

SUR/83/43

CONFIDENTIAL

November 30, 1983

The Chairman's Summing Up at the Conclusion of  
the 1983 Article IV Consultation with Bhutan  
Executive Board Meeting 83/163 - November 28, 1983

Executive Directors were in broad agreement with the views expressed in the staff appraisal for the 1983 Article IV consultation with Bhutan. Directors noted that two successive years of dry weather had led to lower rates of growth and a rise in inflation. They commented favorably on the policies to promote decentralization of the development effort and to pass to the private sector some of the existing commercial functions of the Government. They observed that, particularly over the longer term, those policies would lead to greater efficiency and economy in expenditures.

Directors welcomed the expenditure control measures that had been adopted with the introduction of the FY 1983/84 budget, and the intention of the authorities to postpone projects for which adequate financing could not be arranged. They considered it equally important that government borrowing from the banking system should be circumscribed by the credit requirements of the private sector and the need to maintain an adequate level of international reserves. Directors also pointed to the need for cautious external debt policies and for additional efforts to increase earnings in convertible currencies.

Directors commented favorably on the philosophy of self-reliance of Bhutan and the pragmatic attitude of the authorities. They noted the importance of India's assistance to the development effort.

It is expected that the next Article IV consultation with Bhutan will be held on an 18-month cycle.