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Statement at the Conclusion of an IMF Staff Mission to Comoros

An International Monetary Fund (IMF) staff mission led by Mr. Mbuyamu Matungulu visited the Union of Comoros during March 7-17, 2009, to review performance under the Emergency Post-Conflict Assistance (EPCA) program and assess prospects for initiating discussions on a new arrangement under the Poverty Reduction and Growth Facility (PRGF). At the conclusion of the mission, Mr. Matungulu issued the following statement today in Moroni:

“The mission met with HEM Ahmed Abdallah Mohamed Sambi, the President of the Union; the Presidents of the three island entities; the Minister of Finance of the Union; the Deputy Governor of the Central Bank of the Comoros; the Ministers of Finance of the three island governments; as well as representatives of the private sector, civil society, and the donor community.

“Against a backdrop of deteriorating global conditions, real GDP growth increased modestly to 1 percent in 2008 from 0.5 percent in 2007, underpinned by activity in subsistence agriculture, donor-funded public works, and private sector construction. Average inflation was contained at 5 percent in 2008. A surge in imports due in part to high energy prices widened the external current account deficit to 9.2 percent of GDP after 6.7 percent in 2007, despite a hefty increase in worker remittances.

“The authorities slightly exceeded their 2008 revenue target and improved control over the wage bill. However, the domestic primary budget deficit increased to 2.7 percent of GDP because of high energy and one-off security expenditures related to the military operation in Anjouan. Due to administrative delays, external assistance disbursements fell short of program expectations. As a result, accumulated net domestic and external arrears reached 1.7 percent of GDP, compared with a program objective of 0.5 percent of GDP.

“Key measures under the structural reform agenda are being implemented, including the regular operation of the Budgetary Committee and institution of an automatic fuel price adjustment mechanism—although no price adjustment has been made since last November in view of currently low world oil prices. Also, as called for under the program, the authorities

are computerizing the civil service wage payment roster, and working to expand the reform to all regional civil service entities.

“Short-term prospects point to continuing sluggish economic activity in 2009, with real GDP growth unlikely to exceed 1 percent. The mission reviewed and encouraged the authorities to ensure close adherence to their 2009 budget law, which is consistent with the government’s medium-term macroeconomic objectives under the EPCA.

“Adequate program performance through end-March 2009 would open the way to discussions on a three-year arrangement under the Poverty Reduction and Growth Facility. This would move Comoros closer to achieving debt relief eligibility under the Highly Indebted Poor Country and Multilateral Debt Relief Initiatives. The authorities concurred that embarking in a PRGF requires substantive progress in tackling major weaknesses in public expenditure management and in addressing existing external payments arrears. In the same vein, adequate assurances would also have to be in place to ensure that the 2009 financing gap will be closed. The authorities committed to expediting related contacts with concerned development partners.

“Comoros’ economy continues to face daunting risks. In a difficult international context, decisive steps ought to be taken to preserve recent gains in national political reconciliation and institution building. This is essential to securing broad-based consensus on critical reforms for putting the economy on a path of sustained strong growth. At the same time, meeting the government’s fiscal targets will require vigilance on controlling expenditures, and determined efforts to raise revenues. In this respect, the mission stressed the need for continued adherence to the revenue sharing mechanism.

“The mission is grateful for the very open and frank discussions with the authorities of Comoros, and for their hospitality.”