

January 12, 1983 - 83/18

The Acting Chairman's Summing Up at the Conclusion
of the 1982 Article IV Consultation with the
Socialist People's Libyan Arab Jamahiriya
Executive Board Meeting 83/7
January 7, 1983

Directors were generally supportive of the views expressed in the staff appraisal. They commented favorably on the results of the development effort, particularly with respect to training, education, and social services as well as income redistribution.

Non-oil GDP growth continued at a satisfactory pace, and domestic pricing policy had become more flexible than in the past. Financial developments reflected mainly the impact of the sharp decrease in oil revenues starting in the second half of 1981 and continuing throughout most of 1982. The results were large fiscal and external deficits during the past two years.

Directors commended the authorities on their determined efforts starting in late 1981 aimed at containing the deficits within manageable limits. The steps taken in the fiscal area were substantial, and the cautious attitude of the authorities was commended by Directors. They added that restraint on budgetary expenditure should be reinforced with restraint on demand of the other sectors for bank credit.

Directors noted that the enforcement of exchange regulations had become more strict and that import allocations had been reduced. They expressed the hope that the authorities of the Jamahiriya would be able to resume the liberalization stance followed in the past decade, and they encouraged the authorities to eliminate the reported delays in the making of external payments.

Directors observed that the external deficit was financed through a substantial reserve drawdown rather than through external borrowing. The recent increase in oil exports, if sustained, should be helpful in restoring balance in the fiscal and external accounts.

Directors noted that the authorities are reviewing development policies and practices in the light of current circumstances, and they encouraged the authorities of the Jamahiriya to pursue economic diversification in order to reduce reliance on the oil sector.

Finally, the authorities were commended on the maintenance of their foreign aid program. They were also encouraged to improve further the timeliness and comprehensiveness of economic and financial statistics as an aid to policy formulation and appraisal.