The following item is a Letter of Intent of the government of Union of Comoros, which describes the policies that Union of The Comoros intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Union of Comoros, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.
Union of The Comoros: Letter of Intent

Moroni, Union of The Comoros
April 16, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. Following on cyclone Kenneth that struck in 2019, Comoros is now experiencing severe impacts from the COVID-19 pandemic. The pandemic has already reduced visitor arrivals and depressed remittances inflows. There is also a high probability that the virus will spread in Comoros, endangering the population’s health and generating additional large adverse economic impacts. This letter of intent describes our policy commitments for addressing the pandemic and its impacts.

2. We have taken first steps to ward off the COVID-19 pandemic, including by quarantining some arriving travelers, closing our airport, and forbidding gatherings, including for traditional ceremonies such as weddings. We have started to implement an epidemic preparedness action plan, including for example by creating and equipping quarantine centers. In implementing our response, we are collaborating with the WHO. This plan was developed in recent years with the help of donors, and its implementation is estimated to cost US$2.2 million. However, we do not presently have cash buffers or sources of credit needed for implementing most of the plan.

3. Our plans for dealing with COVID-19 and its adverse effects comprise the following:

   • Fiscal policy: We will direct fiscal policy at dealing with the negative effects of the COVID-19 shock. Our top priority will be to expand healthcare spending to keep the pandemic from arriving and spreading in Comoros, or in the case it should spread, to minimize the impact on public health. The cost of this is estimated at 2 percent of GDP. Our second priority will be to provide targeted transfers for impacted households.

   • Monetary and exchange rate policy, and financial sector supervision: Our monetary policy will remain geared to maintaining price stability and the fixed exchange rate to the euro in the context of the CFA zone agreements. We will also aim to ensure that the banking system has sufficient liquidity, and we will work with banks to encourage extension of loan maturities to borrowers hit by the COVID-19 shock.
4. These plans complement our ongoing efforts to raise inclusive growth and tackle our fragility. As laid out in the recent Article IV consultation, key elements of this strategy comprise efforts to strengthen civil service management, the rule of law, and fiscal revenue.

5. To face the emerging large budgetary and external financing gaps, the Government of the Union of the Comoros requests emergency financing from the IMF. We request financing under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) equivalent to 50 percent of our quota. Specifically, we request financing of 16.7 percent of quota (SDR 2.9726 million) under the exogenous shock window of the RCF and 33.3 percent of quota (SDR 5.9274 million) under the RFI. We are confident that IMF involvement will play a catalytic role in securing the needed additional external financing. We have been reaching out to donors for additional financing. So far, the World Bank has offered US$5 million in grants, and France has indicated willingness to respond favorably to requests for assistance. We will continue to reach out to donors, including by following up with France.

6. We concur with Fund staff that strengthening institutions and promoting good governance, transparency and accountability, and tackling corruption are crucial for inclusive and sustainable growth. We are keen to ensure that the best possible use will be made of the funds provided by the IMF and to that effect, we will enhance mechanisms of reporting and controls for the disbursement of funds, building on recommendations of IMF-provided capacity building on government accounting of recent years. We commit to report quarterly on the spending of these funds and to commission an independent and robust third-party audit of this spending in about a year’s time and publish its results. The Government will also publish regularly on its website dedicated to public procurement documentation on large public procurement projects, together with ex-post validation of delivery along with the name of awarded companies and the name of their beneficial owner(s). The Government expects that this website will be operational within six months. The Government will start publishing the information on its general website in case the website dedicated to procurement should become operational only with a delay.

7. We will continue the dialogue with the IMF on the Union of the Comoros’ balance-of-payments difficulties and will avoid measures or policies that would compound these difficulties. In this spirit, we will not impose new exchange restrictions, or intensify existing restrictions, on the making of payments and transfers for international transactions, trade restrictions for balance-of-payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the IMF’s Articles of Agreement. Also, as the requested RCF loan will be on-lent to the government, we will update the memorandum of understanding that was signed on July 25, 2019 between the Central Bank of Comoros and the Ministry of Finance, Budget
and Banking Sector, on their respective roles and responsibilities for servicing financial obligations to the Fund.

8. Our external debt arrears have grown slightly in recent months. We remain committed to clearing the arrears to bilateral creditors by end-2020.

9. The challenge before us is formidable but we are determined to succeed. Support from the international community will be critical to provide emergency assistance to deal with the COVID-19 pandemic. We look forward to an early approval of financial assistance by the IMF.

10. We authorize the IMF to publish this Letter of Intent and the staff report for the request for the request for disbursement under the RCF and purchase under the RFI.

/s/  
H. E. Said Ali Said Chayhane  
Minister of Finance and Budget

/s/  
H.E. Younoussa Imani  
Governor of the Central Bank