Country case study

External finance for rural development

Country case study: Comoros

Maria Ana Jalles d'Orey

December 2020

Key messages

- Agriculture and rural development are core priorities for the Government of Comoros (GoC).
- Government demand for external development assistance for rural development and agriculture is expected to rise, since the country's agriculture investment plan is ambitious, the financing gap is large and the sector is highly dependent on external financing. The GoC also values technical assistance to train, increase and retain local expertise.
- Government demand for borrowing for rural development and agriculture could grow, but only in concessional (rather than non-concessional) terms, and only for agriculture-related infrastructure projects to meet the country's development needs. However, the government aims to maximise grant financing followed by highly concessional loans for rural development.
- Long-term financing, flexibility and project sustainability are the most desirable attributes of external development assistance for agriculture and rural development for the GoC, together with a strong alignment to national priorities.

Introduction

Background

Rural development worldwide relies heavily on private funding. Yet the public sector has a key role to play in providing both investment and policy support to tackle persistent market failures. These include the under-provision of public goods (such as infrastructure, and research and development), negative externalities (such as the need to adapt to and mitigate the effects of climate change), informational asymmetries (e.g. the development of rural financial services) and the lack of protection for vulnerable people through, for example, social protection.

Far more finance is needed to achieve food security and promote sustainable agriculture in line with Sustainable Development Goal (SDG) 2. The United Nations (n.d.) estimates that an additional $267 billion per year is needed to achieve every SDG 2 target: almost twice as much as total official development assistance (ODA) each year from all donors combined. Official development finance (ODF)[1] to agriculture and rural development rose slightly from $10.2 billion in 2015 to $10.9 billion in 2018. This is only a fraction of the total ODF disbursements of $254 billion in 2018. Public expenditure on agriculture development also remains low: since 2001, governments have spent, on average, less than 2% of their central budgets on agriculture (FAO, 2019).

Objectives, definitions and methodology of this country case study

This country case study summarises key findings from a country analysis of financing for rural development in Comoros. It is one of 20 analyses that is synthesised for comparison in Prizzon et al. (2020).

The case study has two main objectives:

- to map demand from the GoC over the next five to 10 years for external development assistance to support public investment in inclusive and sustainable rural development
- to analyse the financial and non-financial terms and conditions of such demand, its main preferences and the type of instruments that the government wishes to access or scale-up to support public investment in rural development.

Definitions

What we mean by public investment in inclusive and sustainable rural development (see Prizzon et al., 2020, for more details): Our research has focused on six areas that contribute to such investment: access to agricultural technologies (research and development) and production services; agricultural value chain development (e.g. crops, livestock, fisheries); climate-resilient agricultural practices; rural basic infrastructure (e.g. water and irrigation systems, local roads, local energy generation and storage facilities); rural financial services; and rural investment environment (e.g. policy, legal and regulatory frameworks).

What we mean by external assistance for inclusive and sustainable rural development: We look beyond ODA to include government-to-government funds from bilateral and multilateral donors that do not meet concessionality criteria[2] (usually defined as other official flows, or OOFs). We call this official development finance (ODF). As a proxy for financing rural development, we examine data on external assistance to the agriculture sector and rural development (cross-cutting) based on an Organisation for Economic Co-operation and Development (OECD) definition. This is not a perfect measure, but given the lack of a sectoral definition or

1 The sum of ODA and OOFs: the latter flow from bilateral and multilateral donors that do not meet the concessionality criterion for ODA eligibility.

2 The definition of concessionality is based on the share of the grant element. With the 2014 OECD reform, the grant element varies according to the income per capita of the ODA eligible country to be counted as ODA: at least 45% for low-income countries (LICs), 15% for lower-middle-income countries (LMICs) and 10% for upper-middle-income countries (UMICs). The International Monetary Fund (IMF) discount rate (5%) is also adjusted by income per capita group: 1% for UMICs, 2% for LMICs and 4% for LICs, including least-developed countries (LDCs).

attribution to rural development as such, it is the closest we can get to a consistent, cross-country mapping of external assistance from development partners. As a second-best option, we rely largely on quantitative and qualitative data on agricultural development. While the agriculture sector is a major component of rural development, data on agriculture alone cannot capture important non-farm activities.

Research questions

This country case study reflects our four main research areas:

- the government's priorities for public investment in inclusive and sustainable rural development
- financing for public investment in inclusive sustainable rural development
- borrowing (external development assistance) for this public investment
- the government's preferences in relation to external development assistance for public investment, including its demand for specific types of instruments.

As this project took place during the early stages of the Covid-19 pandemic, we also reflect the short- and medium-term implications of the crisis for government priorities and preferences for public investment as well as the amount and type of external assistance demanded.

Methodology

We used a qualitative case study approach, with the analysis of individual countries informed by a political economy framework, as developed by Greenhill et al. (2013) for aid negotiations (see Prizzon et al., 2020).

Our approach comprised a critical review of relevant policy literature[3] and data analysis[4], which also helped us to identify country stakeholders. This was followed by interviews with key informants, informed by an electronic questionnaire submitted before each interview. For Comoros, we held 15 interviews between May and June 2020, and received 11 questionnaires (see Annex 1 for a list of those interviewees who agreed to their names being shared).

Comoros: country context

The Union of Comoros has been classified as a lower-middle-income country (LMIC) since July 2019 (having previously been classified as a low-income country). The country accesses the resources of the World Bank's International Development Association (IDA) and borrows on 'small economy' terms (which are more favourable than for regular or blend countries and include, for example, 40-year maturities and 10-year grace periods) (World Bank, 2019).

Comoros is classified as a fragile country by the World Bank. Its fragility is rooted in politics (with numerous coups since independence in 1975), tensions between the different islands that make up the Union and a very fragmented political landscape (IMF, 2019).

Comoros is also highly vulnerable to natural disasters, suffering average direct economic losses of $5.7 million per year (nearly 1% of its gross domestic product (GDP)) (UoC, 2020). As a small island state, it faces a wide range of natural hazards such as tropical storms, cyclones, sea-level rise, tsunamis, floods, land movements and volcanic eruptions. The country's most recent disaster, cyclone Kenneth in April 2019, displaced thousands of people and damaged much of the building stock, infrastructure, and the plants used for subsistence and commercial farming. This reduced productive capacity and brought great hardship to the population, particularly the poorest people. In addition, the cyclone created large gaps in external and fiscal financing (IMF, 2019).

Annual GDP growth in Comoros averaged 2.9% from 2009 to 2018, but has fallen to 2.2% in the past four years (World Bank,

3 Government national and sectoral strategies (including the Plan Comores Émergent 2020–2030 (UoC, 2019a); the National Agricultural Investment Plan (UoC, 2020); documents related to the Conference of Partners for the Development of the Comoros (UoC, 2019b); Public Financial Management acts; debt management draft policies and reports; IMF Article IV; and World Bank diagnostic tools.

4 Spanning IMF, OECD and World Bank sources.

2020a). The country's economic growth is highly volatile. Indeed, it is twice as volatile as in most developing countries because of the small size of the economy, its high degree of openness, high concentration of exports and high dependence on food imports) (IMF, 2019).

Low productivity in the Comorian economy is linked to the high cost of transport and electricity, which limits the country's industrial potential. There is also a very low level of public and private investment; the investment rate was estimated to amount to just 16.1% of GDP from 2011 to 2017, compared to 22.9% for small island developing states (SIDS) with similar characteristics, and 23.1% for sub-Saharan Africa over the same period (UoC, 2019b).

Given the country's already vulnerable situation, which was exacerbated by the 2019 cyclone, the International Monetary Fund (IMF) advised that the authorities need to implement prudent fiscal and borrowing policies (relying primarily on concessional borrowing), in order to preserve debt sustainability and the prospects for development (IMF, 2019; 2020).

Agriculture contributes an average of 32.2% of real GDP and employs 57% of those of working age (World Bank, 2020a). Agriculture (including fishing, livestock and forestry) generates most of the country's exports. However, roughly 70% of the country's food is imported, with rice (the main staple) and dried vegetable accounting for more than 25% of imports (UoC, 2020). The country has a negative trade balance, with a deficit reaching 20.7% of GDP.

Those living in rural areas account for 71% of the country's economically active population and 63% of those working in the main agricultural sector are female (World Bank, 2020a). In all, 70% of those living below the poverty line are concentrated in rural areas, where the incidence of poverty is 49.9% (compared with 31% in urban areas) (UoC, 2020).

One major concern for the country is the high percentage of young people (those aged 15–35) who are not employed or in the education system, at 36.2% (ibid.). Nevertheless, when we look at the unemployment figure alone (youth total as a percentage of the total labour force), the percentage has been quite stable at 8.5% since 2017 (World Bank, 2020a).

Subsistence farming remains the country's dominant system. Food crops dominate agriculture production, while cash crops account for only 20% of the total.[5] Livestock is a complementary activity to agriculture and remains very undeveloped and traditional, having been affected repeatedly by epidemics caused by the accidental introduction of diseases.[6] This has been particularly costly for the country as chicken, meat, milk and eggs represent 5.3% of its total imports. The transformation of agriculture has stagnated, and Comoros now ranks 41st out of 54 African countries in terms of its agro-industrial competitiveness (UoC, 2020).

Government priorities for rural development

The Comorian government has created its first ever agriculture investment plan, within the context of the emerging national development plan, confirming that this sector is a national priority. The national cross-sector strategic development plan for 2030, the *Plan Comores Émergent* 2020–2030 (Comoros Emerging Plan) (PCE) (UoC, 2019a), with one main vision: 'to make Comoros an emerging country by 2030, respecting human rights, gender equality and promoting the rule of law'.[7]

The PCE has five strategic pillars, with pillar 4 consisting of 'a modernized agriculture for food security'. According to pillar 4: 'Comorian agriculture must play a role both as a driving source for growth and food security as part of

5 Roots and rubbers represent the largest share of food crops, accounting for 58% of production, followed by bananas (27%) and legumes (11%) (UoC, 2020).

6 The livestock sub-sector includes three value chains: small ruminants (goats and sheep); beef; and poultry (UoC, 2020).

7 The 'Stratégie de croissance accélérée et de développement durable révisée' (SCA2D) (2018–2021) was the general strategic framework of reference until the end of 2019 and before the advent of the PCE.

a value chain approach and rural agricultural entrepreneurship' (ibid.).

The government started to develop its first ever National Agricultural Investment Plan (NAIP) in 2018. It is now part of the PCE (specifically, pillar 4), and was validated in June 2020. The NAIP captures the vision for the agriculture sector as 'a competitive, sustainable and climate resilient agricultural sector that contributes to economic growth, job creation and food security' (ibid.).

The NAIP (UoC, 2020) has five priorities for the agriculture sector:

- an institutional framework and public action to support sector capacity
- food security
- the re-launch of export sectors (vanilla, clove and ylang ylang)[8]
- emergency preparedness for crisis situations
- national resources management.

The achievement of its objectives and priorities, however, depends on measures to support the agriculture sector and financial reforms for its sustainable funding.

Several government priorities in the national development plan and agriculture sector strategy overlap with those that we define for inclusive and sustainable rural development for the purpose of this study. Agriculture value chain development, investment in rural basic infrastructure and climate-resilient agricultural practices were the top three priorities mentioned by our interviewees. Value chain development was mentioned consistently during our interviews as the main priority for the sector to build and develop a strong network that links its production with markets. One key challenge is that producers find it difficult to access the market and sell their products (internally and externally) as a result of inter-island and transport blockages. Investment in rural basic infrastructure was also highlighted as critical to promote the development of the value chain. Third, climate-resilient agriculture practices were also seen as particularly valuable, given that this island country is highly vulnerable to climate change. These top three priorities were followed by access to agricultural technologies and production services.

Despite the prioritisation of the sector in the national and sectoral strategies, our interviewees felt that the PCE and the NAIP are very ambitious, given the scale of the challenges. Interviewees highlighted challenges that mirrored those we identified in our literature review. In particular, they mentioned: limited public funding for the sector and a weak climate for private investment; limited access to services, inputs or credit; extremely fragmented production spread across many small and unorganised farms; the loss of competitiveness of the country's conventional export chains, which remain very informal; a poorly structured export sector; the country's high degree of vulnerability to climate shocks and its low response capacity; and the logistical and regulatory obstacles to intra- and inter-island trade (the result of, for example, the landscape of the different islands).

Women and youth, in particular, are targeted in the national and sectoral strategies. The NAIP is aligned with the agenda of the African Union's New Partnership for Africa's Development (NEPAD) in which the Comprehensive Africa Agriculture Development Programme (CAADP) framework describes results and impacts as well as benchmarks and milestones for Africa's development process. According to this framework, agricultural transformation and sustainable inclusive growth requires 'the development of local agro-industry and development of the value chain including women and young people' (UoC, 2020: 2).

Against this backdrop, women and young people are seen as priority groups for value-chain development in Comoros (ibid.: 33). They are referred to several times in the NAIP, which highlights women as a vulnerable group and the need to attract young people into the sector

8 According to the interviewees and NAIP (UoC, 2020), the production of vanilla and ylang ylang is declining and has reached such low levels that a revamp is needed, while the production of cloves is relatively stable. In the past, Comoros produced and exported a variety of essential oils and spices, but current export production is limited to these three plant products.

(through incentives, training/education and the promotion of youth entrepreneurship).[9]

This was confirmed by our interviewees, who stressed the need to attract youth into the sector, as most agricultural production is run by elderly farmers who are particularly vulnerable (and even more so during the Covid-19 crisis). Despite the targeting of these groups, however, some interviewees mentioned a lack of evidence on how targeting is implemented in practice.

The Covid-19 crisis has raised concerns about food security and the need for an emergency plan to boost national production, given that Comoros is heavily dependent on imports. At the time of our interviews, only a few cases of Covid-19 had been identified in the country. While interviewees felt that weaknesses in the testing system might be masking the true number of infections, their main concern was the impact of the pandemic on the economy, rather than the health emergency.

Our interviewees felt that the main threat posed to the country by the pandemic was the disruption of the global supply chain, as almost no trade (by air or sea) came into the country during the crisis. Not surprisingly, a faster response to ensure short-term food security and self-sufficiency and increase agricultural production (in the short to medium term) was seen as critical. Our interviews took place as the country's emergency plan against Covid-19 was being drafted, with the support of the United Nations.

Financing rural development

Public finance

Comoros has a mixed performance on mobilising public revenues (tax and non-fiscal revenues) and they remain insufficient to finance its public investment. Public revenues (fiscal and non-fiscal) accounted for only 7.2% of GDP from 2011 to 2017, compared with an average of 45.3% of GDP for SIDS with similar characteristics and 22.5% for sub-Saharan African countries over the same period. This creates a strong dependence on development partners to fund a great deal of public investment (UoC, 2019b).

Expenditure on agriculture and rural development has always fallen below the 10% Malabo commitment set by the African Union. Between 2014 and 2018, budgeted and realised agricultural expenditure represented, on average, 15.9% and 6.3% of the total, respectively.[10,11] Nevertheless, agricultural expenditure as a share of total public expenditure increased regularly, from 3.3% in 2015 to 6.9% in 2018 (UoC, 2020).

The new agriculture investment plan sets a very ambitious target for funding investment for the next five years. According to the NAIP, the plan is to invest \$130 million in the sector (internal and external resources) in the next five years (2020–2024), or \$26 million each year. This represents a massive increase – of 195% – from the previous period of 2014–2018, when the average annual public budget to the agricultural sector was \$12 million (or \$8.8 million if we exclude the fishing sector, which is not included in the NAIP) (ibid.).

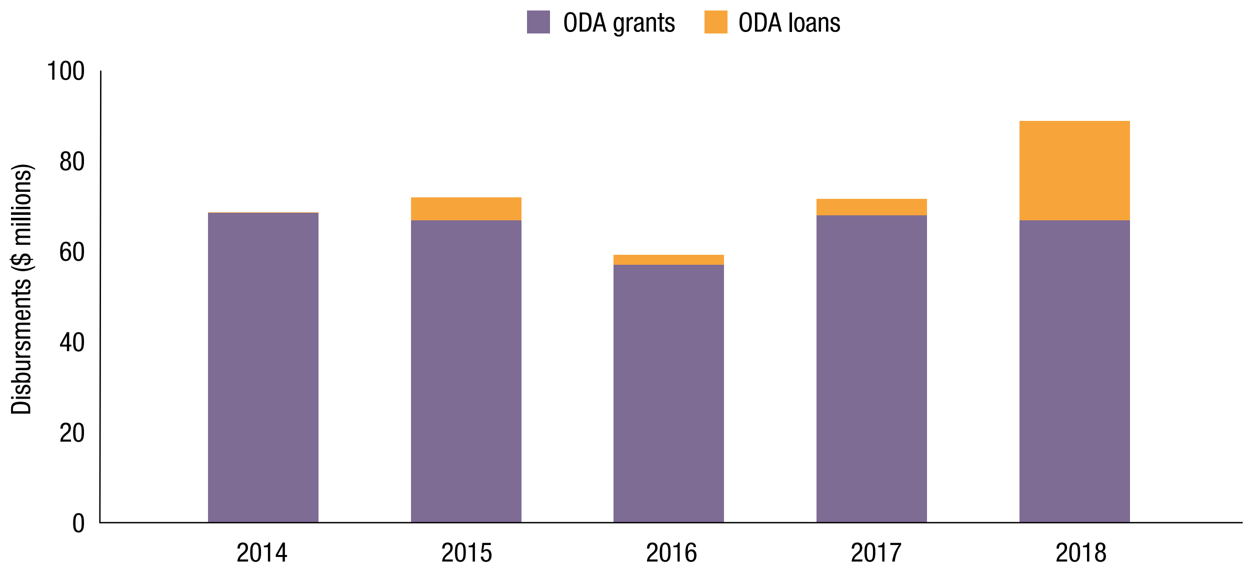
Reaching this target would increase the share of the public budget spending on agriculture to 19%, which is well above the 10% target set by the CAADP target and the Malabo commitment. This was seen by our interviewees as being way too ambitious. While some replenishments to the agricultural sector were announced by various

9 Although agricultural education is the direct responsibility of the Ministry of Education, the Ministries of Youth and Employment and of Agriculture also have responsibility for this area. The NAIP (UoC, 2020) includes planned actions and funding in this area, which are a joint responsibility across ministries.

10 However, if only the period between 2015 and 2018 is taken into account (in order to exclude exceptionally high subsidies from Qatar and Oman from the analysis), their share falls to only 7.5% and 5% respectively, well below the 10% CAADP target (UoC, 2020).

11 The execution of budgeted food and agricultural expenditure is systematically weak, suggesting a structural problem of high budgetary unpredictability of food and agricultural expenditure (UoC, 2020).

Figure 1 Official development finance disbursements to the Union of Comoros, across sectors



Note: Constant 2018 prices. ODA, official development assistance.
Source: OECD (2020)

partners at the Paris Development Partners Conference in November 2019,[12] amounting to $90 million for 2020–2024, there is still a funding gap of $40 million for the entire period.

In addition, disbursements from donors tend to fall short of their commitments (the execution rate of total budget envelope from 2014 to 2019 was only 49%). Expectations are, therefore, for a realistic disbursement contribution of around no more than $50 million for 2020–2024 (UoC, 2020). Finally, the NAIP projections only account for $3 million to come from the government budget for the entire period, which is extremely low.

External development assistance

ODA grants for project-type interventions represent the majority of funding. To date, the Union of Comoros has received concessional finance that comes in the form of grants and concessional loans (the country is not eligible for OOFs) from sovereign donors and multilateral development banks. Official development assistance was an average of $72 million each year between 2014 and 2018 with the volume remaining relatively stable since 2014.

While ODA grants accounted for an average of 91% of total ODF between 2014 and 2018, the value of ODA loans has soared, rising from $2.3 million in 2016 to $22 million in 2018 (Figure 1) – largely as the result of a financial injection of $16 million from Saudi Arabia in 2018. Among the few partners operating in Comoros, France stands out as the largest donor by far (even with a fairly small contribution of around $21 million in 2018), which is not surprising, given its historical ties to the country. On average for 2017–2018, the largest provider of ODA was France, followed by IDA and EU institutions. Around 70% of the ODA flows between 2014 and 2018 went to project-type interventions, followed by 20% going to scholarships and student costs in donor countries.

Investment in the agriculture sector is extremely dependent on external financing, and that is not expected to change in the next five to10 years. External financing represented a significant share of total expenditure in the country's food and agricultural sector over the period 2014–2018. Projects funded by partners accounted for, on average, around 92% of

12 Including from the Arab Authority for Agricultural Investment and Development, the United Nations Development Programme (UNDP), the Islamic Development Bank (IsDB), and Agence Française de Développement (AFD).

total spending in the food and agricultural sector over that timeframe. The remaining 8% was spent by the government on recurrent government expenditure in the agricultural sector (UoC, 2020).

Similarly, as mentioned, the government still expects development partners to continue being the main funders for the sector. As set in the NAIP, only $3 million of the estimated funding needs of $130 million for the sector from 2020 to 2024 is expected to come from the government's own budget. This was confirmed by all of our interviewees and by our survey results.

Nevertheless, agriculture and rural development have not been prioritised by development partners in comparison to other sectors. According to OECD (2020) data, ODA grants to the sector averaged just $1.6 million each year between 2014 and 2018 and went mostly to agriculture (rather than rural development). This represents an average disbursement of just 2.4% of ODFs to the agriculture and rural development as a percentage of total ODFs.

The demand for additional financial resources stood out as the aspect of external development seen as having the greatest value-added, together with technical assistance to train and increase local expertise. This is not surprising, given the country's ambitious agricultural development plan, its heavy dependency on external financing and the large funding gap in this sector. While ODA grants have emerged as the top preference for financing the sector, government officials and development partners also stressed the value added of highly concessional loans at below-market rates. These are needed to access the higher volume of resources required to boost the agriculture sector, which is seen as one of the main development 'catalysers' in the PCE.

The need for additional finance was followed by the need for policy advice, particularly through technical assistance to support the country's capacity development. Our interviewees also highlighted the value of technical assistance to train local people, particularly youth, so that they can then build up their expertise independently to do their job over the long term while remaining motivated in their work.

Borrowing for rural development

Debt trends and composition

The Union of Comoros is classified at a moderate risk of debt distress (IMF, 2020). However, the space to absorb shocks is limited (IMF, 2019; 2020).

The country's debt composition is dominated by concessional borrowing (which accounted for around 97% of total public and publicly guaranteed debt in 2018) with the largest share (67%) coming from bilateral organisations in 2018 (World Bank, 2020b).[13] This was not the case before 2015, when multilateral concessional borrowing dominated (both in volume and share) (Figure 2).[14] Overall, we can see a general downward trend in debt until 2015 when it began to rise as a result, in large part, of the increased volumes of concessional loans from bilateral organisations. Comoros is assessed as being 'credit constrained', given that it does not borrow regularly from international capital markets[15] and is not rated to be 'investment grade' (IMF, 2019).

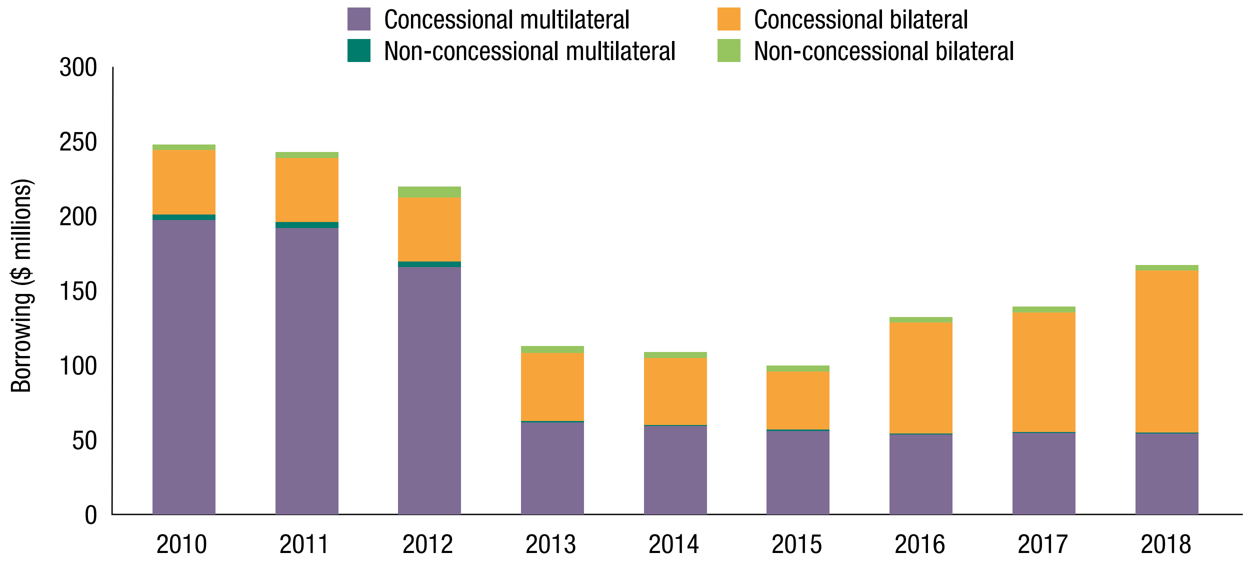
The combination of prudent debt management, a large composition of concessional borrowing and limited access to non-concessional financing all point to the limited appetite and future demand – at least in the medium-term – for non-concessional borrowing, not only for rural development/agriculture but also across all sectors.

13 At end-2018, all external debt was on concessional terms, with fixed interest rates (with the exception of a loan from the French export credit insurer COFACE) (IMF, 2020).

14 This increase is driven by a growing share of flows from Saudi Arabia, Kuwait and India, which were the main holders of Comoros's bilateral debt in 2019 (97.4%) (MoF, 2019).

15 Borrowing from international capital markets is defined as at least one issuance of bonds per year in the past five years (IMF, 2019).

Figure 2 Concessional and non-concessional borrowing to the Union of Comoros, across sectors



Source: World Bank (2020b)

Policies and preferences for borrowing and debt management

The government has committed to a prudent approach to debt management that reflects both the recent contracting of large new loans and the impact of cyclone Kenneth (IMF, 2019).

As such, the government's number one preference for financing across most sectors is for grants, followed by the maximisation of concessional loans while avoiding non-concessional borrowing as much as possible. According to the last IMF debt sustainability analysis, Comoros should 'proceed cautiously on taking up any new debt and should limit any non-concessional borrowing to at most the €25 million ceiling established now by the World Bank' (IMF, 2020: 44).

While there is no set rule on the grant element needed for contracting a new loan, Comoros is expected to continue to benefit from significant grant financing, and keeping the grant element of new borrowing at 35%, as a minimum (IMF, 2020). It also emerged during our interviews that technical assistance attached to the loans is a critical component of the loan package in order to train technicians or civil servants. As mentioned, the aim is to ensure the sustainability of local resources and expertise.

The government prioritises borrowing for the infrastructure sector, which is a critical priority sector in the 2020–2024 PCE. The sector was also devastated by the 2019 cyclone. There are, however, no formal criteria for borrowing for specific sectors only, with the main requirement being alignment with the national priorities set out in the 2019 PCE. When it comes to agriculture specifically, there are no restrictions on using loans to finance the sector. However, our interviewees pointed out that there are sub-sectors within agriculture that tend to be prioritised for borrowing, including rural and agriculture basic infrastructure development. Areas such as access to agriculture technologies, climate-resilient practices, rural financial services or the rural investment environment are not the main priorities for borrowing according to our interviewees and our survey results.

The government also prioritises the increased mobilisation of grants to fund social sectors, including education and health. Ongoing reforms in these sectors aim to develop professional and technical skills in line with the needs of the market (for quality education and for development) and to renew human capital to improve productivity (UoC, 2019b).

It emerged from our interviews that the government preference is for loans with low interest rates, long maturity and long grace periods (20–30 years), with the preferred currency denomination being the Euro.

In short, demand for borrowing for rural development and agriculture from the

Government of Comoros could grow (as also projected by IMF, 2020). But this growth will be in concessional, rather than non-concessional, terms and for agriculture-related infrastructure projects only, aiming to meet the development needs set in the 2019 PCE. However, Comoros aims to maximise grant financing followed by highly concessional loans, in general, and particularly for rural and agriculture development.

Preferences and instruments for rural development

Preferences for development assistance for rural development

Long-term financing, flexibility and project sustainability have emerged as the most desirable attributes of external development assistance, together with a strong alignment to national priorities. It is clear that the 2019 PCE is the main guiding framework for the economic development of the country and that this is being taken very seriously by the government. According to our research, all projects supported by development partners should be aligned to national priorities. This is also confirmed in the latest rankings from the Global Partnership for Effective Development Co-operation (CPEDC), where Comoros scores high (84%) in terms of the alignment of development partners with the country's priorities (OECD and UNDP, 2020).

Long-term financing, sustainability and flexibility were also identified by our interviewees as key attributes of external development assistance, given the country's dependency on external finance, the type of flows that dominate and the fragility inherent to this island state, which means that flexibility and the reallocation of funds are vital to cope with unexpected crises, like a cyclone or a pandemic.

When it comes to demand for other types of instruments, it emerged from our interviews and our survey that the Catastrophe Deferred Drawdown Option (CAT-DDO) was of particular interest to the government as a way to manage risk, given the country's exposure to natural disasters. Other areas of interest were project preparation facilities (to support local capacity-building) followed by multi-phase lending (to ensure project durability).

Conclusions

Our analysis of the experience and perspective of Comoros on financing public investment for inclusive and sustainable rural development, and particularly its demand for external assistance, is summarised as follows.

- Agriculture and rural development is a core priority for the GoC which is reflected in the *Plan Comores Émergent* (2020–2030) and the country's first ever National Investment Agriculture Plan (2020–2024).
- The government's demand for external development assistance for rural development and agriculture is expected to rise in the future. Its agriculture investment plan is, however, ambitious; the financing gap is large, and the sector is highly dependent on external financing. In addition, the government places a high value on technical assistance to train, increase and retain local expertise.
- Government demand for borrowing for rural development and agriculture could grow but in concessional rather than non-concessional terms and for agriculture-related infrastructure projects only to meet the development needs set out in the 2019 PCE. However, the government aims to maximise grant financing and highly concessional loans, in general, for rural development.
- Long-term financing, flexibility and project sustainability together with a strong alignment to national priorities are seen by the government as the most desirable attributes of external development assistance for agriculture and rural development.

References

FAO – Food and Agriculture Organization (2019) 'Government expenditure on agriculture'. Online database. Rome: FAO (www.fao.org/economic/ess/investment/expenditure/en/).

Greenhill, R., Prizzon, A. and Rogerson, A. (2013) *The age of choice: developing countries in the new aid landscape*. ODI Working Paper 364. London: ODI (www.odi.org/publications/7163-age-choice-developing-countries-new-aid-landscape).

IMF – International Monetary Fund (2019) 'Request for disbursement under the rapid credit facility and purchase under the rapid financing instrument – press release; staff report; and statement by the Executive Director for the Union of Comoros'. Washington DC: IMF (www.imf.org/en/Publications/CR/Issues/2019/08/14/Union-of-Comoros-Request-for-Disbursement-Under-the-Rapid-Credit-Facility-and-Purchase-Under-48587).

IMF (2020) 'Union of Comoros IMF country report no. 20/198. 2019 Article IV consultation – staff report; press release'. Washington DC: IMF (www.imf.org/en/Publications/CR/Issues/2020/06/18/Union-of-the-Comoros-2019-Article-IV-Consultation-Staff-Report-Press-Release-49504).

MoF – Ministry of Finance of Comoros (2019) 'Bulletin statistique de la dette'. Internal document, December. Moroni: Ministry of Finance of Comoros.

OECD – Organisation for Economic Co-operation and Development (2020) 'Creditor Reporting System'. Paris: OECD (https://stats.oecd.org/Index.aspx?DataSetCode=CRS1).

OECD and UNDP – United Nations Development Programme (2020) *2019 Global Progress Report*. Paris: OECD and UNDP (www.effectivecooperation.org/landing-page/2018-monitoring-results).

Prizzon, A., Chen, Y., Jalles d'Orey, M.A. et al. (2020) *External finance for rural development*. ODI report. London: ODI (www.odi.org/publications/17723-external-finance-rural-development-synthesis-country-perspectives).

United Nations (n.d.) *Zero hunger: why it matters*. New York: United Nations (www.un.org/sustainabledevelopment/wp-content/uploads/2018/09/Goal-2.pdf).

UoC – Union of Comoros (2019a) 'Plan Comores Émergent 2020–2030 (PCE) (Comoros Emerging Plan 2020–2030)'. Moroni: Union of Comoros (www.cpadcomores2019.com/app/files/documentation/synthese-du-plan-comores-emergent.pdf).

UoC (2019b) 'Presentation document'. Paris: Conférence des Partenaires pour le Développement des Comores (CPDC), Union of Comoros (www.cpadcomores2019.com/en/the-conference/presentation-of-the-conference).

UoC (2020) 'Plan national d'investissement agricole (PNIA – Comores) (National Agricultural Investment Plan (NAIP – Comoros)), 2020–2024'. Unpublished document, June. Moroni: Union of Comoros.

World Bank (2019) 'World Bank Group support to small states'. Washington DC: World Bank Group (http://pubdocs.worldbank.org/en/340031539197519098/World-Bank-Support-to-Small-States-booklet.pdf).

World Bank (2020a) 'World development indicators'. Washington DC: World Bank Group (http://datatopics.worldbank.org/world-development-indicators/).

World Bank (2020b) 'International debt statistics'. Washington DC: World Bank Group (https://data.worldbank.org/products/ids).

Annex 1 List of interviewees

Name	Institution
Ali Ahamada Abderemane	Ministère des Finances, du Budget et du Secteur Bancaire
Ali Mohamed Nobataine	PREFER Project, Ministère de l'Agriculture, de la Pêche et de l'Environnement
Assoumany Aboudou	Conférence des Partenaires au Développement (CPDA)
Charafouddine Onzade	Ministère de l'Agriculture, de la Pêche et de l'Environnement
Daniel Ali Bandar	Ministère de l'Agriculture, de la Pêche et de l'Environnement
Goulame Fouady	Commissariat Général au Plan
Hugh Doulton	DAHARI (NGO)
Ibrahima Bamba	IFAD
Issimaila Mohamed	Ministère de l'Agriculture, de la Pêche et de l'Environnement
Marie Ange Yasmine Claire Bonnescuelle de Lespinois	European Union (EU)
Mathias Naab	United Nations
Omar Ibn Abdillah	Commissariat Général au Plan
Julian Vigroux	Agence Française de Développement (AFD)
Saandi Mouignidaho	Ministère des Finances, du Budget et du Secteur Bancaire

Acknowledgements

This country case study on Comoros is part of a project that aims is to map future demand from recipient country governments for external development assistance from official donors to support public investment in inclusive and sustainable rural development over the next five to ten years. It also aims to explore the financial and non-financial terms and conditions of this assistance. Its analysis is also included in the synthesis report for this project (Prizzon et al., 2020), reviewing the experiences of 20 low- and middle-income countries.

We are grateful to the interviewees who gave up their time to take part in this project, share their insights and provide feedback, particularly during the challenging times of spring 2020. Their contributions were vital to corroborate and challenge our initial analysis.

We acknowledge the generous financial contribution from the International Fund for Agricultural Development (IFAD). In particular, we would like to thank Ibrahima Bamba (IFAD Country Director for Comoros) for his support in the preparation of this country case study, as well as Antoisse Ezidine for his valuable translation work and in-country support during the interviews stage.

We have taken care to validate the information presented in this case study and any omissions, errors or misreporting are unintentional and the author's own. The views in this report do not represent those of ODI or IFAD.

This document has been produced with the financial assistance of IFAD. The findings, opinions, interpretations and conclusions expressed in this publication are those of the authors and do not necessarily reflect the reviews of IFAD, its Executive Board, its Members, or any Member State they represent. IFAD does not guarantee the accuracy of the data included in this work. The boundaries, colours, denominations, and other information shown on any map in this work do not imply any judgement on the part of IFAD concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Evidence.
Ideas.
Change.

ODI
203 Blackfriars Road
London SE1 8NJ

+44 (0)20 7922 0300
info@odi.org

odi.org
odi.org/facebook
odi.org/twitter

ODI is an independent, global think tank, working for a sustainable and peaceful world in which every person thrives. We harness the power of evidence and ideas through research and partnership to confront challenges, develop solutions, and create change.