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The Acting Chairman's Summing Up at the Conclusion of the
1983 Article IV Consultation with Solomon Islands
Executive Board Meeting 84/4, January 9, 1984

Directors generally endorsed the appraisal on Solomon Islands. They commended the Solomon Islands authorities for the implementation of a flexible exchange rate policy, the adjustment of interest rates, and the maintenance of a liberal exchange and trade system. Directors noted that these measures, together with more favorable external developments, contributed to a reduction in the external deficit on current account and an overall surplus in 1983. Inflation had moderated more than anticipated, and there had been a resumption of real economic growth.

Directors endorsed the Government's economic and financial objectives of further reducing the external current account deficit and inflation while raising the rate of real economic growth, including growth of investment. Although recognizing that, in line with program objectives, the overall budget deficit in relation to GDP increased only slightly in 1983, Directors expressed concern about the deterioration in current fiscal operations. They emphasized that realization of the program objectives would, however, require a strengthening of the budgetary position, particularly through restraint in the growth of wages and salaries and an improvement in external aid inflows, so as to reduce the fiscal deficit and its financing from domestic sources. Administrative problems also persisted in the implementation of development projects and in obtaining external aid reimbursement. Directors also noted the importance of sustaining export profitability through exchange rate and wage policies. Maintenance of key interest rates positive in real terms should assist in fostering mobilization of financial resources.

Directors recognized the structural factors present in Solomon Islands and the progress made by the authorities and the economy in this respect. In the light of the improved balance of payments position and the expectation of another overall payments surplus in 1984, Directors warmly commended the present intention of the Solomon Islands authorities not to make use of additional Fund resources under the current stand-by arrangement, while nonetheless intending fully to fulfill the program.

It is expected that the next staff discussion with the authorities for the Article IV consultation with Solomon Islands will be held by April 1985.