Statement Of The IMF Stand-By Arrangement Review Mission



An International Monetary Fund Mission led by Dr Brian Aitken held discussions on the performance and policies under $2.6 billion Stand-By arrangement which was approved in 2009. The Mission met with officials from the Central Bank, the Ministry of Finance and Planning, the Presidential Tax Commission and other government ministries and departments as well as representatives of civil society and private sector.

At the conclusion of the visit the Mission stated that overall economic conditions are improving as expected, and the economy is likely to show strong growth this year. External balances are strong, remittance inflows continue at a high rate, tourism prospects continue to improve rapidly and gross reserves remain at comfortable levels. The Mission also stated that it continues to assess the Central Bank’s monetary stance as appropriate, with bank lending only slowly beginning to rebound, and economic growth still below potential, they see little sign of emerging demand- driven inflationary pressures and average inflation for the year as a whole is expected to remain in the single digits.

The Mission also stated, that in the discussions, the government has laid out a set of policies intended to correct the slippages and move toward sustainable deficit reduction while securing spending for protecting the most vulnerable in society. The expects to submit to parliament a 2010 budget involving substantial deficit reduction for the year as a whole, driven primarily through savings in recurrent spending. The government is planning to begin undertaking a comprehensive tax reform, drawing on recommendations from the Presidential Tax Commission. They are also considering concrete steps to improve the investment climate. With the near-term external-vulnerabilities eased, the government is shifting its emphasis toward more forward-looking, growth-enhancing policies that address some of the economy’s key structural weaknesses.

The Mission also stated that they are encouraged by the policy proposals which could form the basis for completing this review. The IMF team will now return to Washington to discuss these issues with IMF management and the next steps forward completing the review of the Stand-By arrangement at the Executive Board.