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**Committee on Trade and Development
Integrated Framework for Trade-Related
Technical Assistance**

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TRADE-RELATED TECHNICAL ASSISTANCE NEEDS ASSESSMENT PRESENTED BY COMOROS

Integrated Responses by IMF, ITC, UNCTAD, UNDP, WORLD BANK and WTO¹

COMOROS

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Situation of Comoros

Comoros, an island country with about 600,000 inhabitants and a per capita income estimated at US\$530, is confronted with numerous structural problems which are impeding its economic development.

These problems include:

- Its geographical isolation and limited natural resources;
- its dependence on a small number of exports (vanilla, ylang-ylang, cloves, etc.).

Faced with the fresh challenges created by a new economic environment, the Government has undertaken, in addition to a structural adjustment programme, a strategy aimed at refocusing public expenditure on priority areas with a view to improving the development of human resources, strengthening the infrastructure to support the activities of the private sector, reduce poverty and protect the environment.

Comoros has made the opening up of the market and the liberalization of trade a major component of its economic programme.

The country has considerable unexploited economic potential capable of supporting sustainable growth.

While agriculture will remain an important growth sector with possibilities for diversification into new export crops, tourism and fisheries probably represent other valuable sources of national development.

A. TRADE POLICY

(a) What are the sectors that you believe have unexploited or underexploited export potential?

Mainly fisheries and tourism. Some fruit and vegetables (tomatoes, lychees, carrots, potatoes, etc.), together with a few semi-finished agricultural products (mango pulp, etc.).

(b) Could you please define your country's perspective of the reasons for any changes in the structure and direction of exports and imports?

Marked decline in cash crops (vanilla, cloves, ylang-ylang, etc.) due to increased competition from other countries which can produce more cheaply (Indonesia, Madagascar, etc.).

The few other exports of fruit and vegetables to Mayotte have been halted or reduced as a result of political problems (regulated means of transport), local production of a few manufactured products is not competitive (excessive sea and air freight costs, etc.). The devaluation of the Comorian franc which was to have increased growth has had just the opposite effect since Comoros is essentially an importing country (imports represent 90 per cent of trade). The lack of accompanying measures to revitalize the economy has led to inflation getting out of control. (The export statistics for the last five years, in terms of value and quantity, are reproduced in the Annex.)

(c) What have been the objectives of trade policy in the most recent period, compared to, say, two decades ago?

In order to balance the budget, customs tariffs have frequently been revised (upwards) to increase revenue, except that in August 1996, at the proposal of the private sector, substantial reductions were accepted by the State, with satisfactory results.

(d) What are the Ministries in charge of trade policy matters, including formulation, implementation, enforcement and monitoring? How is coordination made? What are the respective roles of the relevant Ministries (give particular attention to tariff policies and other policies directly affecting exports and imports of goods and services)?

A Monitoring Commission for the application of the new tariff reforms, composed of equal numbers of representatives of the private and public sectors (Ministry of Economy and Finance, Prime Minister's Office and private sector) is responsible for the coordination of trade policy matters. However, this Commission should be strengthened by representatives of the customs and taxation services.

In actual fact, the Commission has only been functioning for a short time; the tariff changes recently introduced by the last Finance Act of May 1997 were not submitted to the Commission for consideration.

(e) How are the private sector and academic institutions associated with the formulation and conduct of trade policy?

The private sector, represented by three trade organizations (Chamber of Commerce, Employers Association of the Comoros and Traders Association), participates in the discussions concerning trade policy.

(f) What are the institutions in your country that can play a role in implementation of a trade-related project at the local level? State their respective roles?

Primarily, the Chamber of Commerce which is represented on each island by a regional chamber. The latest tariff reforms were proposed by the private sector under the auspices of the Employers Association of the Comoros (OPACO).

(g) What are the main laws and regulations dealing with trade policy – on exports and imports? Please provide a short description of each.

Customs regulations.

Export duties vary between 0 and 12 per cent (cloves 0 per cent and ylang-ylang 12 per cent; vanilla is taxed at 10 per cent).

Import duties are consolidated in a single levy (Single Import Tax or TUI) at three rates (20, 30 and 40 per cent) covering products ranging from staples to luxury goods by way of social products such as building materials (these duties are *ad valorem*) or in Specific Single Taxes or TUS by unit, weight or volume (vehicles by CV, cement by the tonne, mineral water and aerated beverages by the litre, etc.). To these taxes should be added a Special Revenue Tax or TSVF on alcohol and tobacco levied at the rate of 150 per cent (180 per cent for whisky).

Certain other internal taxes are collected directly by customs on behalf of the tax authority, for example 7 per cent general sales tax or TGV and 3 per cent ASDI (deposits on various taxes),

together with an occupational tax of 1 per cent of the c.i.f. value which replaces the previous flat rate tax.

(h) What are the main instruments of trade policy – on exports and imports? Please elaborate (e.g. on import restrictions, the questions might be: on what products are there any import bans; on what products are there quantitative import restrictions, licensing requirements, etc.; what is the highest tariff rate currently in use; are there any excise taxes, other "domestic" taxes that are applied differentially to imported goods, or to goods of a type that are principally imported?)

In general, there are import and export bans on any product that could jeopardize the security of the country, degrade the environment or pose a threat to public morals and local customs. The importation and marketing of petroleum products and staple rice are in the hands of State companies. There are no other import or export restrictions.

(i) In case you are a WTO Member or are in the process of acceding, how is your country preparing itself to comply with the WTO Agreements?

Non-Member.

(j) What is the state of familiarity with the WTO framework:

- Among government and government-related agencies?
- in the private sector?

The WTO framework is not familiar. Awareness seminars organized in the region by ILO, EU and ISDB at Jeddah have introduced private sector managers and public sector officials to the Organization. However, in view of the low level of industrialization, the absence of manufactured products and the lack of competitiveness the matter has not been explored more deeply. See question C(b).

(k) What are your technical assistance requirements with regard to your compliance with the WTO Agreements?

See C(b).

(l) In which specific areas of the WTO Agreements do you have technical assistance needs (e.g. market access, agriculture, rules (anti-dumping, subsidies, import licensing, rules of origin, safeguards etc.), TBT and SPS, Services, TRIPS)?

See C(b).

(m) What is your assessment of your existing trade analysis and negotiating capacities, both multilateral and bilateral, in areas already covered by the WTO Agreements and other trade-related areas, e.g. competition policy and trade and environment?

Total lack of trade analysis and negotiating capacities. See C(b).

B. OBSTACLES TO TRADE EXPANSION

Obstacles to trade encompassing problems in export markets, infrastructure, human capacities, institutional bottlenecks, trade financing problems and gaps in trade information can inhibit the least-developed country from taking full advantage of trading opportunities.

Supply constraints, including institutional bottlenecks

(a) What are the main bottlenecks inhibiting the development of sustained *export* capacity of goods and services (e.g. customs facilitation, freight charges, quality management, elimination of cumbersome legal and administrative procedures, paucity of human skills, access at international prices to imported inputs, or inadequate telecommunication, port and transport facilities etc.)?

- Land-locked countries may face additional problems, such as having to ship using costly or unreliable transport and ports systems. In case this applies to your country, please indicate such problems. What kind of technical assistance would help you work out these problems?

The constraints include the export duties on vanilla, excessive sea and air freight rates, the malfunctioning of the port services, and the limited number of maritime transport destinations.

(b) Are there any *institutional* bottlenecks, which may impede the efficient conduct of your country's trade policies? Provide details. For example, what are the problems perceived by the different actors, e.g. exporters, producers, service providers (banks, insurance companies, quality control, transporters etc.), professional associations and Ministries? Are problems mainly perceived in the area of:

- (i) Human resources;
 - (ii) management of the institution;
 - (iii) financial and material resources;
 - (iv) communication.
- Lack of public and private sector training courses, including in international trade;
 - export licences requiring the intervention and endorsements of several offices;
 - lack of insurance companies to cover exports;
 - lack of competition in the banking sector; the only commercial bank applies exorbitant rates;
 - lack of standards bureaus for assuring export quality;
 - lack of competition in the maritime transport sector; inter-island handling and transshipping charges are as high as the international freight rate.

There are no institutional bottlenecks properly so-called. In practice, however, there are bottlenecks in areas such as:

- (i) **Human resources:** poorly trained managers;
- (ii) **management of the institution:** lack of elementary means;
- (iii) **financial and material resources:** benefits not paid or misappropriated, budget poorly applied, etc.;

(iv) **communication:** lack of coordination between the various services concerned, etc.

(c) **What are the main bottlenecks to export diversification?**

Lack of a general investment policy and non-existence of financial incentives to promote export diversification.

(d) **If investment in the production of goods and services is inadequate, what are the main reasons? Please elaborate them (e.g. structural constraints, difficulties in attracting foreign investment, limited enterprise development, financing, lack of appropriate technology, etc.).**

Investors, both foreign and domestic, are hesitant because of political instability and structural constraints (lack of infrastructure, remoteness of the main international markets, poor location of the country's only deep-water port in relation to economic activity, very high energy costs, etc.).

With regard to export-related investment, see also B(a).

(e) **Is there a national policy to encourage export-related investment opportunities? Please elaborate. What arrangements are in place for reviewing, drafting and negotiating contractual arrangements with foreign investors?**

There is an investment code but it still lacks an implementing decree. Among other things, it guarantees the freedom to invest and repatriate dividends and capital, compensation in the event of expropriation, exemption from duties and taxes on investments, and exemption from most corporation taxes for five years.

For some very large investments, even more favourable concessions are granted directly to the company following the signature of special agreements with the State.

(f) **What are the main obstacles to the transfer, development and acquisition of technology? Is there any national policy/strategy in this area? Please elaborate.**

There are no institutional obstacles to the transfer, development and acquisition of technology. There is no national policy and no strategy in this area.

(g) **What are your technical assistance or other assistance needs with respect to supply constraints?**

Need for technical assistance with standards and quality, with the establishment of professional training centres, with port and airport logistics, and with the installation of a single window to facilitate export and import formalities.

Trade promotion and trade support services

Trade promotion comprises an integrated set of technical and financial services to enhance the global competitiveness of enterprises and thus facilitate their entry and increasing participation in international trade.

(h) **Do your enterprises, especially small and medium enterprises, experience difficulties in expanding their exports? What are these problems in the major export sectors?**

Yes. Ignorance of international market mechanisms and demand, very high cost of export-related factors (export financing costs, excessive energy and transport costs, etc.).

(i) What are the problems for your enterprises in obtaining reliable and up-to-date information on export/import business opportunities?

The available information is insufficient and out-of-date, and therefore unreliable. Neither the Chambers of Commerce nor the Ministry of Trade are able to provide data. A Trade Information Centre is indispensable.

(j) Can your enterprises offer products of internationally acceptable design, quality and packaging to foreign buyers? If not, what are your problems?

Yes, for traditional exports such as vanilla, ylang-ylang and cloves; for everything relating to exports of agricultural and manufactured products (made-up articles, etc.) a standards and quality bureau is necessary.

(k) What problems, other than in terms of trade policy, do you anticipate in developing the export of services (e.g. computer software, tourism)?

A tourism master plan financed by the World Bank and the European Union has been drawn up, but this sector is not being properly promoted. Technical assistance with the promotion of tourism would be desirable.

(l) What are the technical/professional problems encountered by trade support institutions (e.g. Trade Promotion Council, Chamber of Commerce, exporters association, etc.) in your country in providing their services to export/import enterprises?

Shortage of highly qualified personnel in the institutions responsible for promoting trade, lack of coordination between the actors and the institutions.

(m) What problems and deficiencies are experienced by enterprises in their international purchasing and inventory management?

Ignorance of international markets, forwarding costs very high at every stage (transport, finance, etc.) due to isolation, internal taxes collected by customs. See A(h).

(n) What are the present availability and arrangements for trade finance facilities (e.g. export credit guarantees, etc.)? Are there any perceived deficiencies in this area?

Lack of insurance companies and non-existence of export credit guarantees.

(o) What are the main problems in the way of improving export/import management skills of your business enterprises? Do you have training programmes in the country? What are the deficiencies?

Lack of qualified personnel and non-existence of management training programmes.

(p) Does your trade representation service actively promote your trade? What are the weaknesses?

This is the responsibility of our Chambers of Commerce but they lack equipment and human resources. Our embassies abroad do not have a trade representation service (commercial attaché).

(q) Briefly describe your technical assistance needs in the area of trade promotion and support services?

Our assistance needs relate to the identification of potential in the areas of agriculture, fisheries and tourism and the promotion of these sectors.

In this connection, we would like to establish a Comorian Foreign Trade Centre for training, information and promotion in the field of trade and a Comorian Foreign Trade Bank for financing imports and exports.

Market Access

(r) What are your main market access problems?

Unfamiliarity with international markets, transport problems, and credit problems which result in little use being made even of the advantages offered under the Lomé Convention, the GSP and the GSTP.

(s) What specific problems or barriers, and in which countries, are most troublesome for your exporters?

Difficulties in obtaining visas for European countries (France, which is our principal staging point for these various markets), foreign exchange difficulties in countries which are not members of the Free Zone, transshipment problems, etc.

(t) Regional and subregional trading arrangements (RTAs): please list RTAs to which your country belongs. Are you satisfied with the performance with these RTAs? Please state the problems of each. Do you have suggestions on how to solve these?

Comoros is a member of the following regional organizations:

- Indian Ocean Commission (IOC);
- Common Market for Eastern and Southern Africa (COMESA).

Thus, it participates in the principal regional integration initiatives (the IOC's Regional Integrative Programme for Development and Exchanges (PRIDE) and the Cross Border Initiative (CBI)).

Tariff reductions are the most important measure to be applied within these initiatives but since our budgets depend heavily on customs revenue, most States are very reluctant to apply these measures until means of compensating for any loss of revenue are found. Thus, the compensation envisaged by the co-sponsors of these initiatives (WB, IMF, EU, ADB) should no longer be made conditional upon the signature of structural adjustment programmes (SAP).

(u) Are there any problems in utilizing the existing market access preferences, such as GSP, GSTP? Please state the nature of problems relating to each of these.

No. They relate particularly to manufactured products, which make up only an insignificant proportion of exports.

(v) What are your technical assistance needs with respect to market access?

Lack of legal support. Need for assistance in this area as a commercial court is in process of being set up. Technical assistance in connection with the European Union's new environmental standards.

C. TECHNICAL ASSISTANCE

Technical assistance is normally provided to developing and least-developed countries to build or enhance their human resources and institutional capacities, provide trade information and trade-related legal support, as well as improve their supply capabilities in order to make them more active players in the field of multilateral trade.

(a) To the extent this kind of information is easily available, could you please briefly describe what trade-related assistance you have received over the past five years from bilateral and multilateral sources and what projects/programmes are presently under consideration in this area?

- Master plan for tourism financed by the World Bank and European Union;
- cash crop (vanilla) promotion, awareness and renewal financed by the European Union;
- improvement in the standard of secondary airport services.

(b) Please summarize your technical assistance needs as well as other needs as reflected in this check-list. Please rank them in terms of priority.

1. Technical assistance with the establishment of a Trade Information Centre.
2. Technical assistance with the training of the staff of both public and private institutions in the field of international trade (training of national trainers in WTO procedures, etc.).
3. Technical assistance to improve the export and import credit system, including the establishment of an export credit guarantee system.
4. Technical assistance to create awareness of product standards and quality.
5. Technical assistance with the promotion of tourism, particularly with the integration of small- and medium-sized independent hotels.
6. Technical assistance with the development of Comorian agricultural and seafood exports.
7. Technical assistance with the establishment of a department of the Ministry of Economy and Trade responsible for coordination and relations with the international institutions.
8. Technical assistance with the organization of seminars on the WTO framework, the agreements and accession procedures, familiarization of importers/exporters and the public sector with the trade-related legislation and environmental and other standards in the various markets, etc.

(c) In light of the information you have been able to provide so far in response to the questions in this check-list, what types of information are, in your view, still missing or could be improved upon? In order to assist you in providing this missing information, would you need technical assistance?

Total technical assistance within the framework of the WTO Agreements in order to enable us to comply.

(d) Does your country have the technological capacity and human resources to make use of the new information/communication technology tools such as CD-Rom, the Internet etc.? What assistance would you need to enable your country to use these tools in the context of training and, more generally, in the context of trade development?

No, Comoros does not have this capacity.

ANNEX
Exports in Value Terms
Comorian Francs

Year	Total exports	Vanilla	Ylang-Ylang	Cloves	Other
1993	6,199,873,724	4,796,243,571	806,128,912	267,642,379	329,858,862
1994	4,688,449,308	2,767,403,997	929,627,550	522,285,156	469,132,605
1995	4,310,534,757	2,320,166,581	929,343,025	133,853,295	927,181,856
1996	2,436,113,135	1,035,107,877	644,664,250	210,053,487	546,287,521

Exports in Quantitative Terms

Year	Total exports	Vanilla	Ylang-Ylang	Cloves	Other
1993	1,892,443	287,767	38,328	1,565,515	833
1994	3,493,360	130,757	44,997	2,754,515	563,091
1995	1,107,739	159,549	46,281	482,694	419,215
1996	1,714,907	91,454	36,455	822,296	764,702

INTEGRATED RESPONSES BY IMF, ITC, UNCTAD, UNDP,
WORLD BANK and WTO

COMOROS²

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question A(k): <u>Technical assistance requirements as regards compliance with WTO Agreements</u>		
Total technical assistance within the framework of the WTO Agreements in order to enable us to comply. See C(b)	UNCTAD	Possibility of providing advice and training on the implications of belonging to the WTO.*
	UNDP/ UNCTAD/ ITC	Under its regional programme for the development of trade in Africa (RAF/96/001) UNDP intends to organize regional seminars on the WTO Agreements in which Comorian management could participate.

²It should be noted that the UN Department of Economic and Social Affairs (DESA) has decided, in collaboration with UNDP, to call a meeting of representatives of Small Island Developing States (SIDSs) with prospective donors. "To improve the likelihood that such a meeting would result in tangible outcomes, the SIDSs have been requested to prepare a portfolio of documents on priority projects ... that cannot be implemented without the support of external resources beyond those currently envisaged." (UNGA Document A/52/319, paras i. to 10.). The General Assembly welcomed "the need for further collaboration among SIDSs and agencies funds and programmes of the UN system to facilitate the preparation of project portfolios". (UNGA RES/52/202).

For SIDSs which are LDCs, it would be desirable to ensure consistency between the above process and the Integrated Framework process.

*Financing to be requested.

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question A(1): <u>Technical assistance needs as regards specific WTO Agreements</u>		
See C(b)	WTO	See C(b)2.
	ITC/ UNCTAD/ UNDP	The joint ITC/UNCTAD/UNDP regional project "Capacity building for trade and development in Africa" provides for the strengthening of international trade training institutions.

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question A(m): <u>Assessment of trade analysis and negotiating capacities</u>		
Total absence of trade analysis and negotiating capacity. See C(b)	WTO	See C(b)2
	UNDP/ UNCTAD/ ITC	In 1998 and 1999, under its regional programme for the development of trade in Africa (RAF/96/001), UNDP intends to organize regional seminars on this subject in which Comorian management could participate.

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question B(g): <u>Technical assistance needs with respect to supply constraints</u>		
Need for technical assistance with standards and quality, with the establishment of professional training centres, with port and airport logistics, and with the installation of a single window to facilitate export and import formalities.	IMF	Advice on the reduction in export taxation continues to be an element of Fund policy recommendations consistent with the Comoros' policy commitment under the Cross Border Initiative (CBI).
	UNCTAD	Training activities could be organized under the TRAINMAR (maritime transport) programme.*
	World Bank	Under the framework of the preparation of a Structural Adjustment Credit, the World Bank is providing technical support in the privatization of the ports and air transport (1997-1999). This operation should help improve the quality of services and competitiveness of this sector.

*Financing to be requested.

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question B(q): <u>Technical assistance needs in the area of trade promotion and support services</u>		
Technical assistance needs in identifying potential in the areas of agriculture, fisheries and tourism and the promotion of these sectors. In this connection, we would like to establish a Comorian Foreign Trade Centre for training, information and promotion in the field of trade and a Comorian Foreign Trade Bank for financing imports and exports.	ITC	Agricultural product promotion activities are planned within the context of ITC's ongoing regional projects to improve export quality. (See inventory: WTO document WT/LDC/HL/9). The technical conditions for establishing a Comorian Foreign Trade Centre will be examined within the context of intra-African trade development projects.* (See inventory: WTO document WT/LDC/HL/9)
	World Bank	First, through a Pilot Agriculture Services Project assistance would be provided to improve extension services to farmers and develop the country's capacity to collect and relay market- and farm-related information to increase crop productivity and promote domestic trade. Second, the World Bank assisted the Government in the preparation of a tourism development strategy. Implementation of the strategy needs follow-up.

*Financing to be requested.

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question B(v): <u>Technical assistance needs as regards market access</u>		
Lack of legal support. Need for assistance in this area as a commercial court is in the process of being set up. Technical assistance in connection with the European Union's new environmental standards.	UNCTAD	Advisory and training activities concerning trade and environmental problems could be organized.*
	World Bank	Under the legal reform component of the Small Enterprise Development Project, the Bank is providing technical assistance in setting up a commerce tribunal, in training the magistrates and paralegal staff, and in implementing legal and judiciary reforms.

*Financing to be requested.

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question C(b): <u>Technical assistance needs according to priority</u>		
1. Establishment of a Trade Information Centre.	ITC	See B(q).
2. Training of the staff of both public and private institutions in the field of international trade (training of national trainers in WTO procedures).	WTO	A national seminar could be organized in 1999. Participation of Comorian representatives in the specialized seminars organized for French-speaking LDCs in 1998 and 1999. A three-week trade policy course will be organized for French-speaking LDCs in 1998 and 1999. The course will include a multilateral trade negotiations simulation exercise.
	ITC/ UNCTAD/ UNDP	See A(k) and A(m).
3. Improvement of the export and import credit system, including the establishment of an export guarantee system.		
4. Awareness of product standards and quality	UNDP (WIPO)	Within the context of its African region trade development programme (RAF/96/001), UNDP intends to organize regional seminars on this question in which Comorian management could participate.
	World Bank	The World Bank will follow up with the Indian Ocean Commission on its ongoing work on defining the norms and standards of the key export commodities of the region.
5. Promotion of tourism, particularly for the integration of small- and medium-sized independent hotels.	World Bank	See B(q)
6. Development of Comorian agricultural and seafood exports	ITC	See B(q).

Technical assistance needs identified in the questionnaire	Organization	Response
Question C(b) (cont'd):		
	World Bank	See B(q).
7. Establishment of a department of the Ministry of Economy and Trade responsible for coordination and relations with international institutions.		
8. Organization of seminars on the WTO framework, the Agreements and accession procedures, familiarization of importers/exporters and the public sector with the trade-related legislation and environmental and other standards in the various markets.	World Bank	See B(v). (Legal reform)
	WTO	See C(b)2.
	ITC/ UNCTAD/ UNDP	See A(k) and A(m).

Technical assistance needs identified in the questionnaire	Organization	Response
In response to question C(d): <u>Technological capacity and human resources to make use of the new information/communication technology tools</u>		
Comoros does not have this technological capacity.		
