

December 23, 1982 - 82/239

The Acting Chairman's Summing Up at the  
Conclusion of the 1982 Article IV Consultation with Burma  
Executive Board Meeting 82/163 - December 20, 1982

Executive Directors were pleased to note that in 1981-82, despite unfavorable external conditions, Burma's output had continued to grow strongly. Inflation had remained low and the balance of payments deficit had been contained within reasonable bounds. Output and productivity in the rice sector had increased rapidly during the previous year with the successful implementation of the Government's rice program and a substantial export surplus was currently being produced.

Concern was expressed that, despite the favorable macroeconomic performance, public sector savings had fallen and that, with a sharp increase in public investment, the public sector's overall deficit had continued to rise. In that context, it was emphasized that the strengthening of public sector finance should remain a major policy objective. Efforts to achieve that objective had been complicated by the recent deterioration in export market conditions that had depressed export earnings, limited the scope for import expansion, and had thereby lowered public sector revenues.

In such circumstances, Directors considered it appropriate to pursue a policy of public expenditure restraint for 1982-83 that, combined with efforts to improve revenue collections, would contribute to limit overall monetary expansion. They welcomed Burma's flexible interest rate policies that had contributed significantly to the marked increase in private savings in recent years. It was also important, in their view, to continue the various supply-oriented measures including ongoing adjustments of official prices, diversification of output and a flexible import program that would permit, within the constraint of available financing, an adequate supply of raw materials and spare parts. In all of those respects, the performance of the state economic enterprises would be crucial.

Directors noted the need for an expanded investment program in the longer run to maintain the momentum of Burma's development and stressed the importance of domestic resource mobilization to provide for adequate financing of investment. It was equally important, in their view, to achieve sustained export growth through greater diversification and appropriate pricing policies in order to meet import requirements, while maintaining a sustainable external position.

Noting the rapid rise in the external debt service ratio in recent years, Directors stressed the importance of prudent external debt management. In particular, the authorities' policy of carefully scrutinizing new investment projects and maintaining a tight limit on external nonconcessional borrowing was supported.