

SUR/84/46

CONFIDENTIAL

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The Acting Chairman's Summing Up at the Conclusion
of the 1984 Article IV Consultation with Swaziland
Executive Board Meeting 84/77 - May 14, 1984

Directors were in broad agreement with the thrust of the staff appraisal for the Article IV consultation with Swaziland. They noted the slowdown in economic growth since 1982 due to drought, the recession in the Republic of South Africa, and the depression in the free market for sugar. These economic difficulties were compounded by the severe damage caused by the cyclone in January 1984. Directors welcomed the early start made on repairing the damage to the railroad and noted that, following its recent reopening, sugar exports had resumed. While delayed resumption of Swaziland's normal transportation facilities would have worsened the balance of payments position, Directors were nevertheless concerned about the effect of the cost of the repairs on Swaziland's external position, and expressed the hope that adequate foreign financing would be found.

Directors realized the difficulties of budgetary adjustment in a year when emergency expenses were required, but emphasized that these expenses only made adjustments in other aspects of budgetary policy more necessary. They therefore stressed the importance of a restrained budgetary policy, given the openness of the economy and the policy constraints arising from Swaziland's membership in the Rand Monetary Area, and felt that the likely fiscal deficit for 1984/85, after supplementary expenditures, was too high. Directors noted that the Swazi authorities have traditionally followed a cautious expenditure policy; they encouraged them to seek further improvement in expenditure control and a reordering of expenditure priorities based on a realistic appraisal of development needs, to avoid incurring further domestic arrears and to ensure that spending limits were observed. The authorities were also encouraged to keep interest rate policy under review.

Directors welcomed the maintenance by Swaziland of a free exchange and trade system as well as the encouragement given to foreign investment in Swaziland.

Finally, it is expected that the next Article IV consultation with Swaziland will be held on the standard 12-month cycle.