected to further exacerbate the CRC’s overall financing gap in the years ahead.

18. Actuarial projections confirm that the civil servants’ scheme is on an unsustainable trajectory and accounts for the bulk of the CRC’s future financing needs.

To isolate the drivers of this imbalance, scheme-specific financial projections were produced, using the ILO-Pension model for the civil servants’ scheme to ensure a more precise diagnosis of sustainability risks. The projection horizon (2025–2035) was selected to capture the impact of demographic pressures and policy inertia, while limiting uncertainty associated with longer-term forecasts. The baseline scenario assumes no policy changes, a stable contributor base—reflecting recent

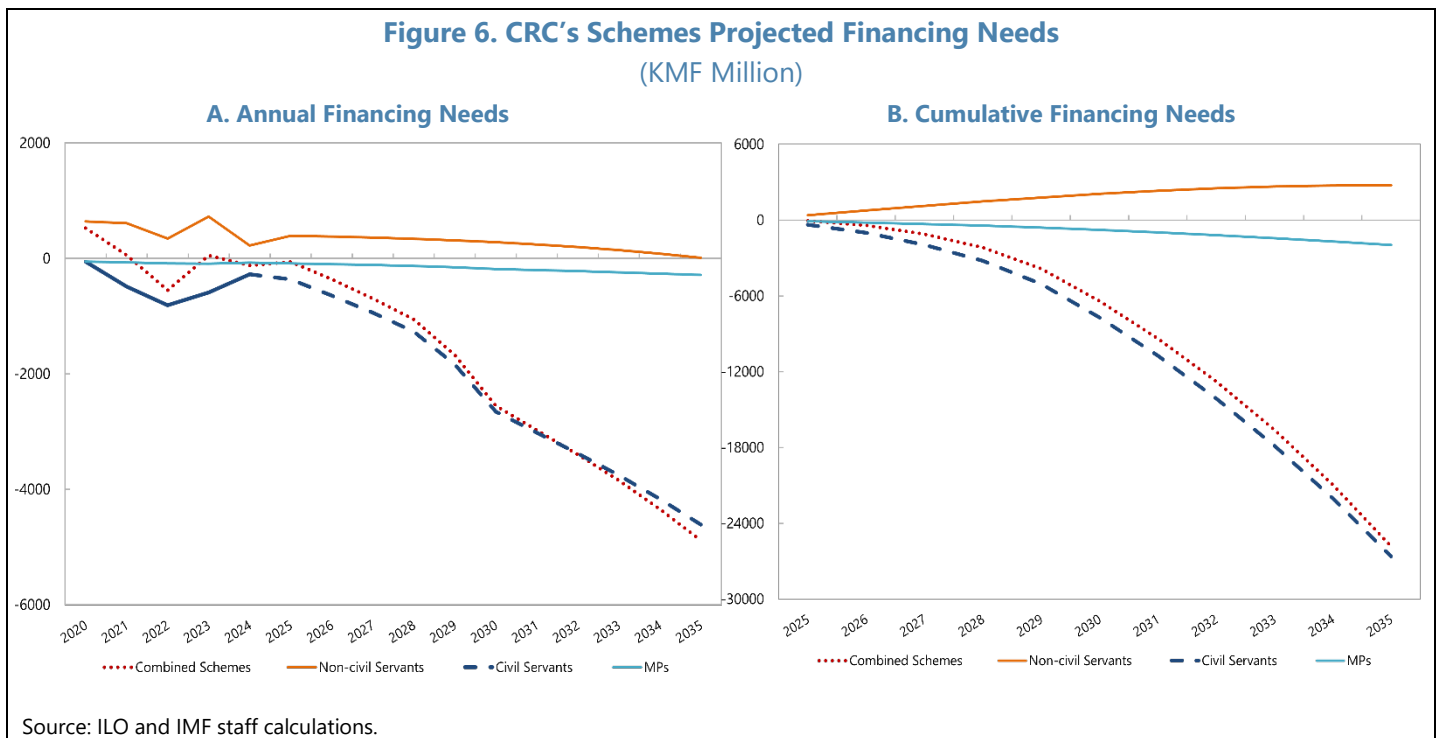


civil service recruitment patterns—and a rising number of pensioners as the scheme matures. Under these assumptions, the ratio of contributors to pensioners declines from 3.8 in 2025 to 2.2 by 2035, illustrating mounting dependency pressures. This trend translates into a rapidly growing financing gap, with the scheme’s annual deficit increasing from KMF 364 million in 2025—despite the recent increase in the legal contribution rate—to KMF 4.6 billion by 2035, and cumulative financing needs reaching KMF 26.6 billion over the projection horizon (Figure 5). As a result, the PAYG required contribution rate is projected to rise from 22.5 percent in 2025 to nearly 38 percent by 2035, well above the statutory rate of 17 percent (Annex Figure 4, panel A).

19. Although smaller in scale, the MPs’ scheme contributes to the overall imbalance through a significant structural deficit. The scheme is characterized by a very limited contributor base—fewer than 35 active MPs depending on the legislature—and a growing number of beneficiaries. The scheme’s annual deficit is projected to grow from KMF 86 million in 2025 to nearly KMF 290 million by 2035 (Figure 6, panel B). While the scheme accounts for less than 6 percent of

the CRC’s total projected financing gap by 2035, its persistent imbalance adds to the vulnerability of an already underfunded system and raises broader concerns around fairness and transparency across contributors.

20. Without reform, the overall system’s financial position is projected to deteriorate rapidly over the coming decade, with system-wide deficits widening year after year. While the system is projected to be nearly balanced in 2025—due to arrears clearance and the surplus from the non-civil servants’ scheme—the annual deficit is expected to exceed KMF 4.8 billion by 2035 (Figure 6, panel A). Cumulatively, the financing requirement over the period 2025–2035 is projected at over KMF 25.2 billion (Figure 6, panel B). This cumulative deficit, calculated excluding interest and despite the positive contributions of the non-civil servants’ scheme, underscores the urgent need for both parametric and structural reform of the CRC. The next section evaluates the impact of potential reform scenarios based on actuarial simulations.

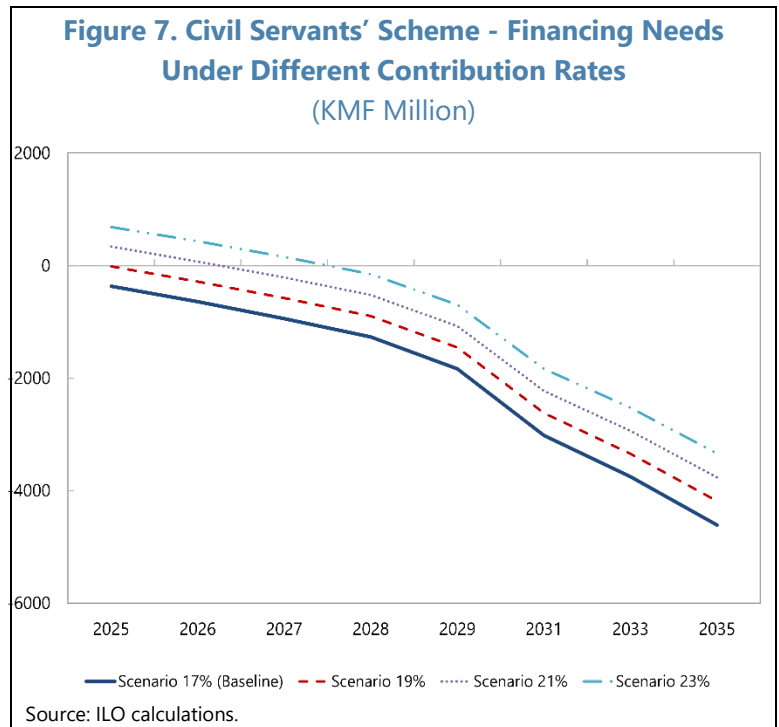


F. Reform Options and Impact Analysis

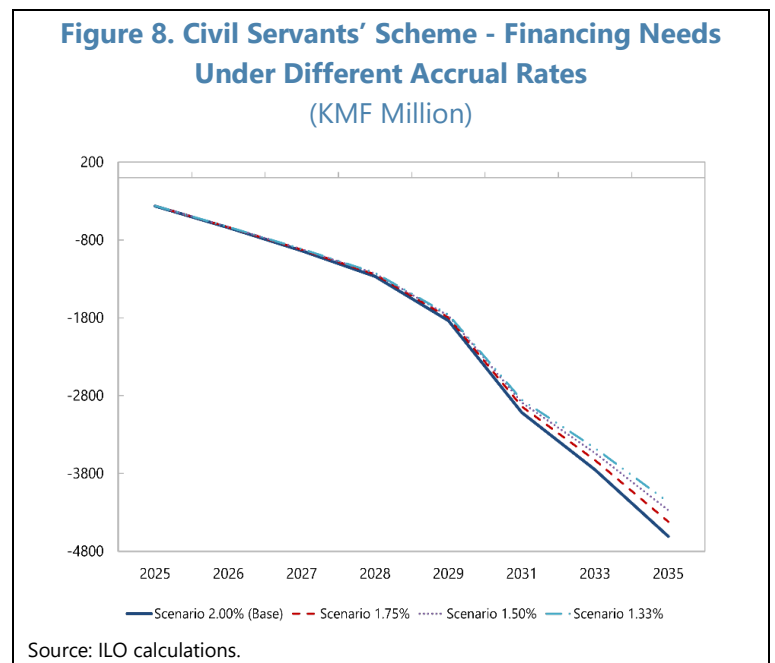
21. This section evaluates the financial impact of reform scenarios on the pension system’s long-term sustainability. Simulations rely on the ILO-Pension model in combination with scheme-level data and focus primarily on the civil servants’ scheme—the largest and most structurally imbalanced—where data availability permits detailed projections. For this scheme, the analysis first assesses the individual impact of key parametric reforms, such as changes to the retirement age, accrual rate, and salary reference period. It then examines the combined effects of reform packages to evaluate their joint impact on system sustainability. Reform options for the non-civil servants’ and MPs’ schemes are discussed more qualitatively, reflecting current data limitations.

These simulations offer important insights into the trade-offs and potential fiscal gains from reform and serve as the foundation for the next section’s policy recommendations.

22. Raising the legal contribution rate would help slow the deterioration of the system’s finances but would not suffice to restore sustainability on its own. The baseline scenario assumes that the statutory contribution rate for civil servants remains at 17 percent. Alternative simulations show that increasing this rate to 19, 21, or 23 percent would meaningfully reduce the projected financing gap. For example, raising the statutory rate to 23 percent by 2035 lowers the cumulative financing need over the projection period from KMF 26.6 billion to KMF 13.8 billion (Figure 7). However, the required PAYG contribution remains well above the statutory rate throughout the projection horizon—reaching 38 percent by 2035 (Annex Figure 3, panel A).

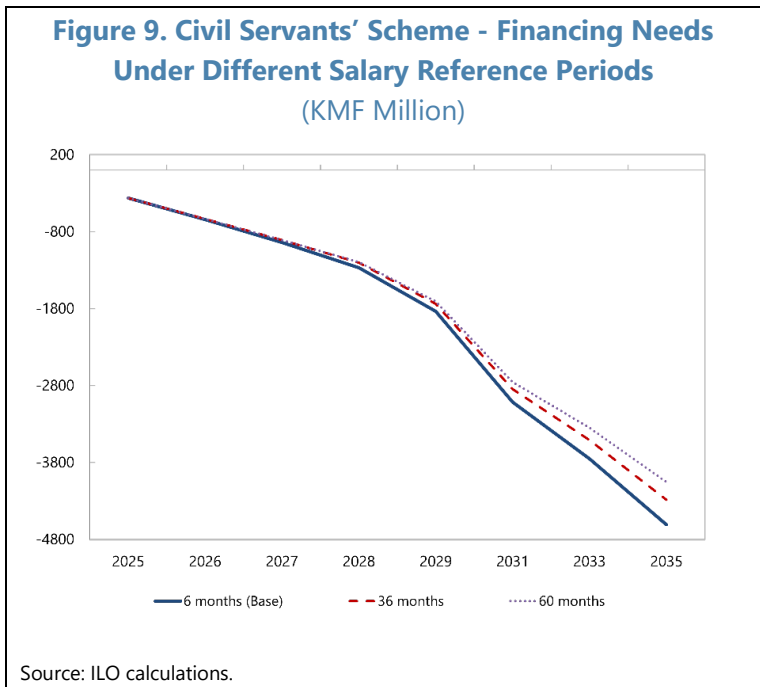


23. Adjusting the accrual rate could strengthen the system’s long-term financial position, though its impact materializes only gradually. Actuarial simulations assess the effect of reducing the accrual rate for civil servants starting in 2026, from the current 2 percent to lower levels—such as 1.75 or 1.33 percent, the latter aligning with the minimum standard under ILO Convention 102, which Comoros ratified in 2022. Because the reform preserves acquired rights and applies only to future accruals, the short-term impact is limited. Over time, however, the gains become more significant: lowering the accrual rate to 1.33 percent reduces the cumulative financing need from KMF 26.6 billion to KMF 24.9 billion by 2035 (Figure 8). While not sufficient to restore balance on its own, this measure could meaningfully contribute to long-term sustainability when paired with other reforms.



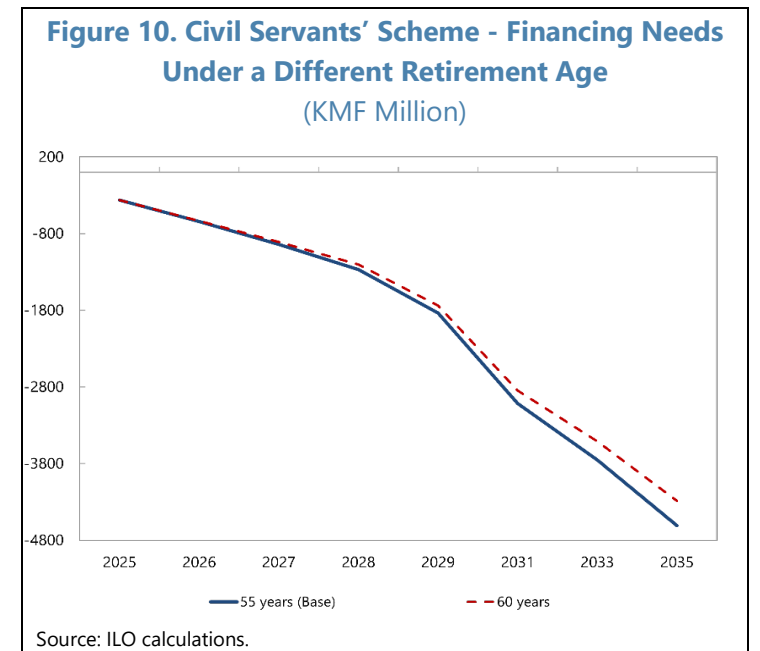
24. Extending the salary reference period for pension calculations not only strengthens the scheme’s financial sustainability but also enhances its equity.

Under current rules, pensions are calculated based on the average of the last six months of salary—a method that tends to inflate lifetime earnings due to end-of-career wage increases. Simulations suggest that gradually extending this period to 60 months would reduce the cumulative financing need by KMF 2.5 billion by 2035 (Figure 9). Similarly to the accrual rate reform, gains take time to materialize as the new calculation method is phased in for successive cohorts of new retirees. In addition to improving sustainability, a longer reference period would also reduce distortions and improve the alignment between lifetime contributions and benefits. Although the adoption of a fully indexed career-average salary—a widely recommended best practice—was not simulated due to data limitations, a gradual shift in that direction would represent a meaningful step toward greater fairness and long-term sustainability.

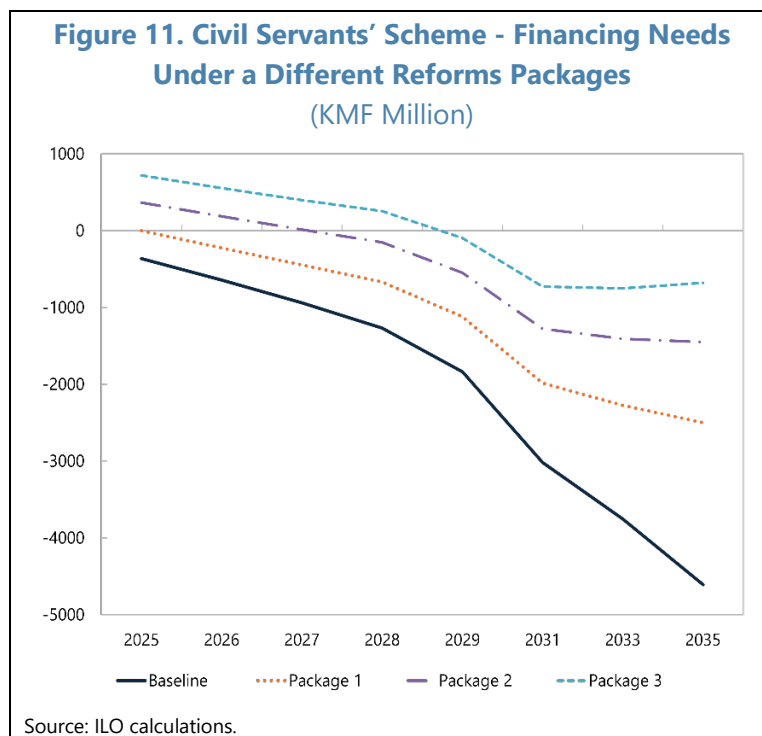


25. Gradually increasing the minimum retirement age could enhance the CRC’s long-term sustainability, although its financial impact within the projection horizon remains limited.

Under the baseline scenario, the minimum retirement age remains fixed at 55 years. The reform scenario assumes a gradual increase of six months per year starting in 2026, reaching 60 years by 2035. Because the reform applies only to new retirees, its effects accumulate slowly, with limited near-term gains. Nevertheless, the measure would reduce the average duration of benefit payments and help mitigate demographic pressures over time—particularly in a context where financial constraints limit the scope for contribution increases. Simulations show that the cumulative financing need declines modestly—from KMF 26.6 billion to KMF 25.1 billion—by 2035 (Figure 10). While phased implementation is essential for social acceptability, raising the retirement age remains an important instrument for restoring the system’s long-term financial balance.



26. A comprehensive package approach, combining several adjustments simultaneously, is necessary to place the civil servants' scheme on a sustainable path. Simulations assess the cumulative impact of three combined reform packages that integrate changes to the contribution rate, accrual rate, salary reference period, minimum retirement age, and population coverage. The assumptions underpinning each package are detailed in Annex Table 1, with each scenario reflecting a progressively more ambitious reform trajectory. The results indicate that reform packages can significantly reduce the projected financing gap and slow the rise in the PAYG required contribution rate. For instance, the most ambitious package (Package 3), which includes, among others, a 2-percentage points annual increase in population coverage and aligns the accrual rate with the ILO minimum standard, reduces the cumulative financing need by over 90 percent, from KMF 26.6 billion to KMF 2.5 billion by 2035 (Figure 10). Under this scenario, the PAYG required contribution rate stabilizes near 28 percent by 2035, compared to nearly 38 percent in the baseline scenario (Annex Figure 5). While no package fully eliminates the need for transitional support, these simulations underscore the scale of adjustment required and highlight the importance of complementary institutional and administrative reforms to strengthen the system's governance, equity, and long-term sustainability. This means that even the most ambitious reform package does not restore full financial balance and that some residual financing need persists through at least 2035.



27. Simulations also indicate that isolated parametric adjustments to the MPs' scheme would be insufficient to restore its financial sustainability. Even sizable increases in the statutory contribution rate—from 26 percent under the baseline to 44 percent—fail to reduce the structural deficit (Annex Figure 6, panel A). In this context, a more comprehensive structural solution—such as transitioning the scheme to budgetary financing or integrating it under the civil servants' regime

with differentiated parameters—may be needed to ensure long-term sustainability while safeguarding equity across schemes.

28. While the non-civil servants' scheme is currently in surplus, its long-term sustainability is not guaranteed. Under the baseline scenario, the statutory contribution rate of 8 percent generates a cumulative surplus over the projection horizon (Annex Figure 6, panel B). The economic and demographic assumptions used reflect limited expansion of the contributory base, which is consistent with recent trends. Nevertheless, a negative shift in demographic or economic conditions—including population ageing, slower formal job creation, or declining contribution compliance—could rapidly erode the current surplus. Conversely, effective policies—such as extending coverage and improving contribution recovery—could unlock the scheme's full potential for sustained surplus generation. Policy efforts and close monitoring will be essential to preserve financial soundness over time, with cross-financing practices representing a key factor affecting the scheme resilience.

G. Policy Recommendations and Concluding Remarks

29. The three CRC schemes face specific challenges, requiring differentiated and targeted reforms for each of them. The civil servants' scheme is structurally in deficit and accounts for most of the medium-term financing requirements, driven by a rapidly deteriorating demographic ratio and unchanged parameters that no longer reflect current conditions. The MPs' scheme is in a critical and unsustainable state, characterized by a very small contributory base and particularly generous benefits, resulting in a structural deficit that cannot be addressed without comprehensive reform. In contrast, the non-civil servants' scheme currently generates a surplus; however, this surplus is used to offset deficits in the other schemes, limiting its capacity to build reserves and preparing for future demographic shifts. These findings underscore the need for a reform strategy tailored to the specific trajectory and parameters of each scheme.

30. A coherent package of parametric reforms is needed to meaningfully improve the sustainability of the civil servants' scheme. Restoring the Fund's financial balance will require adjustments to key parameters, such as the minimum retirement age, wage reference period, and accrual rates. The retirement age increase could be phased in gradually to preserve social stability, while changes to accrual rates and reference periods should be applied prospectively to protect accrued rights. This combination of technical adjustments is a critical step toward strengthening the long-term sustainability of the scheme. Nevertheless, even such a package would not fully eliminate medium-term deficits, underscoring the importance of complementary financing and governance measures.

31. The future of the MPs' scheme requires an explicit political decision. Its structural deficit and demographic imbalance make autonomous financing technically impossible. Its continuation in the current form therefore depends on the willingness of other schemes to finance it through cross-subsidies. Clear direction is needed on whether the scheme should operate with dedicated funding,

be integrated as a complementary component of another scheme, or be financed through a specific budget allocation. This decision—extending beyond the actuarial domain—will clarify the State’s financial responsibility and ensure continuity of benefits.

32. Strengthening contribution collection and maintaining active membership in the non-civil servants’ scheme is an immediate priority. Persistent weaknesses—particularly in the private sector—in both payment collection and compliance with mandatory affiliation are weakening the Fund’s liquidity. Enhancing oversight, improving confidence in the system, alongside more effective collection mechanisms, and reducing arrears—currently estimated at nearly KMF 2 billion—would help secure short-term resources and reinforce the scheme’s sustainability.

33. Formalizing budget transfers should be a priority to stabilize the Fund. Recent experience has demonstrated that the absence of a clear framework for government financial support leads to ad hoc and unpredictable interventions, worsening the Fund’s cash flow constraints. Establishing a formal request mechanism, integrated into the Fund’s budget process, would increase the likelihood of continuity in benefit payments and enhance the credibility of the system. It would also provide the predictability needed to support the gradual implementation of reforms and short-term financial stabilization.

34. Clear definition of financing for each scheme is essential from the outset. The current lack of separation in financial flows among schemes leads to implicit transfers that obscure the reality of imbalances and hinder effective decision-making. Establishing separate and transparent accounting for each scheme would allow for precise identification of financing needs and enable targeted parameter adjustments. Such transparency is also critical for determining whether an explicit inter-scheme financing mechanism should be introduced, maintained, or discontinued in the interest of fairness and overall sustainability.

35. A tripartite dialogue is essential to define a coherent package of reforms. The success of pension reform hinges on close consultation between the government, employers, and employee representatives. This dialogue will help build consensus on necessary parametric changes and financing arrangements, while accounting for economic and social constraints. Early and inclusive stakeholder engagement will enhance the legitimacy of the reforms and facilitate their implementation.

36. Ongoing administrative modernization and digitalization are essential. Strengthening information systems and digitizing processes will improve data reliability and enhance Fund governance. These efforts should be accompanied, where possible, by the regular preparation of official, audited financial statements to ensure transparency and support evidence-based decision-making. Investments in administrative capacity will also improve the accuracy of contribution and benefit tracking, allow actuarial monitoring, and help restore trust among members and institutional partners.

37. The legal framework must be revised to anchor reforms on a sustainable footing. The current legislative basis, largely inherited from outdated texts, no longer meets the needs of a

modern pension system and is often cited as a source of current imbalances. Legal reform is necessary to clarify institutional responsibilities, embed necessary parametric adjustments, and provide an appropriate framework for financing mechanisms. Updating the legal foundation is essential to ensure the durability of reforms and reinforce the system's long-term credibility.

38. The Fund's sustainability is important to the country's social and economic stability.

Ensuring long-term pension financing is not solely an actuarial issue—it is a core element of social protection and national cohesion. Reforming the CRC will help safeguard retirees' incomes, rebuild trust in institutions, and contribute to broader state modernization efforts. It will also support the Comoros in fulfilling its international commitments, especially regarding the recently ratified ILO Convention No. 102.

39. Strong political and institutional commitment is essential to implement the reforms.

Carrying out the technical recommendations will require clear support from national authorities and close coordination among all stakeholders. Beyond parametric reforms, the CRC's transformation will depend on a modernized legal framework, improved governance, and sustained political will. Only under these conditions can the Fund be stabilized, and the country advance its broader social protection agenda, both domestically and internationally.

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Appendix I. Pension Reform in Comoros

Figure 1. Legal Contribution Rate vs. Required PAYG Rate
(Percent of Pensionable Earnings)

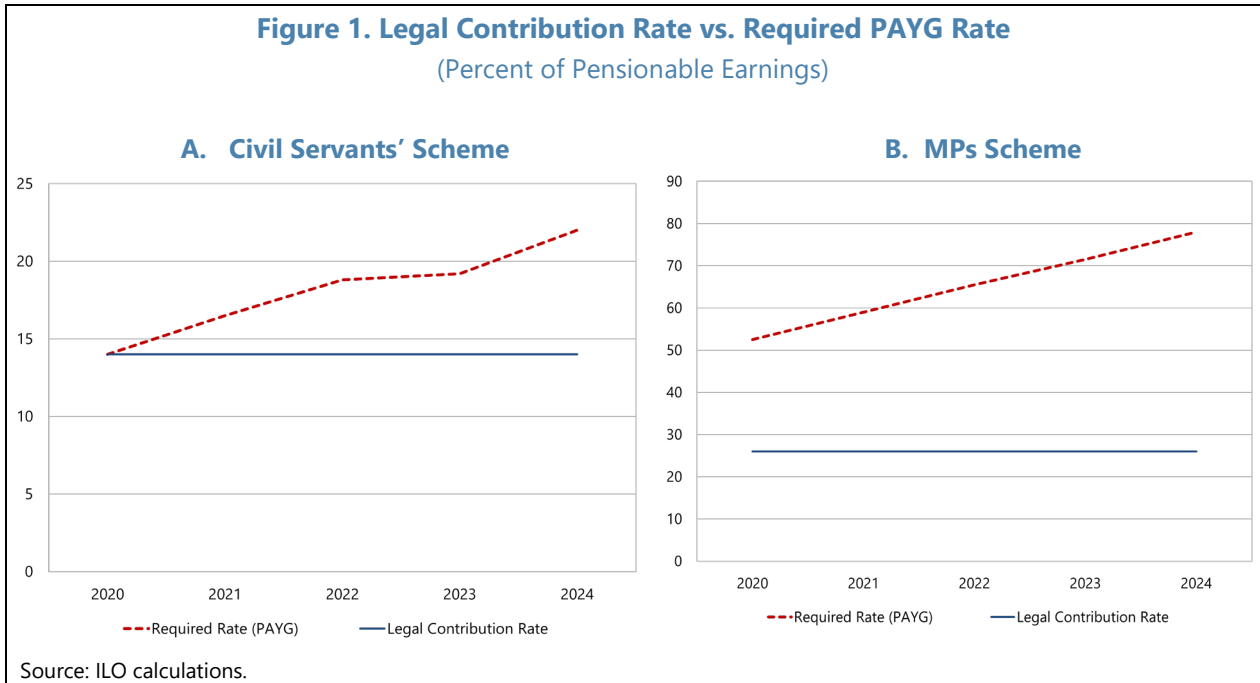


Figure 2. Civil Servants Scheme - Net Result, 2020–2024
(KMF x 1000)

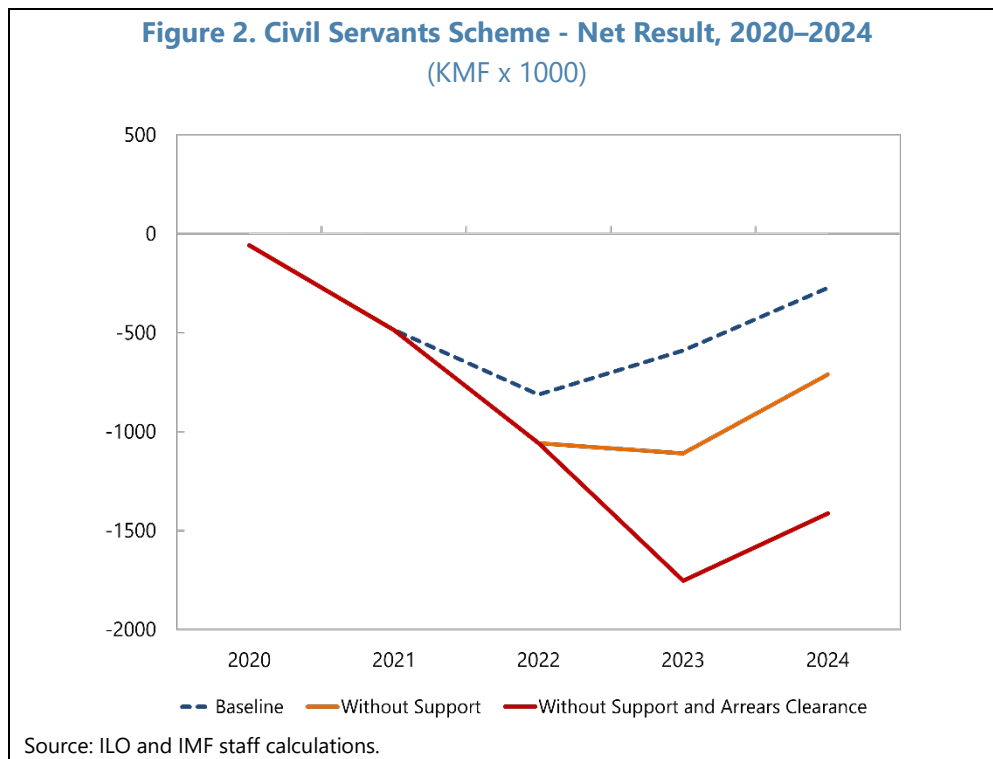
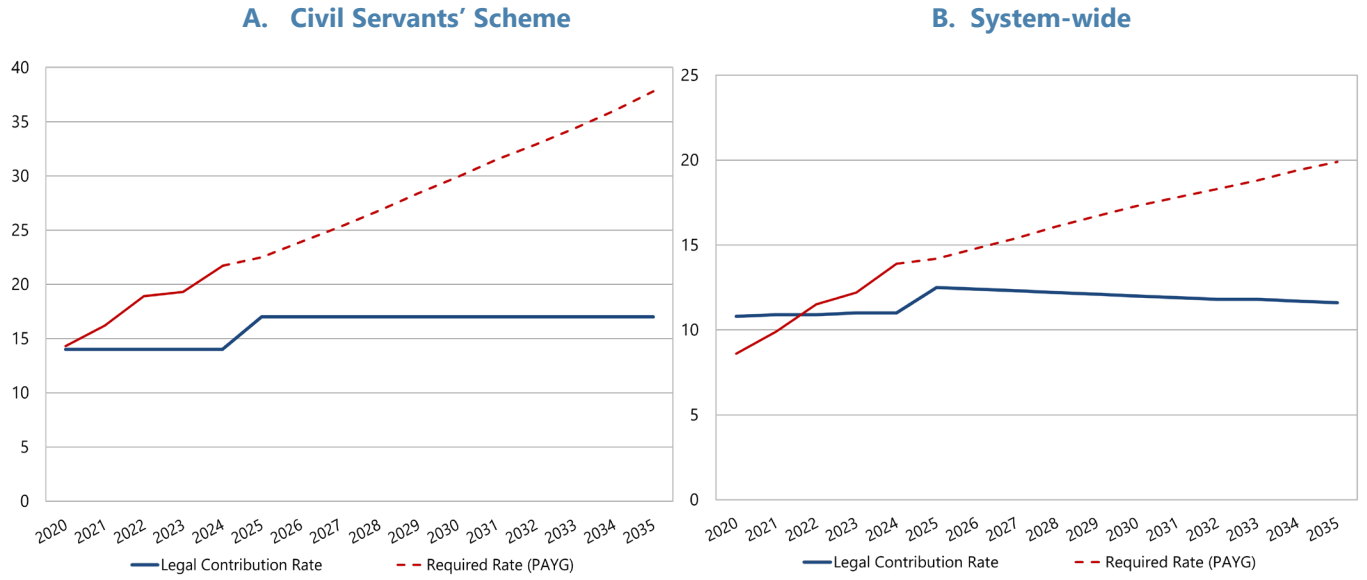
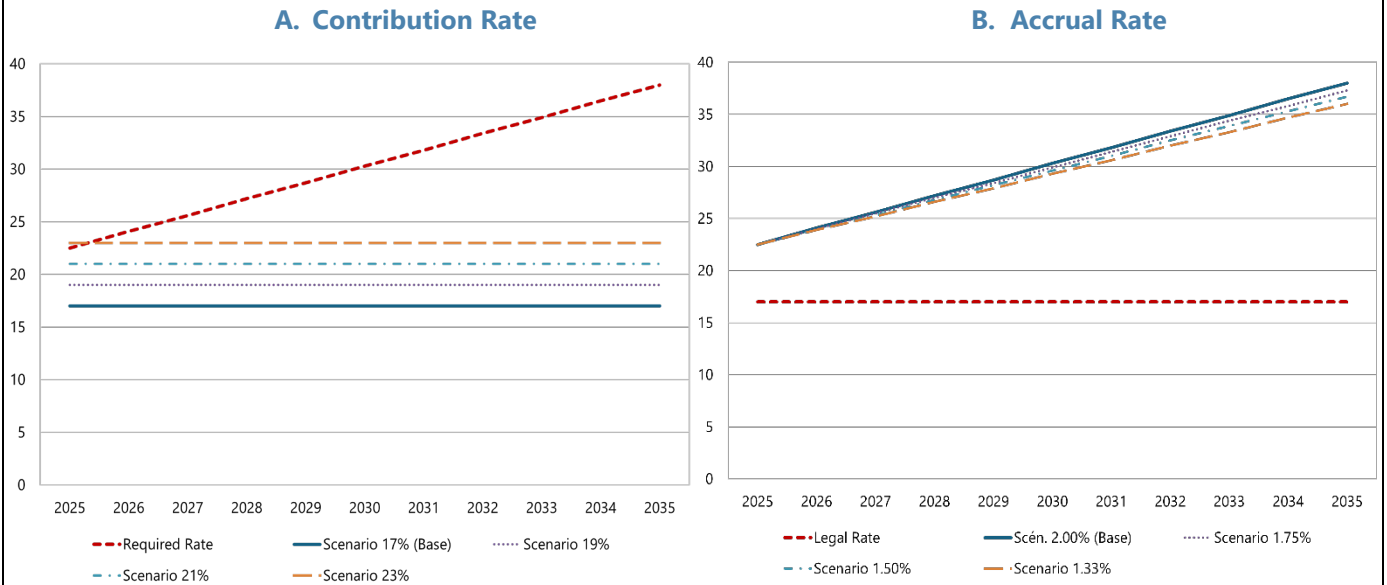


Figure 3. Projections of Legal Contribution Rate vs. Required PAYG Rate
(Percent of Pensionable Earnings)



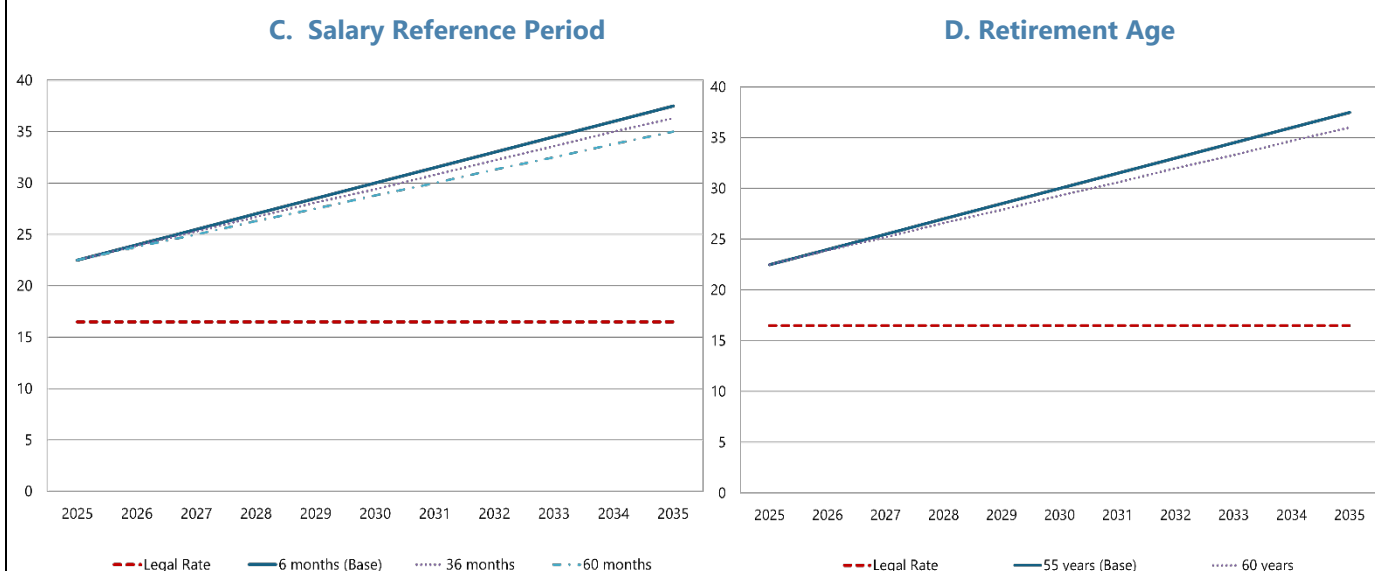
Source: ILO calculations.

Figure 4. Required Contribution Rates Under Different Reforms, 2025–2035
(Percent of Pensionable Earnings)



Source: ILO calculations.

Figure 4. Required Contribution Rates Under Different Reforms, 2025–2035 (continued)
(Percent of Pensionable Earnings)



Source: ILO calculations.

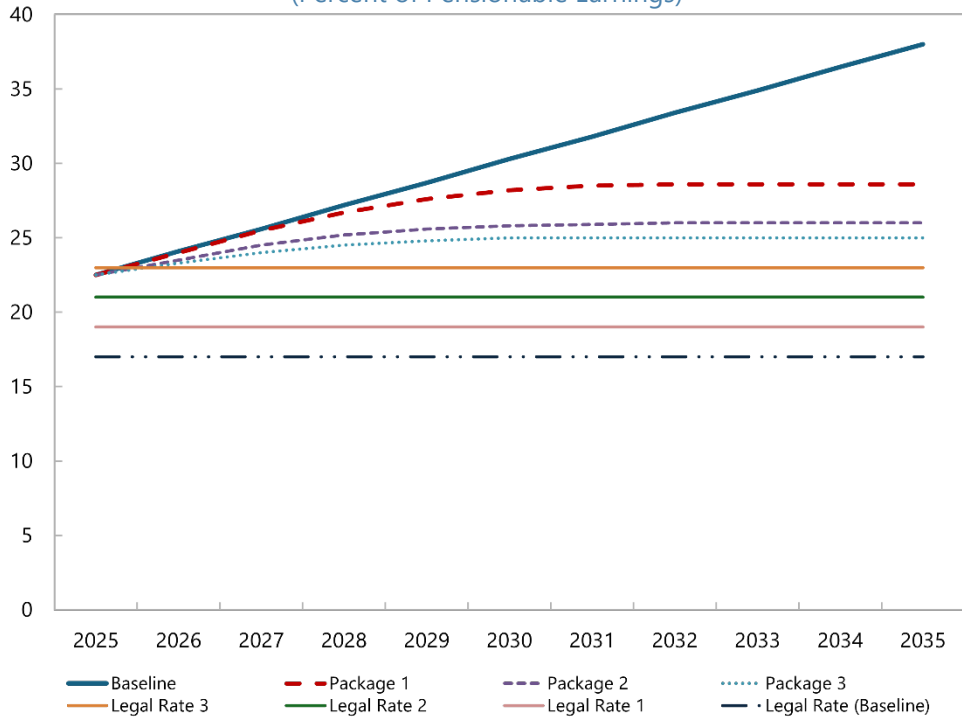
Table 1. Union of the Comoros: Summary of Reform Scenarios

Scenario	Population Growth (%)	Contribution Rate (%)	Accrual Rate (%)	Reference Salary (months)	Minimum Retirement Age (years)
<i>Baseline</i>	0.00	17.00	2	6	55
<i>Package 1</i>	1.00	19.00	1.75	36	60
<i>Package 2</i>	2.00	21.00	1.5	36	60
<i>Package 3</i>	2.00	23.00	1.33	60	60

Source: ILO calculations.

Figure 5. Required vs. Legal Contribution Rate Under Different Reform Packages

(Percent of Pensionable Earnings)



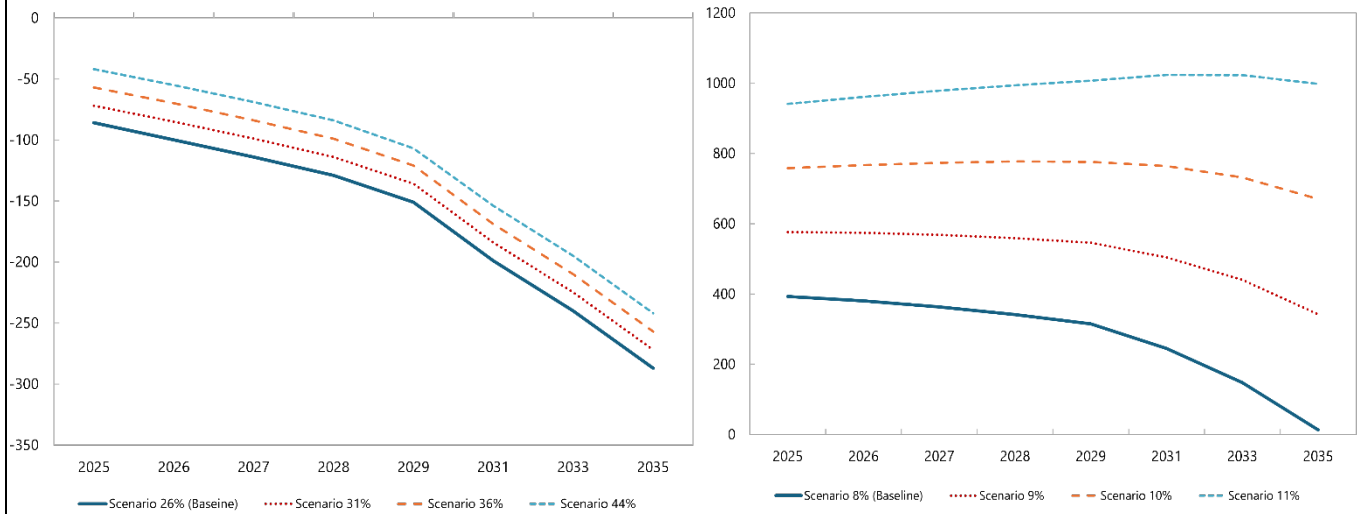
Source: ILO calculations.

Figure 6. Projected Financing Needs Under Different Contribution Rates

(KMF Million)

A. MPs' Scheme

B. Non-Civil Servants' Scheme



Source: ILO calculations.