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The Chairman's Summing Up at the Conclusion of the  
1982 Article IV Consultation with the People's Republic of the Congo  
Executive Board Meeting 82/138 - October 29, 1982

Executive Directors were in broad agreement with the thrust of the views expressed in the staff appraisal for the 1982 Article IV consultation with the People's Republic of the Congo. They noted that following the recent upsurge in oil revenue the budgetary situation had improved considerably. The overall balance of payments had recorded sizable surpluses, and external payment arrears were liquidated. Performance in the non-oil sectors, notably agriculture and forestry, were somewhat less buoyant.

Directors also noted that the state enterprises' output has been well below capacity, and that their financial situation remained weak. Furthermore, the external current account deficit had widened to more than 20 per cent of GDP, and debt service obligations were rising. Directors stressed the need for fiscal restraint; in particular, the growth of current spending, and especially the public sector employment should be curtailed; while total public spending should be kept at levels consistent with absorptive capacity. The overstaffing of the public sector was underscored as one of the weaknesses of the fiscal situation that need rapid action. Overhaul of the educational system was also required. Coordination of budgetary and monetary policies should be improved.

Directors emphasized the importance of a thorough rehabilitation of state enterprises through strong corrective measures, including flexible employment and pricing policies, and better management. At the same time, restraint in the contraction of new external debt appears necessary to help preserve the country's borrowing capacity while avoiding undue buildup of debt servicing obligations. Oil production is expected to rise further in the next few years, but it is also expected to decline during the second half of the 1980s. The availability of resources should facilitate efforts to promote the development of the non-oil sectors of the economy.

Directors stressed, however, that in the implementation of the first Five-Year Development Plan--1982/1986--considerable attention would need to be given to the selection of profitable new projects. Supply policies should accord priority to those projects--particularly, in agriculture, forestry, and industry--which have the greatest impact on output. Great care will have to be exercised to see that public investment expenditures remain well within the limits of available resources.