

BUFF/10/84

June 22, 2010

**The Acting Chair's Summing Up
Union of the Comoros—First Review Under the Three-Year Arrangement
Under the Extended Credit Facility and Request for a Modification of
Performance Criteria and Financing Assurances Review; and
Enhanced Initiative for Heavily Indebted Poor Countries—
Decision Point Document
Executive Board Meeting 10/61
June 21, 2010**

Executive Directors commended the Comorian authorities for the broadly satisfactory economic performance under difficult circumstances. They noted that severe institutional capacity constraints, a still challenging political environment, and vulnerability to external shocks continue to pose risks to the economy. Strict adherence to the reform agenda and sustained inter-island cooperation would be crucial for the success of the Fund-supported program, catalyzing donor support and boosting investor confidence. Directors underscored the critical importance of accelerating growth-enhancing reforms to put the economy on a path of higher growth and faster poverty alleviation.

Directors supported steps to address fiscal slippages and called for steadfast implementation of the revenue and expenditure measures under the revised 2010 budget. They encouraged the authorities to continue strengthening public finances, particularly by improving tax and customs administration and better controlling the wage bill consistent with medium-term budget viability. The submission to Parliament of new personnel frameworks for government ministries was a welcome step toward downsizing the civil service.

Directors were encouraged by the continuing expansion of financial intermediation, and welcomed the authorities' commitment to their financial sector supervision agenda supported by technical assistance from the Fund. They commended the authorities for promptly implementing the recommendations of an updated safeguards assessment.

Directors underlined the importance of structural reforms to raise economic growth and accelerate poverty reduction. Timely implementation of the government's public utilities restructuring program remains a high priority to ensure a reliable and competitive supply of energy and communications services. Directors also stressed the need to improve social service delivery and strengthen public financial management, governance, and transparency, including with respect to procurement procedures.

Directors agreed that Comoros has fulfilled all requirements to qualify for assistance under the enhanced HIPC Initiative, and supported the proposed completion point triggers. They welcomed the authorities' commitment to use the savings from debt relief to finance priority expenditures. Noting that Comoros' external public debt remains unsustainable, they encouraged the authorities to continue to pursue prudent debt management and preserve close contacts with donors and creditors, with the objective of securing long-term debt sustainability. Directors looked forward to the early signing of bilateral debt relief agreements on terms consistent with the understandings reached with Paris Club creditors in November 2009.