



INVESTOR'S GUIDE TO **COMOROS**

Acknowledgements

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Politics & General Country Information



● General Information

1.1. General information

The Comoros islands are an archipelago in the Indian Ocean located about 320 km east of northern Mozambique and 480 km west of Madagascar. It comprises four islands: Grande Comore (Ngazidja), Anjouan (Nzuwani), Mohéli (Mwali) and Mayotte (Mahore).

Official name:	Union of the Comoros
Political system:	Republic
Country area:	2,236 km ²
Population:	889,000 inhabitants
Official languages:	Arabic, French, Comorian (Shikomori, a dialect of Swahili)
Religions	Muslim (Sunni) [98%], Roman Catholic (2%)
Time:	GMT +3 hours
Climate:	Tropical marine with rainy season from November to May
GDP per person:	620 USD
Main exports:	Ylang-ylang, vanilla, cloves
Currency:	Comorian Franc, KMF
Exchange rate:	1 Euro = 492 KMF – KMF is pegged to the Euro
Main cities:	Moroni (Grande Comore, capital city): 47,000 inhabitants Mutsamudu (Anjouan): 24,000 inhabitants Fomboni (Mohéli): 16,000 inhabitants

The name 'Comoros' derives from the Arabic word 'Qamar' meaning the 'moon'. The Comoros islands are known in Arabic as 'Juzur Al Qumur', which means 'Islands of the moon'. Comoros gained independence from France in 1975, subsequently enduring a period of coups d'état and secession attempts which lasted

until 2001. That year a new constitution was adopted, establishing the 'Union of the Comoros' which gave more autonomy to country. Since then, the Union of the Comoros has had a president and a government with a four-year term and a parliament with a five-year term, while each of the islands has had a president, a government and a parliament with a five-year mandate. In May 2009 the people of Comoros voted to modify the constitution and further streamline the political structure of the Union. This was seen as a positive step in the distribution of power between the federal and the island governments. The new constitution allowed the Union of the Comoros to have one president, one parliament and one government with a term of five years. The new constitution turned the head of each island into governors and gave precedence to federal law over that of the individual islands, further granting the Union government exclusive competence over issues such as nationality, foreign relations, monetary affairs, national defense, foreign investment etc., while allowing each island to administer and manage its own local affairs.

Comoros is a member of various international organizations and fora such as the United Nations, African Union, Arab League, Indian Ocean Commission, Organization of African Unity, Organization of the Islamic Conference, Common Market of Eastern and Southern Africa, International Organization of the French-Speaking World, and has been and continues to be supported by the European Development Fund, World Bank, IMF, and African Development Bank. Comoros is also a member of the Franc Zone monetary union. The Union of the Comoros is generally considered crime-free, according to the travel advice given by the British Foreign and Commonwealth Office.

1.2. Structure of Government/Checks & Balances

The Union National Assembly

The National Assembly is, according to the constitution, the legislative committee of the Union. It consists of 33 Members of Parliament elected for a mandate of

five years. While 15 members of the Assembly are appointed by the Assemblies of the islands, 18 others are elected by direct universal suffrage on a 'majority vote' basis for a single candidate in two rounds.

governors of the autonomous islands are now held simultaneously. The next elections are expected to be held in 2015.

The Constitutional Court

The Constitutional Court is, according to the Constitution of the Union, the judge of the constitutionality of the laws of the Union and of the islands. It ensures the conformity of electoral operations at both Union and island level, including in referendum matters; it is the judge of electoral litigation. Finally, it upholds fundamental human rights and civil liberties.

1.3. Legislative Branch

Federal legislative power belongs to the Union or rather to the National Assembly, which consists of 33 deputies selected for a term of five years, 24 of which are elected by direct universal suffrage and 9 of which are appointed by the councils of the autonomous islands. The legislative initiative belongs to the President of the Union and to the Members.

Ordinary laws are passed by simple majority, while organic laws and financial laws require a majority of two thirds.

1.4. Judicial Branch

The judicial system is inherited from Shariah law, common law and French law. The judiciary is independent of the executive and the legislature. The Comorian legal system is composed of courts of first instance, courts of appeal and a Federal Supreme Court. It also includes specialised courts dealing with administrative, commercial and labour-related litigation.

1.5. Executive Branch

The Head of State and three vice-presidents are elected by direct universal suffrage for five year mandates. The Head of State is the head of the government and vice-presidents hold ministerial portfolios.

At island-level, a governor elected by universal suffrage nominates commissioners and manages the administration of a number of areas reserved to islands. The elections for the President of the Union and the



Economy

● Economy

2.1. General Economic Information

The current political stability in Comoros is improving its economic performance. Similarly, the waning effects of the financial crisis are expected to increase demand and foreign investment. The government is aiming for an economic growth rate of between 3% and 4% by 2012.

Comoros GDP grew at an average rate of 2.2% per year between 1997 and 2007. This modest performance is due to a number of factors including the insularity of the country (particularly in terms of market size and the cost of transporting goods), the political and institutional instability of the past, and, more recently, the effects of the global financial and economic crisis. For further detail on the economic performance of Comoros in

recent years, please refer to Table 2 (Comoros Annual Indicators).

According to the Economist Intelligence Unit, Real GDP growth is expected to rise gradually in 2011-12, thanks to sustained political stability. In 2010 growth is estimated to have increased to 2.1% underpinned by a large rise in donor inflows and strong growth in construction, funded largely by remittances. In 2011-12, assuming the current pace of gradual progress in improving economic policies remains constant, foreign direct investment (FDI) from the Middle East should rise, donor engagement should be sustained and progress towards HIPC completion should continue. In line with this, growth is forecast at 2.5% in 2011 and 3% in 2012.

TABLE 2 – COMOROS ANNUAL INDICATORS

Annual Indicators	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^b
GDP at market prices (Cfr bn)	158.1	167.1	178.0	192.1	195.0
GDP (US\$ bn)	0.4	0.5	0.5	0.5	0.5
Real GDP growth (%)	1.2	0.5	1.0	1.8	2.1
Consumer price inflation (av. %)	1.7	4.5	4.8	4.8a	2.7
Population (m)	0.6	0.6	0.7	0.7a	0.7
Exports of goods fob (US\$ m)	10.4	13.8	6.5	9.1	9.3
Imports of goods fob (US\$ m)	100.7	129.4	175.9	164.1	186.7
Current-account balance (US\$ m)	-25.3	-31.2	-58.6	-47.7	-52.7
Foreign-exchange reserves excl gold (US\$ m)	93.5	117.2	112.2	144.3	142.1
Exchange rate (av) Cfr:US\$	392.2	359.5	335.9	354.1a	371.5

a = Actual; b= Economist Intelligence Unit estimate

Source: Economist Intelligence Unit: March 2011

TABLE 3 – ORIGINS AND COMPONENTS OF GDP

Origins of Gross Domestic Product 2009 ^a	% of total	Components of gross domestic product 2008 ^a	% of total
Agriculture, fishing & forestry	51.2	Private consumption	96.0
Industry	13.4	Government consumption	12.1
Services	35.4	Gross domestic investment	16.1
		Exports of goods & non-factor services	12.8
		Imports of goods & non-factor services	36.9

Source: Economist Intelligence Unit: March 2011

2.2. Government Policy (Fiscal, Monetary & Other)

Fiscal Policy

The Comorian Government continues in its efforts to improve public finance management and restore fiscal discipline to fulfill the conditions for HIPC (Heavily Indebted Poor Countries) completion. It will be aided by interim debt relief, which will reduce its interest payments. It is also likely to make some progress (with the IMF's assistance) in improving public finance management. Overall it is expected that fiscal discipline will be gradually restored. The fiscal deficit is forecast to moderate from an estimated 1.7% of GDP in 2010 to 1.5% of GDP in 2011 and 1.1% of GDP in 2012.

Comoros should receive full HIPC debt relief in mid-2012, which would restore its debt sustainability towards the end of the forecast period.

Monetary Policy

Monetary policy is dictated by the country's membership of the Franc Zone and is geared towards sustaining its currency peg to the Euro. This restricts growth in the money supply and is an important source of price stability. Since 1999 the interest rates set by the Banque Centrale des Comores (the central bank) have been aligned to the Euro Overnight Index Average. Given that economic growth forecasts for the eurozone are quite limited, the ECB is not expected to raise interest rates considerably in the next two years, which is likely to keep interest rates in Comoros fairly low.

Economic Policy

The prospects for economic policy reform have improved with political stability. Economic management will continue to be supported by the extended credit facility (ECF; 2009-12) with the IMF. The authorities are

committed to improving the management of parastatals and reining in the civil service wage bill. It is planned that efforts will be made to find private-sector partners for the water, electricity and telecommunications utilities but cautious progress is to be expected on all fronts. Having reached decision point under the IMF's and the World Bank's Heavily Indebted Poor Countries (HIPC) initiative, Comoros is on track to reach HIPC completion point in mid-2012. The government is committed to meeting all the conditions for debt relief. Efforts are being made and reforms are underway to improve the business environment and strengthen civil service capacity. Inflation will be controlled thanks to the country's membership of the Franc Zone.

Government Priorities and International Programmes

In 2003 the Comorian government adopted a Strategy for Growth and Poverty Reduction, known in French as 'Stratégie de Croissance et de Réduction de la Pauvreté (SCRPP)', whose terms of implementation were specified in the Action Plan 2006-2009, which was later updated and extended to cover the 2010-14 period. Six strategic areas have been identified and broken down into 32 priority programmes. The following areas have been identified as key priorities: infrastructure, institutional functioning, health, education and security. Sectoral measures (Strategic Priority 2) specifically target agriculture, fisheries, livestock and tourism.

Finally, at the national level, major government efforts have been undertaken to encourage investment. In particular, a department in charge of investment was established in 2007 and a new investment code adopted. The latter, which aims to facilitate business development, ensure equal treatment of domestic and foreign enterprises (including in the financial sector) and improve safeguards for investors, also introduces a number of tax incentives.

TABLE 4 – STRATEGIC PRIORITIES FOR GROWTH AND POVERTY REDUCTION

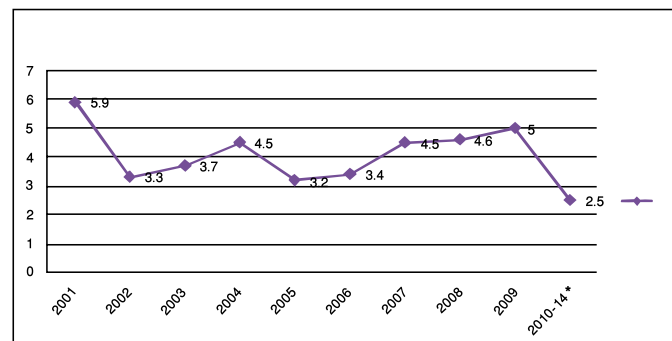
The 6 Strategic Priorities of the Growth and Poverty Reduction Strategy 2009	
Strategic Priority 1	Stabilise the economy and establishing the basis for durable and accelerated growth based on fairness;
Strategic Priority 2	Reinforce growth industries by putting an emphasis on institutional reinforcement and greater involvement of market players;
Strategic Priority 3	Reinforce governance and social cohesion;
Strategic Priority 4	Improve the health of the population;
Strategic Priority 5	Develop education and professional training to improve human capital;
Strategic Priority 6	Promote environmental sustainability and national security

2.3. Inflation

Inflation rates

Given that all essential commodities are imported, inflation in the country mainly reflects changes in the cost of imports. Between 2002 and 2008, inflation remained largely stable, ranging between 3% and 5%. This was due to the appreciation of the Euro against the USD, which offset sharp increases in the prices of food and construction materials. The movement of inflation between 2001 and 2009 and the estimation for the period 2010-14 is presented in the figure below.

GRAPH 1 – INFLATION RATES 2001-14



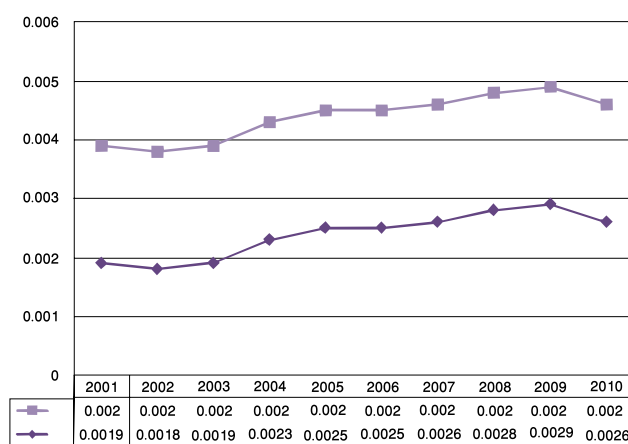
Source: Central Bank of Comoros

*Average estimated inflation for the period 2010-14, between 2% and 3% (Fonds monétaire international, Base de données Perspectives de l'économie mondiale, octobre 2009)

2.4. Foreign Exchange

The currency of Comoros is the Comorian Franc (KMF). The KMF has been pegged to the Euro at a fixed rate of KMF 491.97 to 1 Euro since 1999 (due to Comoros' membership of the Franc Zone). The KMF thus mirrors the Euro in terms of currency movement and appreciated by 48.2% against the United States Dollar (USD) between 2000 and 2008, as shown in the chart below.

GRAPH 2 – COMORIAN FRANC EXCHANGE RATE (2001-10)



Source: Ooanda.com

2.5. Balance of Payments

Comoros' balance of payments has been impacted by the large deficits in its trade balance. Capital and current transfers have been the main contributors to balancing the economy. Since 2007, the country has witnessed an increased level of FDI. The country's annual balance of payments between 2003 and 2007 is presented in the table below.

TABLE 5 – BALANCE OF PAYMENTS 2003-08

Balance of Payments (Million Euro)	2003	2004	2005	2006	2007	2008
Trade Balance	(36.5)	(50.4)	(65.4)	(76.2)	(89.3)	25.1%
Net income	(2.6)	(1.7)	(0.9)	0.3	1.5	-
Current Transfers	22.8	36.8	46.6	59.6	63.4	29.1%
Capital transfers	6.4	7.8	11.9	14.7	22.0	36.2%
Foreign Direct Investments	0.7	0.5	0.4	0.7	5.5	67.2%
Net portfolio and other investments	8.9	6.1	5.6	0.7	(5.5)	-
Errors and Omissions	0.3	0.9	1.7	0.2	2.5	-

* Provisional figures

Source: Central Bank of Comoros

2.6. Foreign Direct Investments, Exports and Imports

National Investments and FDI

National investment is growing steadily. Gross fixed capital formation (GFCF) rose from 20 million USD in 2000 to 40 million USD in 2006 and even reached 63 million in 2007. The share of investment in GDP (around 10% since 2000), has been relatively stable, with a slight acceleration in 2007.

In terms of international investment, inflows of Foreign Direct Investment (FDI) hovered around the 1 million USD mark between 2000 and 2006, before jumping to nearly 8 million USD in 2007 and 2008. In terms of FDI stocks, they rose from 2 million USD in 1980 to 21 million USD in 2001 and 40 million USD in 2008, reflecting the recent acceleration of investment flows.

The relative acceleration of investment, including foreign, experienced by Comoros in 2007 and 2008, however, is encouraging.

Major investment projects in Comoros have originated in Tanzania, where Exim Bank has invested in the financial services sector opening branches in Moroni, and Middle Eastern countries from the Gulf region. Some of the recent investments into Comoros include:

- Gulf Com, a private company which has invested in Moroni Port
- Exim Bank (Tanzania) and Bank Federal du Commerce, which have invested in the banking sector
- Comoros Gulf Holdings, which has invested in the hospitality sector, specifically in the expansion and renovation of the Royal Itsandra Hotel.

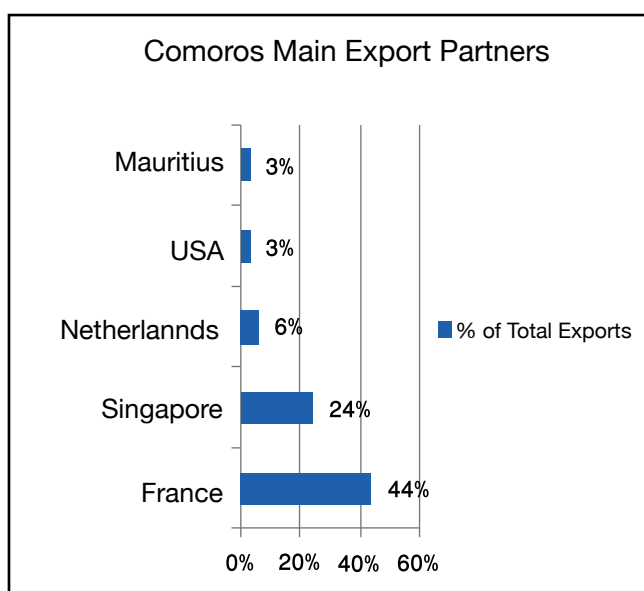


Comorian Exports

The country exports three main agricultural products: cloves, vanilla and ylang-ylang, plants used in the production of perfumes and cosmetics, of which Comoros is the world's leading producer and exporter. These three products alone account for 98% of Comorian exports (services excluded). In 2007 they generated USD 13.8 million. Changes in the international prices of these products have a significant impact on the economy of Comoros: decreasing prices were the main reason for the decrease in the value of exports between 2004 and 2006.

The share of exports by country is presented below:

GRAPH 3 – COMORIAN EXPORTS BY COUNTRY (2009)



Source : COMSTAT – Comesa Statistical Database

TABLE 6 –MAJOR EXPORT COMMODITIES IN 2009

Export Products	Exported Value 2009, USD '000'
Cloves	9,801
Vessels and other floating structures for breaking up	8,103
Essential oils; resinoids; terpenic by-products; etc.:	5,623
Vanilla	2,392
Ferrous waste and scrap; remelting scrap ingots or iron or steel	1,949
Gold unwrought or in semi-manuf. forms	876
Containers for compressed or liquefied gas, of iron or steel	215
Natural rubber, balata, gutta-percha, etc.	115
Panel, board etc. of veg fibre, straw etc., agglomerated with cement, etc.	105
Electric transformer, static converter (for example rectifiers)	89
Total World Exports	30,258

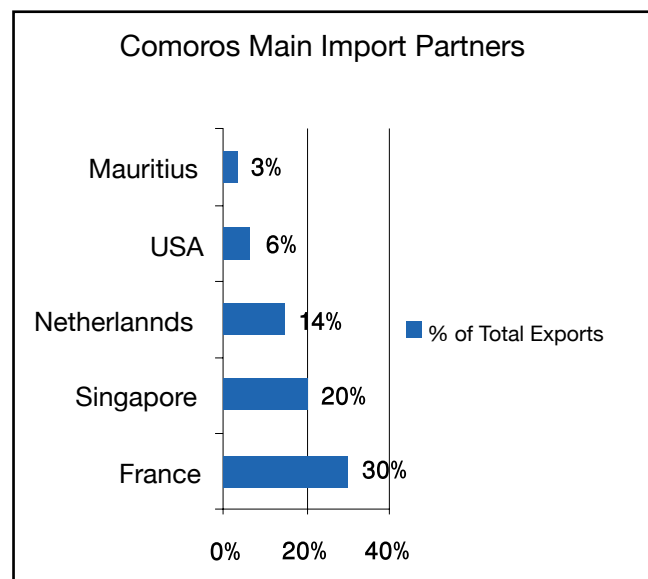
Source: www.trademap.org

TABLE 7 – KEY AGRICULTURAL EXPORTS

Agricultural Exports (tons)	2001	2002	2003	2004	2005	2006	2007	June 2008*
Vanilla	120	112	83	38	78	60	74	24
Cloves	1106	1616	2605	2880	1500	1670	2722	106
Ylang-ylang	40	40	43	33	40	40	1	30

*Provisional figures, data for 2008 covers only the first six months

Source: General Directorate of Customs

GRAPH 4 – COMORIAN IMPORTS BY COUNTRY (2009)


Source : COMSTAT – Comesa Statistical Database

TABLE 8 – PRINCIPAL IMPORTS (2009)

Principal imports 2009	KMF bn.
Petroleum products	9.5
Rice	6.4
Vehicles and spare parts	5.4

Population/Demographics



● Population/Demographics

3.1. General National Population Statistics

According to the IMF, Comoros had an estimated population of 889,000 in 2010. The country had a population density of about 350 people per sq. km in 2008 compared to 181 people per sq. km in the Seychelles and 1,264 people per sq. km in the Maldives. Historical and projected population figures for the period 2004 to 2015 and year-on-year growth rates are presented in the table below.

The age structure of the population of Comoros, like many developing countries, shows that 41.5% of the population is young (below 15 years). Males accounted for 49.81% of the total population in 2008. The gender and age profile of the population is presented in the table below.

TABLE 9 – HISTORICAL AND PROJECTED POPULATION 2004-15

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Population growth (000)	590	604	620	636	652	669	687	705	724	744	764	785
Year-on-year growth (%)	2.4	2.5	2.5	2.6	2.6	2.6	2.6	2.7	2.7	2.7	2.7	2.7

Source: Ministry of Planning

TABLE 10 –GENDER AND AGE PROFILE OF THE POPULATION

	0-14 years	15-24 years	25-34 years	35-59 years	60+ years
Male (000)	138	70	40	55	21
Female (000)	135	71	43	57	22

Source: Ministry of Planning of Comoros

3.2. Urban and Rural Population Information

The rural population makes up 86.8% of the total population.

TABLE 11 – POPULATION DISTRIBUTION IN MAJOR CITIES AND RURAL AREAS (2010)

2010	Population per Island	Capital City (Est.)	Rural Areas (Est.)
Grande Comore	353,792	48,543 (Moroni)	305,249
Anjouan	292,984	25,471 (Mutsamudu)	267,513
Mohéli	44,224	17,130 (Fomboni)	27,094
Mayotte	198,000	NA	NA
Comoros (total)	691,000	91,144 (3 capitals)	599,856

Sources: Ministry of Planning, Economist Intelligence Unit 2011, calculations of the author



Education / Human Resources



● Education / Human Resources

4.1. General Education Information

The government of Comoros has been targeting education as one of its main priorities. The Comorian education system has 10 schools and 62 private institutions, and two institutions providing technical and vocational training. The adult literacy rate was estimated in 2007 at 75.1% (80.3% for males, 69.3% for women) and the combined primary, secondary and tertiary school gross enrolment ratio in 2006 was 46.4%.

provides international primary and secondary teaching.

Useful links related to the Henri Matisse International School

[<http://www.ecole-matisse.org/mapage7/index.html>]

[http://www.international-schoolfriends.com/schools-Ecole_francaise_Henri_Matisse-Moroni-Comoros-10998-show.html]

4.2. University Education and statistics

The University of Comoros is located in Moroni on the island of Grand Comore and it officially opened on 20 February 2004. The university was launched with the general goal of laying down the foundations of an education system and providing a key tool for the acquisition of knowledge. It was seen as a means of combating obscurantism and ignorance and a great moment to revise basic education in the Comoros. When it opened, the university had 1707 students, of which 43% girls and 57% boys. Today the university is home to a number of faculties including sciences, law, fine arts and literature.

The opening of the University of Comoros meant a lot for Comorian families not only because it was considered a significant step towards knowledge but also because it helped those families who could no longer afford to pay their children's education abroad.

Useful Links related to the University of Comoros

[<http://www.univ-comores.org/>]

[<http://www.comores-online.com/mwezinet/education/universite.htm>]

4.3. International Primary and Secondary Schools

To date there is only one international school in Comoros, and that is the French School "Henri Matisse" which is based in Moroni, Grande Comore, and which

Labour Situation



● Labour Situation

5.1. General Information

Labour Unions

The Labour code allows workers to form labour unions independent of the government. There are no restrictions on unions joining federations or affiliating with international bodies. The OPACO (Organization Patronale des Comores) is the main employers' organisation in Comoros. Its main objective is to strengthen relations between its members, safeguard their interests and represent them with various government authorities. The organisation of strikes is permitted as long as 8 days' notice is given.

5.2. Labour Legislation

Labour Law

According to the Comorian Labour Code, the normal working week is 40 hours; overtime is added to salaries according to a rate fixed by the Ministry of Labour.

Apart from being given two and a half days off monthly, women are granted maternity and bereavement leaves of six months.

The Comorian Labour Code provisions specify that fixed-term contracts (FTC) may not exceed two years and can only be renewed for an additional year. Foreigners may be contracted for a fixed period for more than three years.

FTCs exceeding statutory limits are automatically converted into permanent contracts (PC).

When required competencies are not available locally, the possibility to employ foreigners is allowed. ANPI facilitates the procurement of work permits which are renewable on a yearly basis without a fixed limit. For all foreigners entering Comoros, an entry visa and a resident permit are required.

Employment contracts can be terminated by the employer for any "legitimate reason related in particular

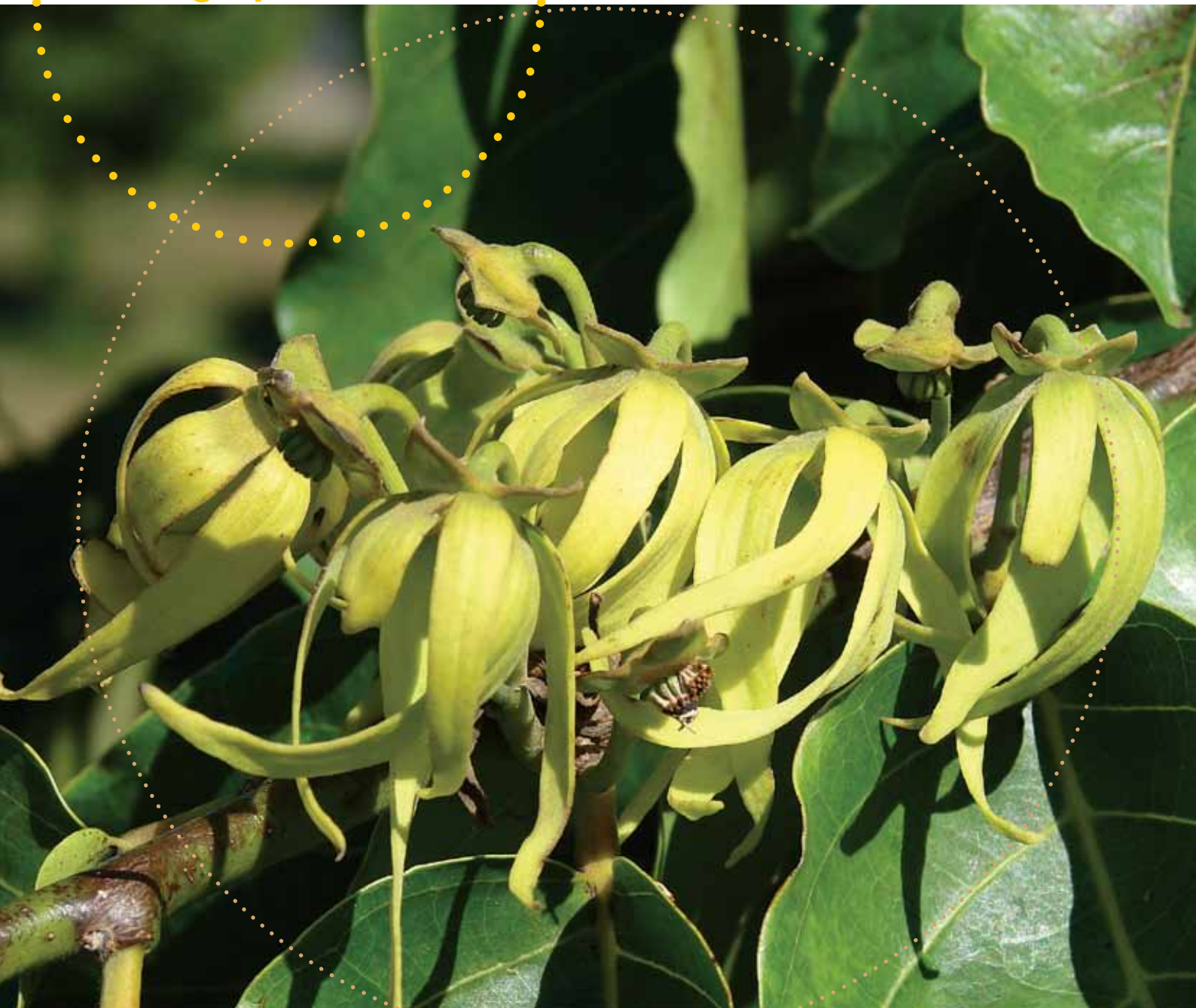
to the capacity or conduct of the worker or based on the operational requirements of the undertaking, establishment or service" (art. 45). The cancellation of a PC is subject to prior notice and may result in the payment of compensation, according to the conditions set by collective agreements.

After signature by the employee, the employment contract must be approved by the Department of Labour Inspection to be effective. The Department of Labour Inspection is also the primary contact for employees faced with problems concerning their contract.

Foreign Workers

Investors have the ability to employ foreign workers if the skills cannot be found locally. ANPI deals directly with the Directorate of Immigration (connected to the Ministry of Interior and Information) for the work permit applications. Although no minimum quota of foreign workers is guaranteed to investors, the Comorian authorities tend to treat requests favourably. Work permits are renewable annually without limit. Foreigners entering the Comoros must visa and resident permit fees. Visa fees for entry vary depending on the number of entries and the length of stay.

Natural Resources and Geographic Profile



• Natural Resources And Geographic Profile

6.1. General Information

Geography

The Union of the Comoros is a group of islands in Southern Africa. It is located towards the northeast of Madagascar, at the entrance of the Mozambique Channel. Geographically, it consists of four islands: Grande Comore (Ngazidja), Anjouan, Mohéli, and Mayotte. Because of its unique geographical position between East Africa, Madagascar, and other islands in the Indian Ocean, the Comoros is at a unique crossroads for doing business and engaging in trade.

Geology

It was recently discovered that Comoros is relatively rich in minerals. In September 2009, geologists found large quantities of olivine in Grande Comore, as well as bauxite in Anjouan. Other resources were also detected, including iron oxide, heavy minerals, valuable stones and traces of gold. Such findings make the Comoros a potential candidate for investments in mining.

Ecology: Flora, Fauna and the Environment

A country known for its commitment to environmental sustainability and preservation, Comoros is home to nearly 820 species of marine fish and coastal pelagic species. It is home to four species of marine turtles alone, including the green turtle and the loggerhead turtle. In terms of biodiversity, the country's wildlife is unlike any other. There are no less than 24 species of reptiles, 17 species of mammals, and 98 species of birds. In addition to its diverse fauna, Baobab trees and other giant trees make up most of the flora in the Comoros. Other elements of flora include perfume plants, which helps to explain why the Comoros are also known as 'the perfume islands'. Comoros specialises in the export of ylang-ylang, a widely used perfume essence, as well as perfume distillation. In addition to the growth of ylang-ylang, other plants are grown, including vanilla, jasmine, hibiscus, red strelitizias, bougainvillea and orchids.

The protection of biodiversity and the wider

preservation of the environment have always been on the national agenda, and should therefore be taken into account when considering investment and development. Development in the Comoros cannot be achieved without concrete environmental protection and management. Furthermore, one of the great advantages of the preservation of the country's natural environment is its positive and vital impact on the development of socio-economic conditions. The promotion of environmental preservation will attract greater investment in the tourism industry, allowing it to flourish, and generally improving the socio-economic conditions of Comorians as a whole.

Hydrology and Water

Surrounded by water, Comoros has managed to generate various uses for this resource, including fishing and hydroelectricity. Given its rich marine biodiversity, it is clear that Comoros has much to offer in terms of its water use. The fishing industry constitutes a vital aspect of the economy of the Comoros.

The fisheries sector in the Comoros offers vast opportunities for investment, not only in terms of increased fishing capacity, but also in terms of large-scale development in infrastructure and port facilities, both of which support fishing sector growth. Since almost all of the fish catch is sold domestically, there is room to create businesses that aim to take Comorian fish consumption to an international market. Making unique Comorian fisheries more commercial and trade-friendly would enable the further growth of a crucial industry which already employs at least 32,000 people. According to the UN World Food Programme, the Comorian fish industry has the potential to provide a sustainable fish output of at least 85,000 tons annually. In fact, the Comorian government is currently promoting the fishing industry as one of its priority sectors for private investment, demonstrating the government's willingness to support privatisation, both foreign direct investment and free trade.

In addition to fishing, the large amount of water surrounding the islands also presents the potential for investments in hydroelectric power - as a means of



generating renewable, clean energy. Investing in such a cause would further preserve the unique environment of the Comoros and develop its overall socio-economic conditions. Part of the island of Anjouan has been used to produce hydroelectric power. However, hydroelectric energy potential on other islands has not been exploited sufficiently, indicating a need for investment. Furthermore, the exploitation of large resources in Comorian waters and the establishment of perfume processing and packaging plants open up real prospects for the development of exports, particularly to other economies in the Indian Ocean and Africa.

Climate

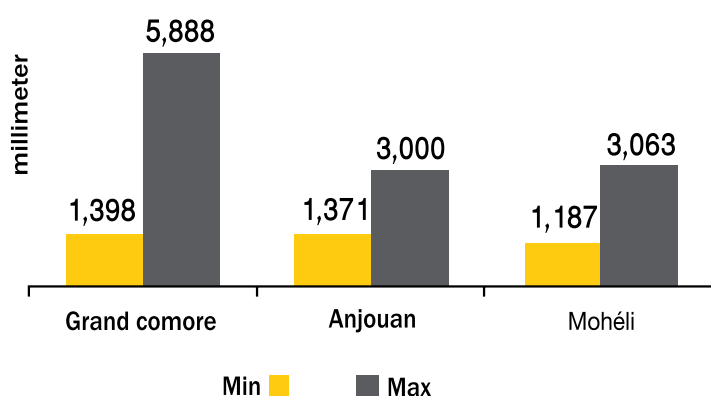
Overall, Comoros possesses a tropical climate, with a rainy season that lasts from November to April. This humid tropical climate demonstrates the country's unique natural environment – an environment that needs to be protected via investment in sustainable development. The country's climate is ideal for agricultural activity because of the amount of rainfall it receives annually. In addition to rainfall, the islands of Comoros are characterised by their fertile volcanic soils, which are particularly present in Anjouan and Mohéli. These rich soils facilitate the cultivation of a large variety of crops including vegetables and fruit trees.

Land use

In terms of land use, the Comoros has 35.87% of arable land and 23.32% of land containing permanent crops. Agriculture and farming play a crucial role in sustaining the economy of Comoros. The farming sector accounts for 90 percent of the country's exports, ultimately making land use the backbone of the economy. The main cash crops - vanilla, clove, and ylang-ylang - make up a large portion of the country's exports.

Each island specialises in the production of a specific cash crop. For instance, Grande Comore produces more vanilla relative to the other islands, while Anjouan specialises in the production of ylang-ylang and clove. Where food production is concerned, Comoros produces bananas, potato, manioc, sweet potato, yam and taro, although this sector faces competition from imports coming from East Africa - particularly Tanzania. This competition contributes to a healthy environment for trade and production in the country.

GRAPH 5 – YEARLY RAIN FALL RANGES BY ISLAND



source: United Nations

Mohéli specialises in the production of banana, and coconut, while Anjouan specialises in the production of yam, taro and onion. Grande Comore produces manioc, potatoes and sweet potatoes. This demonstrates how central aspects of the economy, such as farming and land use, are divided among the islands of Comoros. The division in production illustrates the space available in the economy to produce a myriad of commodities, especially in the food sector. This division in land also highlights a need for investment in intensive mechanised farming, which has the potential to generate increased revenues in the Comorian agricultural sector. Access to arable lands is open to foreign investment according to the new investment code. Below is the estimated agricultural production for the period 2001 to 2007.

TABLE 12 – ESTIMATED AGRICULTURAL PRODUCTION

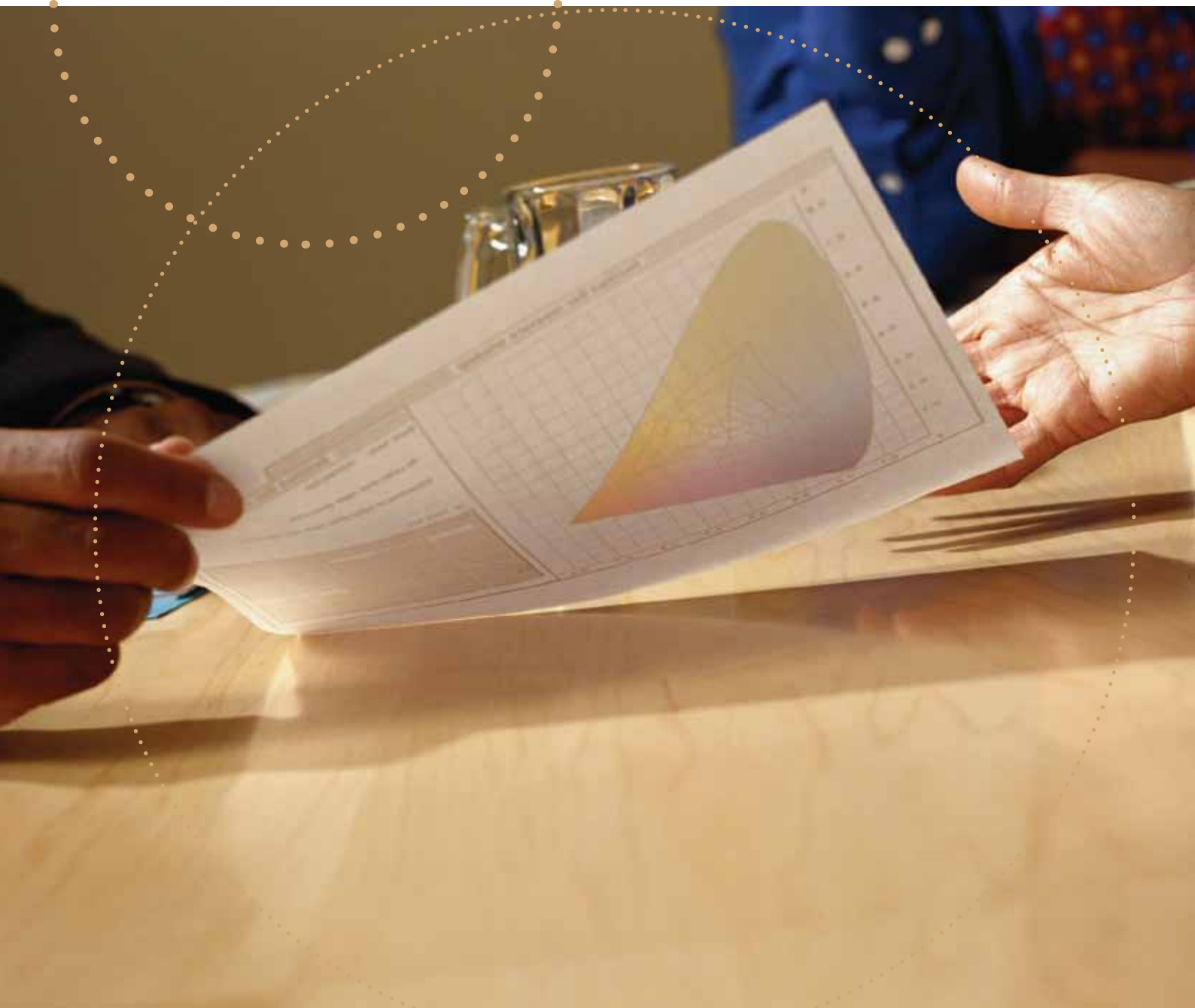
Estimated agricultural production (tons)	2001	2001	2003	2004	2005	2006	2007
Rice	2.945	2,934	2,924	2,914	2,904	2,893	2,883
Maize	3.812	3,835	3,859	3,882	3,906	3,929	3,953
Tubers	68.447	69,447	70,467	70,080	71,623	73,201	74,813
Pulses	9.054	9,707	9,886	10,067	10,253	10,441	10,632
Bananas	60.006	60,891	61,779	59,000	61,036	63,782	67,609
Vegetables	7.210	2,266	2,382	2,434	2,487	2,540	2,596
Other fruits	3.550	3,409	3,465	3,521	3,578	3,636	3,696
Total	155.021	152,489	154,762	151,898	155,787	160,422	166,182
Coconut (1,000 Unit)	75.451	76,821	52,127	39,793	40,503	40,700	40,900

Source: Central Bank of Comoros

Regarding forestry, the government of the Comoros has demonstrated its commitment to decreasing the amount of deforestation in the country by promoting sustainability and bringing under the roof of one single authority, known as the National Directorate of Environment and Forest (DNEF) the various responsibilities related to forestry, previously handled by the Ministry of Agriculture, Fishing, Industry, Artisan and Environment. This government body currently implements state policy on forestry and ensures that laws and regulations are being followed. By setting up this body, the government has demonstrated the importance of environment preservation and protection to the Comoros.

Where geographical and environmental issues are concerned, there are various national policies that need to be taken into account. These include access to safe water and sanitation in urban areas, the preservation of natural resources and the development of economic activities related to the protection and enhancement of fauna and flora, and adequate forest management. In addition to the many issues surrounding environmental sustainability, the Comorian government is interested in creating integrated management of coastal zones, thereby promoting an attractive environment for investment.

Licensing



● Licensing

7.1. Business Licensing:

In the Union of the Comoros - a Member of the Organisation for the Harmonization of Business Laws in Africa - the legal forms companies can adopt are foreseen by the Uniform Act on Commercial Company Law (in French l'Acte uniforme sur le droit des sociétés commerciales) and Economic Interest Group (in French Groupement d'intérêt économique or GIE)

- Limited partnership (in French Société en commandite simple or SCS)
- General partnership (in French Société en nom collectif or SNC)
- Limited liability company (in French Société à responsabilité limitée or SARL)
- Public limited company (in French Société anonyme or SA)
- Branch of a foreign company
- Economic Interest Group (in French Groupement d'intérêt économique or GIE)

Because of the flexibility they offer in the management of the company, most investors choose to register as limited liability companies or limited companies, respectively requiring a minimum capital of KMF 750,000 and KMF 7.5 million.

In its mission to facilitate, ANPI assists the investor in the different administrative steps required to set-up a company or to obtain the investment license.

While the latter is done directly through ANPI, the set-up of the company is done following these main steps:

- Registration of the statutes with the island-area services
- Registration with the Commercial Registrar and Personal Property Credit Register
- Registration at the the General Directorate for Taxes
- Publication in the journal of legal notices

Furthermore, if the company carries-out an investment which falls under the three below-listed categories

determined by the Investment Code, it shall formulate a demand for an investment license.

The categories determined by the Investment Code are:

- Category A: if the investment is between KMF 5,000,000 and KMF 100,000,000
- Category B: if the investment is above KMF 100,000,000
- Category C: all companies which have been licensed or prioritised in the framework of the economic and social development of the Union of the Comoros, can execute with the government an establishment agreement, securing certain guaranties and imposing certain obligations.

7.2. Entry Licensing /Visas

Types of permits/ visas

People going to Comoros require a passport valid for at least six months from the date of entry. Tourist and business (45-day visas) are issued on arrival for €60.

Other visas, such as those for long-term business stays, may be obtained by applying to Comorian embassies and consulates overseas, or at the immigration office upon entering the country.

A one-year residence permit costs €250 and the 10-year residence permit costs €500.

According to Labour Law, Article 38, the employer is responsible for obtaining visas for employees. If no response is received from the local authority within 30 days after requesting an employee visa, it is assumed that the visa request has been granted to the employee.

A police/ criminal record will be required of all investors wishing to establish a company at the stage of company registration with the commercial court. There is no obligation to provide this document at the time of entry into the country.



Legal Framework



● Legal Framework

Main Government Players

- Comoros Investment Promotion Agency (ANPI)
ANPI is the main institution in charge of promoting investment and liaising with international investors interested in Comoros. The agency was established as a result of the adoption of the Investment Code of 2007 and came into existence in December 2008 under the authority of the new government department in charge of investments. The Comoros Investment Promotion Agency was created to operate under the supervision of the Ministry in charge of Investments. Its objectives are:
- To promote the country as an attractive investment destination;
- To serve as a one-stop-counter for promoters and bearers of investments projects;
- To make any proposal and recommendation related to the application of the Investment Code to the supervising Minister;
- To ensure that approved enterprises abide by the general and special obligations laid out in the Investment Code and its official approval;
- To make any recommendation related to possible applicable sanctions;
- To produce an annual report for the supervising Ministry.

ANPI acts as the liaison between the government and international investors. It provides a number of services to investors such as carrying out business registration procedures and issuing licenses. It also makes it easier for investors to obtain the necessary permits and duty exemptions, and monitors investments made.

8.1. Investment laws and regulations

Comorian Authorities have shown support in favour of the improvement of the business climate and investment conditions by setting-up, with World Bank via the International Finance Corporation (IFC), a reform programme aiming to improve the different investment procedures, and thus, to improve its ranking in terms of Doing Business indicators.

Investment Code 2007

A new investment code came into force in 2007 with a view to helping investors in the various steps, including obtaining the necessary permits, and to introducing new incentives to attract foreign investment to the Union of the Comoros.

The main provisions of Law No. 07-0010/AU Investment Code are:

- The guarantee of equal treatment between domestic and foreign investors. Similarly, foreign workers have the same rights and obligations as national workers.
- The ability for investors to obtain approved tax benefits for investments greater than or equal to 5,000,000 KMF (approximately 10,000 Euro).
- The establishment of ANPI – Comoros Investment Promotion Agency

The priority objectives of this Investment Code are:

- a) The creation of new enterprises;
- b) Job creation;
- c) The establishment of Enterprises in the inland areas;
- d) The innovation and development of existing enterprises;
- e) Encouraging and facilitating entrepreneurship.

Eligible areas of activity

In order to create an environment conducive to the development of the private sector and attract private productive investments that will generate jobs and income, the Union of the Comoros places a legal framework of incentives at the disposal of investors.

Eligible enterprises are those which carry out or which are desirous to carry out an activity in one of following sectors:

- a) Agricultural, farming, fishing and forest exploitation activities, and connected activities linked to the processing, storage, conditioning or conservation of plant, animal or fish products;
- b) Production or processing manufacturing activities;

- c) Research, mining or processing of mineral or natural substances;
- d) Realisation of housing programmes of an economical and social nature;
- e) Realisation or running of tourist and hotel infrastructures;
- f) Laboratories of applied or technological research;
- g) New Information and Communication Technologies, NICT;
- h) Decentralized banking and financial institutions;
- i) Sea, ground and air transport;
- j) Services in the following sub-sectors:
 - Health;
 - Education and vocational training;
 - Equipment assembling and maintenance;
 - Ground, port and airport infrastructures.

Investment Incentives of the 2007 Investment Code

When it comes to incentives, the Investment Code of 2007 provides for two systems of incentives:

- Incentive system 'A' – aimed at enterprises with:
 - a) An investment programme ranging between 5,000,000 KMF (approx. 10,000 Euros) and 100,000,000 KMF (approx. 200,000 Euros);
 - b) A significant job creation programme which favours the recruitment of nationals.

Approval under system 'A' bestows the following rights and benefits:

- a) The application of a maximally reduced rate in the unique administrative royalty (RAU) for the import of equipment and materials destined, in a specific way, to production or exploitation, as part of the approved programme, for a seven-year period.
- b) Tax exemption on turnover for the equipment and materials destined, in a specific manner, to production and exploitation, as part of the approved programme, for a seven-year period.
- c) For the tax on profits, approved enterprises are authorised to deduct from the amount of the taxable profits, 100% of the amount of the accepted investments. These deductions are spread over five successive fiscal years, at the end of which, the outstanding amount of the authorised but not used tax credit, is neither chargeable nor refundable;
- d) Exemption, for two additional years, for enterprises established in rural areas.
- e) At the end of the incentive period, the application of a maximum 50% reduction to the ongoing minimum rate for the import of raw materials destined, in a specific way, to production.

- Incentive system 'B':

System 'B' is reserved for enterprises with:

- a) An investment programme above 100,000,000 KMF (above 200,000 Euro);
- b) A significant job creation programme which favours the recruitment of nationals.

The approval under system 'B' bestows the following rights and benefits:

- a) The application of a maximally reduced rate in the unique administrative royalty (RAU) on the import of equipment and materials destined, in a specific manner, to production or exploitation, as part of an approved programme, for a ten-year period.
- b) Tax exemption on turnover for equipment and materials destined, in a specific manner, to production or exploitation, as part of an approved programme for a ten-year period.
- c) For the tax on profits, the approved enterprises are authorised to deduct from the amount of taxable profit, 100% of the amount of the investments. These deductions are spread over 8 successive fiscal years, at the end of which the outstanding amount of the authorised but not used taxation credit, is neither rechargeable nor refundable;
- d) Exemption for an additional two-year period, for enterprises established in rural zones.
- e) At the end of the incentive period, the application of a maximally reduced rate for the import of raw materials destined, in a specific manner, to production.

Further benefits provided to investors

The following benefits/facilities are provided to enterprises under Article 5 of the 2007 investment code:

- Right to acquire properties and concessions of any kind, required for their business activities, such as real estate, immovable, industrial or forest properties
- Right to choose suppliers, service providers and partners
- Right to take part in tenders in the Union of the Comoros
- Right to chose management policy and freedom to recruit personnel

8.2. Important Laws

Competition Law

Apart from the Commerce Code, there is no legal framework which regulates Competition Law in the Union of the Comoros.

Land Ownership

The vestiges of French colonial law continue to provide the texts for land ownership and registry, which have four basic categories: untitled land; titled land; state domain; and village reserves. Approximately 80% of the people own small parcels without titles; those with larger land holdings of between 635 and 5,000 hectares possess land titles which were secured during the colonial period and which continue to be respected today.

Intellectual Property Rights

The Union of the Comoros is a member of the World Intellectual Property Organisation and abides by most international conventions on this subject. The Office for Intellectual Property of the National Directorate of the Ministry of Energy, Mines, Industry and Handicrafts handles all enquiries related to intellectual property.

Authorities are in the process of preparing a draft decree for establishing the Comorian Office of Intellectual Property under the Ministry of Industry, and a Comorian Office for Copyrights under the Ministry of Education.

Environmental Law

The environment is governed by the law of 22 June 1994, which was amended in 1995. No decrees of this law have been adopted but a national environmental policy and an environmental action plan were initiated during 1994-1995. Comoros also participates in 11 international and regional conventions on environmental protection. The new investment code of 2007 also includes obligations with regard to respecting the environment. Article 12 (Obligations of the Enterprise) of the Investment Code states that:

“Any Enterprise is bound to the general obligations, on the entire territory of the Union of the Comoros, namely:
- To abide by the legislation of the Union of the Comoros, particularly with regard to the texts and regulations governing the creation and functioning of enterprises, the respect of law and decree, the protection of consumers and the environment.”



8.3. Investment protection and promotion framework

Investors are protected by a series of norms and regulations which grant them and their investments legal stability in the Comoros. After implantation, investors are protected against any legal or tax changes which may affect any custom or tax benefit they receive.

In addition, investors under the above mentioned incentive schemes ‘A’ and ‘B’ may request to have any new legislation, which may be more advantageous than that to which they were previously submitted, applied to them.

8.4. Free Zones / Industrial Parks

There are currently no free zones or industrial parks available in the Union of the Comoros.

To date, the Comorian government has held discussions with Chinese authorities on the possibility of creating an industrial park in the Union of the Comoros.

Membership of International Organizations, Market Access, and Special Trade Regimes



● Membership Of International Organizations, Market Access, And Special Trade Regimes

The Union of the Comoros is a member of many international organisations and has preferential access to many international markets. Below is a list of the main organisations of which Comoros is a member:

Indian Ocean Commission

The Union of the Comoros is a member of the Indian Ocean Commission (IOC), known also in French as the Commission de l'Océan Indien, which is an inter-governmental organisation that joins the Comoros, Madagascar, Mauritius, France (for Réunion), and the Seychelles together to encourage cooperation. The IOC was started in January 1984 under the General Victoria Agreement. The Maldives are an observer member of IOC.

The objective of IOC is to foster diplomatic cooperation, economic and commercial cooperation, cooperation in the fields of agriculture, maritime fishing, and the conservation of resources and ecosystems, as well as cooperation in cultural, scientific, technical, educational and judicial fields amongst the members. While the original idea was to encourage trade and tourism, recently, cooperation has focused on marine conservation and fisheries management.

Organization of the Islamic Conference

The Union of the Comoros is also a Member State of the Organisation of the Islamic Conference (OIC) which is the second largest international organisation in the world after the United Nations, to which it holds a permanent delegation. OIC has 57 member states and was established to act as the collective voice of the Muslim world (Ummah) and to safeguard the interests and ensure the progress and well-being of Muslims. With its administrative headquarters located in Jeddah, Saudi Arabia, the OIC has a population of 1.6 billion (est. 2011) and a total nominal GDP of 4.8135 billion USD (est. 2010).

Common Market for Eastern and Southern Africa (COMESA)

The Union of the Comoros is one of the 19 Member States forming the Common Market for Eastern and

Southern Africa (COMESA), the largest Regional Economic Community (REC) in Africa, with a population of over 430 million, and a combined GDP of over USD 447 billion. Comoros is one of the 14 COMESA Member States currently taking part in the COMESA Free Trade Area which grants it tariff-free and quota-free access to 13 other major markets in the COMESA region.

Having successfully launched its Customs Union in 2009, COMESA is continuing on the road of regional integration by supporting the continual creation of better investment conditions, making it an increasingly internationally competitive economic community.

The importance of Comoros' membership of COMESA and its FTA lies in COMESA's higher FDI growth rate compared to other major regional trading blocs as well as its high average GDP growth rate (5.7% in 2009).

COMESA Member States include: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

Transportation



● Transportation

11.1. General Information

In terms of general transportation and infrastructure, the archipelago of the Comoros presents unique opportunities for investment. Currently, there are four airports, two ports and terminals in Mayotte and Mutsamudu, and 880km of roadways across the entire country. Given the size of the country, there are no existing railways. However, there are international flights that connect the Comoros to major business cities in the area, including Harare and Johannesburg, which demonstrates the Comoros' potential to become a business centre and a perfect location for the building of ports due to its close geographical proximity to the southern and eastern shores of Africa.

Each Comorian island has a paved airport, which is used only for domestic flights. The airports are similar, with each having a runway measuring 1,350 meters in length and 30 meters in width. Comoros has one international airport, 'Moroni Prince Said Ibrahim international airport', located in the north of Grande Comore, about 23 km from the capital city of Moroni. Moroni International Airport has a 2,900 meter-long runway that can accommodate large jetliners. Among the airlines that service the airport are African Express Airways, Air Madagascar and Kenya Airways. There are flights to Antananarivo, Dar es Salaam, Mombasa, Nairobi, St Denis de la Reunion and Zanzibar. This illustrates how the Comoros' geostrategic position makes it an ideal place for business and communications. Furthermore, Comoros could potentially serve as a platform for coastal shipping between Africa, the Middle East and Asia.

In terms of road networks, the island of Grande Comore possesses more extensive paved and unpaved road networks than Anjouan and Mohéli. However, there is room for investment in the road network programme.

11.2. Air Cargo

TABLE 13 – ROAD WAYS (PAVED VS. NON PAVED) BY ISLAND

Particulars	Size in Km			Size Presentage		
	Paved Road	Unpaved Road	Total	Paved Road	Unpaved Road	Total
Grand comore	292	132	424	69%	31%	55%
Anjouan	183	62	244	75%	25%	32%
Moheli port	90	12	102	88%	12%	13%
Total	565	206	707	73%	27%	100%

Source: The Hydratec Bureau for the Government of the Union of the Comoros and the European Commission

Since 1994, Comoros has not possessed a national air transport company. Moreover, the inter-island and regional air transport sector have been taken over by private operators, including Comoros Aviation and Comoros Air Service. This demonstrates Comoros' potential for privatising transport infrastructure as well as its willingness to accept foreign direct investment in both air and sea transport projects. Currently, foreign companies and airlines are responsible for all international transport.

11.3. Airlines

Airlines flying to and from Comoros include:

- Air Austral
- Air Madagascar
- Air Moheli
- Precision Air
- Yemen Airways
- Kenya Airways

11.4. Sea Transportation

Seaport Facilities

Being an island nation, Comoros receives most of its imports and engages in trade mainly through its ports. This demonstrates its potential as a coastal shipping centre in the region. Moroni, situated in Grande Comore, and Mutsamudu, situated in Anjouan, are the two active ports within the country. Below is a chart detailing the services and capacities of all the ports in the Comoros.

In 2005, the government of Anjouan signed an agreement with Maersk Sealand, one of the world's largest shipping companies, making the Mutsamudu port a redistribution port for Moroni and other ports in Mozambique, Madagascar, Mauritius, Mayotte, Reunion, Seychelles, and Zanzibar. By signing this agreement, the Anjouan government made the Mutsamudu port more prominent and accessible to

nearby ports. The port handles approximately 36,000 containers annually and the Anjouan government is currently looking for investors to develop the port capacity as a regional hub. This demonstrates the government's desire to open its ports to private investors in order to develop the country's transportation sector and unlock its potential as a shipping and telecommunications centre.

There is only one major shipping line in Comoros, and it is affiliated with the International Ships Registry of the Union of the Comoros. It consists of small boats that navigate among the islands to ensure inter-island and regional connections. Even though the International Ships Registry is a member of the International Maritime Organization, there are national shipping lines that belong to the Union of the Comoros.

TABLE 14 – PORT SERVICES AND CAPACITIES

Water Port Name (metres)	Main Quay Length (metres)	Main Draft (metres)	Main Pier	Main Sheds (m ²)	Main Earth Height (m ²)	TEU Capacity*
Moroni Port	100	5	240	2.500	6.200	1.700
Mutsamudu Port	173	9	N/A	3.000	40.000	1.400
Mohéli Port	70	2	N/A	N/A	N/A	N/A

*TEU stands for 20-feet equivalent unit. It is a unit of cargo capacity often used to describe the capacity of container ships and container terminals.

Source: The Hydratec Bureau for the Government of the Union of Comoros and the European Commission, Ernst & Young research

Services



• Services

12.1. Fuels (Gas, Diesel, Bunkers) Prices and Technical Information

Significant gas and oil reserves are present onshore and offshore in the Mozambique Channel which is a newly recognized zone in deep water petroleum. Major oil companies like ExxonMobil and Total are active in this area. Madagascar and Tanzania have already started oil production whereas Mozambique has found considerable quantities of gas and is still searching for oil. Exploration companies such as Anadarko and Artumas Group have held discussions with the Comorian government over potential oil and gas exploration. Currently Comoros' demand for oil and gas is met through imports, mainly from the Emirates National Oil Company, UAE. The National Society for Hydrocarbures, known as Comoros Hydrocarbures, is

a government-owned company which oversees oil and gas imports in Comoros. Some of the key aspects of the oil and gas sector in Comoros can be seen in the table below.

TABLE 15 –THE OIL AND GAS SECTOR

PARTICULARS	COMOROS	GRANDE COMORE	ANJOUAN	MOHELI
Number of petrol stations	26	21	4	1
fuel deposit capacity in cubic metres at Comor Hydrocarbures (m³)				
Regular gasoline	4,610	1,500	3,000	110
Diesel	8,320	4,200	4,000	120
Kerosene	4,080	2,000	2,000	80
Jet A1	750	750		

Petrol station depot capacity in m³

Regular gasoline		143		
Diesel		173		
Kerosene		109		
Annual consumption in thousand litres				
Regular gasoline	12,780	9,000	3,060	720
Diesel	28,800	21,600	5,580	1,620
Kerosene	24,840	13,500	8,100	3,240
Jet A1	10,800	10,800		

Source: The Hydratec Bureau for the Government of the Union of Comoros and the European Commission



TABLE 16 –PETROLEUM PRODUCT IMPORTS (2004-08)

PARTICULARS	2004	2005	2006	2007	2008
Petroleum products import					
Value (millions of KMF)	7,085	8,395	9,888	10,649	11,974
Volume (metric tons)	49,016	47,042	55,132	35,837	31,744
Unit value (KMF)	145	178	179	297	377
Sales price to petrol stations in KMF					
Regular gasoline	485	485	585	585	585
Diesel	290	340	490	490	490
Kerosene	195	195	195	195	195
Retail price at petrol stations in KMF					
Regular gasoline	500	500	600	600	600
Diesel	300	350	500	500	500
Kerosene	200	200	200	200	200

Source: The Hydratec Bureau for the Government of the Union of the Comoros and the European Commission, Central Bank, IMF, Ernst & Young

12.2 Telecommunications, providers, rates, (cellular and fixed; local and international)

Mobile and landline operators

The national telecommunications company in the Comoros is Comores Telecom (officially known as Société Nationale des Telecommunications des Comores). It is the only active telecommunications

company in Comoros and uses 900 GSM technology for its mobile telephony service.

Comores Telecom also has around 2,000 internet subscribers and 18,000 fixed line subscribers. The network coverage in Grande Comore and Anjouan is 80% and 50% respectively. Mohéli has less than 50% network coverage.

TABLE 17 - STATISTICS ON MOBILE TELEPHONY (2004-08)

Particulars	2004	2005	2006	2007	2008
Number of mobile lines (in thousands)					
Active	8.4	16.1	36.7	62.1	90.7
Inactive	0.8	1.7	2.5	3.5	4.8
Total	9.2	17.8	39.2	65.6	95.5
GSM traffic (in thousands of minutes)					
National	4,470	8,685	40,462	40,127	44,679
International	333	607	1,453	1,572	1,893
Total	4,803	9,292	41,915	41,700	46,572

Source: National Society of Telecommunications

TABLE 18 – CALLING RATES IN THE COMOROS
GSM Huri

GSM Huri Communication cost	2005		2006		2007-08	
	Connection fixed cost (KMF)	Var. calling rates (KMF)	Connect. fixed cost (KMF)	Var. calling rates (KMF)	Connect. fixed cost (KMF)	Var. calling rates (KMF)
National						
To a mobile in Comoros (HURI)	100*	55 / 30 sec.	Nil	75 / minute	Nil	75 / min.
To a fixed line in Comoros	150*	55 / 30 sec.	100*	50 / 45 sec.	100*	59 / 45 sec.
Mobile or fixed in Mayotte	150	270 / min.	75	270 / min.	75	270 / min.
International						
Call to a fixed line in France	150	630/ min.	75	525/ min.	75	525/ min.
Mobile lines in France and , fixed and mobile lines in the Indian Ocean islands	150	720/ min.	750	630/ min.	750	630/ min.
Mobile and fixed lines to South Africa	150	870/ min.	75	870/ min.	75	870/ min.
Mobile and fixed lines to Arab countries, Kenya and Tanzania	150	1,200/ min.	75	945/ min.	75	945/ min.

* Fixed charge for the first minute

Source: National Society of Telecommunications

Comores Telecom invested some 2.5 million Euros in 2008 and a further 2 million Euros in 2009 in order to improve its telephone network - including laying optical fiber cables to allow high speed internet connection. In March 2008, IFC held discussions with the Government of Comoros to privatise Comores Telecom. In 2007, the government granted a telecoms licence to a private sector participant, CGF, to operate mobile telephony services in Comoros.



12.3. Submarine Optic Cable System (EASSy)

Comores Telecom launched a new communication service enabled by the Optic Fiber Eastern African Submarine System Consortium (EASSy), a system of 10,294km-long submarine fiber optic cable installed along the East Coast of Africa with ten landing stations in Sudan, Djibouti, Somalia, Kenya, Tanzania, Comoros, Madagascar, Mozambique and South Africa.

This project is one of the biggest investments which the Comorian Government has financed so far, amounting to a total investment of USD 264 million. Thanks to this initiative, Comoros now has the largest capacity of all submarine cable systems on the East Coast of Africa with speeds of 3.7 terabits per second.

China has committed some KMF 11 billion to complete the fiber optic project and bring high-speed internet connections to all corners of the islands. The introduction of optic fiber in Comoros has already resulted in a considerable drop in the prices of all telecom services in the archipelago, making internet connection a universal service for all Comorians.



12.4. Public Utilities

Investors have urged the government to work on improving infrastructure and public services. Particular effort should be made to improve transport between cities and outside areas (with an emphasis on the quality of roads) and maintain the stability of the electricity supply in all islands. Further investments in both sectors will make networks more reliable and efficient.

12.5. Water and Sewage Rates

Currently, 24% of homes have access to running water. Alternative sources of water include private tanks and public fountains. These three sources provide water to 73% of the population.

The current water retail price per m³ is KMF 220. China and France contributed some 1.7 million Euros in 2008 for the development and maintenance of the water sector in Comoros. This is certainly a sector which would benefit from further investments.

TABLE 19 – WATER CONSUMPTION INDICATORS

Villages with drinkable water conveyance systems	Villages with drinkable water conveyance systems (%)	Drinkable water production capacity	Water network length	Number of connections	Quantity of water supply	Water quantity produced in 2007
13	52%	12,000 m ³ /day	123 Km	18,000	18.9 liters/person/day	5,320,000 m ³

12.6 Domestic and Industrial Electricity Rates

The electricity sector presents a big challenge to Comoros, whose authorities have been focusing on the need to stabilise the power supply, especially outside the capital city. Skilled labour is needed to operate the power sector network and carry out reliable maintenance on power plants. Only about 60% of the energy produced in Comoros generates revenue. The electricity production cost is currently around KMF 337 per KWh. The statistics on production and consumption of electricity for the period 2004-08 are presented in the table below:

Investments in the electricity sector and power sources

The Karthala Volcano is considered as having significant economic potential in terms of geothermal energy and eco-tourism.

Investments in the energy sector have come in the past few years from the Middle East and Asia (particularly Iran and China). Iran signed an agreement to fund a power plant of 25 Mw in 2009 while China agreed in 2008 to provide financial assistance in excess of 10.2 million Euros to this sector.

TABLE 20 – ELECTRICITY PRODUCTION AND CONSUMPTION (2004-08)

PARTICULARS	2004	2005	2006	2007	2008
Installed capacity (Mw)	18.2	21.0	23.0	23.0	25.0
Grande Comore	16.0	16.0	18.0	18.0	18.0
Anjouan	2.2	5.0	5.0	5.0	5.0
Mohéli	N.A.	N.A.	N.A.	N.A.	2.0
Operational capacity (Mw)	11.6	11.6	10.3	10.5	11.2
Grande Comore	10.0	9.7	8.1	8.1	7.8
Anjouan	1.6	1.9	2.2	2.4	2.4
Mohéli	N.A.	N.A.	N.A.	N.A.	1.0
Production (million KWh)	44.1	46.6	49.2	51.5	N.A.
Grande Comore	36.0	37.9	39.5	41.1	N.A.
Anjouan	8.1	8.7	9.7	10.4	N.A.
Mohéli	N.A.	N.A.	N.A.	N.A.	N.A.
Power demand in (Mw)	7.5	8.0	10.0	12.5	15.8
Grande Comore	5.5	6.0	7.0	8.5	10.0
Anjouan	2.0	2.0	3.0	4.0	5.0
Mohéli					0.8
Network coverage rate*					28%
Grande Comore					40%
Anjouan					27%
Mohéli					18%
Power demand at 80% coverage (Mw)					38.4
Grande Comore					20.0
Anjouan					14.8
Mohéli					3.6
Electricity price in KWh charged to customers (KMF)	120	120	120	120	120

* the network coverage is the % of land area covered by the electricity network

Source: The Hydratec Bureau for the Government of the Union of Comoros and the European Commission

Banking and Financial Services



● Banking And Financial Services

12.1 Banking and Financial services

The Banking System in Comoros

The independence of Comoros in 1976 was accompanied with an institutional arrangement with France by which the Institute of Emission of Comoros (l'Institut d'émission des Comores) held the privilege of currency issuance. This right was later transferred to the Central Bank of Comoros (BCC) on 1 July 1981.

Since 19 November 1999, BCC's official rates have been pegged to the Euro Overnight Index Average (EONIA), leading to a stabilization of interest rate differentials with the Euro. BCC applies a compulsory reserves system of 25% of deposits and debt securities issued. It has the exclusive right to issue the local currency and its main role is to formulate the monetary and credit policy and manage international reserves.

Licensing

In accordance with the Law No. 80-07 of 26 June 1980 on regulating banks and financial institutions, only the Minister of Finance of Comoros, following a recommendation from BCC, can license an institution or company aiming to pursue a banking or financial services activity in Comoros' territories.

Structure of the Comorian financial system

The financial system of Comoros consists of the Treasury, a Central Bank, three commercial banks, one development bank, two micro-finance agencies and one financial services provider. Moreover other financial actors are involved such as financial services intermediaries such as Western Union, MoneyGram and Comores Express.

Major actors in the banking and insurance sectors

Given the limited size of the Comoros financial services sector, it is natural that this is mainly concentrated in the banking sector. Banking services in the islands are provided through financial outlets including:

- Bank for Industry and Commerce (Banque pour

l'industrie et le commerce – BIC)

- Universal commercial bank with limited product offerings (savings and credit).
- Exim Bank is a commercial bank (originally from Tanzania) which started its operations in Moroni (Grande Comore) in 2007 and in Anjouan island in 2009.
- Federal Bank of Commerce (Banque Fédérale du Commerce – BFC) – a commercial bank operating in Comoros since 2009.
- Development Bank of Comoros (Banque de Développement des Comores – BDC) – provides medium- and long-term financing, mainly to industrial enterprises. BDC's lending activities are financed by the French Development Agency.
- National Society of Postal and Financial Services (Société Nationale des Postes et des Services Financiers – SNPSF) – a financial intermediary that houses the departments of the National Deposit Fund (Caisse Nationale d'Épargne), the Postal Accounts and transfers services of Western Union.
- Decentralised financial institutions for micro-financing, such as SANDUK and MECKS networks.
- Money Gram and Comores Express – financial services intermediaries involved in money transfers.

Some of the insurance companies operating in the union are: AGC, Al Amana, Assurances Conseils des Comores, Comores Trade International, La Générale d'Assurance et de Prévoyance.



TABLE 21 - KEY CHARACTERISTICS OF THE FINANCIAL SECTOR

Particulars	2005	2006	2007	2008
Saving deposit rates	3.0%	2.5%	2.5%	2.5%
EONIA rates	2.1%	2.8%	3.9%	3.9%
Commercial banks lending rates	8% to 14%	7% to 14%	7% to 14%	7% to 14%
Savings market share				
BIC	63.0%	56.0%	46.0%	37.0%
SNPSF	7.0%	9.0%	14.0%	23.0%
MECKS	22.0%	27.0%	30.0%	26.0%
SANDUK	7.0%	9.0%	10.0%	10.0%
EXIM-BANK	-	-	-	4.0%
Lending market rates				
BIC	64.0%	57.0%	52.0%	41.0%
BDC	7.0%	8.0%	5.0%	4.0%
SNPSF	4.0%	12.0%	16.0%	24.0%
MECKS	17.0%	15.0%	17.0%	18.0%
SANDUK	8.0%	8.0%	9.0%	9.0%
EXIM-BANK	-	-	-	4.0%

Source: Ministry of Planning, UN, Ernst & Young

International financial institutions

Comoros has access to the facilities of the European Investment Bank (EIB) as it is a signatory to the agreement between the African, Caribbean and Pacific Group of Nations and the EU, known as the Cotonou Agreement. Under this facility, entities in the COMESA region can borrow money from EIB up to 50% of the investment value at competitive interest rates with flexible structures.

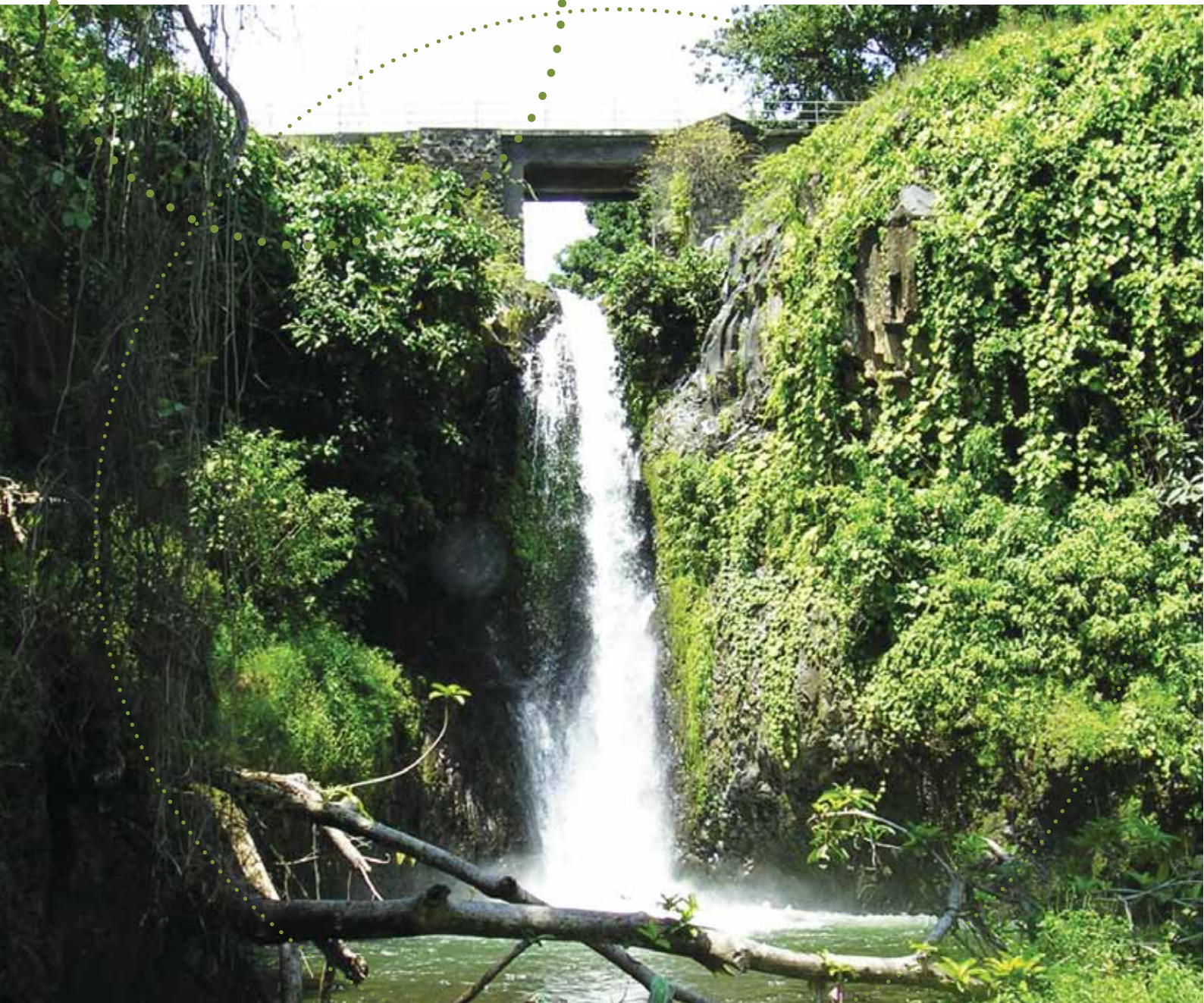
TABLE 22 – BANKING SECTOR BY NUMBER OF BRANCHES AND ACCOUNTS

Particulars	CO-MOROS	GRANDE COMORE	ANJOUAN	MOHÉLI
Number of branches				
BIC	2	1	1	-
SNPSF	21	12	7	2
MECKS	11	6	4	1
SANDUK	66	26	31	9
EXIM-BANK	2	1	1	-
Total number of branches	102	46	44	12
Estimated number of accounts (000)				
BIC	20.2			
SNPSF	31.0			
MECKS	36.8			
SANDUK	26.6			
EXIM-BANK	5.0			
Total number of accounts	119.6			

Source: Ministry of Planning, UN, Ernst & Young

As a member of the World Bank, Comoros has also access to the facilities of the IFC. Other finance development funding sources include the African Development Bank (AfDB), Development Bank of South Africa and Industrial Development Corporation of South Africa Limited

Quality of Life



● Quality Of Life

The Union of the Comoros is perceived essentially as a safe and good place to live. The security in the islands is high, and although the presence of police is not excessive, locals are extremely welcoming and honest people who pose no threat to tourists or foreigners residing in their territory.

For all those who love nature, the Union of the Comoros is one of the best places to live as its richness in both flora and fauna is exceptional. The list of activities to be undertaken in the islands, whether by the coast or in the forest, is long and varied.

From an investor's perspective, the archipelago is still perceived as a largely untapped territory which early investors can benefit from. Of all sectors one that is considered particularly promising is tourism thanks to the development of leisure activities. Strategically investors find the location of particular geopolitical importance given that Comoros are located close to other Indian Ocean islands, only a few hours flight to the Middle East and Eastern and Southern Africa. Investors warmly welcomed the new investment code of 2007 whose conditions are considered particularly business-friendly and more favourable than in most neighboring countries.

Investors place enormous importance on the potential of the tourism sector. While Grande Comore has got potential for the development of high capacity luxury seaside tourism, the island of Mohéli is potentially important for the development of ecotourism offerings of a reduced scale. Additionally the agricultural sector and the food processing are gaining considerable interest from international investors due to the abundance of food crops. Finally its natural richness of territorial waters makes Comoros an ideal place to invest in fishing and processing of fishery products.

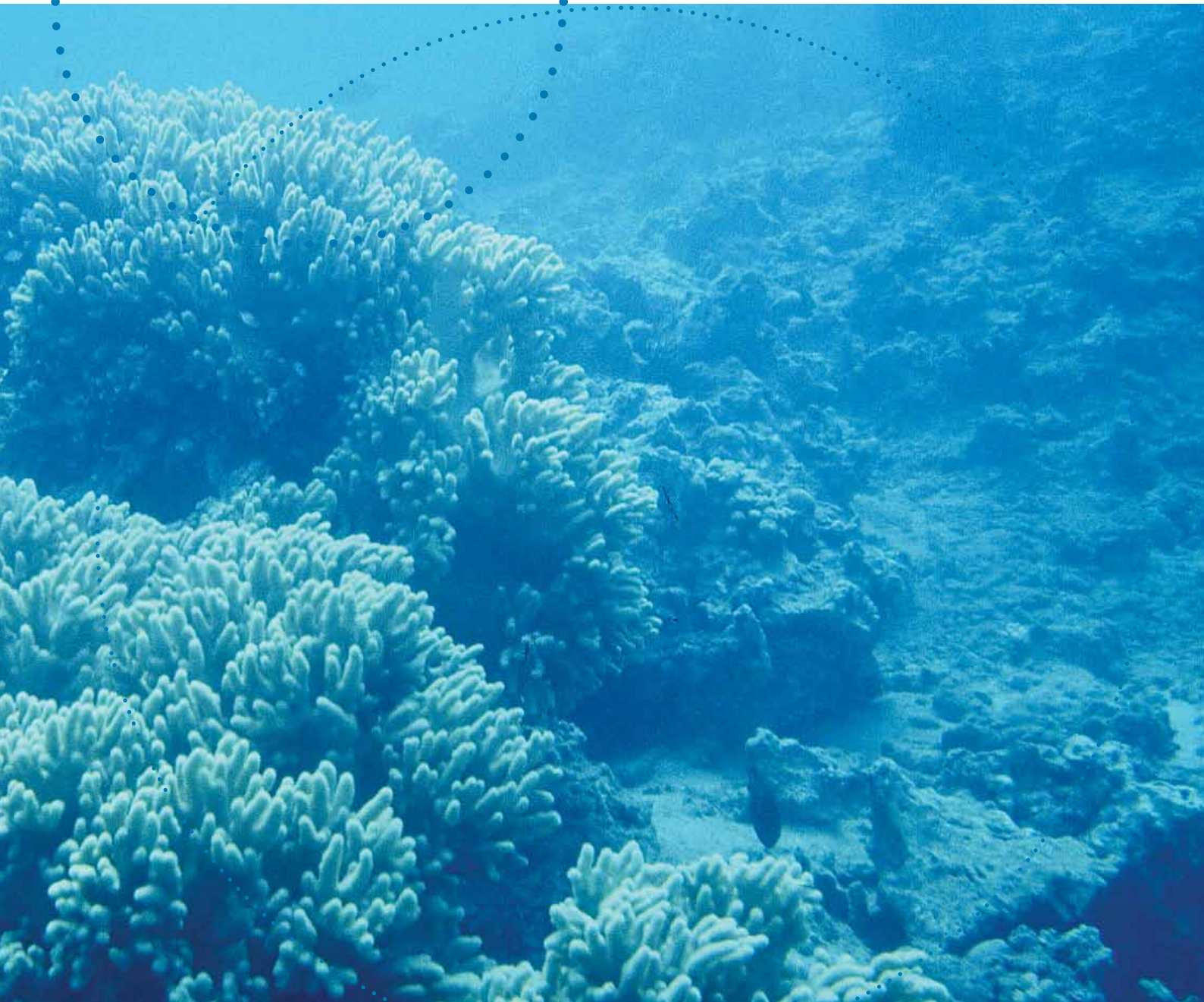


While the tourist offer is somewhat limited, there are a number of attractive places for people to hang out including nice and relaxing bars and restaurants. Comorians are very open to foreigners and like to make people feel welcome from day one. For lovers of French culture, the French cultural centre in the islands organizes many activities including gatherings, debates and movie showings.





Sectors



● Sectors

14.1. Sector Information

The Comorian economy is dependent on a number of sectors whose development will impact its potential growth in the years to come. The sectors identified as key for the Comorian economy are:

- Tourism
- Fishing
- Agriculture
- Mining
- Outsourcing of business services

The sectoral information detailed below was sourced from UNDP's "Guide de l'Investissement aux Comores".

14.2. Tourism

Comorian Tourism represents one of the potentially most important economic sectors of the country. Thanks to its natural characteristics, the archipelago has rare touristic assets which are often undervalued. Moreover, the little development of tourist infrastructures compared to other Indian Ocean islands gives investors a measure of the potential available to the industry and anticipate significant growth of tourism in the coming years. Development opportunities in the supply of beach holidays in the islands are numerous. The beaches of Grande Comore and Mohéli, in fact, make the Comoros a very attractive destination, both in the eyes of customers wishing to benefit from the comfort of large tourist complexes, which remain to be developed, and visitors seeking to discover the preserved natural sites. While Grande Comore has great beaches suited to the development of considerable seaside tourism, the island of Mohéli, the smaller range, is more amenable to ecotourism through the richness of its landscape, its flora and its seabed. There is definitely a great potential in the Comoros for the development of traditional seaside tourism and ecotourism, which include of course popular activities such as diving.

The natural attractions of the country, however, are numerous and not limited to its beaches. The Karthala volcano on the island of Grande Comore, whose crater

is the largest in the world, is still active and is the most famous tourist attractions of the archipelago. The islands, Mohéli especially, have a unique underwater landscape (marked by the presence of the Coelacanth, an endangered fish which dates back hundreds of millions of years but also turtles and dugongs) and diverse tropical flora. The salt lake of Bangouakouni, located north of Grande Comore, is also a very popular destination.

Comorian culture is particularly rich, especially in terms of craftsmanship (wood carving, embroidery, traditional jewelry) and gourmet (Mataba, pilao, kakamoku, skewers). It is the result of the encounter of various influences (African, Malagasy, Asian, Indian, Arabic, and French) that characterize the Comorian population. On the other hand, the historical heritage has many monuments, archaeological sites, religious buildings (such as the Grand Mosque in Moroni), fortifications and the old palace of the sultan fighters that have marked the history of Comoros.

Despite this wealth, the tourism sector remains underdeveloped. The country hosts a bit less than 20,000 tourists per year. Considering the large diaspora of Comorian people living abroad, two thirds of the tourists coming to Comoros is actually composed of Comorian expatriates, mainly from France, visiting their families. In 2005, real tourism accounted for an eighth of the total tourist arrivals against more than half in 2000. Geographically, nearly 90% of tourists came from France (including the Comorian diaspora) and the islands of the Indian Ocean.

Given the return of political stability in the Comorian islands for over 10 years, and considering the limited offer of accommodation in the islands unable to attract significant tourism, there is a very significant potential of the island for tourism which may be conducive to considerable foreign investment in the hospitality sector. Thus, the renovation and extension of a four star hotel (Itsandra Beach) has been undertaken with the entry of foreign capital and tourism infrastructure (including shipping) are themselves the subject of significant foreign investment.

These developments are positive signals about the ability of Comoros to catch up on other destinations in the Indian Ocean. The continuation of this trend, coupled with the valorization of many assets of the country and its differentiation vis-à-vis competing regional destinations, is expected to promote recognition of the Comoros as a tourist destination and improve the ranking of the archipelago by tour operators. The country can also be a step in the context of broader regional travel (Réunion, Mauritius, Seychelles, etc.). Finally, the local tourism from these islands can be promoted by the opening of new routes. The combination of the expected intensification of international links to Comoros and development of hotel facilities and tourist infrastructure makes traditional tourism, but also eco-tourism, real growth sectors in which investment opportunities are numerous.

14.3. Fishing

The incredible fishery resources of the Comoros make fishing and the processing of fishery products a sector whose potential for development goes well beyond the current level of exploitation. Tuna is the main source of local fisheries. A wide variety of fish, however, is present in Comorian waters, and untapped reserves of lobsters and octopus near the coast.

Traditional fishing is an important sector of the Comorian economy and alone accounts for one tenth of GDP (and a fifth of agricultural GDP). Fishing activities are concentrated near the coasts of the islands (less than ten nautical miles) and are conducted using small boats, not all of which are motorized. This operation allows the average production of 16,000 tons annually, a level acceptable for the regeneration of resources near the coast. Currently, this production is exclusively reserved for domestic consumption for a number of reasons such as the too small volumes produced, the lack of necessary equipment (including packaging and transport) and the difficulties in complying with international health standards regulating exports.

Finally the fisheries sector in the Comoros offers vast opportunities for investment not only in terms of increased fishing capacity, but also more widely in the development of infrastructure and port facilities that support the sector. These investments may allow the development of semi-industrial fishing. To this purpose, Comorian ports must be adapted to accommodate larger vessels (particularly in Grande Comore), cold storage facilities should be established near the port for storage of production and boats used

for fishing off and transport equipment must maintain the cold chain to the point of sale. In addition, access to external markets is conditioned by the respect of many international health standards, as well as the establishment of a national laboratory with the capacity to issue the health certificates.

In addition, the development of this industrial sector has to go through the development, downstream of fishing, processing units and packaging for the domestic market and for exports. The development of salt-curing units can also be used to supply the domestic market and reduce imports from Madagascar.

Domestic demand for an increase in current supply is strong. Indeed, despite the relative importance of the sector in the national economy, the Comoros continue to import fish (500 to 1,000 tons per year). In addition, Comoros is also a great importer of meat. The increased supply of fish in the local market at a lower cost (due to the lack of transport costs typical of imported products) could partially respond to such demands.

Finally, the exploitation of large water resources and the establishment of processing plants and packaging open up real prospects for development of export, particularly to other economies of the Indian Ocean and Africa.

14.4. Agriculture and food industry

The Comorian agriculture is the most predominant economic sector in Comoros and accounts nearly half of national GDP. However, it is characterized by small farms, traditional farming methods and structurally weak channels. Apart from the three crops at the root of most of the country's exports (vanilla, ylang-ylang, clove), food production consists mainly of tubers (cassava, yams, taro, sweet potatoes) and some fruits (banana, coconut), but also legumes (pigeon pea, mung bean) and fresh vegetables. Cereal production (corn and rice) is however very limited. Thus, while rice is the most consumed food in the country, the annual production is only about 1,100 tons while between 30,000 and 40,000 tons are imported for a value of 4 to 5 billion KMF (8 to 10 million Euro), making it one of the main imports with oil and meat.

Livestock activities, thanks also to the recent spread of epidemics from imported animals, are insufficient to meet domestic demand. Approximately 3,000 tons of meats (mostly beef) are produced each year, while imports amounted to over 5,000 tons.

Milk production does not offset the import of dried milk. Only fishery products, presented above, are able to meet most of the request, even if it failed to completely replace imports. The agricultural sector presents real opportunities for development that could allow the supply of the internal market through import substitution. From this point of view, if the high transportation costs due to the isolation of Comoros are a handicap and tend to partition the markets of each of the three islands, they can nevertheless provide a natural protection vis-à-vis imports and make local production more beneficial.

The reinforcement of production capacities can also be used to guide the sector towards exporting. Despite not being able to exploit agricultural land large enough to develop a mass production, Comorian agriculture has the potential to distinguish itself for organic production by targeting the markets of developed countries, particularly European, looking for quality agricultural products. From this perspective, some cultivations that are less exploited can be developed with a view to respond to international demand. The market is particularly important for fruit such as pineapple, mango, litchi or avocado, whose cultivation can be increased thanks to the favorable climate of the region.

The development of processing plants for agricultural products, completing the chain and greatly increasing the added value of production also represents an attractive investment opportunity for both domestic and export. The packaging of products is also necessary to facilitate products storage and supply in Comoros and indispensable for exported products. At this level, it may be also advised to develop the production of fruit juices with the setting up of pressing units, pasteurization and bottling, as well as the production of dried fruit and canning. Finally, the production of sea salt, made possible by a sufficient tidal range, may be considered as a viable replacement for imported salt. If food processing is not yet well developed in Comoros, there are several success stories, like the group Sodeco (Development Corporation of the Comoros) which holds, among other things, a dairy processing plant (Yako) for the production of pasteurized milk, yogurt, butter, cream and cheese, and a factory of mineral water (Karthala). Similarly, there is a local bottling plant (Comco SA, a subsidiary of South African SABMiller) in contract with a major world producer of beverages.

Due to the weight of food imports in the domestic supply as well as export opportunities, agriculture, food processing and packaging still have considerable room for development. These require the improvement and extension of production processes already in place,

strengthening and integration of the agricultural sector and the development of new crops and organic crops to meet global demand.

14.5. The mining sector

The Comorian subsoil is particularly rich of minerals, although these are still unclear and undeveloped. The interest in the mineral resources of the country grows while research studies and evaluations are being carried out to establish the available resources of the subsoil. In September 2009, a team of geologists has revealed the presence of large quantities of olivine (1.5 million tons in Pidjani, in the island of Grande Comore) and bauxite (11 million tons in Hajoho and Ongoni Yamarahani, in the island of Anjouan). Geologists have detected the presence of other resources including iron oxide, heavy minerals, precious stones and traces of gold. This discovery, announced by former President Ahmed Abdallah Sambi at the end of his mandate should lead to the launch of tenders by the Comorian government.

14.6. The outsourcing of business processes

The outsourcing of business processes, an activity which at the moment does not exist in Comoros, is a sector in which the country may have some competitive advantages. Various countries in the region, like Mauritius and Madagascar, have focused on this type of activity and saw many subsidiaries of foreign firms or service providers in outsourcing contract establish in their jurisdictions. This opens up to a series of services such as calling centers but also accounting services and administrative management for businesses.

The advantages of Comoros in this field are not negligible. Wage levels, although slightly higher than in some neighboring countries, remains very competitive. The widespread use of the French language can guide the delivery of services to firms in French-speaking countries. Moreover, the Comoros have a significant labour supply with the required qualifications, due to an increasing number of university graduates in Comoros looking for a job. The development of this particular sector has so far been constrained by the state of the communication system towards the rest of the world. The interconnection of the Comoros with the submarine optic fiber in 2010 will tackle this issue and facilitate the growth of outsourced services.

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