Hope rekindled for cooperation, economic progress in the Comoros

Comoros President Azali Assoumani met with Managing Director Rodrigo de Rato on February 24 in Washington, D.C., to discuss the country's commitment to a 12-month staff-monitored economic program for the country and to thank the IMF for its support. Staff-monitored programs are designed for countries that want to establish a track record of improved macroeconomic performance and reform and frequently serve, if they are successful, as a stepping-stone for more ambitious reform efforts and supportive financing under the IMF's Poverty Reduction and Growth Facility.

Michael Spilotro/IMF

Comoros President Azali Assoumani (left) met with IMF Managing Director Rodrigo de Rato.

Comoros is seeking to emerge from nearly a decade of political strife. The country, which consists of three islands that had no common political history before French rule, has seen its post-1975 period of independence marked by political instability, coups, and secessionist efforts. Until recently, tensions between the three island governments and the union government had stymied economic development. With the signing of a transition arrangement in December 2003 and parliamentary elections in March–April 2004, however, there is renewed hope that a lasting political arrangement and sustained economic progress are achievable.

The cornerstones of the reasonably ambitious Comoros program are macroeconomic stabilization—centered around implementation of a consolidated budget for the union and island governments—and fast-track progress on a number of structural reforms, notably privatization of the Comoros Hydrocarbon Company and Comore Telecom by the end of 2005.

Progress will hinge on continued interisland cooperation and a growing realization that coherent economic policies and normalized relations with donors and creditors offer the only way to rekindle growth and obtain debt reduction under the enhanced Initiative for Heavily Indebted Poor Countries. ■

Finland's robust economy faces challenge of aging population

Finland's economy has made impressive strides in recent years, but will face the challenge of population aging earlier than any other country in the European Union, the IMF said in its annual economic assessment. Aided by strong productivity gains, a stable macroeconomic policy framework, low inflation, and sizable fiscal surpluses, the economy weathered the recent global slowdown relatively well, and an improved domestic and external climate is set to strengthen growth. However, structural unemployment remains high, and employment stagnant.

The IMF's Executive Board praised Finland's economic performance but encouraged the authorities to set in motion a virtuous circle of stronger employment, growth, and public finances to address effectively the challenge of an aging population. Comprehensive reforms would reduce the degree of fiscal adjustment needed to ensure long-term fiscal sustainability. Finland's fiscal position has rapidly eroded in recent years, and although it is expected to remain in surplus over the medium term, the long-term prospects are less comforting. Aging-related fiscal pressures are expected to be strong, given the country's comprehensive public welfare system. The Board recommended that the income tax cuts planned for 2005–07 be offset by a reduction in public spending, preferably by improving the efficiency of social and welfare services.

Finland	2001	2002	2003	2004	2005 Projections
	(percent change)				
GDP	1.1	2.3	2.0	3.1	2.9
Domestic demand	1.7	1.3	2.1	2.4	2.5
	(percent of labor force)				
Unemployment rate	9.1	9.1	9.0	8.8	8.3
	(percent of GDP)				
General government balance	5.2	4.3	2.1	2.1	1.9

Data: IMF staff report.

The Board welcomed the significant pension reform being phased in, and called for policy initiatives to raise the employment rate, especially at both ends of the age spectrum, where labor utilization is relatively low. It also encouraged the authorities to strengthen competition in product markets, attract more foreign direct investment, step up public enterprise privatization, and reduce farm subsidies. ■

For more information, see Public Information Notices No. 05/9 (Afghanistan), No. 05/14 (Finland), and No. 05/21 (El Salvador) on the IMF's website (*www.imf.org*).