



Office Memorandum

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TO : Treasurer
Internal Auditor
Director, Fiscal Affairs Department
Director, Western Hemisphere Department ✓
Director, Bureau of Statistics

DATE: August 28, 1985
12:00 Noon

for
FROM : *Kenneth S. Fried*
The Acting Secretary

SUBJECT : Argentina - Request for Technical Assistance

This is to advise you that within the time specified no Executive Director has expressed an objection to the matter set out in EBD/85/221 (8/22/85).

Accordingly, the Executive Board's approval is assumed and will be so recorded.

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.

1985 AUG 28 PM 4: 38

OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT WHEN ALIGNING INTO LINE 23

START ADDRESS IN THE BOX

23 PRESIDENT CENTRAL BANK OF ARGENTINA

22 CENTRALBAN

21 BUENOS AIRES, ARGENTINA

20

19

18 AS REGARDS THE FUND MISSION THAT WILL VISIT BUENOS AIRES

17 FOR ABOUT THREE WEEKS, THIS IS TO INFORM YOU THAT

16 PATRICIA EDWARDS WILL ARRIVE ON AUGUST 27, PAN-AM 201 AT

15 11:35 AM; MR. BRAZ WILL ARRIVE ON AUGUST 28, AEROLINEAS

14 ARGENTINAS 111 AT 6:55 AM; MESSRS. FERRAN, STUART, AND

13 LIPTON WILL ARRIVE ON AUGUST 28, PAN-AM 453 AT 8:30 AM;

12 AND MR. TAVARES WILL ARRIVE ON AUGUST 28, AEROLINEAS

11 ARGENTINAS 221 AT 11:00 PM.

10 REGARDS,

9 FERRAN

8 INTERFUND

7

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IF REQUIRED INITIAL BELOW

SPECIAL INSTRUCTIONS

TEXT MUST END HERE

A

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C

TELEX NO.:

CABLE ADDRESS:

D

DRAFTED BY NAME (TYPE): **B.C. Stuart**

EXT.: **8602**

DEPT.: **WHD**

DATE: **8/26/85**

E

AUTHORIZED BY NAME (TYPE): **J. Ferran**

AUTHORIZED BY NAME (TYPE):

(**)

TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

F

Log *H-5245*

SEC. 48 REV 1 11-18-82

G

SIGNATURE

(PLEASE KEEP SIGNATURE IN SPACE ALLOWED)

SIGNATURE

DISPATCHED IMF

1985 AUG 26 PM 6:52

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DISTRIBUTION



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

FACSIMILE NUMBERS
Group 2/3 (202) 477-7485
Group 2/3 (202) 477-7491

Facsimile Service Cover Sheet

Number of pages (including cover sheet) 3	Message number	Date Aug. 23, 1985
To	Name of addressee (type) MINISTRY OF ECONOMY AND FINANCE BUENOS AIRES, ARGENTINA Facsimile telephone number	
From	Name of sender (type) JOSE BRAZ WESTERN HEMISPHERE DEPARTMENT INTERNATIONAL MONETARY FUND	
Text or special instructions FAVOR PASAR AL SENOR ELIAS SALAMA, BANCO CENTRAL, BUENOS AIRES. GRACIAS. JOSE BRAZ.		
Department and division (type) WHD/River Plate	Extension (type) 8604	
Authorized by (type) J FERRAN	Signature <i>Wagner Ferran</i>	

Argentina: Arrears and Debt, 1983-85

	1983	1984	1985
<u>Arrears of principal</u>			
Beginning of period			
Plus principal falling due			
Less rescheduling of principal			
Less rescheduling of principal arrears			
Less payments of principal and principal arrears			
End of period			
<u>Arrears of interest</u>			
Beginning of period			
Plus interest due			
Less rescheduling of interest			
Less rescheduling of interest arrears			
Less payments of interest and interest arrears			
End of period			
<u>Debt stock</u>			
Beginning of period			
Plus new loans			
Plus rescheduling			
Less principal falling due			
Plus increase in arrears			
End of period			

Table . Argentina: Public Sector Revenue, 1980-85 1/

(In thousands of Australes)

	1980	1981	1982	1983	1984 (Prov.)	1985 (Projected)
Total revenue	7,866	13,989	34,515	161,197	1,205,076	10,217,100
<u>By type of revenue</u>						
Current revenue	7,778	13,853	33,788	159,653	1,192,487	10,139,263
Tax revenue	6,756	11,644	28,158	128,368	999,158	8,523,749
National taxes						
Taxes on income						
Taxes on capital						
Taxes on production and consumption						
Value-added tax						
Excise taxes						
Consolidated excises						
Taxes on fuels						
Tax on foreign exchange transactions						
Other						
Taxes on international trade						
Import duties						
Export duties						
Other						
Miscellaneous taxes						
Stamp tax						
Tax collection under amnesties						
Other						
Provincial taxes						
Turnover taxes						
Property taxes						
Automobile license tax						
Stamp taxes						
Other						
Specifically earmarked						
National						
Provincial						
Social security						
Nontax revenue	1,022	2,209	5,630	31,285	193,329	1,615,514
Capital receipts	88	136	727	1,544	12,589	77,837
<u>By sectors 2/</u>						
National Administration	3,418	6,075	15,806	112,004	809,574	6,662,555
Central Administration	(1,748)	(3,466)	(9,259)	(74,093)	(519,701)	(4,714,454)
Special accounts	(1,190)	(1,911)	(4,666)	(22,194)	(168,126)	(1,175,892)
Decentralized agencies	(480)	(698)	(1,881)	(15,717)	(121,747)	(772,209)
Provinces and Municipality Buenos Aires	2,734	4,486	10,938	29,829	246,387	1,956,160
Social security system	1,654	3,339	7,233	18,363	141,899	1,549,622
Public enterprises 3/	60	89	538	1,001	7,216	48,763

Source: Ministry of Economy

1/ Data are on a budget-execution basis, except those for 1985 which are on a draft-budget basis.

2/ On the basis of sectorial shares in revenue.

3/ For public enterprises, includes capital receipts only.



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

File
FACSIMILE NUMBERS
Group 2/3 (202) 477-7485
Group 2/3 (202) 477-7491

Facsimile Service Cover Sheet

Number of pages (including cover sheet)		Message number	Date Aug. 23, 1985
To	Name of addressee (type) MINISTRY OF ECONOMY BUENOS AIRES ARGENTINA Facsimile telephone number		
From	Name of sender (type) JOSE BRAZ WESTERN HEMISPHERE DEPARTMENT INTERNATIONAL MONETARY FUND		
Text or special instructions FAVOR PASAR AL SENOR ELIAS SALAMA, BANCO CENTRAL, BUENOS AIRES. GRACIAS. JOSE BRAZ			
Department and division (type) WHD/River Plate		Extension (type) 8604	
Authorized by (type) J. FERRAN		Signature <i>José Ferran</i>	

Table 11. Argentina: Energy Production and Trade

(In millions of cubic meters unless otherwise indicated)

	1979	1980	1981	1982	Est. 1983	First Quarter	
						1983	1984
<u>Natural gas</u>							
Production <u>1/</u>	7,360.6	7,926.7	8,181.1	9,786.1	11,184.2	2,244.0	2,631.0
Imports	1,821.5	2,038.5	2,195.7	2,296.8	2,227.0	352.4	481.2
<u>Petroleum</u>							
Production of crude petroleum	27.4	28.6	28.9	28.5	28.5	7.0	7.1
Imports of crude petroleum and derivatives, excluding liquified propane gas (LPG) <u>2/</u>	3.7	2.9	2.1	0.8	0.1	--	--
Imports, LPG <u>2/</u>	0.4	0.3	0.2	--	--	--	--
Exports of crude petroleum and derivatives	0.3	1.5	3.1	2.3	2.4	1.0	0.9
<u>Coal <u>2/</u></u>							
Production	0.7	0.4	0.5	0.5	0.5	0.1	0.2
Imports	1.0	1.0	0.7	0.7	0.5	0.2	0.1
<u>Electric power <u>3/</u></u>							
Total production	33,015	35,676	35,193	36,166	38,882	9,391.0	10,103.4
Thermoelectric <u>4/</u>	(19,755)	(18,275)	(17,796)	(16,794)	(17,152)	(3,990.9)	(4,550.1)
Hydroelectric	(10,567)	(15,061)	(14,581)	(17,502)	(18,325)	(4,755.9)	(3,859.7)
Nuclear	(2,692)	(2,340)	(2,816)	(1,870)	(3,405)	(944.2)	(1,693.6)

Sources: Ministry of Economy; and Central Bank of Argentina.

1/ Delivered to pipeline.2/ In millions of metric tons.3/ In millions of kilowatt hours; excludes power used in electric generation.4/ Includes electric power generated from vapor, diesel, and gas.

Within the total of deposits held with financial institutions, there has been a shift from regulated to indexed deposits; the bulk of deposits is still at regulated rates, owing to limitations established by the authorities on alternative instruments (Table 21). Indexed deposits are subject to a minimum maturity requirement, which makes them illiquid. Free-rate instruments (bankers' acceptances) have a high minimum denomination, and banks are subject to limits on the amounts of acceptances they can issue. The persistence of high inflation in Argentina has made financial markets extremely volatile as the bulk of transactions has tended to be at very short-term--typically between 7 and 30 days for free-rate operations and for regulated-rate deposits--and at various times the authorities have established instruments (including indexed deposits and loans) with a view to lengthening the term of operations.

Table 21. Argentina: Distribution of Deposits
(End-of-period balances, in percent of total private sector
interest-bearing deposits)^{1/}

	At Free- Market Rates	At Regu- lated Rates	Indexed Deposits	Foreign Currency Deposits	Total	Memorandum Item: Total Deposits in Real Terms (March 1982 =100) ^{2/}
<u>1982</u>						
March	93.3	--	--	6.7	100.0	100.0
June	97.0	--	--	3.0	100.0	92.5
September	9.8	75.7	5.2	9.3	100.0	62.8
December	11.3	63.0	14.3	11.4	100.0	59.1
<u>1983</u>						
March	7.0	68.9	12.5	11.7	100.0	62.7
June	6.9	66.6	14.6	11.9	100.0	62.1
September	2.2	70.5	19.4	7.9	100.0	53.2
December	1.4 ^{3/}	70.7	22.1	5.9	100.0	55.5
<u>1984</u>						
March	1.8 ^{3/}	65.5	24.6	8.1	100.0	58.4
June (prel. est.)	4.6 ^{3/}	60.3	27.1	8.0	100.0	55.1

Sources: Central Bank of Argentina; and Fund staff estimates.

^{1/} Excludes accrued interest.

^{2/} Deflated by the consumer price index.

^{3/} Includes bankers' acceptances.

Table 44. Argentina: Labor Force Participation Rates

	Ages 10 to 24	Ages 25 to 49		Ages 50 and over	All ages
	Total	Males	Females	Total	Total
<u>1974</u>					
April	40.0	97.3	39.2	66.7	40.6
October	40.0	98.1	39.8	67.0	40.6
<u>1975</u>					
April	39.0	97.6	40.6	67.9	40.6
October	37.8	98.3	38.2	66.8	40.3
<u>1976</u>					
April	36.6	98.2	36.8	65.9	40.5
October	35.4	96.6	38.8	66.0	39.3
<u>1977</u>					
April	33.8	97.3	41.0	68.4	39.5
October	36.4	96.7	39.7	66.2	39.2
<u>1978</u>					
May	37.3	96.2	42.1	67.2	39.6
October	39.7	96.9	42.4	67.9	40.0
<u>1979</u>					
April	37.6	97.0	38.5	66.2	38.9
October	39.2	96.9	42.8	68.2	39.7
<u>1980</u>					
April	39.2	96.8	41.4	67.5	39.3
October	38.0	97.1	43.6	69.2	39.4
<u>1981</u>					
April	38.4	97.3	43.4	68.9	39.5
October	37.6	96.7	43.0	67.9	39.2
<u>1982</u>					
April	37.6	97.1	43.9	69.1	39.1
October	36.1	97.3	45.1	69.1	39.2
<u>1983</u>					
April	35.9	96.2	42.4	67.9	38.1
October	33.1	96.1	42.0	67.9	37.7
<u>1984</u>					
April	...	...	...	...	37.8

Source: National Institute of Statistics.

1/ Data for Greater Buenos Aires.

Table 47. Argentina: Expenditure of the Nonfinancial Public Sector 1/
(In millions of pesos argentinos)

	1979	1980	1981	1982	1983
<u>Total</u>	<u>5,922</u>	<u>12,575</u>	<u>28,769</u>	<u>75,484</u>	<u>359,127</u>
<u>By economic categories</u>					
Current expenditure	4,368	9,739	22,819	61,488	289,494
Wages and salaries	1,639	3,779	6,875	14,555	88,441
Foreign interest	72	223	2,502	9,729	34,163
Domestic interest	372	748	2,830	8,439	6,772
Other	2,285	4,989	10,612	28,765	160,118
Capital expenditure	1,494	2,701	5,356	12,481	62,467
Extrabudgetary expenditure <u>2/</u>	60	135	594	1,515	7,166
<u>By sectors</u>					
National Administration	1,868	3,810	10,222	29,095	112,946
Central Administration	1,106	2,278	7,081	19,342	67,046
Special accounts	306	574	1,152	2,699	11,037
Decentralized agencies	456	958	1,989	7,054	34,863
Provinces and Municipality					
of Buenos Aires	1,450	3,289	6,637	14,127	85,414
Social security system	697	1,668	3,329	7,174	43,028
Public enterprises	1,907	3,808	8,581	25,088	117,739
<u>Memorandum items</u>					
Adjusted total expenditure <u>3/</u>	4,673	10,128	23,145	61,138	285,141
Wages, salaries, and social security benefits	2,327	5,425	10,154	21,637	131,469

Sources: Ministry of Economy; Central Bank of Argentina; and Fund staff estimates.

1/ Data are on a budget execution basis.

2/ Net of extrabudgetary receipts.

3/ Excludes gross expenditure of public enterprises, but includes their operating deficits.

Table 49. Argentina: Prices of Public Services in Constant Terms, Net of Taxes 1/

(1960 = 100)

	1978	1979	1980	1981	1982	1983
<u>General level</u>	<u>110.4</u>	<u>89.5</u>	<u>91.1</u>	<u>93.9</u>	<u>70.2</u>	<u>84.0</u>
<u>Fuels and energy</u>	<u>100.6</u>	<u>81.8</u>	<u>83.1</u>	<u>85.7</u>	<u>67.2</u>	<u>87.2</u>
Fuels	105.8	85.8	87.2	90.4	72.3	97.5
State Oil Enterprise (YPF)	102.4	85.1	84.5	87.6	69.9	98.2
State Gas Enterprise (GE)	134.2	102.6	105.2	109.2	89.0	93.5
State Coal Enterprise (YCF)	106.3	76.8	73.1	66.3	54.2	71.0
Energy	82.3	68.1	68.9	69.6	49.2	51.6
Greater Buenos Aires Electricity Enterprise (SEGBA)	80.4	67.5	68.5	68.9	48.0	50.7
Water and Electricity Enterprise (AyEE)	86.9	69.5	69.9	71.2	52.2	53.8
<u>Transport and communications</u>	<u>144.2</u>	<u>115.9</u>	<u>118.0</u>	<u>122.1</u>	<u>82.5</u>	<u>79.8</u>
Transport	94.9	81.9	90.2	87.5	60.9	79.9
Argentine Railways (FA)	107.6	93.1	102.3	98.6	66.2	71.1
Argentine Airlines (AA)	70.6	60.3	66.7	66.2	50.8	64.7
Communications	192.4	142.9	145.0	155.9	103.5	79.5
Telephone Company (ENTEL)	145.6	134.4	104.0	111.7	76.6	57.5
Post Office (ENCOTEL)	359.5	276.0	291.1	313.0	199.1	157.9
<u>Water supply and sewerage (OSN)</u>	<u>55.0</u>	<u>47.7</u>	<u>57.0</u>	<u>60.2</u>	<u>30.2</u>	<u>21.3</u>

Source: Ministry of Economy.

1/ Deflated by the national nonagricultural wholesale price index.

Table 50. Argentina: Central Administration Operations ^{1/}
(In millions of pesos argentinos)

	1979	1980	1981	1982	1983
<u>Total revenue</u>	<u>952.1</u>	<u>1,698.5</u>	<u>3,359.0</u>	<u>8,968.5</u>	<u>36,955.0</u>
<u>Tax revenue</u>	<u>685.7</u>	<u>1,525.7</u>	<u>2,932.6</u>	<u>8,223.3</u>	<u>35,797.6</u>
Taxes on income	76.6	201.7	439.6	1,087.9	3,673.0
Taxes on capital	47.9	103.4	215.2	766.5	3,233.0
Taxes on production and consumption	368.9	854.2	2,316.4	6,098.7	24,758.4
Value-added tax	211.8	523.8	1,222.3	2,721.8	10,972.9
Excise taxes	157.1	330.4	1,094.1	3,376.9	13,785.5
Consolidated excises	92.5	204.9	438.3	1,098.1	4,169.9
Taxes on fuels	27.1	58.5	553.3	2,029.2	8,357.9
Tax on foreign exchange transactions	16.0	36.4	94.5	234.7	935.3
Other	21.5	30.6	8.0	14.9	322.4
Taxes on international trade	138.0	372.0	846.5	2,475.1	15,938.1
Import duties	129.5	356.4	719.5	1,387.4	6,010.7
Export duties	4.2	7.5	100.8	1,012.8	9,297.0
Other	4.3	8.1	26.2	74.9	(630.4)
Miscellaneous taxes	54.0	105.7	158.0	369.8	1,006.7
Stamp tax	48.8	103.4	157.7	369.3	380.4
Tax collections under amnesties	0.4	0.3	0.2	0.5	626.3
Other	4.8	2.0	0.1	--	--
Minus: Shares of the national and provincial social security systems, and the National Housing Fund, in Central administration tax revenue	--	-111.3	-1,043.1	-2,574.7	-12,811.6
<u>Nontax revenue</u>	<u>266.4</u>	<u>172.8</u>	<u>426.4</u>	<u>745.2</u>	<u>1,157.4</u>
Statistical and port fees	29.4	64.4	13.5	0.8	1.0
Consular fees	22.2	26.8	28.2	47.1	119.2
Other	214.8	81.6	384.7	697.3	1,037.2
<u>Total expenditure</u>	<u>1,412.1</u>	<u>3,043.7</u>	<u>7,736.0</u>	<u>18,262.6</u>	<u>132,672.6</u>
<u>Current expenditure</u>	<u>923.6</u>	<u>1,991.0</u>	<u>4,575.9</u>	<u>11,723.4</u>	<u>44,057.2</u>
Wages and salaries	388.1	980.4	1,792.8	3,845.6	18,091.7
Purchases of goods and services	134.0	240.1	553.5	1,255.5	5,459.0
Interest	239.5	420.1	1,517.3	5,085.4	13,230.2
Transfers to private sector	162.0	350.4	712.3	1,536.9	7,276.3
<u>Transfers to rest of public sector ^{2/}</u>	<u>374.7</u>	<u>844.8</u>	<u>2,374.3</u>	<u>4,618.2</u>	<u>79,902.8</u>
Special accounts	92.3	188.8	501.6	1,038.9	4,136.9
Decentralized agencies	43.4	323.3	721.8	1,524.1	14,235.5
Provinces and Municipality of Buenos Aires	107.7	98.2	794.0	1,020.1	27,858.7
Public enterprises	131.3	234.5	356.9	1,035.1	33,671.7
<u>Capital expenditure</u>	<u>97.5</u>	<u>162.1</u>	<u>482.7</u>	<u>794.8</u>	<u>2,214.6</u>
<u>Other ^{3/}</u>	<u>16.3</u>	<u>45.8</u>	<u>303.1</u>	<u>1,126.2</u>	<u>6,498.0</u>
<u>Overall deficit (-)</u>	<u>-460.0</u>	<u>-1,345.2</u>	<u>-4,377.0</u>	<u>-9,294.1</u>	<u>-95,717.6</u>
<u>Domestic financing (net)</u>	<u>426.8</u>	<u>1,247.8</u>	<u>3,458.0</u>	<u>8,358.2</u>	<u>88,983.1</u>
Central Bank (net)	4.8	976.3	2,775.6	7,055.2	103,976.0
Bond sales (net)	300.5	16.2	443.6	2,379.8	-3,240.2
Debt cancellation certificates	-4.2	28.7	13.6	-22.4	-0.7
Change in unpaid treasury drafts	34.5	146.4	316.0	63.5	13,408.0
Unified Fund	97.7	155.5	156.4	624.3	3,190.0
Other	-6.5	-75.3	-247.2	-1,742.2	-28,350.0
<u>Foreign financing (net)</u>	<u>33.2</u>	<u>97.4</u>	<u>919.0</u>	<u>935.9</u>	<u>6,734.5</u>
Drawings	60.6	127.2	977.3	1,111.9	8,246.7
Amortization	-27.4	-29.8	-58.3	-176.0	-1,512.2

Source: Ministry of Economy.

^{1/} On a cash basis, adjusted for change in unpaid treasury drafts.

^{2/} Includes net lending operations.

^{3/} Includes unclassified net extrabudgetary expenditures.

Table 53. Argentina: Selected Financial System Data at Year-End Exchange Rates

(In millions of pesos argentinos)

	1978	1979	1980	1981	1982	1983
I. Consolidated Financial System						
<u>Net external assets 1/2/</u>	462	1,078	468	-3,419	-44,519	-299,860
<u>Net domestic assets</u>	1,857	5,812	12,478	34,007	111,802	595,146
<u>Net public sector</u>	155	430	1,399	7,959	25,127	168,741
<u>Credit to private sector</u>	1,456	4,640	9,753	25,081	74,591	307,867
<u>Other items</u>	246	742	1,326	967	12,084	118,538
<u>Valuation adjustment 3/</u>	229	855	1,404	4,423	-2,613	-50,149
<u>Liabilities to private sector</u>	2,090	6,035	11,542	26,165	69,896	345,435
<u>Monetary liabilities</u>	571	1,375	2,716	4,609	14,763	69,127
<u>Quasi-money liabilities</u>	1,237	3,799	7,138	16,368	33,308	171,690
<u>Capital and surplus</u>	282	861	1,688	5,188	21,825	104,618
II. Central Bank						
<u>Net international reserves and other external assets 1/2/</u>	619	1,709	1,548	3,150	-13,316	-149,173
<u>Net domestic assets</u>	323	464	2,215	6,406	54,027	296,670
<u>Valuation adjustment 3/</u>	229	855	1,404	4,423	-2,613	-50,149
<u>Liabilities to financial system</u>	385	539	736	2,112	34,689	152,130
<u>Currency in circulation</u>	328	779	1,623	3,021	8,635	45,516
III. Commercial Banks						
<u>Net international reserves</u>	-157	-630	-1,079	-6,562	-31,190	-150,659
<u>Monetary reserves and currency</u>	374	544	753	2,055	31,903	142,479
<u>Net domestic assets</u>	1,348	4,799	9,739	26,978	92,885	365,208
<u>Public sector (net)</u>	48	318	270	3,537	14,152	39,692
<u>Credit to private sector</u>	1,218	4,002	8,345	22,197	68,928	290,793
<u>Net unclassified assets 4/</u>	82	479	1,124	1,244	9,805	34,723
<u>Liabilities to Central Bank</u>	65	98	801	2,662	36,272	74,388
<u>Liabilities to private sector</u>	1,500	4,615	8,612	19,809	57,326	282,640
<u>Foreign currency deposits</u>	10	40	197	971	3,309	8,426
<u>Other liabilities</u>	1,490	4,575	8,415	18,838	54,017	274,214
IV. Rest of Financial System						
<u>Net international reserves</u>	--	-1	-1	-7	-13	-28
<u>Monetary reserves and currency 5/</u>	64	96	100	420	1,668	6,925
<u>Net domestic assets</u>	216	564	1,311	3,242	7,181	16,580
<u>Public sector (net)</u>	4	11	11	98	301	752
<u>Credit to private sector</u>	238	638	1,408	2,884	5,663	17,074
<u>Net unclassified assets</u>	-26	-84	-108	260	1,217	-1,246
<u>Liabilities to Central Bank</u>	18	19	103	320	4,901	6,198
<u>Liabilities to private sector</u>	262	641	1,307	3,335	3,935	17,279

Sources: Central Bank of Argentina; Statistical Appendix Table 57; and Fund staff estimates.

1/ Excludes valuation adjustment of central bank net external assets.

2/ Includes adjustments (swaps, arrears, certain external bonds of the Government of Argentina, and some balance of payments support loans) in 1982 and 1983.

3/ Includes the counterpart to allocations of SDRs.

4/ Includes liabilities to rest of financial system.

5/ Includes claims on banks.

Table 59. Argentina: Direction of Trade

(In percent)

	1978	1979	1980	1981	1982	1983 (Jan- Nov)
<u>Exports</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
LAIA <u>1/</u>	23.6	25.8	21.6	19.9	19.9	10.9
Of which: Brazil	9.0	11.3	9.5	6.5	7.5	3.9
Chile	3.2	2.0	2.7	1.8	2.2	2.4
EEC	33.5	32.3	27.1	21.4	21.3	21.0
Of which: Italy	7.9	7.9	6.5	4.1	3.8	4.4
Netherlands	10.5	10.5	8.9	7.6	7.9	9.3
Germany	6.4	5.6	5.1	3.9	4.4	3.1
United Kingdom	3.0	3.0	2.5	2.3	0.9	--
Rest of Europe <u>2/</u>	10.2	11.0	7.1	5.6	5.5	4.7
Of which: Spain	5.2	5.4	2.1	2.1	2.7	2.4
United States	8.4	7.3	8.7	9.2	13.2	9.3
Japan	5.9	5.1	2.6	1.8	3.7	4.8
U.S.S.R.	6.0	5.3	20.1	32.4	20.8	21.8
China	1.0	2.5	2.4	1.0	1.8	6.9
Iran	0.7	0.2	1.1	0.3	1.8	5.1
Other oil exporters <u>3/</u>	1.5	2.2	1.4	1.8	4.0	3.1
Rest of world	9.2	10.6	7.9	6.6	8.0	12.4
<u>Imports</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
LAIA <u>1/</u>	21.7	21.8	20.3	20.0	28.7	30.4
Of which: Brazil	8.9	9.8	10.2	9.5	12.9	14.9
Bolivia	2.5	1.9	2.4	3.7	7.4	8.8
Chile	4.6	4.0	2.4	2.0	2.8	2.6
EEC	31.1	26.5	25.9	25.8	22.1	23.6
Of which: Germany	11.8	9.2	9.4	9.6	9.0	10.4
Italy	7.7	5.8	6.4	5.2	4.3	5.2
United Kingdom	4.4	3.3	3.3	3.4	1.3	--
Rest of Europe <u>2/</u>	11.4	10.2	9.4	9.4	9.6	9.3
United States	18.4	21.0	22.5	22.0	21.7	21.5
Japan	7.0	5.3	9.8	10.2	8.0	6.8
Other oil exporters <u>3/</u>	1.2	1.7	4.9	3.6	2.9	1.9
Rest of world	9.2	13.5	7.2	9.0	7.0	6.5

Source: Boletín de Comercio Exterior Argentino, various issues.

1/ Latin American Integration Association countries.2/ Does not include U.S.S.R.3/ Other oil exporting countries of Africa, Asia, and the Middle East.

Table 61. Argentina: Exports of Industrial Manufactures
to Selected Countries

(In millions of U.S. dollars)

	1981	1982	1983 (Jan-Nov)
Total exports of industrial manufactures	<u>2,090.4</u>	<u>2,105.7</u>	<u>1,238.1</u>
<u>United States</u>	<u>319.4</u>	<u>652.7</u>	<u>305.0</u>
<u>LAIA</u>	<u>919.0</u>	<u>735.5</u>	<u>358.5</u>
Brazil	317.2	177.1	104.9
Paraguay	118.4	111.4	51.7
Uruguay	105.0	88.8	41.2
Mexico	82.3	34.7	12.5
Chile	69.4	66.8	59.8
Bolivia	63.7	83.6	22.5
Venezuela	63.1	58.4	13.2
Peru	61.3	64.9	24.7
Colombia	23.9	37.3	18.9
Ecuador	14.7	12.5	9.1
<u>Europe</u>	<u>506.5</u>	<u>276.3</u>	<u>286.2</u>
Netherlands	239.1	37.1	115.5
Germany	64.0	60.0	25.7
Italy	55.4	57.4	71.8
United Kingdom	32.7	20.5	--
Belgium	31.8	17.7	23.3
France	30.9	48.6	36.6
Sweden	30.0	8.0	5.2
Spain	14.4	15.2	8.1
Switzerland	8.2	11.8	--
<u>Other</u>	<u>345.5</u>	<u>441.2</u>	<u>288.4</u>

Source: Boletín de Comercio Exterior Argentino, various issues.

Table 63. Argentina: External Debt and Debt Service

	1978	1979	1980	1981	1982 ^{1/}	1983 ^{2/}
(In millions of U.S. dollars; end-year)						
<u>Total disbursed debt</u>	<u>12,496</u>	<u>19,034</u>	<u>27,162</u>	<u>35,671</u>	<u>43,243</u>	<u>45,946</u>
By borrowing sector						
Public sector	8,357	9,960	14,459	20,024	28,342	36,623
Private sector	4,139	9,074	12,703	15,647	14,901	9,323
By maturity						
Medium- and long-term	9,849	13,703	16,877	26,077	28,782	...
Short-term	2,647	5,331	10,285	9,604	14,461	...
(In percent of total)						
<u>Disbursed debt of public sector, by type of creditor ^{3/}</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
International organizations	13.1	12.9	7.8	6.0	5.0	7.1
Official creditors	5.2	4.7	2.6	1.9	1.4	3.8
Banks	55.5	55.1	71.0	67.4	71.1	67.9
Bondholders	13.6	14.7	10.1	18.7	18.1	11.3
Private firms	12.6	12.5	8.5	5.9	4.3	9.8
(In millions of U.S. dollars and in percent)						
Debt service ^{4/}	2,607	2,156	3,525	6,307	9,971	11,984
Amortization	1,887	982	1,350	2,457	5,045	6,561
Interest	720	1,174	2,175	3,850	4,926	5,423
Exports of goods and nonfactor services	7,714	9,602	10,765	11,545	9,524	9,536
Debt service ratio	33.8	22.5	32.7	54.6	104.7	125.7
(In percent of GDP)						
Debt outstanding	26.0	33.4	41.8	53.3	65.4	66.5
Debt service	5.4	3.8	5.4	9.4	15.1	17.3
Interest	1.5	2.1	3.4	5.7	7.5	7.8

Sources: Central Bank of Argentina and Fund staff estimates.

^{1/} Data for end-1982 incorporate a US\$3.7 billion upward adjustment due to inclusion of previously unreported public sector debt.

^{2/} Preliminary estimates based on new debt reporting system; takes into account shift of US\$4.8 billion in liabilities related to exchange guaranteed loans from private to public sector.

^{3/} For 1982, distribution excludes external payments arrears.

^{4/} Includes amortization on loans with an original maturity of more than one year and all interest payments. Includes both public and private debt. Numbers for 1982 and 1983 reflect amounts due, rather than amounts actually paid.

Table 65. Argentina: Net Deviations of Selected Export Receipts
from Exchange Rate 1/

(In per cent at end of period)

	1980	1981	1982		1983		1984
	Dec.	Dec.	June	Dec.	June	Dec.	April
Wheat	-1.0	-10.0	-10.0	-25.0	-25.0	-18.0	-18.0
Wheat flour	9.0	-10.0	-5.0	-15.0	-15.0	-15.0	-10.0
Corn	-1.0	-10.0	-10.0	-25.0	-25.0	-25.0	-25.0
Sorghum	-1.0	-10.0	-10.0	-25.0	-25.0	-25.0	-25.0
Sunflower oil	9.0	10.0	--	-10.0	-10.0	-10.0	-14.0
Peanut oil	9.0	10.0	--	-10.0	-10.0	-10.0	-10.0
Olive oil	9.0	10.0	--	-10.0	--	--	--
Beef (quarters)	2.6	-10.0	-10.0	-20.0	-20.0	-20.0	-20.0
Beef manufactures	2.6	-10.0	-10.0	-20.0	-20.0	-20.0	-20.0
Beef (cuts)	2.6	-10.0	-5.0	-15.0	-15.0	-15.0	-15.0
Horsemeat	-1.0	-10.0	-5.0	-15.0	-15.0	-15.0	-15.0
Beef (cooked, frozen, or extract)	12.6	4.0	5.0	--	--	--	--
Leather (unprocessed)	-6.0	-10.0	-10.0	-25.0	-25.0	-25.0	-25.0
Leather (cut)	9.0	10.0	--	-10.0	-10.0	-10.0	-10.0
Tobacco leaf	-1.0	-10.0	-10.0	-25.0	-25.0	-10.0	-15.0
Tobacco manufactures	-1.0	-10.0	-10.0	-20.0	-20.0	-20.0	-20.0
Wool (unwashed)	-1.0	-10.0	-10.0	-22.0	-22.0	-22.0	-22.0
Wool (washed)	-1.0	5.0	-5.0	-15.0	-15.0	-15.0	-15.0
Sugar	-1.0	10.0	5.0	10.0	10.0	10.0	10.0
Fruits (fresh)	9.0	7.0	--	-10.0	--	--	--
Fruits (canned)	9.0	10.0	5.0	5.0	5.0	10.0	10.0
Cheese	9.0	7.0	5.0	--	--	--	--
Casein	9.0	10.0	5.0	-10.0	-10.0	-10.0	-10.0
Wire and iron sheet	14.0	10.0	14.0	10.0	10.0	10.0	10.0
Tools (power)	24.0	10.0	14.0	10.0	10.0	10.0	10.0
Agricultural machines	24.0	10.0	14.0	10.0	10.0	10.0	10.0
Tractors	24.0	10.0	14.0	10.0	10.0	10.0	10.0

Source: Central Bank of Argentina.

1/ Refers to net percentage deviations from the buying rate for the U.S. dollar due to export taxes and rebates (reembolsos).



Office Memorandum

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.

1985 AUG 26 AM 10:05

August 22, 1985

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To: Mr. Nebbia
From: Alan A. Tait *AC*
Subject: Travel Schedule

You may be interested to know that a staff mission comprising Messrs. A. Premchand (head), Assistant Director and Mr. A. L. Antonaya, Economist, both of Fiscal Affairs Department, Miss R. Lituma, Economist, Bureau of Statistics, and a secretary will be visiting Buenos Aires, to provide technical assistance. The mission is expected to review the existing fiscal reporting system within the Government and make recommendations for improvement.

The mission will be in the field for approximately three weeks starting on September 9, 1985. A board paper on the subject has been separately circulated. Mr. Premchand (telephone 8708) would be glad to provide additional information, if you should require it.

cc: Secretary's Department
Western Hemisphere Department



Office Memorandum

Mr. Wiesner
OK *PDC* *8/22/85*
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8/22/85

TO: The Acting Managing Director

DATE: August 22, 1985

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FROM: E. Wiesner E.W.

SUBJECT: Argentina--Briefing Paper for Article IV Consultation and Stand-By Review Mission

Please find attached for your consideration and approval the briefing for the mission to Argentina.

The paper has been reviewed by the following departments:

- Exchange and Trade Relations: Mr. Guitián
- Fiscal Affairs: Mr. Yandle
- Legal: Mr. Silard
- Treasurer's: Mr. Leddy
- Western Hemisphere: Messrs. Beza, Caiola, van Beek, and myself

The mission chief's last day in the office is Monday, August 26, 1985.

Attachment

cc: The Managing Director (o/r)
Mr. Collins

1985 AUG 22 PM 4: 10
OFFICE OF THE
DEPUTY MANAGING DIRECTOR

IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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1985 AUG -9 PM 11:00
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23 Mr. Evaristo Evangelista
22 Deputy General Manager
21 Banco Central de la Republica Argentina
20 Reconquista 266
19 1003 Buenos Aires, Argentina

DISPATCHED TIME
1985 AUG -9 PM 11:00

18 Executive Board took following decision August 9: Quote
17 A. Stand-By Arrangement
16 1. Argentina has consulted with the Fund in accordance
15 with paragraph 4 of the stand-by arrangement for Argentina
14 (EBS/84/251, Supplement 2, January 2, 1985) and paragraph 4
13 of the letter dated September 25, 1984 from the Minister of
12 Economy and the President of the Central Bank of Argentina
11 attached thereto, in order to review progress made by
10 Argentina in realizing the objectives of the program, and
9 to reach understandings with the Fund regarding the cir-
8 cuastances in which Argentina can resume purchases under
7 the arrangement.
6 2. The letters of June 11, 1985 and July 22, 1985
5 from the Minister of Economy and the President of the
4 Central Bank of Argentina, setting forth the objectives and
3 policies that the authorities of Argentina will pursue for
2 the remaining period of the stand-by arrangement, shall be
1 attached to the stand-by arrangement for Argentina and the
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E AUTHORIZED BY NAME (TYPE): **Leo Van Houtven, Secretary** AUTHORIZED BY NAME (TYPE): _____

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G *B. J. Owens*
SIGNATURE (PLEASE KEEP SIGNATURE IN SPACE ALLOWED) SIGNATURE

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WASHINGTON, D. C. 20431

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Office Memorandum

B. J. Stuchlik

TO: The Acting Managing Director

DATE: August 22, 1985

FROM: E. Wiesner E.W.

SUBJECT: Argentina--Briefing Paper for Article IV Consultation
and Stand-By Review Mission

Please find attached for your consideration and approval the briefing for the mission to Argentina.

The paper has been reviewed by the following departments:

Exchange and Trade Relations:	Mr. Guitián
Fiscal Affairs:	Mr. Yandle
Legal:	Mr. Silard
Treasurer's:	Mr. Leddy
Western Hemisphere:	Messrs. Beza, Caiola, van Beek, and myself

The mission chief's last day in the office is Monday, August 26, 1985.

Attachment

cc: The Managing Director (o/r)
Mr. Collins

Briefing for Mission to Argentina

Prepared by the Western Hemisphere Department

(In consultation with the Exchange and Trade Relations,
Fiscal Affairs, Legal, and Treasurer's Departments)

Approved by E. Wiesner and Manuel Guitián

August 22, 1985

A staff mission consisting of Messrs. Ferran, Stuart, Braz (all WHD), Lipton (ETR), Tavares (FAD), and Miss Edwards (Secretary-WHD) will visit Buenos Aires for a period of about three weeks beginning in late August to assess performance under the program being supported by the stand-by arrangement, negotiate ad referendum quantitative performance criteria through the end of the period of the stand-by, and conduct the second of two scheduled reviews of the program; completion of this review conditions purchases after September 30, 1985. The mission also will conduct the 1985 Article IV consultation discussions.

On December 28, 1984 (EBM/84/191) the Executive Board approved Argentina's request for a 15-month stand-by arrangement in an amount equivalent to SDR 1,419 million (127.5 percent of Argentina's quota); the first review of the program was concluded on August 9, 1985 (EBM/85/124 and EBM/85/125). To date, Argentina has made two purchases totalling SDR 473 million under the stand-by arrangement. The latest Article IV consultation with Argentina was concluded by the Executive Board on September 4, 1984 (EBM/84/132 and EBM/84/133).

I. Background

In the fourth quarter of 1984, the authorities began implementing the economic program that formed the basis of their request for a stand-by arrangement from the Fund. Despite substantial adjustments in many areas of policy, several of the end-December performance criteria were not observed (Table 1) and inflation remained very high. Policy weakened substantially in the first quarter of 1985; most of the program's quantitative criteria for the end of March were not observed by wide margins, and completion of the first review of the program scheduled for March 1985 was delayed.

On June 14, 1985, following substantial corrections in public sector prices and in the exchange rate in May and early June, the authorities announced an economic program designed to eliminate inflation in Argentina. The key elements of the program were a reduction in the public sector deficit to a level that did not require central bank financing and a credit policy that essentially limited the Central Bank

to issuing currency against the purchase of foreign exchange. The program also included a wage-price freeze, the pegging of the domestic currency to the U.S. dollar, and a monetary reform to facilitate the elimination of indexation in financial markets. On the basis of this program, which was described in the letters of June 11, 1985 and July 22, 1985 from the Argentine authorities to the management of the Fund, the Executive Board completed the first review of the stand-by arrangement on August 9, 1985.

For several weeks after mid-June, prices generally remained unchanged or declined. The consumer price index, which measures the average level of prices in each month, rose by 6.2 percent from June to July but this increase reflected the increase in prices during the first half of June; the wholesale price index, which measures the level of prices at mid-month, declined by 0.9 percent in July. In the latter part of July and early August, however, prices of some items (particularly meat, on which controls were applied flexibly, and fruit and vegetables, which are not subject to controls) rose substantially, and current projections point to an increase in the consumer price index of 5-6 percent in August. Even though such a result to some extent reflects seasonal factors and compares very favorably with price performance before the freeze--in June, the consumer and wholesale price indices had risen by 30.5 and 42.4 percent, respectively--the strategy the Government has adopted is based on virtual price stability and rates of inflation as high as that foreseen for August could not continue much longer without endangering the success of the program.

Industrial output declined sharply in June, and estimates are that in the second quarter of 1985 it was 8-9 percent below its level a year earlier. While preliminary official indicators suggest that industrial activity was about unchanged from June to July, much is made in the press of sharp declines in output and widespread layoffs since mid-June, and business and labor groups are calling for government action to reactivate the economy. The authorities have firmly resisted these pressures, indicating that sustained economic recovery will not be possible until the inflation problem is eliminated.

As regards fiscal performance in July, firm data on the deficit of the nonfinancial public sector and the operating losses of the Central Bank are not yet available, but according to preliminary estimates the limit on treasury spending for that month was observed while total tax collections were about 11 percent higher than had been projected in the program. Moreover, information available to date suggests that the Government's commitment not to borrow from the Central Bank has been fulfilled.

The 1985 budget and the forced saving plan which were submitted to Congress in July have not yet been enacted; in the original fiscal plan, approval was expected in late August and this still seems feasible. The additional tax on banking transactions, another element of the fiscal package, has already been approved by Congress and is being implemented.

In early August, the Government announced a reduction in export taxes on industrial products, with a revenue effect estimated at less than 0.1 percent of GDP in the second half of 1985.

Preliminary data suggest that the July limit on the net domestic assets of the Central Bank was observed. The increase in broad money in July, which had been projected in the program at 22 percent largely in reflection of the sharp increase in money holdings in the course of June, turned out to be 26 percent as the overall balance of payments performance was stronger than expected; the increase in broad money from end-June to the average of July is estimated at less than 8 percent. At the beginning of July, regulated deposit and lending rates had been reduced from 5 and 7 percent to 3.5 and 5 percent a month, respectively, while the rate on seven-day central bank bills was reduced from 6.5 percent to 4.5 percent a month. However, the latter rate was raised to 5.5 percent in the first half of July and to 6.25 percent following the first auction of central bank bills on July 23.

In August, the Central Bank has continued to implement its credit program by setting limits on the amount of credit that individual banks can extend at regulated interest rates and by limiting the amount of deposits at nonregulated rates that banks can accept. Also, regulated deposit and lending rates have not been changed. Other elements of monetary policy, however, have been adjusted during the month apparently in an attempt gradually to lower indicative interest rates without easing monetary control. Banks have been required to hold 35 percent of their nonregulated deposits in a new compulsory bond in the Central Bank; the interest rate on this bond in August has been set at 6.25 percent. At the same time, and contrary to the practice of previous months when monetary control was largely pursued through the placement of central bank short-term bills in the market, very little use has been made of this instrument in August. The Central Bank did not accept any bids at the bill auctions of August 6 and 13 and only a small amount at the auction of August 20, as the cutoff rate was gradually reduced from 6.25 percent at the last auction in July to 5.10 percent at the auction of August 20.

Preliminary information suggests that the overall balance of payments recorded a surplus of about US\$200 million in July, whereas the program foresaw no change in net reserves in that month; this overperformance appears to have reflected stronger than expected capital inflows through the official exchange market. The official exchange rate continued to be pegged to the U.S. dollar at the rate set in mid-June. Relative to the basket of currencies of Argentina's major trading partners, there was a real depreciation of the austral of 3 percent in July (reflecting mainly the real depreciation of the U.S. dollar), which brought the real effective value of the austral to a level 38 percent below that in September 1984 and 4 percent below that of 1983. The spread between the exchange rates in the parallel and official exchange markets, which averaged 25 percent in the first 5 1/2 months of 1985, virtually disappeared for a short period after the reform; since early July the spread has been in the range of 17-20 percent.

On August 27, 1985 Argentina and foreign bank creditors are expected to sign agreements providing for new financing of US\$4.2 billion to be disbursed during the period of the stand-by arrangement and the rescheduling of about US\$13.5 billion in principal payments that have matured since April 1982 or will mature through December 1985. The first disbursement of the new bank money in the amount of US\$2.2 billion is expected in the second half of September.

In January 1985, the Paris Club agreed to the rescheduling of US\$2.1 billion in service payments on medium- and long-term debt in arrears at the end of 1984 and falling due in 1985. Bilateral agreements have been finalized with several official creditors; the June deadline set by the Paris Club for the conclusion of the bilateral agreements has passed without all agreements being concluded, but the information available to the staff suggests that at the present time the Government is making best efforts to overcome difficulties so that the agreements can be completed soon. The program projections include about US\$1 billion of new financing to be made available during the remaining period of the stand-by.

II. Issues for discussion

The mission will review performance under the stand-by arrangement in July, on which the September purchase under the arrangement is contingent. The mission also will negotiate ad referendum quantitative performance criteria through the end of the period of the stand-by arrangement (these criteria are presented in Table 2). More generally, the mission will assess whether existing policies are adequate to ensure the meeting of the basic goals of the program, namely price stability after the wage-price freeze is lifted and a strengthening of the balance of payments along with liberalization of the trade and payments system.

The mission will examine recent developments and the prospects for the public finances and will urge adoption of whatever additional revenue and spending measures might be needed to limit the combined deficit of the public sector (including the losses of the Central Bank) to the foreign financing available under the program. Special attention will be paid to the prospects of continued viability of the program in 1986, when foreign financing is expected to be somewhat less than in the second half of this year.

The mission will review the progress that has been made in improving treasury control over the rest of the public sector. There are signs that the system whereby public enterprises are to make weekly deposits with the state-owned Banco de la Nacion to meet their external interest obligations has encountered some administrative problems and data on the operating and balance sheet positions of the enterprises are being submitted to the Treasury with longer lags than expected originally. The mission will stress the importance of establishing

effective control over the operations of the various segments of the public sector, if the fiscal plan is to work as intended; it is particularly important to exercise better control over the public enterprises, given the large increase in resources accruing to them following the major increases in public sector prices in May and June. A mission from the Fiscal Affairs Department will visit Buenos Aires in September to offer technical assistance in improving monitoring of public sector operations.

The measures that have been adopted in the fiscal area offer a real chance that inflation can be brought down sharply in Argentina, a development that would remove one of the main impediments to economic growth in recent years. In this respect, the mission will support the position of the economic team that it would not be appropriate to increase public sector spending to reactivate the economy, since this would likely result in a return to high rates of inflation with little or no gain in the country's productive capacity. Indeed, the mission will emphasize that sustained growth in the medium term will require a slimming down of the public sector along with increased efficiency of the tax system. The World Bank has been working with the Argentine authorities on the Government's investment program, and the mission will urge that this work be used as the basis for establishing priorities for public spending and streamlining the public sector. The mission will encourage the authorities to speed up the process of allowing private sector involvement in certain areas, such as the petroleum sector, which until now have been reserved for public enterprises.

At the present time there is heavy reliance on import and export taxes, which act as a disincentive to exports. In their letter of July 22, 1985, the authorities indicated it was the Government's intention to lower these taxes as soon as permitted by the evolution of the public finances. As noted above, export taxes on industrial products were reduced in early August, and the mission will urge the authorities to introduce additional spending cuts or seek alternative tax measures to permit a substantial reduction in taxes on agricultural exports and on imports in the near future. It may be noted that the World Bank has been discussing with the authorities a loan to facilitate a substitution of existing taxes on exports of agricultural products by a land tax.

Agreement will need to be reached on the stance of credit policy for the remaining period of the stand-by arrangement. The program through September essentially involves no net increase in central bank credit to the economy; however, the authorities have suggested that a substantial remonetization of the economy can be expected if the program is successful and it is their view that beyond the initial stages of the new program central bank credit could be stepped up. The mission will negotiate limits on the net domestic assets of the Central Bank through March 1986 based on a cautious projection of the monetary aggregates, so that any significant increase in the demand for financial assets that might occur will have to be met by capital inflows from abroad.

The mission will urge the authorities to simplify the present system of monetary control, which involves substantial segmentation of the financial market and rationing of credit on a bank-by-bank basis, and thus limits the scope for the play of market forces and gives rise to inefficiencies. Another cause for concern is the decision of recent weeks to lower interest rates on central bank bills at a time when bids being tendered at the auctions were indicating that this might not be appropriate.

The mission will review the implementation of the wage-price freeze to date and discuss how best to begin the process of dismantling the freeze. The authorities are aware of the risks involved in maintaining a rigid price control system for too long, and in public statements they have stressed that the freeze is to be temporary. Nevertheless, they are also concerned about the danger that the lifting of the freeze may be followed by a resurgence of high inflation. The mission will discuss with the authorities their plans for the dismantling of controls and will emphasize that a strict credit policy will help create an environment in which the controls could be lifted with a reasonable assurance that inflation would not re-emerge. In this regard, the mission will seek understandings on ways to achieve the liberalization of controls over the coming months.

As regards the exchange system, the staff has been informed that the authorities are considering a scheme to reduce quantitative import restrictions while providing additional incentives to industrial exports. Under this scheme, exporters of industrial goods would receive coupons issued by the Government that could be used to import goods presently on the prohibited list (with the number of coupons received per dollar of exports and to be paid per dollar of imports depending on the characteristics of each good). As it has already done in informal discussions with Argentine officials, the staff will take the view that adoption of such a scheme would pose serious problems, because it could seriously affect expectations by calling into question the appropriateness of the present level of the exchange rate; would introduce additional distortions in the pricing of industrial products and would be biased against the agricultural sector; and, depending on the way it were implemented, could increase the restrictiveness of the exchange and trade system, resulting in the interruption of purchases under the stand-by arrangement.

The staff will stress that the objectives of growth and balance of payments adjustment will depend on strong export growth and efficient price-oriented import restraint, and thus on an appropriate exchange rate in the official market. The authorities have indicated their intention to keep exchange rate policy under scrutiny with a view to ensuring achievement of the balance of payments objectives of the program, and the mission will review with them the appropriateness of the present level of the exchange rate. Particular attention will be paid to the recent evolution of the real exchange rate, the recent behavior of international reserves, and developments in the parallel exchange market.

In addition, the mission will assess the prospects for exports and the trade balance. The mission will emphasize the importance of ensuring that the exchange rate be consistent with a viable balance of payments position and a unified exchange system and will explore with the authorities how exchange rate policy should be framed to achieve those objectives while permitting the liberalization of the trade and payments system envisaged in the program.

As regards the liberalization of trade and payments, in late July the share of base period imports included in the automatic licensing regime was raised from 58 to 63 percent. This share is to be raised further to 68 percent by end-September, and the Government is committed to put all imports, except a limited list of luxury goods, on the automatic list by March 1986. The mission will review the progress in import liberalization and seek understandings on steps to be taken toward meeting the objective for March 1986.

On August 1, 1985, the Central Bank began allowing access to frozen U.S. dollar deposits in banks in Argentina, by allowing withdrawals of up to US\$1,500 per account. The mission will seek understandings on steps that would permit depositors unrestricted access to these deposits by March 1986, as is provided for in the present stand-by arrangement.

Also on August 1, 1985, new foreign currency deposits were permitted for the first time since mid-May. Unlike the previous system of foreign currency deposits, the new deposits are subject to a 100 percent reserve requirement, although up to 40 percent of the deposits may be returned to banks in the form of rediscounts to cover trade financing. The authorities will be encouraged to move to a system whereby foreign currency intermediation in Argentina does not involve the Central Bank. Moreover, the mission will argue that, in the meantime, for purposes of measuring performance under the balance of payments test of the program the foreign currency deposits be treated as foreign reserve liabilities of the monetary authorities and the foreign currency kept in the Central Bank against the foreign currency deposits (that is, the part not returned to banks in the form of rediscounts) be treated as foreign reserve assets. The mission also will look into the implications of this arrangement for the external debt ceilings, and will agree on any adjustment in those ceilings that may be appropriate.

The mission will take stock of the external financing secured in support of the Government's program and the objectives with regard to the balance of payments, external arrears, external debt, the exchange system (including the system of minimum financing terms for imports), and import policy. In particular, it will consider whether, in light of balance of payments developments, more rapid progress might be made toward the Government's objective of placing external payments on a current basis and eliminating exchange restrictions and multiple currency practices. The authorities already have indicated in their letter of July 22, 1985 that if the balance of payments were to perform better than projected at that time, the elimination of arrears would be accelerated.

The mission will review the medium-term balance of payments prospects, and will discuss with the authorities their objectives for the current account and the overall balance for the next several years. In this connection, the mission will discuss with the authorities their intentions as regards future relations with the Fund (following the expiration of the existing stand-by arrangement) and other foreign creditors. The present rescheduling exercises with foreign bank creditors and the Paris Club only cover maturities falling due through 1985. Based on the agreements that have been completed, it is estimated that total principal falling due would be over US\$9 billion in 1986 and US\$6.5 billion in 1987; further rescheduling in all likelihood will be necessary and work will need to start soon on this rescheduling.

Finally, the mission will discuss with the authorities the need to extend the period of the arrangement, which at present ends on March 27, 1986, through end-May 1986; program limits are to be set for end-March 1986 and the testing of compliance likely will not be possible until mid-May, allowing for a final purchase of SDR 236.5 million at the end of May. Also, the mission will indicate to the authorities that the staff will propose an extension of the period for which exchange practices are approved, consistent with the provisions of the stand-by arrangement; the period for which these practices have been approved terminates at the end of October 1985.

Attachments

cc: The Managing Director (o/r)
Mr. Finch
Mr. Habermeier
Mr. Hood
Mr. Nicoletopoulos
Mr. Ouattara
Mr. Shaalan
Mr. Tanzi
Mr. Tun Thin
Mr. Whittome
Mr. Wiesner
Mr. Collins

Table 1. Argentina: Performance Under Stand-By Arrangement Through March 1985.

Performance criterion	Through December 1984			Through March 1985		
	Program Limit	Actual	Margin	Program Limit	Actual	Margin
(In billions of pesos argentinos)						
Treasury outlays (from July 1984)	343.5	350.1 <u>1/</u>	-6.6	621.6	742.5 <u>2/</u>	-120.9
Cash deficit of the nonfinancial public sector (from July 1984)	282.1	286.6	-4.5	476.3	572.7	-96.4
Combined deficit of nonfinancial public sector plus the operating result of the Central Bank (from July 1984)	342.3	400.5 <u>3/</u>	-58.2	536.5	859.9 <u>3/</u>	-323.4
Net domestic assets of the Central Bank (stock, end of period)	884.5	894.6	-10.1	1,006.2	1,131.1	-124.9
(In millions of U.S. dollars)						
Net international reserves of the monetary authorities (stock, end of period)	-8,850	-8,263	587	-9,570	-9,216	354
External payments arrears (stock, end of period)	4,470	4,162	.308	2,760	3,543	-783
Total outstanding disbursed external debt of the public sector (end of period)	39,700	34,104	5,596	39,700	34,607	5,093
Cumulative net disbursement of short-term debt of the public sector contracted after September 30, 1984	2,500	74	2,426	2,500	118	2,382
(In percent per month)						
Regulated interest rate on deposits of 30 days or more (quarterly average)	17.37	17.40	0.03	22.53	18.52	-4.01

Sources: Data provided by Argentine authorities.

1/ Includes an estimated \$a 21.4 billion in salary payments of the National Administration due in December 1984 but paid only in January 1985. According to understandings between Fund staff and Argentine officials, salary payments due but not reflected in actual payments data were to have been recorded as unpaid treasury drafts.

2/ Includes \$a 13.3 billion in employer contributions by the National Administration to the social security system due but not paid in the first quarter of 1985.

3/ Data for the operating result of the Central Bank include, in addition to the results reflected in the balance sheet of the Central Bank, an estimate of income accrued on central bank rediscounts to financial institutions in the process of being liquidated. According to calculations made by Argentine officials, it would be reasonable to consider two thirds of such rediscounts as being recoverable. The corresponding income included here amounts to \$a 52.3 billion in the second half of 1984 and \$a 56.7 billion in the first quarter of 1985.

Table 2. Argentina: Quantitative Performance Criteria

	1985			1986
	July 31	Sept. 30	Dec. 31	Mar. 31
Limits on cumulative changes since June 1985 in the net domestic assets of the Central Bank (in millions of australes) <u>1/</u>	500.0	800.0	...	...
Targets for net international reserves of the Monetary Authorities (in millions of U.S. dollars) <u>2/</u>	-9,015	-9,217	-9,913	...
Cumulative limits on cash deficit of the nonfinancial public sector since June 30, 1985 (in millions of australes) <u>1/</u>	50.0	105.0	...	...
Cumulative limits on cash deficit of the nonfinancial public sector plus operating result of the Central Bank since June 30, 1985 (in millions of australes) <u>1/</u>	100.0	260.0	...	...
Cumulative limits on treasury outlays since June 30, 1985 (in millions of australes) <u>1/</u>	550.0	1,630.0	...	...
Limit on total outstanding disbursed external debt of the public sector (in millions of U.S. dollars)	39,700	39,700	39,700	39,700
Limit on cumulative net disbursements of short-term debt of the public sector contracted after September 30, 1984 (in millions of U.S. dollars)	2,500	2,500	2,500	2,500
Limits on outstanding external payments arrears (in millions of U.S. dollars)	3,650	1,800	1,100	--

Sources: Ministry of Economy; and Central Bank of Argentina.

1/ The end-September limit applies throughout August and September, 1985.

2/ Assets and liabilities in currencies other than the U.S. dollar are converted into U.S. dollars at market exchange rates of June 30, 1984; gold is valued at US\$325 per fine troy ounce.

Table 3. Argentina: Projection of IMF Position

	Outstanding June 30, 1985	Operations in 1985		Operations in 1986		Outstanding After Full Utilization of 1984 Stand-By Arrangement
		July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June	
<u>(In millions of SDRs)</u>						
<u>Purchases under</u>						
<u>tranche policies</u>						
<u>(stand-by arrangement)</u>		473.0	236.5	236.5	236.5	
Ordinary resources		236.5	118.3	118.3	118.3	
Enlarged access resources		236.5	118.3	118.3	118.3	
<u>Repurchases</u>		--	--	--	90.1	
Under tranche policies		--	--	--	25.1	
Under compensatory financing facility		--	--	--	65.0	
<u>Total Fund credit</u>						
<u>outstanding</u>						
<u>(end of period)</u>	1,632.1	2,105.1	2,341.6	2,578.1	2,724.5	2,724.5
Under tranche policies	837.0	1,310.0	1,546.5	1,783.0	1,994.4	1,994.4
Under compensatory financing facility	795.1	795.1	795.1	795.1	730.1	730.1
<u>(In percent of quota)</u>						
<u>Total Fund credit</u>						
<u>outstanding</u>						
<u>(end of period)</u>	146.6	189.1	210.4	231.6	244.8	244.8
Under tranche policies	75.2	117.7	139.0	160.2	179.2	179.2
Under compensatory financing facility	71.4	71.4	71.4	71.4	65.6	65.6

Source: Fund staff.

Fund Relations with Argentina
(As of August 16, 1985)

I. Membership Status

- (a) Date of Membership: September 1956
- (b) Status - Article VIII

A. Financial Relations

II. General Department (General Resources Account)

- (a) Quota: SDR 1,113.0 million

	<u>Millions</u> <u>of SDRs</u>	<u>Percent</u> <u>of Quota</u>
(b) Total Fund holdings of australes	2,981.6	267.9
(c) Fund credit	1,868.6	167.9
Of which: credit tranches (ordinary resources)	573.3	51.5
enlarged access resources	500.2	44.9
compensatory financing facility	795.1	71.4
(d) Reserve tranche position	--	--
(e) Current Operational Budget: Not applicable		
(f) Lending to the Fund: Not applicable		

III. Stand-By or Extended Arrangements and Special Facilities

	<u>Type of</u> <u>Arrangement</u>	<u>Amount</u> <u>(SDR million)</u>	<u>Duration</u>	<u>Amount Drawn</u> <u>(SDR million)</u>	<u>Status</u>
(a)	Current				
	SBA	1,419.0	Dec. 28, 1984- March 27, 1986	473.0	Operational
(b)	Previous				
	SBA	1,500.0	Jan. 24, 1983- April 24, 1984	600.5	Canceled, Jan. 23, 1984
	SBA	159.5	Sept. 16, 1977- Sept. 15, 1978	--	Expired
	SBA	260.0	August 6, 1976- August 5, 1977	159.5	Expired

(c) Special Facilities: CFF

<u>Year</u> <u>Approved</u>	<u>Amount</u> <u>(SDR million)</u>
1984	275.0
1983	520.1
1975	220.0

IV. SDR Department

- (a) Net cumulative allocation: SDR 318.37 million
- (b) Holdings: SDR 0.35 million, or the equivalent of 0.1 per-
cent of net cumulative allocation
- (c) Current Designation Plan: not applicable

V. Administered Accounts (amounts)

- (a) Trust Fund Loans: Not applicable
- (b) SFF Subsidy Account: Not applicable

B. Nonfinancial RelationsVI. Exchange Rate

On July 1, 1983, the peso argentino replaced the Argentine peso at a conversion rate of 1 peso argentino per 10,000 Argentine pesos; the symbol for the currency remained unchanged (\$a). The rate of exchange of the new currency vis-a-vis the dollar continued to be adjusted on a daily basis. As of June 14, 1985, the Argentine currency unit was modified, with the austral (symbol: A) replacing the peso argentino at a rate of one austral per 1,000 pesos argentinos. As of that date, the exchange rate for the austral was fixed at A0.800 per U.S. dollar (buying) and A0.801 per U.S. dollar (selling).

VII. Last Article IV Consultation

The 1984 Article IV consultation discussions were held in February-June 1984 (EBS/84/167) and the consultation was concluded by the Executive Board on September 4, 1984 (EBM/84/132 and EBM/84/133).

Argentina: Selected Economic and Financial Indicators

	1981	1982	1983	Prel. 1984	Prog. 1985
(Annual percentage changes, unless otherwise specified)					
National income and prices					
GDP at constant prices	-6.2	-5.2	3.1	2.0	-1.0
GDP deflator	106.0	186.7	379.1	616.8	659.3
Consumer prices (end of period)	131.3	209.7	433.7	688.0	345.4
General government ^{1/}					
Receipts	78.2	144.4	371.2	647.8	748.8
Outlays	128.3	153.3	425.9	524.3	581.9
External sector (U.S. dollar basis)					
Exports, f.o.b.	14.0	-16.6	2.8	3.4	7.5
Imports, c.i.f.	-10.5	-43.4	-15.4	2.1	1.1
Export volume	24.7	-10.4	21.6	-1.8	21.1
Import volume	0.5	-42.0	-11.7	2.1	-1.0
Terms of trade (deterioration -)	2.6	-4.6	-11.9	5.4	-13.0
Nominal effective exchange rate ^{2/} average (depreciation -)	-42.2	-74.1	-77.3	-77.7	...
Real effective exchange rate ^{2/} average (depreciation -)	-7.8	-44.1	-15.4	17.7	...
year-end (depreciation -)	-34.0	-51.7	21.8	8.7	...
Money and credit					
Domestic credit (net) ^{3/}	118.4	132.8	451.5	581.1	413.1
Public sector ^{3/}	46.1	40.7	146.7	77.7	140.8
Private sector ^{3/}	101.9	113.3	191.9	292.9	199.9
Money and quasi-money (M4)	104.6	159.5	348.0	642.0	309.5
Velocity (GDP relative to average M4)	3.7	4.2	5.2	5.6	7.6
Interest rate (compounded annual rate, 30-day savings deposits)	154.1	124.9	273.1	380.4	255.5
(In percent of GDP)					
General government deficit (-) ^{1/}	-13.3	-12.8	-17.5	-10.2	-4.3
Nonfinancial public sector deficit (-) ^{1/}	-17.1	-17.7	-16.7	-12.0	-4.1
Domestic financing	10.3	14.5	16.6	13.3	2.9
Foreign financing	6.8	3.2	0.1	-1.3	1.2
Gross investment	18.2	17.9	16.7	14.8	14.5
Gross national savings	14.4	14.4	13.2	11.6	12.0
BOP-current account (deficit -) ^{4/}	-8.1	-4.1	-4.1	-4.0	-2.7
External debt ^{4/5/}	61.4	75.3	74.4	74.4	74.1
Inclusive of Fund credit	(61.4)	(75.3)	(76.4)	(76.3)	(77.8)
(In percent of exports of goods and nonfactor services)					
Debt service ^{6/}	54.6	104.7	125.7	99.6	94.0
Interest on external debt ^{6/}	33.3	51.7	56.9	55.9	50.2
(In billions of U.S. dollars)					
Overall balance of payments	-3.6	-6.2	-2.6	-1.7	-1.6
Gross official reserves (months of imports)	3.0	4.7	6.5	6.9	11.4
External payments arrears	--	2.5	3.2	4.2	1.1

Sources: Ministry of Economy; Central Bank of Argentina; and Fund staff estimates.

^{1/} Budget execution basis, except for 1985, which is on a budget basis; includes extrabudgetary operations, except for 1985.

^{2/} Measured in terms of foreign exchange per unit of local currency.

^{3/} Changes in local-currency stocks during year relative to local-currency liabilities to the private sector at the beginning of each year.

^{4/} GDP in current U.S. dollars is derived by converting GDP in australes using the U.S. dollar/austral exchange rates consistent with the real exchange rate level established by the mid-June 1985 fixing of the rate at US\$1 = AU.800.

^{5/} Public and private debt, including short term.

^{6/} From 1982 on, data indicate amounts due, not amounts actually paid.

Table 2. Comparison of Selected Economic and Financial Indicators in Recent Selected Programs

Country	Date of Approval <u>2/</u>	Type of Arrangement	Year Preceding Current Program Year 1/												(Percent of M2)	
			(Percent of quota)		(Percent of GDP)						(Percent per year)					
			Overall Balance		Current Account Deficit <u>3/</u>			Overall Budget Deficit <u>3/</u>			Real GDP Growth		Inflation		Domestic Credit Expansion <u>5/</u>	
			Tar- get	Ac- tual	Tar- get	Ac- tual	Devia- tion <u>4/</u>	Tar- get	Ac- tual	Devia- tion <u>4/</u>	Tar- get	Ac- tual	Tar- get	Ac- tual	Tar- get	Ac- tual
Argentina	12/28/84	SB	-209	-156	3.4	4.0	0.6	8.1	8.2	0.1	5.0	2.0	540.0	688.0	730.0	750.0
Comparator Countries																
Brazil	2/84 (2nd yr)	EFF	294	474	2.1	-0.3	-2.4	5.5	20.5	15.0	2.0	4.5	40.0	223.8	84.0	196.2
Korea	7/83	SB	-232	-316	1.2	1.7	0.5	1.9	1.5	-0.4	8.0	7.5	2.5	2.4	17.0	15.7
Mexico	3/84 (2nd yr,84)	EFF	165	440	0.5	-1.9	-2.4	5.5	6.2	0.7	1.0	3.5	40.0	59.2	36.3	64.0

Sources: Board papers; and staff estimates.

1/ Year preceding current program refers to previous year within the arrangement under operation, or year prior to program under negotiation, when applicable. Targets for previous years are only defined when available under an arrangement (including canceled programs) and refer to most recently revised magnitudes.

2/ Date of approval of arrangement in operation during current program year.

3/ Excluding official transfers. Values may not coincide with those in staff papers, due to different definitions used for inter-country comparison.

4/ Deviation of actual from original target as a percentage of original GDP target.

5/ Domestic credit or NDA expansion as percent of broad money outstanding at beginning of period, unless otherwise specified in the program.

Table 1. Comparison of Selected Economic and Financial Indicators in Recent Selected Programs

Country	Date of Approval <u>2/</u>	Type of Arrangement	Percent of Quota			Current Program Year 1/ (Percent of GDP)								
			Amount of Arrangement	Annual Access	Fund Credit Outstanding at Beginning of Arrangement <u>3/</u>	(Percent of quota)			Current account deficit 4/			Overall budget deficit 4/		
						Overall balance	Original rent	Current rent	Pre-vious Year	Original rent	Current rent	Pre-vious Year	Original rent	Current rent
Argentina	12/28/84	SB	127.5	102	54	-156	-162	-148	4.0	3.5	2.7	8.2	5.4	3.6
<u>Comparator Countries</u>														
Brazil	Proposed 5/85	SB	143	95	205	474	136	-49	-0.3	1.6	0.4	20.5	...	20.5
Korea	7/12/85	SB	61	36	239	-316	...	-108	1.7	...	0.7	1.5	...	1.2
Mexico	6/7/85													
Thailand	(3rd, 85) Scheduled 5/85	EFF SB	310	103	207	251	165	43	-2.3	1.2	-1.1	6.2	3.5	4.1
			103	56	151	100	...	-51	5.0	...	4.0	3.8	...	3.1

Sources: Board papers; and staff estimates.

1/ Current program year refers to the year for which the program is to be negotiated or the program currently in operation. Original targets refer to targets established in original multiyear arrangement. At the beginning of an arrangement current target refers to original target.

2/ Date of approval of current program. Date after proposed program refers to date of brief or draft staff report.

3/ For arrangements with duration of less than two years, Fund credit outstanding, excluding CFF, cereal, oil, and buffer stock facilities, as a percent of quota prior to beginning of the arrangement. For two- or three-year arrangement Fund credit outstanding at the beginning of current program year.

4/ Excluding official transfers. Values may not coincide with those in staff papers, due to different definition used for intercountry comparison.

Table 1 (concluded). Comparison of Selected Economic and Financial Indicators in Recent Selected Programs

Country	Date of Approval <u>2/</u>	Type of Arrangement	Current Program Year 1/										Actual Debt Service Ratio <u>4/</u>	Actual Reserves/Imports <u>5/</u>
			(Percent per year)						(Percent of M2)					
			Real GDP Growth			Inflation			Domestic Credit Expansion <u>3/</u>					
			Pre-vious Year	Ori-ginal Tar-get	Cur-Tar-get	Pre-vious Year	Ori-ginal Tar-get	Cur-Tar-get	Pre-vious Year	Ori-ginal Tar-get	Cur-Tar-get	Cur-Tar-get		
Argentina	12/28/84	SB	2.0	--	-1.0	688.0	225	345.0	750.0	250.0	413.0	<u>6/</u> 62	26	
Comparator Countries														
Brazil	Proposed 5/85	SB	4.5	4.0	1.0	223.8	20	180.0	196.2	...	...	42	39
Korea	Proposed 3/85	SB	7.5	...	7.5	3.0	...	2-3	15.7	...	...	22	15
Mexico	6/7/85	EFF	3.5	6.0	3.5	59.2	18.0	35-45	64.0	...	50.8	34	32	

Sources: Board papers; and staff estimates.

1/ Current program year refers to the year for which the program is to be negotiated or the program currently in operation. Original targets refer to targets established in original multiyear arrangement. At the beginning of an arrangement current target refers to original target.

2/ Date of approval of current program. Data in parentheses after proposed program refers to date of brief or draft staff report.

3/ Domestic credit or NDA expansion as percent of broad money outstanding at beginning of period (unless otherwise specified in the program).

4/ Data for most recently available year. Debt service (contractual amounts, after rescheduling and including Fund obligations) as a percentage of exports of goods and services.

5/ Data for most recently available year. Gross official reserves in weeks of imports.

6/ The current target definition of NDA is based on broad money; the original target (and the measure for the previous year) were defined on the basis of currency issue.

Table 2. Comparison of Selected Economic and Financial Indicators in Recent Selected Programs

Country	Date of Approval <u>2/</u>	Type of Arrangement	Year Preceding Current Program Year 1/										(Percent of M2) Domestic Credit Expansion 5/			
			(Percent of quota) Overall Balance		(Percent of GDP) Current Account Deficit 3/			(Percent of GDP) Overall Budget Deficit 3/			(Percent per year) Real GDP Growth Inflation					
			Tar-	Ac-	Tar-	Ac-	Devia-	Tar-	Ac-	Devia-	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-
			get	tual	get	tual	tion <u>4/</u>	get	tual	tion <u>4/</u>	get	tual	get	tual	get	tual
Argentina	12/28/84	SB	-209	-156	3.4	4.0	0.6	8.1	8.2	0.1	5.0	2.0	540.0	688.0	730.0	750.0
Comparator Countries																
Brazil	2/84 (2nd yr)	EFF	294	474	2.1	-0.3	-2.4	5.5	20.5	15.0	2.0	4.5	40.0	223.8	84.0	196.2
Korea	7/83	SB	-232	-316	1.2	1.7	0.5	1.9	1.5	-0.4	8.0	7.5	2.5	2.4	17.0	15.7
Mexico	3/84 (2nd yr, 84)	EFF	165	440	0.5	-1.9	-2.4	5.5	6.2	0.7	1.0	3.5	40.0	59.2	36.3	64.0

Sources: Board papers; and staff estimates.

1/ Year preceding current program refers to previous year within the arrangement under operation, or year prior to program under negotiation, when applicable. Targets for previous years are only defined when available under an arrangement (including canceled programs) and refer to most recently revised magnitudes.

2/ Date of approval of arrangement in operation during current program year.

3/ Excluding official transfers. Values may not coincide with those in staff papers, due to different definitions used for inter-country comparison.

4/ Deviation of actual from original target as a percentage of original GDP target.

5/ Domestic credit or NDA expansion as percent of broad money outstanding at beginning of period, unless otherwise specified in the program.

MF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT
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START ADDRESS IN THE BOX

23 SR. ELIAS SALAMA
22 BANCO CENTRAL DE LA REPUBLICA ARGENTINA
21 BUENOS AIRES, ARGENTINA
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18 A FIN DE FACILITAR TRABAJO PROXIMA MISION CONSULTA,
17 QUE LLEGARA A BUENOS AIRES EL MIERCOLES 28 DE LOS
16 CORRIENTES, MUCHO AGRADECERIAMOS PREPAREN INFORMACION
15 CONTENIDA EN LOS SIGUIENTES CUADROS DEL ULTIMO INFORME
14 "RECENT ECONOMIC DEVELOPMENTS" (DOCUMENTO SM/84/207 DE
13 AGOSTO 21, 1984):
12 PRODUCCION, PRECIOS-CUADROS 9 A 12, 33, 34 Y 38 A 44.
11 FINANZAS PUBLICAS-CUADROS 47 A 52.
10 CUENTAS MONETARIAS-CUADROS 21, 53, 54 Y 57.
9 SECTOR EXTERNO-CUADROS 58 A 63 Y 65 A 67.
8 SERIA UTIL TENER DATOS ANUALES HASTA 1984 CON CIFRAS
7 REVISADAS PARA ANOS ANTERIORES, ASI COMO LAS
6 INFORMACIONES DISPONIBLES (MENSUALES O TRIMESTRALES) DE
5 LO QUE VA DE 1985, COMPARADAS CON LAS DE LOS MISMOS
4 PERIODOS DE 1984.

3 SALUDOS
2 FERRAN
1 INTERFUND

SPECIAL INSTRUCTIONS TEXT MUST END HERE

IF
REQUIRED
INITIAL
BELOW

A
B

C TELEX NO.: CABLE ADDRESS:

D DRAFTED BY NAME (TYPE): J BRAZ

EXT.: 8604 DEPT.: WHD DATE: 8.21.85

E AUTHORIZED BY NAME (TYPE): J FERRAN

AUTHORIZED BY NAME (TYPE):

TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

F Log H-1276



Office Memorandum

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.

OA
BS
FB
File

1985 AUG 15 AM 9:43

DATE: August 14, 1985
12:00 noon

TO : Treasurer
Internal Auditor
Director, Exchange and Trade Relations
Department
Director, Legal Department
Director, Western Hemisphere Department ✓
(Signed) B.J. Owen

FROM : The Secretary

SUBJECT : Argentina - Change in Representative Rate for
the Currency of Argentina

This is to advise you that within the time specified no Executive Director has expressed an objection to the matter set out in EBD/85/207 (8/8/85).

Accordingly, the Executive Board's approval is assumed and will be so recorded.



Office Memorandum

August 7, 1985

MEMORANDUM FOR FILES

Subject: Technical Assistance--Argentina

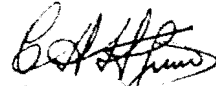
Yesterday, I telephoned Mr. Gómez-Sabañi, Under Secretary of Tax Policy and Administration in the Ministry of Economy of Argentina, to inquire about the pending informal request for technical assistance in the fiscal field by the Argentine authorities. Mr. Gómez-Sabañi apologized for not having called before as he had undertaken to do and said that the main reason for not doing so was that he had planned to come to Washington next week and to take the opportunity to discuss the request personally with FAD. His plans had to be changed, however, and therefore he welcomed my telephone call.

Mr. Gómez-Sabañi reiterated the interest of the Argentine authorities in receiving Fund technical assistance to help them to set up a system of fiscal reporting for the main components of the public sector other than the Treasury. He said that the new team of senior officials who started working in the Ministry last June was dismayed by the lack of timely information for purposes of taking policy decisions and agreed that this deficiency needed to be corrected soon. The system to be put in place should also be instrumental in allowing the Government to monitor fiscal developments in connection with the financial program agreed with the Fund.

The forthcoming visit of Mr. Sakamoto, which is scheduled to take place from mid-August to mid-September, was seen by Mr. Gómez-Sabañi as not being in conflict with a Fund mission. On the contrary, it was expected that it would help the authorities to identify the problem areas and, in doing so, it would also facilitate the work of the Fund mission. Ideally, the latter should arrive in Buenos Aires two to three weeks after Mr. Sakamoto.

As regards language, Mr. Gómez-Sabañi indicated that he would clearly prefer two Spanish speakers. Failing that, he thought that a mission could function reasonably well if at least one of its members was Spanish speaking.

I informed Mr. Gómez-Sabaini that we would proceed on the basis of our conversation and that we would contact him again in the near future regarding further developments.



Carlos A. Aguirre
Advisor

Fiscal Affairs Department

cc: Mr. Tanzi (O/R)
Mr. Latham
Mr. Premchand
Mr. Stuart ✓
Mr. Tavares



Office Memorandum

TO: Documents Preparation

DATE: August 7, 1985

FROM: B. Stuart *BCS-*

SUBJECT: Argentina--Supplement to Paper on Review of Stand-By Arrangement

Please find attached a paper providing supplementary material to the paper on the first review of the stand-by arrangement for Argentina which was circulated as EBS/85/177 on July 26, 1985. As with recent documents on Argentina issued to the Executive Directors, you may indicate that Mr. Stuart (ext. 8602) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Attachment

INTERNATIONAL MONETARY FUND

ARGENTINA

Review of Stand-by Arrangement--Supplementary Material

Prepared by the Western Hemisphere and the
Exchange and Trade Relations Departments

(In consultation with the Fiscal, Legal, and
Treasurer's Departments)

Approved by E. Wiesner and Manuel Guitian

August 7, 1985

The following information has become available since the paper on the first review of the stand-by arrangement for Argentina was submitted to the Executive Directors (EBS/85/177; 7/26/85).

Since mid-June, prices generally have remained unchanged or have declined. The consumer price index was 6.2 percent higher in July than in June, but this index measures the average level of prices in each month and the increase from June to July can be explained by the increase in prices during the first half of June. The wholesale price index, which measures the level of prices at mid-month, declined by 0.9 percent in July. By way of comparison, consumer and wholesale prices had risen in June by 30.5 percent and 42.4 percent, respectively.

In the area of the public finances, total tax collections of the tax and the customs offices rose from June to July by about 70 percent; the original fiscal program had envisaged an increase of about 50 percent. The additional tax on bank transactions that is expected to yield 0.2 percent of GDP in revenues recently was approved by Congress and is expected to be implemented in mid-August. The forced saving plan, which was submitted to Congress in late June, is still being discussed; in the fiscal program, it was assumed that this measure would be approved by late August and this timing still seems feasible. In early August, the Government announced a reduction in export taxes on industrial products; for the majority of products the change involved the elimination of a 6 percent export tax--which had been raised from 1 percent at the time of the step depreciation of the peso argentino in June--but for certain industrial exports with relatively high export taxes the reductions were somewhat larger. Secretariat of Finance officials estimate the revenue effects of the recent tax reductions at less than 0.1 percent of GDP in the second half of 1985.

As regards the implementation of credit and interest rate policy, the Central Bank conducted the first auction of its short-term bills on July 23, 1985. In light of the offers received at the auction and in line with the Bank's monetary program, the interest rates to prevail on the days between the weekly auctions were raised from 5.5 percent a

month to 6.25 percent for 7-day bills and from 6 percent to 6.4 percent a month for 30-day bills; the higher level of rates was maintained following the second auction on July 30, 1985.

At the beginning of August, the Central Bank raised by 3 percent from the July average the limits on the amounts of credit that banks can extend at regulated interest rates; at the same time, the limit on credit at free rates was raised by 5-7 percent with a view to increasing the share of the nonregulated segment of the market. Regulated deposit and lending rates were kept unchanged at the beginning of August at 3 1/2 percent and 5 percent a month, respectively. For deposits and loans and other kinds of contracts in place in mid-June and still in effect, the table of daily conversion rates from pesos to australes has been specified for the month of August; the table provides for a depreciation of the peso relative to the austral of 27 percent during August, and at the end of August the austral will have a value of 1,877 pesos argentinos.

Preliminary data suggest that the overall balance of payments recorded a surplus of at least US\$100 million in July, compared with the program target of a zero balance. During July, the spread between the exchange rates in the parallel and official exchange markets moved in the range of 14-22 percent, compared with an average spread of 25 percent in the first 5 1/2 months of 1985 and an average spread of about 5 percent in the second half of June.

As regards restrictions on payments and trade, on August 1, 1985 the Central Bank began the process of unfreezing U.S. dollar deposits in banks in Argentina by allowing withdrawals of up to US\$1,500 per deposit on deposits that had matured or as they mature. At the same time, the Central Bank specified new conditions for foreign currency deposits which had been prohibited at the time of the deposit freeze in mid-May; the new deposits are subject to a 100 percent reserve requirement but the Central Bank will return to banks up to 40 percent of the amounts deposited in the form of rediscounts for trade financing. In the first few days of August, about 50 percent of the unfrozen deposits were renewed in the form of the new foreign currency instrument, and there were indications that new deposits were being constituted. Also, the share of base period imports included in the automatic licensing regime has been raised from 58 to 63 percent. The principal products that have been moved to the automatic list are machinery and machine parts for domestic, industrial, and medical purposes.

While there is no information on real GDP beyond the first quarter of 1985, the index of industrial activity for June recently became available and suggests that industrial output declined sharply in June. Central bank officials estimate on the basis of this indicator that in the second quarter of 1985 industrial output was 8-9 percent below its level of a year earlier; by way of comparison, industrial output declined by about 2 1/2 percent in the year ended the first quarter of 1985. Preliminary indicators suggest that the level of industrial activity was about unchanged from June to July.



INTERNATIONAL MONETARY FUND
 WESTERN HEMISPHERE DEPT.
Office Memorandum
 1985 AUG. -9 AM 11: 29

Mr. Wiesner

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To: The Acting Managing Director

August 7, 1985

From: David Williams *DW*

Subject: Argentina - Change in Representative
 Rate for the Currency of Argentina

For your information, the attached paper establishing the representative rate for the currency of Argentina is for lapse of time decision by the Executive Board. The paper was cleared with the Legal, Western Hemisphere, and Exchange and Trade Relations Departments.

Attachment

- cc: The Managing Director (o/r)
- Mr. Habermeier (o/r)
- Mr. Finch
- Mr. Nicoletopoulos
- Mr. Wiesner
- Mr. Collins

INTERNATIONAL MONETARY FUND

Change in Representative Rate for the Currency of Argentina

Prepared by the Treasurer's Department

(In consultation with the Legal, Western Hemisphere,
and Exchange and Trade Relations Departments)

Approved by David Williams

August 7, 1985

The representative rate for the Argentine currency against the U.S. dollar was last established as the midpoint between the buying and selling rates of Argentine pesos for spot delivery of U.S. dollars in the free exchange market (Executive Board Decision No. 5278-(76/164)S, adopted December 7, 1976).

In view of the recent change in the monetary unit of Argentina from the peso argentino to the austral (EBD/85/155, June 21, 1985), the Fund has consulted with the authorities of Argentina under Rule 0-2(c) concerning the determination of a representative rate for the Argentine austral in the domestic exchange market. As a result, it is considered that the representative rate for the Argentine austral under Rule 0-2(b)(i) against the U.S. dollar is the midpoint between buying and selling rates for spot delivery of U.S. dollars in the official exchange market.

As mentioned in the attached telex from the Argentine authorities, the rates of exchange as of August 2, 1985 were one U.S. dollar equals australs 0.800 buying and australs 0.801 selling. It is understood that Banco Central de la Republica Argentina will inform the Fund periodically of changes in these buying and selling rates and will advise immediately any change in the exchange system.

The following draft decision is proposed for adoption by the Executive Board:

The Fund finds, after consultation with the authorities of Argentina, that the representative exchange rate for the Argentine austral under Rule 0-2(b)(i) against the U.S. dollar is the midpoint between buying and selling rates for spot delivery of U.S. dollars in the official exchange market.

Attachment



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

File

FACSIMILE NUMBERS
Group 2/3 (202) 477-7485
Group 2/3 (202) 477-7491

Facsimile Service Cover Sheet

Number of pages (including cover sheet) 4	Message number	Date 8/7/85
To	Name of addressee (type) SHEARMAN AND STERLING 153 East 53rd Street, Citicorp Center New York, N.Y. 10022 Attention: Mr. Gilberto H. Zavala Facsimile telephone number RAPICOM 6300 Automatic Group 3 (212 7508671)	
From	Name of sender (type) Eduardo Wiesner Director, Western Hemisphere Department International Monetary Fund	
Text or special instructions		
Department and division (type) WHD/River Plate Div.	Extension (type) 8602/6550	
Authorized by (type) E. Wiesner	Signature	



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

August 7, 1985

CABLE ADDRESS
INTERFUND

SHEARMAN & STERLING
Citicorp Center
153 East 53rd Street
New York, N.Y. 10022

Attention: Mr. Gilberto H. Zavala

Dear Mr. Zavala:

Following upon your conversation with Mr. Stuart this morning, please find attached a revised Schedule 3 for the 1984-85 financing plan documentation for Argentina. Please note that Schedule 3 now is dated August 12, 1985, that is, after the completion by the Executive Board of the review of the stand-by arrangement expected for August 9, 1985.

Very truly yours,

A handwritten signature in dark ink, appearing to read "E. Wiesner", written over a horizontal line.

Eduardo Wiesner
Director

Western Hemisphere Department

Attachment

SCHEDULE 3

IMF STAND-BY ARRANGEMENT

Communication from the IMF describing the current status of the IMF stand-by arrangement:

TO: THE BANKS TO BE PARTY TO THE U.S. DOLLARS 3.7 BILLION TERM CREDIT AGREEMENT, DATED AUGUST 1, 1985, AMONG BANCO CENTRAL DE LA REPUBLICA ARGENTINA, AS BORROWER, THE REPUBLIC OF ARGENTINA, AS GUARANTOR, AND THE FINANCIAL INSTITUTIONS NAMED AS BANKS THEREIN, AND CITIBANK, N.A., AS AGENT, AND

THE BANKS TO BE PARTY TO THE U.S. DOLLARS 500 MILLION TRADE CREDIT AND DEPOSIT FACILITY, DATED AUGUST 1, 1985, AMONG BANCO CENTRAL DE LA REPUBLICA ARGENTINA, THE REPUBLIC OF ARGENTINA, AS GUARANTOR, AND THE FINANCIAL INSTITUTIONS NAMED AS BANKS THEREIN, AND CITIBANK, N.A., AS AGENT

FROM: EDUARDO WIESNER, DIRECTOR,
WESTERN HEMISPHERE DEPARTMENT

DATE: AUGUST 12, 1985

1. ON DECEMBER 28, 1984, THE EXECUTIVE BOARD OF THE INTERNATIONAL MONETARY FUND APPROVED AN UPPER CREDIT TRANCHE STAND-BY ARRANGEMENT FOR ARGENTINA PROVIDING FOR PURCHASES FROM THE FUND, DURING THE PERIOD FROM DECEMBER 28, 1984, TO MARCH 27, 1986, UP TO A TOTAL AMOUNT EQUIVALENT TO SDR 1,419 MILLION.

2. FOLLOWING PURCHASES UNDER THIS ARRANGEMENT IN AN AMOUNT EQUIVALENT TO SDR 236.5 MILLION TO DATE, AND A PURCHASE EQUIVALENT TO SDR 236.5 MILLION AFTER COMPLETION OF THE REVIEW OF THE STAND-BY ARRANGEMENT ON AUGUST 9, 1985, THE FOLLOWING SCHEDULE OF AMOUNTS AVAILABLE FOR PURCHASE REMAINS ESTABLISHED FOR THE REMAINDER OF THE ARRANGEMENT SUBJECT TO ARGENTINA'S COMPLIANCE WITH PERFORMANCE CRITERIA:

THE EQUIVALENT OF

SDR 236.5 MILLION ON SEPTEMBER 20, 1985
SDR 236.5 MILLION ON NOVEMBER 20, 1985
SDR 236.5 MILLION ON FEBRUARY 20, 1986
SDR 236.5 MILLION ON DATE TO BE DETERMINED

PROVIDED, HOWEVER, THAT THE VALUE DATE OF EACH SCHEDULED PURCHASE WILL BE NORMALLY THE LAST DAY OF THE MONTH.

3. ON THE BASIS OF THE PURCHASES ALREADY MADE AND THE SCHEDULE OF THE AMOUNTS AVAILABLE FOR PURCHASE REFERRED TO IN 2 ABOVE, THE REPURCHASE (REPAYMENT) SCHEDULE THAT WOULD RESULT IS AS FOLLOWS:

1988	SDR 88.7 MILLION
1989	SDR 458.2 MILLION
1990	SDR 458.2 MILLION
1991	SDR 221.7 MILLION
1992	SDR 162.6 MILLION
1993	SDR 29.6 MILLION

REGARDS,
EDUARDO WIESNER
DIRECTOR
WESTERN HEMISPHERE DEPARTMENT
INTERFUND



Office Memorandum

66
10/10/85

TO: The Acting Managing Director

August 6, 1985

FROM: E. Wiesner E.W.

SUBJECT: Argentina--Draft Supplement to Stand-by Review Paper

Please find attached for your approval a draft supplement to the stand-by review paper for Argentina. The paper has been read by the following departments:

Exchange and Trade Relations:	Mr. Guitian
Fiscal:	Mr. Yandle
Legal:	Mr. Silard
Treasurer's	Mr. Leddy
Western Hemisphere:	Mr. Beza, Mr. Caiola, and myself

Attachment

cc: The Managing Director (o/r)
Mr. Collins

1985 AUG -6 PM 5:36

OFFICE OF THE
DEPUTY MANAGING DIRECTOR

INTERNATIONAL MONETARY FUND

ARGENTINA

Review of Stand-by Arrangement--Supplementary Material

Prepared by the Western Hemisphere and the
Exchange and Trade Relations Departments

(In consultation with the Fiscal, Legal, and
Treasurer's Departments)

Approved by E.W. and MB
E. Wiesner and Manuel Guitián

August --, 1985

The following information has become available since the paper on the first review of the stand-by arrangement for Argentina was submitted to the Executive Directors (EBS/85/177; 7/26/85).

Since mid-June, prices generally have remained unchanged or have declined. The consumer price index was 6.2 percent higher in July than in June, but this index measures the average level of prices in each month and the increase from June to July can be explained by the increase in prices during the first half of June. The wholesale price index, which measures the level of prices at mid-month, declined by 0.9 percent in July. By way of comparison, consumer and wholesale prices had risen in June by 30.5 percent and 42.4 percent, respectively.

In the area of the public finances, total tax collections of the tax and the customs offices rose from June to July by about 70 percent; the original fiscal program had envisaged an increase of about 50 percent. The additional tax on bank transactions that is expected to yield 0.2 percent of GDP in revenues recently was approved by Congress and is expected to be implemented in mid-August. The forced saving

plan, which was submitted to Congress in late-June, is still being discussed; in the fiscal program, it was assumed that this measure would be approved by late August, and there is no reason to believe that this timing is not feasible. In early August, the Government announced a reduction in export taxes on industrial products; for the majority of products the change represented the elimination of a 6 percent export tax--which had been raised from 1 percent at the time of the step depreciation of the peso argentino in June--but for certain industrial exports with relatively high export taxes the reductions were somewhat larger. Secretariat of Finance officials estimate the revenue effects of the recent tax reductions at less than 0.1 percent of GDP in the second half of 1985.

As regards the implementation of credit and interest rate policy, the Central Bank conducted the first auction of its short-term bills on July 23, 1985. In light of the offers received at the auction and in line with the Bank's monetary program, the interest rates to prevail on the days between the weekly auctions were raised from 5.5 percent a month to 6.25 percent for 7-day bills and from 6 percent to 6.4 percent a month for 30-day bills; the higher level of rates was maintained following the second auction on July 30, 1985.

At the beginning of August, the Central Bank raised by 3 percent from the July average the limits on the amounts of credit that banks can extend at regulated interest rates; at the same time, the scope for expanding credit at free rates was raised by 5-7 percent with a view to increasing the share of the nonregulated segment of the market. Regulated deposit and lending rates were kept unchanged at the beginning

of August at 3 1/2 percent and 5 percent a month, respectively. For deposits and loans and other kinds of contracts in place in mid-June and still in effect, the table of daily conversion rates from pesos to australes has been specified for the month of August; the table provides for a depreciation of the peso relative to the austral of 27 percent during August, and at the end of August the austral will have a value of 1,877 pesos argentinos.

Preliminary data suggest that the overall balance of payments recorded a surplus of at least US\$100 million in July, compared with the program target for July of a zero balance. During July, the spread between the exchange rates in the parallel and official exchange markets moved in the relatively narrow range of 14-22 percent, compared with an average spread of 25 percent in the first 5 1/2 months of 1985 and an average spread of about 5 percent in the second half of June.

As regards restrictions on payments and trade, on August 1, 1985 the Central Bank began the process of unfreezing U.S. dollar deposits in banks in Argentina by allowing withdrawals of up to US\$1,500 per deposit on deposits that had matured or as they mature. At the same time, the Central Bank specified new conditions for foreign currency deposits which had been prohibited at the time of the deposit freeze in mid-May; the new deposits are subject to a 100 percent reserve requirement but the Central Bank will return to banks up to 40 percent of the amounts deposited in the form of rediscounts for trade financing. In the first few days of August, about 50 percent of the unfrozen deposits were renewed in the form of the new foreign currency instrument, and there were indications that new deposits were being constituted. The

authorities also have moved to liberalize the system of quantitative import restrictions by raising the share of base period imports included in the automatic licensing regime to 63 percent.

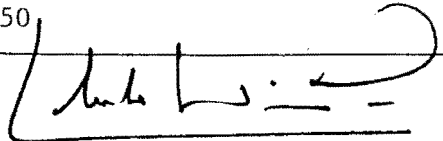
While there is no information on real GDP beyond the first quarter of 1985, the index of industrial activity for June recently became available and suggests that industrial output declined sharply in June. Central bank officials estimate on the basis of this indicator that in the second quarter of 1985 industrial output was 8-9 percent below its level of a year earlier; by way of comparison, industrial output declined by about 2 1/2 percent in the year ended the first quarter of 1985. Preliminary indicators suggest that the level of industrial activity was about unchanged from June to July.



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

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Facsimile Service Cover Sheet

Number of pages (including cover sheet) 5		Message number	Date 8/2/85
To	Name of addressee (type) SHEARMAN AND STERLING 153 East 53 Street - Citicorp Center New York, N.Y. 10022 Attention: Mr. Gilberto H. Zavala Facsimile telephone number RAPICOM 6300 Automatic Group Three (2127508671)		
From	Name of sender (type) Eduardo Wiesner Director, Western Hemisphere Department International Monetary Fund		
Text or special instructions			
Department and division (type) WHD/River Plate		Extension (type) 8602/6550	
Authorized by (type) Eduardo Wiesner		Signature 	



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

August 5, 1985

CABLE ADDRESS
INTERFUND

SHEARMAN & STERLING
Citicorp Center
153 East 53rd Street
New York, N.Y. 10022

Attention: Mr. Gilberto H. Zavala

Dear Mr. Zavala:

Attached is the information needed to complete the schedule and the exhibit for the 1984-85 financing plan for Argentina as requested in your letter of August 2, 1985. Please note that the schedule of purchases set out in these documents is subject to the completion by the Executive Board of the review of the stand-by arrangement expected on August 9, 1985.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Eduardo Wiesner", written over a horizontal line.

~~Eduardo Wiesner~~
Director
Western Hemisphere Department

Attachment

EXHIBIT B

TO THE 1985 TERM CREDIT AGREEMENT AND THE
1985 TRADE CREDIT AND DEPOSIT FACILITYFORM OF IMF LETTER OR TELEX
AS TO THE 1984 IMF STAND-BY ARRANGEMENT

[To the Guarantor or Banco Central]

[Date 1/]

Dear Sirs:

Reference is made to the Stand-by Arrangement approved by the Executive Board of the International Monetary Fund (the "Fund") on December 28, 1984 for the Republic of Argentina (the "1984 IMF Stand-by Arrangement").

1. The 1984 IMF Stand-by Arrangement continues in effect.
2. Subject to the satisfaction of the terms and conditions of the 1984 IMF Stand-by Arrangement, the Republic of Argentina will have the right to make purchases from the Fund under the 1984 IMF Stand-by Arrangement until March 27, 1986 up to a total amount equal to SDR 1,419,000,000 provided that purchases under the 1984 IMF Stand-by Arrangement shall not, without the consent of the Fund, exceed:
 - a. the equivalent of SDR 473.0 million until September 20, 1985,
 - b. the equivalent of SDR 709.5 million until November 20, 1985,
 - c. the equivalent of SDR 946.0 million until February 20, 1986, and
 - d. the equivalent of SDR 1,182.5 million until March 27, 1986, and
 - e. the remaining amount of the equivalent of SDR 236.5 million shall be available subject to such phasing as shall be determined.

1/ To be a date not more than 10 days prior to (i) the applicable Availability Date of and as defined in the 1985 Term Credit Agreement, and (ii) the Availability date of and as defined in the 1985 Trade Credit and Deposit Facility.

3. As of the date hereof, the Republic of Argentina had purchased the equivalent of SDR ----- 1/ under the 1984 IMF Stand-by Arrangement.

Very truly yours,

1/ SDR 473 million in the case of the first Availability Date of and as defined in the 1985 Term Credit Agreement and the Availability Date of and as defined in the 1985 Trade Credit and Deposit Facility; SDR 709.5 million in the case of the second Availability Date of and as defined in the 1985 Term Credit Agreement; SDR 946.5 million in the case of the third Availability Date of and as defined in the 1985 Term Credit Agreement; and SDR 1,182.5 million in the case of the fourth Availability Date of and as defined in the 1985 Term Credit Agreement.

SCHEDULE 3

IMF STAND-BY ARRANGEMENT

Communication from the IMF describing the current status of the IMF stand-by arrangement:

TO: THE BANKS TO BE PARTY TO THE U.S. DOLLARS 3.7 BILLION TERM CREDIT AGREEMENT, DATED AUGUST 1, 1985, AMONG BANCO CENTRAL DE LA REPUBLICA ARGENTINA, AS BORROWER, THE REPUBLIC OF ARGENTINA, AS GUARANTOR, AND THE FINANCIAL INSTITUTIONS NAMED AS BANKS THEREIN, AND CITIBANK, N.A., AS AGENT, AND

THE BANKS TO BE PARTY TO THE U.S. DOLLARS 500 MILLION TRADE CREDIT ANDDD DEPOSIT FACILITY, DATED AUGUST 1, 1985, AMONG BANCO CENTRAL DE LA REPUBLICA ARGENTINA, THE REPUBLIC OF ARGENTINA, AS GUARANTOR, AND THE FINANCIAL INSTITUTIONS NAMED AS BANKS THEREIN, AND CITIBANK, N.A., AS AGENT

FROM: EDUARDO WIESNER, DIRECTOR,
WESTERN HEMISPHERE DEPARTMENT

DATE: AUGUST 5, 1985

1. ON DECEMBER 28, 1984, THE EXECUTIVE BOARD OF THE INTERNATIONAL MONETARY FUND APPROVED AN UPPER CREDIT TRANCHE STAND-BY ARRANGEMENT FOR ARGENTINA PROVIDING FOR PURCHASES FROM THE FUND, DURING THE PERIOD FROM DECEMBER 28, 1984, TO MARCH 27, 1986, UP TO A TOTAL AMOUNT EQUIVALENT TO SDR 1,419 MILLION.

2. FOLLOWING PURCHASES UNDER THIS ARRANGEMENT IN AN AMOUNT EQUIVALENT TO SDR 236.5 MILLION TO DATE, AND PURSUANT TO THE EXPECTED COMPLETION OF THE REVIEW OF THE STAND-BY ARRANGEMENT ON AUGUST 9, 1985, THE FOLLOWING SCHEDULE OF AMOUNTS AVAILABLE FOR PURCHASE REMAINS ESTABLISHED FOR THE REMAINDER OF THE ARRANGEMENT SUBJECT TO ARGENTINA'S COMPLIANCE WITH PERFORMANCE CRITERIA:

UP TO THE EQUIVALENT OF

SDR 709.5 MILLION ON SEPTEMBER 20, 1985
SDR 946.0 MILLION ON NOVEMBER 20, 1985
SDR 1,182.5 MILLION ON FEBRUARY 20, 1986
SDR 1,419.0 MILLION ON DATE TO BE DETERMINED

PROVIDED, HOWEVER, THAT THE VALUE DATE OF EACH SCHEDULED PURCHASE WILL BE NORMALLY THE LAST DAY OF THE MONTH.

3. ON THE BASIS OF THE PURCHASES ALREADY MADE AND THE SCHEDULE OF THE AMOUNTS AVAILABLE FOR PURCHASE REFERRED TO IN 2 ABOVE, THE REPURCHASE (REPAYMENT) SCHEDULE THAT WOULD RESULT IS AS FOLLOWS:

1988	SDR 88.7 MILLION
1989	SDR 458.2 MILLION
1990	SDR 458.2 MILLION
1991	SDR 221.7 MILLION
1992	SDR 162.6 MILLION
1993	SDR 29.6 MILLION

REGARDS,
EDUARDO WIESNER
DIRECTOR
WESTERN HEMISPHERE DEPARTMENT
INTERFUND



Office Memorandum

TO : Mr. Machinea

DATE: July 30, 1985

FROM : B. Stuart *BS*

SUBJECT : Argentina--Definition of Concepts

Please find attached the latest version of the memorandum on definition of concepts.

Attachment

Definition of Concepts and Supporting Tables

This document defines the concepts used in the Memorandum of Understanding on Economic Policy annexed to the letter dated September 25, 1984 to the Managing Director of the International Monetary Fund requesting a stand-by arrangement, the June 11, 1985 letter on economic policy and the letter of July 22, 1985, and describes the reporting procedure to be followed in providing information to the Fund on performance under the stand-by arrangement. The definitions in this document are based on accounting procedures and institutional arrangements in place on June 30, 1985; if there were any changes in these procedures or arrangements, the Fund staff would be informed immediately and agreement would be reached on any adjustment to the definitions that might be necessary in the light of these changes.

I. Definition of Concepts

1. External payments arrears

External payments arrears referred to in paragraph 16 and Table 5 of the letter of July 22, 1985 and included as a reserve liability in net international reserves, are defined to exclude (a) principal amounts subject to rescheduling under general principles agreed between Argentina and its foreign Bank creditors; (b) principal on loans originally covered by swap contracts with the Central Bank; (c) deposits placed with the Central Bank in conformity with Circulars A-404, A-562, A-576, A-696, and A-697; and (d) principal on loans for which the domestic private sector borrower obtained an exchange rate guarantee from the Central Bank in 1981 or 1982. Should any new financial instruments be introduced after July 1, 1985 that would be transferred to foreign creditors in lieu of a payment in foreign exchange to eliminate arrears, or should any existing instruments be modified, the Fund staff will be informed immediately and agreement will be reached on adjustments that may be necessary to the definitions in this memorandum.

The basis of the definitive estimate of arrears at the end of each week will be relevant payments application forms (4008s and similar forms) submitted to the Central Bank up to one month after the date for which data are being reported (with the adjustments described below), but a first estimate of arrears for the end of each week will be provided on the basis of payments application forms already submitted up to the end of that week.

During the program period, the measure of arrears based on payments application forms will be adjusted in order to include public sector arrears for which a payments authorization is outstanding but for which a payment has not been made, and outstanding arrears on interest on nondistributed BONOD and promissory notes. In addition, the stock of registered arrears at the end of each week will be subject to further adjustments, to allow for the imputation of interest in arrears and accrual of interest on arrears as of end-June 1984, to take into account the possibility of delays in the registration of arrears in payments of

interest on public sector debt, and to account for the nonregistration of accrued interest on outstanding arrears during the program period.

Therefore, the stock of registered arrears will be adjusted by the difference between: (a) the estimated interest accrued on public sector debt between December 31, 1984 and the end of the relevant week; and (b) the sum of interest paid by, and the net increase in interest arrears registered by, public sector entities between December 31, 1984 and the end of the relevant week. The weekly adjustment under (a) will be prorated on the basis of monthly adjustments which will be US\$1,489 million at the end of April 1985, US\$1,877 million at the end of May 1985, US\$2,232 million at the end of June 1985, US\$2,563 million at the end of July 1985, US\$2,978 million at the end of August 1985, and US\$3,256 million at the end of September 1985.

Also, the estimate of the level of arrears will be adjusted by the difference between (a) US\$130 million plus the cumulative amount of interest accrued on the stock of registered arrears since June 30, 1984; and (b) the cumulative payments of interest on arrears since June 30, 1984. The estimate of interest accrued weekly will be calculated by applying the weekly average of overnight LIBOR to the average stock of registered arrears (after adjustment) for the week, excluding from the stock of such arrears: interest arrears on BONOD and promissory notes, public and private arrears related to service payments, and arrears corresponding to interest on arrears. The payments of interest on arrears since June 30, 1984 will be measured by the payments authorization granted by the Central Bank.

In addition, for inclusion in the measure of the deficit of the nonfinancial public sector referred to in paragraph 10 and Table 2 of the letter of July 22, 1985, a definitive estimate of arrears of the nonfinancial public sector will be provided for the end of each month, based on payments application forms submitted up one month following the date being reported (with the adjustments described below). The stock of registered arrears of the nonfinancial public sector will be adjusted to include arrears of the nonfinancial public sector for which a payment authorization is outstanding but for which a payment has not been made and outstanding arrears on interest on nondistributed BONOD and promissory notes. The stock of registered arrears of the nonfinancial public sector also will be adjusted by the difference between (a) the estimated interest accrued on public sector debt between December 31, 1984 and the end of the relevant month; and (b) the sum of interest paid by, and the net increase in interest arrears registered by, nonfinancial public sector entities between December 31, 1984 and the end of the relevant month. The monthly adjustment under (a) above will be equal to US\$1,291 million at the end of April 1985, US\$1,642 million at the end of May 1985, US\$1,964 million at the end of June 1985, US\$2,227 million at the end of July 1985, US\$2,597 million at the end of August 1985, and US\$2,840 million at the end of September 1985.

In addition, the estimate of the level of arrears of the nonfinancial public sector will be adjusted by the difference between (a) US\$113 million plus the cumulative amount of interest accrued on the stock of registered arrears of the nonfinancial public sector since June 30, 1984; and (b) the cumulative payments of interest on arrears by the nonfinancial public sector since June 30, 1984. The method of estimating the interest on arrears accrued and paid will be the same as applied in the case of total public sector interest arrears as described in the second full paragraph on page 2 above.

The calculation of the adjustments to the estimates of arrears may be revised upon agreement between Argentine officials and the Fund staff. The above adjustments will not be made if the stock of registered arrears is equal to zero. If the measured amount of external interest arrears after adjustment is negative, external interest arrears will be assumed to be zero.

The estimates of interest accrued on public sector and nonfinancial public sector debt for the period October 1985-March 1986 will be agreed between Argentine officials and the Fund staff at the time of the discussions on the second review of the program.

2. External bonds

For inclusion in the definitions of net international reserves, the cash deficit of the nonfinancial public sector, and the total external debt of the public sector, external bonds are defined to include all foreign currency-denominated bonds, notes, and bills issued by the Argentine nonfinancial public sector and the Central Bank regardless of their original maturity, and are divided into five categories as follows:

a. Category A

All foreign currency-denominated bonds, notes, and bills issued against the surrender of the equivalent value in foreign exchange.

b. Category B

All foreign currency-denominated bonds, notes, and bills issued, upon the surrender of the peso equivalent of the external payment, in lieu of providing foreign exchange to pay principal due on private sector obligations carrying an exchange rate guarantee of the Central Bank.

c. Category C

All foreign currency-denominated bonds and bills issued, upon the surrender of the peso equivalent of the external payment, in lieu of providing foreign exchange to effect payment of external obligations of the private sector, other than foreign currency-denominated bonds and bills included in Categories B, D, and E.

d. Category D

All foreign currency notes issued by the Central Bank for the purpose of the rescheduling of swaps in connection with Circular A-695.

e. Category E

All foreign currency notes issued by the Central Bank for the purpose of rescheduling of private sector obligations without exchange rate guarantee in connection with Circular A-697.

3. Reserve loans from residents

For inclusion as a reserve liability in the definition of net international reserves referred to in paragraph 16 and Table 4 of the letter of July 22, 1985, reserve loans from residents are defined as any external obligations of public sector entities, other than the Central Bank, for which foreign currency is surrendered to the Central Bank without the borrowing entity receiving the counterpart in australes. Reserve loans will include amounts disbursed to public sector entities (other than the Central Bank) out of international bank loans contracted in connection with the present stand-by arrangement. It is assumed that no reserve loan operations have been or will be undertaken with the private sector. Foreign currency surrendered by the private sector to the Central Bank without the private sector receiving the counterpart in australes will be treated as a reserve loan.

4. The cash deficit of the nonfinancial public sector

The cash deficit of the nonfinancial public sector referred to in paragraph 10 and Table 2 of the letter of July 22, 1985 will be defined as the sum of the net increases above their respective stocks on June 30, 1985 in (a) the external debt of the nonfinancial public sector; (b) Category B external bonds; (c) the net debt of the nonfinancial public sector to the Central Bank and the rest of the domestic financial system; and (d) nonfinancial private sector holdings of bonds and bills and other instruments issued by the nonfinancial public sector. The nonfinancial public sector is defined to include the Treasury, the social security system, and the special accounts, decentralized agencies, public enterprises, and provincial and local governments enumerated in the lists annexed to this document.

At the present time it is difficult to measure with accuracy the financing of the nonfinancial public sector through increases in credits from domestic suppliers and other types of floating debt. However, the available information on the level of floating debt will be analyzed from time to time during the remainder of the program period and if it becomes apparent that the level of floating debt continues to rise in real terms, the authorities and the Fund staff will review ways of adjusting the targets of the program to take account of such a development.

In projecting the deficit of the nonfinancial public sector, 70 percent of the wage expenses accrued each month in the Central Administration and central administration transfers to the decentralized agencies and special accounts for the payment of salaries were included as spending, while the remainder were included as libramientos impagos for the month. The estimate of the deficit will be raised to be the extent that, in the month, the percentage actually paid of the accrued wage expenses and wage-related transfers to other parts of the national administration falls short of 70 percent.

a. The external debt of the nonfinancial public sector

The change in the external debt of the nonfinancial public sector is defined to include the change in Category A external bonds and to exclude the change in Categories B and C external bonds. External debt denominated in currencies other than the U.S. dollar will be converted into U.S. dollars at market exchange rates for those currencies vis-a-vis the U.S. dollar on June 30, 1984. In reporting changes in external debt in the monthly cable, the change in the U.S. dollar value of the debt will be converted into australes at the average austral/U.S. dollar exchange rate during the month of the transaction. For purposes of this definition, the external debt of the nonfinancial public sector will include reserve loans surrendered by the nonfinancial public sector to the Central Bank.

b. Category B external bonds

The change in Category B external bonds will be valued by the amount of australes actually received by the Treasury.

c. Changes in the net debt of the nonfinancial public sector to the Central Bank and the rest of the domestic financial system

Changes in the net debt of the nonfinancial public sector to the Central Bank and the rest of the domestic financial system shall be defined as changes in credit minus deposits of the nonfinancial public sector from the Central Bank and the rest of the domestic financial system, including indexed credits to the nonfinancial public sector and indexed deposits of the nonfinancial public sector measured at the original value of the credits and deposits. It has been assumed that indexed credits to the nonfinancial public sector would be used relatively little, and if there were to be a substantial increase in the use of this type of instrument the staff of the Fund and the Central Bank will agree on a procedure for valuing these credits including inflation adjustments, rather than at original values. Accrued interest on central bank credit to the nonfinancial public sector will be included as central bank credit to the nonfinancial public sector.

Net temporary advances of the Central Bank to the social security system and unpaid balances with the domestic financial system resulting

from payment orders issued by the social security system (ordenes de pagos provisionales) will be included as credit to the nonfinancial public sector. The change in net credit from the financial system will be increased by any increase (or decreased by any decrease) in nonfinancial public sector external payments arrears and in Category C external bonds. Deposits of the nonfinancial public sector will include deposits resulting from the surrender by the nonfinancial public sector of reserve loans to the Central Bank.

To derive the austral equivalent of changes in external payments arrears, and of changes in credits and deposits denominated in foreign currencies to be included in the monthly cable, all arrears, foreign currency credits, and deposits in currencies other than the U.S. dollar will be converted to U.S. dollars using the exchange rates for those currencies vis-a-vis the U.S. dollar on June 30, 1984. Increases in the U.S. dollar value of arrears and changes in the value of credits and deposits will be converted to australes using the average austral/U.S. dollar exchange rate in the month being reported. Increases in Category C bonds will be valued by the amount of australes actually received by the Treasury and declines in external payments arrears will be valued by the amount of australes paid by the nonfinancial public sector to cancel the arrears.

d. Placements of public bonds and bills with the private sector

The change in placements of bonds and bills with the private sector is defined to include the net change in the private sector's holdings of treasury bills, adjustable bonds,^{1/} and any other types of financial instruments issued by the nonfinancial public sector.

5. The operating result of the Central Bank

The operating result of the Central Bank referred to in paragraph 10 of the letter of July 22, 1985 is defined to include a domestic and external component. The domestic component is the difference between (a) central bank income (mainly on rediscounts) and (b) the Cuenta Regulación Monetaria and central bank expenses (mainly interest paid on domestic liabilities). The external component will measure the income and expenditure on the external assets and liabilities of the Central Bank. It is understood that the Central Bank will not enter into new exchange rate guarantees, swaps or similar arrangements; however, if any such arrangements are introduced, the authorities will consult with the Fund staff on the way of incorporating any cost of such operations in the calculations of the central bank result.

The domestic component of the operating result of the Central Bank will be defined as (a) the change since June 30, 1985 in the balance

^{1/} Measured by the change in the stock of such bonds, including monetary absorptions bonds, at original value.

outstanding on the Bank's profit and loss account plus (b) an allowance for estimated interest accrued on central bank credit to financial institutions in the process of being liquidated calculated as two-thirds of the average regulated lending rate for the month multiplied by the average stock of central bank credit to these financial institutions in the month minus (c) the change since June 30, 1985 in the balance outstanding on the Cuenta Regulación Monetaria. The month-end accounts of the Central Bank will record interest received and paid on domestic assets and liabilities on an accrual basis. The external component of the operating result will be defined as the change since June 30, 1985 in the balance outstanding on central bank accounts that record interest and commissions received on central bank foreign currency assets and interest and commissions paid on central bank foreign currency liabilities. The month-end accounts will record these receipts and expenses on a cash basis.

6. The combined deficit of the nonfinancial public sector and the Central Bank

The combined deficit of the nonfinancial public sector and the Central Bank referred to in paragraph 10 and Table 2 of the letter of July 22, 1985 is defined as the sum of the cash deficit of the nonfinancial public sector and the operating result of the Central Bank.

7. Treasury outlays

The concept of treasury outlays referred to in paragraph 10 and Table 2 of the letter of July 22, 1985 will include the total spending (total egresos) shown in the table relating to budget operations (movimiento presupuestario) in the monthly bulletin issued by the Treasury. Total spending (total de otros egresos de fondos) shown in the table relating to extrabudgetary operations (otros movimientos de fondos) also will be included. From the sum of these two aggregates, the following amounts will be deducted: (a) all interest payments (relating to external and internal debt) by the Treasury on its own account and on account of the other subsectors of the nonfinancial public sector, i.e., special accounts, decentralized agencies, the provinces, the Municipality of Buenos Aires, and the public enterprises included as part of the nonfinancial public sector; (b) the payment of treasury guarantees on public sector debt (avales caídos) excluding commercial debt guaranteed after June 30, 1984, net of repayments (devoluciones de avales); and (c) all payments to Bolivia for purchases of natural gas. The amounts that will be deducted will be shown as separate lines in the treasury bulletin.

In setting the limits on treasury outlays, it was assumed that a substantial part of the external interest expenses of the public enterprises would be paid out of their own resources. Given the difficulty of projecting interest charges on a monthly basis, treasury transfers to the enterprises for the payment of interest were not included in the definition of treasury outlays subject to limit. At the

time of the staff visit in connection with the October review of the stand-by arrangement, the staff of the Fund and the Secretariat of Finance will review the projections for interest payments by the enterprises and the possibility of including treasury transfers to the enterprises for the payment of interest in the definition of treasury outlays beginning in the fourth quarter of 1985.

In projecting treasury outlays, the wage expenses to be accrued each month in the Central Administration and central administration transfers to decentralized agencies and special accounts for the payments of salaries were included either as spending or as increases in libramientos impagos. The estimate of treasury outlays will be raised to the extent that wage expenses and wage related transfers accrued in a month are not included in expenditure or libramientos impagos of that month. Finally, the limit on treasury spending allowed for \$ 55 million in loans to provide working balances for the social security system. The estimate of treasury outlays for the period July-September will be adjusted upward to the extent that loans to the social security system for this purpose fall short of \$ 55 million.

In setting the limits of treasury outlays, the assumption was that there would be no significant changes in the present arrangements regarding the financing of the rest of the public sector. If such a change occurs, the Fund staff will be informed immediately and a consultation will be held with the Fund staff to determine the adjustment that should be made to the estimate of treasury outlays. Furthermore, it is the firm intention of the Government to restrict the use of treasury guarantees to the minimum possible.

8. Net international reserves of the monetary authorities

The net international reserves of the monetary authorities referred to in paragraph 16 and Table 4 of the July 22, 1985 letter are defined as the difference between (a) the sum of the Central Bank's holdings of gold, SDRs, reserve position in the IMF, and all claims on nonresidents except discounted export letters of credit and credit lines granted to nonresidents; and (b) the sum of any outstanding external payments arrears and all other central bank obligations to nonresidents (excluding deposits or advances under the 1985 Trade Credit Maintenance and Stand-By Money Market Facilities), deposits withdrawn to finance trade under the 1985 Trade Credit and Deposit Facility, amounts onlent under the 1985 Term Credit Facility, outstanding foreign currency swaps with residents, reserve loans from residents, Category C external bonds, Category D external bonds, certificates of deposit created in connection with Circulars A-404, A-562, A-576, A-696, A-697 and any related circulars subsequently issued, any debt to the IMF or the BIS, and debt incurred as the result of Paris Club refinancing.

Provided that it is possible to monitor capital inflows from official creditors on a monthly basis, it will not be necessary to change the balance of payments targets of the program and the definition

of net international reserves will include as a liability of the monetary authorities officially guaranteed trade finance arranged in connection with the 1984-85 stand-by arrangement. This will be defined as disbursements up to a total of US\$977 million on credit guaranteed by official agencies after January 31, 1985 (up to the amount of the guarantees) minus repayments of these new credits. Data on the level of official financing thus defined will be provided for the end of each month during the program period in the cable on net international reserves.

The definition of reserve assets given above coincides with the concepts covered by items I-1 to I-6, and summed in item I-7, in the Central Bank's weekly statement of external assets and liabilities, and the relevant identification numbers from this statement are indicated in the model cable form. These amounts may be subject to adjustments to take into account any delays in the registration of operations. It should be noted that the definition of reserve assets for purposes of the stand-by does not incorporate those items reported under I-8 and I-9 in the Central Bank's statement of external assets and liabilities, e.g., reserves against foreign currency deposits, export letters of credit, and miscellaneous credit lines.

The definition of reserve liabilities given above includes items I-1 through I-4 from the Central Bank's weekly statement of external assets and liabilities, minus the counterpart of reserves against foreign currency deposits (item I-8 and Category E bonds). It also includes the following items not normally classified by the Central Bank as reserve liabilities: external payments arrears, foreign currency swaps, Category C external bonds, and reserve loans from residents.

For the purpose of this definition, all foreign assets and liabilities will be expressed in U.S. dollars. Foreign assets and liabilities in foreign currencies other than U.S. dollars will be converted into U.S. dollars at the market rates of the respective currencies on June 30, 1984; gold will be valued at a fixed accounting rate of US\$325 per fine troy ounce; Argentina's IMF position as of June 30, 1984 and SDR holdings will be valued in SDRs converted into U.S. dollars at the basket valuation of the Special Drawing Right on June 30, 1984 and purchases and repurchases from the IMF made subsequent to that date will be valued in SDRs converted into U.S. dollars at the basket valuation of the SDR prevailing on the date of the purchase or repurchase.

The value of net international reserves as of June 30, 1984 and correspondingly the reserve targets set forth in the letter of July 22, 1985 will be adjusted for any changes in the value of reserve assets and liabilities that result from factors other than balance of payments flows, e.g., for reclassifications of assets or liabilities, for statistical adjustments to the December 31, 1983 base data, or for the rescheduling or cancellation of reserve liabilities through means that do not entail use of foreign exchange or the creation of a counterpart

reserve liability. The ceiling will not, however, be adjusted in the event that the Central Bank authorizes payment of private sector arrears and that authorization is not utilized by the expiration date, or if there is a reduction in the measure of arrears that results from the failure of private sector individuals or firms to come forth with a prior deposit to validate forms 4008 or to come forth for the emission of Category E bonds.

9. The net domestic assets of the Central Bank

The net domestic assets of the Central Bank, referred to in paragraph 12 and Table 3 of the letter of July 22, 1985 are defined as the monetary liabilities of the Central Bank minus net international reserves of the monetary authorities as defined in Section I.8 of this document, measured on an end-month basis, and valued at the exchange rate of ₡ 0.800 per U.S. dollar. The monetary liabilities of the Central Bank in a given month are defined as the average level of broad money (currency in circulation plus all local currency-denominated deposits of the nonfinancial public and nonfinancial private sectors in the financial system plus central bank paper held by the nonfinancial private sector) times a factor of 0.445. This factor corresponds to the estimated value for June 1985 of an amply measured average reserve requirement, defined as the ratio of the Central Bank's monetary liabilities (currency issue plus deposits of financial intermediaries in the Central Bank plus central bank paper held by the nonfinancial private sector) to broad money.

The limits on net domestic assets presented in Table 3 of the July 22, 1985 letter were based on an estimate of broad money (excluding accrued interest) in June 1985 of ₡ 4,976.7 million. The July limit on net domestic assets will be adjusted by 21.9 percent times the factor 0.445 multiplied by the difference between the definitive estimate and the original estimate of broad money for June. The September limit will be adjusted by 28.7 percent times 0.445 multiplied by the difference between the final and original estimate for broad money in June.

10. Total outstanding disbursed external debt of the public sector

Total outstanding disbursed external debt of the public sector, referred to in paragraph 34 and in Table 6 of the June 11, 1985 letter on economic policy is defined as all external obligations of the public sector, including public sector arrears and private sector loans covered by swap arrangements undertaken by the Central Bank. For the purpose of this limit, the public sector is defined to include the nonfinancial public sector, the official banks (the domestic offices of Banco de la Nacion, the National Development Bank the Mortgage Bank, the National Postal Savings Bank, and the provincial and municipal banks), and the Central Bank. Obligations deriving from the assumption by the public sector of debt of private borrowers after December 31, 1983 in principle will be included in the definition of outstanding disbursed external debt of the public sector; the definition will exclude, however,

Category B external bonds and other instruments issued in connection with the maturing of loans that had an exchange rate guarantee of the Central Bank, public debt deriving from the refinancing under the general principles agreed between Argentina and its foreign Bank creditors of private debt which had a public guarantee on June 30, 1984, and public sector debt arising from the refinancing of the external debt of COGASCO.

Any obligations which were not recorded by the debt registration system as of September 30, 1984 will not be included in the definition of public sector debt. External debt in currencies other than the U.S. dollar will be converted into U.S. dollars at the exchange rate for those currencies vis-a-vis the U.S. dollar on June 30, 1984.

11. Limit on cumulative net disbursements of short-term debt of the public sector

The limit on cumulative net disbursements of short-term debt of the public sector referred to in paragraph 34 and Table 6 of the June 11, 1985 letter on economic policy includes cumulated disbursements, net of repayments, of debt with a maturity of up to one year contracted by public sector entities after September 30, 1984, other than debts classified as reserve liabilities.

12. Average regulated interest rate on deposits

For each month, the average regulated interest rate on deposits referred to in paragraph 27 of the June 11, 1985 letter on economic policy is defined as the weighted average (based on the number of calendar days the interest rate is in effect) of the monthly interest rate for regulated deposits of 30 days or more.

13. Combined index of price

The rate of increase in the combined index of prices used to measure compliance with the understanding on regulated interest rates is defined as the simple average of the monthly rates of change in the wholesale price index (general level) and the general consumer price index for Buenos Aires.

14. Weighted average export rebate

In calculating changes in the weighted average export rebate referred to in paragraph 30 of the Memorandum of Understanding, the weights for each product for which there has been a change in the export rebate in each month will be based on the value of exports of that product in the year ended May 1984. It is understood that in no month will the weighted average export rebate rise above its level of September 25, 1984.

15. Real exchange rate

For the purpose of following exchange rate developments, the real change of the exchange rate for the Austral during any month will be calculated as the percentage change in the exchange rate (in terms of australes per U.S. dollar) from the end of the previous month to the end of the current month measured against the percentage change in prices in Argentina and the United States. Price developments in each month will be measured by an average price index for Argentina (defined as the simple average of the monthly rates of change in the consumer price index for Buenos Aires and in the wholesale price index for national nonagricultural goods) less the rate of change in the U.S. consumer price index for urban workers in the previous month (seasonally adjusted).

Specifically, the formula to be used in calculating the real adjustment of the austral is $(1+e)(1+P_{US})/(1+PA)$ where e is the percentage change in the exchange rate, P_{US} is the percentage change in the United States' CPI, and PA is the percentage change in the average price index for Argentina, each as defined above. The evolution of the real value of the austral also will be followed using the standard index developed in connection with the Fund's information notice system.

I. Method of Reporting

Information will be made available to the Fund staff through (1) a coded weekly cable; (2) a coded monthly cable; and (3) the periodic submission of official information and documents.

1. The weekly cable

For the 7th, 15th, 23rd, and final day of each month the weekly cable will give (a) a preliminary estimate of external payments arrears (Table 1 attached to this document); (b) a definitive estimate of external payments arrears, based on payments in arrears for that week registered up to one month after the end of that week (Table 2); and (c) the net international reserves of the Central Bank (Table 3). A model of Table 1 as of June 30, 1984 is presented in Table 12 and a model of Table 3 as of December 31, 1983 is presented in Table 13.

For the purpose of measuring performance at the end of each quarter under the test relating to net international reserves, net domestic assets, arrears, and the nonfinancial public sector deficit, the measure of external payments arrears will be based on payment application forms submitted up to one month after the end of the quarter. (For example, the estimate of external payments arrears used in the measure of net international reserves at the end of July 1985 will be based on application forms for payments in arrears as of end-July 1985 that are submitted up to the end of August 1985.)

2. The monthly cable

The monthly cable will give information on (a) the net domestic assets of the Central Bank (Table 4); (b) arrears of the nonfinancial public sector (Table 5); (c) the deficit of the nonfinancial public sector (Table 6); (d) the operating result of the Central Bank (Table 7); (e) treasury outlays (Table 8); (f) total outstanding disbursed external debt of the public sector (Table 9); (g) net disbursements of short-term debt of the public sector contracted after September 30, 1984 (Table 10); and (i) changes in the system of export rebates (Table 11).

A model of Table 4 for June 1984 is presented in Table 14, a model of Table 7 for July 1984 is presented in Table 15, a model for Table 8 for March 1985 is presented in Table 16, and a model for Table 9 as of December 31, 1984 is presented in Table 17.

The monthly cables on the net domestic assets of the Central Bank and operating result of the Central Bank will be provided twice each month--shortly after the end of the month being reported with an indication that the data are preliminary and based on sample data, and approximately one month after the end of the month being reported, with an indication that the data are definitive. For purposes of measuring performance under the stand-by arrangement, definitive data will be used.

3. Submission of official information and documents

At least once each month the following information will be sent by airmail to the International Monetary Fund in Washington:

- a. The weekly balance sheets of the Central Bank
- b. Central Bank circulars A, B, and C.
- c. The Central Bank's Boletín Estadístico, Sistema Monetario y Balance de las Entidades Financieras non Bancarios, Estadísticas Sobre Bancos y Moneda, and Recursos Monetarios e Efectivo Mínimo
- d. Notification of all decisions affecting the import and export system, any changes in the system of retenciones, reembolsos, and reintegros and other changes in the exchange and trade system (including all relevant regulations issued by the Commerce Secretariat).
- e. Monthly data on exports, total and by major commodity, as they become available.
- f. The month report on treasury operations--Movimiento de la Tesorería General de la Nación.

Table 1. Argentina: Weekly Cable--
Preliminary Estimate of External Payments Arrears

(In millions of U.S. dollars)

RA	Data for:	<u>Public Sector</u>	<u>Private Sector</u>
RB	Arrears based on registration forms		
RBA	Commercial arrears: principal		
RBB	Commercial arrears: interest		
RBC	Financial arrears: principal		
RBD	Financial arrears: interest		
RBE	Other arrears		
RC	Plus: interest arrears on unclaimed BONOD and promissory notes		
RD	Plus: adjustment for unsettled payments authorizations		
RE	Plus: adjustment for interest arrears on public sector debt since December 31, 1983		
REA	Accrued interest on public sector debt		
REB	Interest payments on public sector debt		
REC	Registration of interest arrears on public sector debt		
RED	Cumulative adjustment for deviations in reference interest rates		
RF	Plus: adjustment for interest accrued on arrears since December 31, 1983		
RFA	Accrued interest on arrears		
RFB	Cumulated payments of interest on arrears		
RG	Equals: arrears outstanding, stand-by definition		
RH	Prime rate: average for the week (percent)		
RI	Overnight LIBOR: average for the week (percent)		

Table 2. Argentina: Weekly Cable--
Definitive Estimate of External Payment Arrears

(In millions of U.S. dollars)

SA	Data for:	<u>Public Sector</u>	<u>Private Sector</u>
SB	Arrears based on registration forms		
SBA	Commercial arrears: principal		
SBB	Commercial arrears: interest		
SBC	Financial arrears: principal		
SBD	Financial arrears: interest		
SBE	Other arrears		
SC	Plus: interest arrears on unclaimed BONOD and promissory notes		
SD	Plus: adjustment for unsettled payments authorizations		
SE	Plus: adjustment for interest arrears on public sector debt since December 31, 1983		
SF	Plus: adjustment for interest accrued on arrears since December 31, 1983		
SG	Equals: arrears outstanding, stand-by definition		

Table 3. Argentina: Weekly Cable--
Net International Reserves

(In millions of U.S. dollars)

H	Date of data being reported
	<u>Assets</u>
AA	Gold (I-1)
BB	Foreign Exchange (I-2)
CC	LAIA (I-3)
DD	Marketable securities (I-4a, I-4b, I-4e, I-4f)
EE	Fixed-term deposits (I-4c)
FF	Sight deposits (I-4d)
GG	Special drawing rights (I-5)
HH	Reserve position in the Fund (I-6)
JJ	Other reserve assets
KK	<u>Total reserve assets</u> (I-7)
	<u>Central bank liabilities</u>
LL	LAIA (II-1)
MM	Liabilities to IMF (II-3, II-4)
NN	Liabilities to BIS
OO	Liabilities of Central Bank to foreign banks
OOA	Bridge loan 1983
OOB	Medium-term loan, 1983
OOC	Short-term loans to Central Bank arranged in conjunction with 1984-85 stand-by
OOCA	From official institutions
OOCB	From banks

Table 3. Argentina: Weekly Cable--
Net International Reserves (Concluded)

OOD	1985 Trade Credit and Deposit Facility
OODA	Direct liability of Central Bank
OODB	Deposits withdrawn to finance trade.
OOE	1985 Medium-term credit facility
OOEA	Direct liabilities of Central Bank
OOEB	On-lent amounts
PP	Certificates of Deposits
PPA	Circular A-404 Deposits
PPB	Circular A-562 and A-576 Deposits
PPC	Circular A-696 Deposits
PPD	Circular A-697 Deposits
RR	Other central bank liabilities
SS	Minus: reserves against foreign currency deposits (I-B)
TT	<u>Total central bank liabilities</u>
	<u>Other reserve liabilities</u>
UU	External payments arrears
VV	Foreign currency swaps
WW	Reserve loans from residents
WWA	Arranged in conjunction with 1984-85 stand-by
WWB	Other reserve loans
XX	Category C external bonds
YY	Paris Club refinancing
YYA	Official financing arranged in connection with the 1984-85 stand-by
ZZ	<u>Total other reserve liabilities</u>
ZA	<u>Total reserve liabilities</u>
ZBA	Valuation adjustment vis-a-vis June 30, 1984
ZBB	<u>Net international reserves</u>

Table 4. Argentina: Monthly Cable--Net Domestic
Assets of the Central Bank 1/

(In millions of australes)

CAA	Date of data being reported
CA	I. Net Domestic Assets
CB	A. Other external assets
CC	B. Net credit to public sector
CCA	1. Austral-denominated credit
CCB	2. Austral-denominated deposits
CCC	3. Foreign currency credit
CCD	4. Foreign currency deposits
CD	C. Credit to financial institutions
CDA	1. Commercial banks
CDB	2. Nonbank financial institutions
CE	D. Liabilities to financial institutions
CEA	1. Nondisposable deposits
CEB	2. Absorption bonds
CEC	3. Central Bank paper
CF	E. Interest Equalization Fund
CG	F. Capital, reserves, provisions, and profit and loss
CH	G. Other assets
CJ	H. Other liabilities
CK	J. Adjustments (=II.B.2)
CL	K. Counterpart to variation in average effective reserve requirement
CM	II. Net International Reserves
CN	A. Assets
CO	B. Adjusted liabilities
CP	1. Liabilities
CQ	2. Adjustments

- QA a. Swaps
- CQB b. Arrears
- CQC c. Category C external bonds
- CQD d. Reserve loans for residents
- CQE e. Paris Club refinancing
- CQF f. Official financing arranged in connection with the 1984/85 stand-by arrangement
- CQG g. Valuation adjustment (versus June 30, 1984)
- CR III. Monetary Liabilities (equals Broad Money times 0.445)
- CS A. Broad Money
- CT 1. Currency in circulation
- CU 2. Austral deposits in the consolidated financial system
- CUA a. Sight deposits
- CUB b. Time deposits
- CUC c. Indexed deposits
- CUD d. Nonregulated rate deposits
- e. Other deposits
- 3. Central Bank paper held by the nonfinancial private sector

1/ For purposes of this cable, assets and liabilities in foreign exchange will be valued at ₦ 0.800 per U.S. dollar.

Table 5. Argentina: Monthly Cable--
Definitive Estimate of the External Payments Arrears
of the Nonfinancial Public Sector

(In millions of U.S. dollars)

XA	Data as of _____
XB	Arrears based on registration forms
XC	Plus: interest arrears on unclaimed BONOD and promissory notes
XD	Plus: adjustment for unsettled payments authorizations
XE	Plus: adjustment for interest arrears on nonfinancial public sector debt since December 31, 1983
XEA	Accrued interest on nonfinancial public sector debt
XEB	Interest payments on nonfinancial public sector debt (-)
XEC	Registration of interest arrears on nonfinancial public sector debt net of payments (-)
XED	Cumulative adjustment for deviations in reference interest rates
XF	Plus: adjustment for interest accrued on nonfinancial public sector arrears since December 31, 1983
XFA	Accrued interest on nonfinancial public sector arrears
XFB	Cumulated payments of interest on non- financial public sector arrears
XG	Equals: arrears outstanding, stand-by definition

Table 6. Argentina: Deficit of the Nonfinancial Public Sector

(In millions of australes)

MA	Data for the month of	Change during month	Cumulative change since June 30, 1984
MB	I. Net credit (adjusted) from the financial system		
MC	A. Credit (adjusted)		
MD	1. Credit from the financial system <u>1/</u>		
MDA	Central Bank		
MDB	National official banks		
MDC	Provincial official banks		
MDD	Other banks		
ME	2. External payments arrears of the nonfinancial public sector <u>2/</u>		
MF	3. Proceeds to the Treasury of category C external bonds		
MG	B. Deposits <u>3/</u>		
MGA	Central Bank		
MGB	National official banks		
MGC	Provincial official banks		
MGD	Other banks		
MH	II. External Borrowing <u>4/</u>		
MJ	III. Holdings of bills and bonds by the nonfinancial private sector <u>5/</u>		
MK	IV. Proceeds to the Treasury of category B external bonds		
ML	V. Cumulative global borrowing needs		

1/ Includes net temporary advances of the Central Bank to the social security system and unpaid balances with the domestic financial system resulting from payment orders issued by the social security system (ordenes de pagos previsionales); excludes all categories of external bonds and foreign currency credits included in the external debt of the nonfinancial public sector.

2/ Valued by the amount of australes paid by the nonfinancial public sector.

3/ Includes foreign currency deposits resulting from reserve loans of the nonfinancial public sector surrendered to the Central Bank.

4/ Includes Paris Club refinancing, to the extent that this involves an increase in the indebtedness of the nonfinancial public sector, reserve loans of the nonfinancial public sector, and Category A external bonds; excludes Category B and C external bonds.

5/ Excludes all categories of external bonds and foreign currency credits included in the external debt of the nonfinancial public sector.

Cuadro 7. Argentina: Cable Mensual--
Resultado Operativo del Banco Central

(En millones de australes)

XA	Resultado al fin de _____
XB	<u>Perdidas</u>
XBA	Compensacion sobre reservas de efectivo mínimo
XBB	Perdidas sobre CEDEP
XBC	Otros intereses y comisiones
XBD	Gastos generales
XBE	Dotaciones para fondos de amortizacion, garantias y provisiones
XBF	Otros gastos
XC	<u>Ganancias</u>
XCA	Intereses ganados
XCB	Actualizaciones ganadas
XCC	Cargos y comisiones ganados
XCD	Otras ganancias
XD	<u>Ganancias y perdidas (XC - XB)</u>
XE	<u>Estimacion de intereses y actualizaciones de entidades en liquidacion</u>
XF	<u>Adelantos para la Cuenta Regulacion Monetaria</u>
XG	<u>Resultado operativo interno (XD+XE-XF)</u>
XH	<u>Intereses pagados sobre pasivos en divisas</u>
XHA	Intereses y comisiones abonados por operaciones con bancos y organismos internacionales
XHB	Intereses sobre varios (netos)
XI	<u>Intereses percibidos sobre activos externos en divisas</u>
XIA	Intereses y comisiones percibidos sobre operaciones con bancos y organismos internacionales
XIB	Intereses percibidos sobre líneas de credito otorgadas
XIC	Intereses de cuentas de corresponsales (neto)
XID	Intereses percibidos sobre colocaciones realizables en divisas
XJ	<u>Resultado operativo externo (XI XH)</u>
XK	<u>Resultado operativo total (XG+XJ)</u>

Cuadro 8. Argentina: Cable Mensual--
Erogaciones de la Tesorería General

(En millones de australes)

TA	Datos para el mes de _____	En el mes	Acumulado desde 30 de Junio 1985
TB	I. Total de egresos presupuestarios		
TC	A. Egresos corrientes		
TD	1. Personal		
TE	2. Bienes y servicios no personales		
TF	3. Intereses de deudas		
TG	4. Transferencias (corrientes y de capital)		
TH	a. Empresas publicas		
TI	b. Provincias		
TJ	c. Organismos descentralizados		
TK	d. Cuentas especiales		
TL	e. Aportes para pasividades		
TM	f. Actividades no lucrativas		
TN	g. Otros		
TO	B. Egresos de Capital		
TP	II. Otros movimientos de fondos (egresos)		
TS	III. Total de erogaciones (I+II)		
TT	IV. A deducir <u>1/</u>		
TU	A. Intereses de deudas		
TV	B. Avaluos caidos del sector publico <u>2/</u>		
TW	C. Pagos a Bolivia por gas natural		
TX	V. Intereses de deudas pagados por otros sub-sectores		
TY	VI. Cambios en el saldo de libramientos impagos (aumento +)		
TZ	VII. Erogaciones sujetas a limite (III-IV-V+VI)		

1/ Estas cantidades se incluyen en lineas especiales del boletin mensual de la Tesorería General.

2/ Excluyendo avaluos de deuda comercial otorgados con posterioridad a 30 de junio de 1984.

Table 9. Argentina: Monthly Cable--
Total External Debt of the Public Sector

DA	Data for month ended
DB	<u>Disbursed external debt--normal definition</u>
DC	Plus: swaps outstanding
DD	Plus: deposits Circular A-404
DE	Plus: interest arrears on BONOD and promissory notes
DF	<u>Total disbursed external public debt, stand-by definition</u>
DG	Minus: category B bonds, net of unclaimed amounts
DH	<u>Equals: public external debt subject to ceiling</u>

Table 10. Argentina: Monthly Cable
 Cumulative Disbursements of Short-term Debt
 Contracted Since September 30, 1984

(In millions of U.S. dollars)

EA	Data for month end
EB	Short-term debt contracted since September 30, 1984
EBA	Central Bank
EBB	Other entities
EC	Net disbursements on short-term debt contracted since September 30, 1984
ECA	Central Bank
ECB	Other entities
ED	Minus: disbursed amounts representing reserve liabilities
EE	Net disbursements subject to limit

Table 11. Argentina: Monthly Cable--
Changes in the System of Export Rebates 1/

GA Information for the month of _____

Trade Identification Code (Codigo NADE)	Description of Product for Which Rebate Has Been Changed	Previous Rebate Rate	Revised Rebate Rate	Value of Exports of Product in the Year Ended May 1984
--	---	-------------------------	------------------------	---

1/ A separate line will be included for each product for which the rebate has changed.

Table 12. Argentina: External Payments
Arrears as of June 30, 1984

(In million of U.S. dollars)

	Nonfinancial		
	Public Sector	Public Sector	Private Sector
<u>Arrears based on registration forms</u>	2,406	2,055	790
Commercial arrears: principal	1,172	943	270
Commercial arrears: interest	189	176	--
Financial arrears: principal	13	13	102
Financial arrears: interest	589	481	329
Other arrears	443	442	89
<u>Interest arrears on unclaimed BONOD and promissory notes</u>	<u>329</u>	<u>329</u>	<u>--</u>
<u>Adjustments for unsettled payments authorizations</u>	<u>45</u>	<u>39</u>	<u>--</u>
<u>Adjustments for interest arrears on public sector debt since December 1983</u>	<u>78</u>	<u>31</u>	<u>--</u>
Accrued interest on public sector debt	...	...	--
Interest payments on public sector debt (-)	...	...	--
Registration of interest arrears on public sector debt net of repay- ments (-)	...	...	--
<u>Adjustment for interest accrued on arrears since December 31, 1983</u>	<u>130</u>	<u>113</u>	<u>--</u>
Accrued interest on arrears	130	113	--
Cumulated payments of interest on arrears (-)	--	--	--
<u>Arrears outstanding, stand-by definition</u>	<u>2,988</u>	<u>2,567</u>	<u>790</u>

RP(L)BS/07/29/85

Table 13. Argentina: Net International Reserves
as of December 31, 1983 ^{1/}

(In millions of U.S. dollars)

<u>Assets</u>	
Gold (I-1)	1,421
Foreign exchange (I-2)	271
LAIA (I-3)	129
Marketable securities (I-4a, I-4b, I-4e, I-4f)	89
Fixed-term deposits (I-4c)	494
Sight deposits (I-4d)	318
Special drawing rights (I-5)	23
Reserve position in the Fund (I-6)	--
Other reserve assets	--
<u>Total reserve assets (I-7)</u>	<u>2,745</u>
<u>Central bank liabilities</u>	
LAIA (II-1)	74
Liabilities to IMF (II-4)	1,173
Liabilities of Central Bank to foreign banks	1,250
Bridge loan 1983	(750)
Short-term loans to Central Bank arranged in conjunction with the 1984-85 stand-by	(--)
Medium-term loan 1983	(500)
Medium and long-term loans to Central Bank arranged in conjunction with the 1984-85 stand by	(--)
Circular A-404 deposits	17
Other reserve liabilities	28
Minus: reserves against dollar deposits (I-8)	-2
<u>Total central bank liabilities</u>	<u>2,540</u>
<u>Other reserve liabilities</u>	
External payments arrears	3,222
Foreign currency swaps	1,228
Reserve loans from residents	48
Arranged in conjunction with the 1984-85 stand-by	(--)
Others	(48)
Category C external bonds	2,090
Paris Club refinancing	--
<u>Total other reserve liabilities</u>	<u>6,588</u>
<u>Total reserve liabilities</u>	<u>9,128</u>
<u>Net international reserves</u>	<u>-6,383</u>

^{1/} In this table, assets and liabilities in currencies other than U.S. dollars have been valued at the end-1983 exchange rate for those currencies vis-a-vis the U.S. dollar.

Table 14. Argentina: Monthly Cable--Net Domestic
Assets of the Central Bank as of June 1985

(In millions of australes)

- I. Net Domestic Assets
 - A. Other external assets
 - B. Net credit to public sector
 - 1. Austral-denominated credit
 - 2. Austral-denominated deposits
 - 3. Foreign currency credit
 - 4. Foreign currency deposits
 - C. Credit to financial institutions
 - 1. Commercial banks
 - 2. Nonbank financial institutions
 - D. Liabilities to financial institutions
 - 1. Nondisposable deposits
 - 2. Absorption bonds
 - 3. Central Bank paper
 - E. Interest Equalization Fund
 - F. Capital, reserves, provisions, and profit and loss
 - G. Other assets
 - H. Other liabilities
 - J. Adjustments (=II.B.2)
- II. Net International Reserves
 - A. Assets
 - B. Adjusted liabilities
 - 1. Liabilities
 - 2. Adjustments

- a. Swaps
- b. Arrears
- c. Category C external bonds
- d. Reserve loans for residents
- e. Paris Club refinancing
- f. Official financing arranged in connection with the 1984/85 stand-by arrangement
- g. Valuation adjustment (versus June 30, 1984)

III. Monetary Liabilities (equals Broad Money times 0.445)

A. Broad Money

- 1. Currency in circulation
- 2. Austral deposits in the consolidated financial system
 - a. Sight deposits
 - b. Time deposits
 - c. Indexed deposits
 - d. Nonregulated rate deposits
 - e. Other deposits
- 3. Central Bank paper held by the nonfinancial private sector

Cuadro 15. Argentina: Resultado Operativo del
Banco Central para el 30 de Junio de 1984 1/

(En millones de pesos argentinos)

I.	<u>Perdidas</u>	92,449
	Compensacion sobre reservas de efectivo minimo	86,615
	Perdidas sobre CEDEP	2,054
	Otros intereses y comisiones	403
	Gastos generales	1,131
	Dotaciones para fondos de amortizacion, garantias, y provisiones	2,140
	Otros gastos	106
II.	<u>Ganancias</u>	131,906
	Intereses ganados	20,997
	Actualizaciones ganadas	95,564
	Cargos y comisiones ganados	1,083
	Otras ganancias	14,262
III.	<u>Ganancias y perdias (II - I)</u>	39,457
IV.	<u>Estimacion de interes y actualizaciones de entidades en liquidacion</u>	...
V.	<u>Adelantos para la Cuenta Regulacion Monetaria</u>	93,691
VI.	<u>Resultado operativo interno (III+IV-V)</u>	...
VII.	<u>Intereses pagados sobre pasivos en divisas</u>	8,445
	Intereses y comisiones abonados por operaciones con bancos y organismos internacionales	8,479
	Intereses sobre varios (netos)	-34
VIII.	<u>Intereses percibidos sobre activos externos en divisas</u>	9,149
	Intereses y comisiones percibidos sobre operaciones con bancos y organismos internacionales	--
	Intereses percibidos sobre lineas de credito otorgadas	1,194
	Intereses de cuentas de corresponsales (neto)	1,763
	Intereses percibidos sobre colocaciones realizables en divisas	6,192
IX.	<u>Resultado operativo externo (VIII-VII)</u>	704
X.	<u>Resultado operativo total (VI+IX)</u>	...

1/ Subject to revision.

Cuadro 16. Argentina: Erogaciones de la Tesorería General
Para el Mes de Marzo 1985

(En millones de australes)

I.	<u>Total de egresos presupuestarios</u>	<u>158.4</u>
	A. Egresos corrientes	155.4
	1. Personal	38.9
	2. Bienes y servicios no personales	7.3
	3. Intereses de deudas	24.0
	4. Transferencias (corrientes y de capital)	85.1
	a. Empresas publicas	(12.4)
	b. Provincias	(23.9)
	c. Organismos descentralizados	(24.8)
	d. Cuentas especiales	(11.4)
	e. Aportes para pasividades	(7.2)
	f. Actividades no lucrativas	(4.8)
	g. Otros	(0.6)
	B. Egresos de capital	3.0
II.	<u>Otros movimientos de fondos (egreos)</u>	<u>22.1</u>
III.	<u>Total de erogaciones (I+II)</u>	<u>180.5</u>
IV.	<u>A deducir 1/</u>	<u>32.5</u>
	A. Intereses de deudas	24.0
	B. Avales caídos del sector publico	8.8
	C. Pagos a Bolivia por gas natural	--
V.	<u>Intereses de deudas pagados por otros sub-sectores del sector publico</u>	<u>--</u>
VI.	<u>Cambio en el saldo de libramientos impagos (aumento +)</u>	<u>-5.4</u>
VII.	<u>Erogaciones sujetas a limite (III-IV-V+VI)</u>	<u>142.3</u>

1/ Estas cantidades se incluyen en líneas especiales del boletín mensual de la Tesorería General.

Table 17. Argentina: External Debt of the Total
Public Sector as of December 31, 1983

(In millions of U.S. dollars)

<u>Disbursed external debt--normal definition</u>	<u>32,220</u>
Plus: swaps outstanding	1,228
Plus: deposits, Circular A-404	17
Plus: interest arrears on BONOD and promissory notes	217
<u>Total disbursed external public debt, stand-by definition</u>	<u>33,682</u>
Minus: Category B bonds, net of unclaimed amounts	1,233
<u>Public external debt subject to ceiling</u>	<u>32,449</u>

Argentina--Codigos de Cuentas Especiales

20 Presidencia de la Nacion

- 051 Secretaria de Planeamiento -
Cumplimiento Ley 18.302 *S*
- 408 Presidencia de la Nacion -
Cumplimiento Ley 18302 *S*
- 468 Secretaria de Inteligencia de Estado -
Cumplimiento Ley 18302 *S*
- 470 Cumplimiento de Legados
- 536 Direccion Nacional del Registro Oficial -
Trabajos por cuenta de terceros
- 797 Red Radioelectrica de la Presidencia de la Nacion y Gover-
naciones de Provincias
- 816 Venta de bienes muebles, aeronaves y renovacion de automotores
- 883 Producido y recaudaciones varias de entes culturales

30 Ministerio del Interior

- 296 Direccion Nacional de Migraciones -
Servicio de desembarco fuera del horario oficial
- 530 Fondo Desarrollo Regional
- 666 Ministerio del Interior -
Cumplimiento Ley 18.302 *S*
- 805 Policia Federal -
Servicios especiales, renovacion de elementos, equipamiento,
inmuebles y obras
- 806 Direccion Nacional de Migraciones -
Multas y tasas

40 Ministerio de Justicia

- 349 Direccion Nacional del Servicio Penitenciario Federal -
Trabajos carcelarios
- 350 Direccion Nacional del Servicio Penitenciario Federal -
Fondo de reembolso

- 503 Dirección Nacional del Registro de la Propiedad del Automotor y Servicio Nacional de Informatica Jurídica
- 504 Corisión de Edificios Judiciales para la Justicia Nacional
- 760 Superintendencia Nacional de Fronteras -
Recaudaciones varias
- 858 Dirección General de Investigación y Desarrollos -
Trabajos por cuenta de terceros
- 46 Comando en Jefe del Ejercito
 - 519 Ejercito -
Obras, adquisiciones y servicios especiales
 - 762 Dirección Nacional de Gendarmeria -
Producidos varios
 - 763 Dirección Nacional de Gendarmeria -
Cumplimiento Ley 22043
- 47 Comando en Jefe de la Armada
 - 819 Prefectura Naval Argentina -
Producidos varios
 - 820 Prefectura Naval Argentina -
Cumplimiento Ley 22043
 - 874 Obras y Servicios Especiales Armada Argentina
- 48 Comando en Jefe de la Fuerza Aérea
 - 289 Líneas Aéreas del Estado
 - 385 Fondo Permanente para el Fomento de la Aviación Civil
 - 5-- Inspección General de Personas Jurídicas
 - 510 Infraestructura Judicial
 - 801 Dirección Nacional del Servicio Penitenciario Federal-
Cumplimiento Ley 22.043
 - 818 Dirección Nacional del Servicio Penitenciario Federal -
Convenios con Gobiernos Provinciales

45 Ministerio de Defensa

- 751 Escuela de Defensa Nacional -
 Producidos varios
- 752 Instituto de Investigaciones Cientificas y Tecnicas de las
 Fuerzas Armadas -
 Trabajos por cuenta de terceros
- 757 Fondo Nacional para la Construccion de Viviendas de Servicio
 para Personal Militar, de Gendarmeria Nacional, Prefectura
 Naval Argentina y Policia Aeronautica Nacional
- 758 Direccion Nacional del Antartico -
 Producidos varios
- 386 Ley 13.041 -
 Exportacion de Aeropuertos y Aerodromos
- 502 Construcciones y Adquisiciones Aeronauticas
- 754 Varios ingresos

50 Ministerio de Economia

- 930 Servicio de Computacion de Datos -
 Trabajos requeridos
- 936 Servicio Estadistico Ley 17622

52 Secretaria de Hacienda

- 105 Administracion General de Inmuebles Fiscales Servicios
 Requeridos
- 106 Direccion General Impositiva -
 Comisiones por la Percepcion de Impuestos Nacionales
 y el Expendio e Impresion de Valores Fiscales
- 110 Direccion General Impositiva -
 Fondo de Estimulo
- 506 Administracion Nacional de Aduanas -
 Servicios Especiales Aduaneros
- 518 Administracion Nacional de Aduanas -
 Fondo de Estimulo
- 523 Direccion Nacional de Quimica -
 Servicios Preferenciales

53 Secretaria de Industria y Minería

773 Dirección Nacional de la Propiedad Industrial -
Servicios requeridos

814 Registro Industrial de la Nación

815 Evaluación de Proyectos Promocionales

846 Fondo de Fomento Minero

861 Contralor Regímenes de Promoción

54 Secretaria de Agricultura y Ganadería

167 Ley de Semillas -
Ley 20.247

813 Servicio Nacional de Sanidad Animal

887 Fondo Especial del Tabaco

55 Secretaria de Comercio

136 Administración de Mercados Mayoristas

636 Promoción del Comercio Exterior

829 Cumplimiento
Ley 20.680

56 Secretaria de Intereses Marítimos

280 Complejo Portuario de Ultramar en Aguas Profundas

509 Fondo Nacional de la Pesca

933 Fondo Nacional de la Marina Mercante

943 Canal de Vinculación Buenos Aires-Paraná de las Palmas
y otros accesos a puertos

60 Ministerio de Obras y Servicios Públicos

432 Servicio Nacional de Arquitectura -
Trabajos por cuenta de terceros

520 Fondo Nacional de Infraestructura del Transporte

- 521 Fondo Nacional de Hidrocarburos -
Ley 17319
- 525 Fondo Nacional de Grandes Obras Eléctricas
- 526 Fondo el Chocon - Cerros Colorados - Alicopa
- 527 Fondo Especial de Desarrollo Eléctrico del Interior
- 528 Fondo Nacional de la Energía Eléctrica
- 529 Fondo Nacional de la Energía
- 541 Servicio Oficial de Radiodifusión
- 845 Servicio Nacional de Agua Potable y Saneamiento Rural
- 847 Subsecretaría de Recursos Hídricos -
Trabajos varios
- 879 Fondo Nacional del Transporte
- 880 Estudio para la Formulación del Plan Nacional de Transporte
- 895 Venta de Muebles e Inmuebles del Estado -
Decreto 5.600/67
- 65 Ministerio de Educación
 - 065 Producido y Recaudaciones Varias
 - 881 Fondo Escolar Permanente
 - 884 Expansión y Mejoramiento de la Educación Rural
- 70 Ministerio de Trabajo
 - 531 Varios ingresos
- 80 Ministerio de Acción Social
 - 323 Fondo para el Desarrollo del Turismo
 - 324 Lotería de Beneficencia Nacional y Casinos
 - 325 Producido Explotación Juegos de Azar
 - 326 Explotación Hipódromos

- 327 Fondo para Obras de Infraestructura
- 370 Centro Unico de Procesamiento Electronico de Datos -
Trabajos por cuenta de terceros
- 374 Servicios de Seguridad Social
- 375 Fondo de Garantia
- 516 Fondo Nacional de la Vivienda
- 826 Fondo Nacional del Menor
- 832 Plan de Viviendas Economicas
- 905 Explotacion Turistica
- 931 Fondo Nacional del Deporte
- 82 Ministerio de Salud Publica y Medio Ambiente
- 807 Fondo Nacional de la Salud

Codigos de Organismos Descentralizados

- 20 Presidencia de la Nacion
 - 032 Comite Federal de Radiodifusion
 - 068 Comision Nacional de Energia Atomica
 - 071 Instituto Nacional de Cinematografia
 - 078 Fondo Nacional de las Artes
 - 194 Instituto Nacional de Administracion Publica
- 30 Ministerio del Interior
 - 008 Caja de Retiros, Jubilaciones y Pensiones de la Policia
Federal
- 45 Ministerio de Defensa
 - 033 Instituto de Ayuda Financiera para Pago de Retiros y
Pensiones Militares

- 094 Registro Nacional de las Personas
- 025 Dirección General de Fabricaciones Militares
- 46 Comando en Jefe del Ejército
- 034 Instituto Geográfico Militar
- 48 Comando en Jefe de la Fuerza Aérea
- 030 Fondo para la Defensa Antiaérea Territorial
- 52 Secretaría de Hacienda
- 040 Comisión Nacional de Valores
- 042 Superintendencia de Seguros de la Nación
- 53 Secretaría de Industria y Minería
- 074 Instituto Nacional de Tecnología Industrial
- 54 Secretaría de Agricultura y Ganadería
- 002 Administración de Parques Nacionales
- 035 Junta Nacional de Carnes
- 036 Junta Nacional de Granos
- 062 Instituto Nacional de Tecnología Agropecuaria
- 080 Mercado Nacional de Hacienda
- 092 Instituto Nacional de la Actividad Hípica
- 142 Comisión Reguladora de la Producción y Comercio de la
Yerba Mate
- 200 Instituto Forestal Nacional
- 55 Secretaría de Comercio
- 081 Dirección Nacional de Azúcar
- 086 Instituto Nacional de Vitivinicultura

- 56 Secretaria de Intereses Marítimos
- 073 Instituto Nacional de Investigación y Desarrollo Pesquero
INIDEP
- 145 Mercado Nacional de Concentración Pesquera del Puerto del
Mar de Plata
- 60 Ministerio de Obras y Servicios Públicos
- 054 Dirección Nacional de Vialidad
- 093 Instituto Nacional de Prevencion Sísmica
- 140 Instituto Nacional de Ciencia y Técnica Hídricas
- 144 Tribunal de Tasaciones de la Nación
- 65 Ministerio de Educación
- 027 Instituto Nacional de Crédito Educativo para la igualdad
de Oportunidades
- 031 Fundación Miguel Lillo
- 041 Universidad Nacional del Sur
- 043 Universidad de Buenos Aires
- 044 Universidad Nacional de Córdoba
- 045 Universidad Nacional de Cuyo
- 046 Universidad Nacional de la Plata
- 047 Universidad Nacional de Tucuman
- 048 Universidad Nacional del Litoral
- 049 Universidad Nacional de Rosario
- 050 Universidad Nacional del Comahue
- 063 Universidad Nacional del Nordeste
- 077 Consejo Nacional de Investigaciones Científicas y Técnicas
- 083 Universidad Nacional de Rio Cuarto

- 084 Universidad Nacional del Centro de la Provincia de Buenos Aires
- 085 Universidad Nacional de Mar del Plata
- 088 Universidad Tecnológica Nacional
- 089 Consejo Nacional de Educación Técnica
- 137 Universidad Nacional de Salta
- 138 Universidad Nacional de Lomas de Zamora
- 139 Universidad Nacional de Catamarca
- 143 Universidad Nacional de Santiago del Estero
- 181 Universidad Nacional de Misiones
- 182 Universidad Nacional de Entre Rios
- 193 Universidad Nacional de Jujuy
- 195 Universidad Nacional de la Pampa
- 196 Universidad Nacional de la Patagonia San Juan Bosco
- 197 Universidad Nacional de San Luis
- 198 Universidad Nacional de San Juan
- 80 Ministerio de Acción Social
 - 020 Caja Nacional de Previsión de la Industria, Comercio y Actividades Civiles
 - 021 Caja Nacional de Previsión para el Personal del Estado y Servicios Públicos
 - 022 Caja Nacional de Prevision para Trabajadores Autónomos
 - 024 Dirección Nacional de Recaudación Previsional
 - 029 Instituto Nacional de Obras Sociales
 - 059 Instituto Nacional de Acción Cooperativa
 - 100 Instituto Nacional de Acción Mutua
 - 180 Centro Nacional de Reeduación Social

Lista 2. Las Empresas Publicas

Y.P.F.	Yacimientos Petroliferos Fiscales
Y.O.F.	Yacimientos Carboniferos Fiscales
Gas del Estado	
AyE.E.	Agua y Energia Electrica
SEGBA	Servicios Electricos de Gran Buenos Aires
HIDRONOR	
F.A.	Ferrocarriles Argentinos
A.A.	Aerolineas Argentinas
ENTel	Empresa Nacional de Telecomunicaciones
ENCOTel	Empresa Nacional de Correos y Telegrafos
A.T.C.	Argentina Television Color
ELMA	Empresa de Lineas Maritimas Argentinas
A.G.P.	Administracion General de Puertos
YACYRETA	
Salto Grande	
COMIP	Comision Mixta Argentina Paraguaya
AFNE	Astilleros y Fabricas Navales del Estado
P.B.B.	Petroquimica Bahia Blanca
O.S.N.	Obras Sanitarias de la Nacion
YMAD	Yacimientos Mineros Aguas de Dionisio

July 29, 1985

MEMORANDUM FOR FILES

Subject: Technical Assistance--Argentina

I attended a meeting on Thursday, July 25, 1985 in Mr. Latham's office with Mr. Sakamoto of the OAS. Mr. Fremchand, Mrs. Casanegra-Jantscher, and Mr. Tavares were also present.

Mr. Sakamoto explained that he was an official of the OAS in Washington who would shortly be visiting Argentina on a private visit to provide some technical assistance to the Argentine authorities. His visit was regarded as private for two reasons: as an Argentine national it was not appropriate for him to be providing technical assistance to Argentina; and as Argentina was in arrears to the OAS, it was not eligible for technical assistance. Mr. Sakamoto also explained that as a former Undersecretary of Planning in Argentina he was familiar with the problems and personalities of Argentina, especially as he had previously been concerned with domestic economic policies in Argentina.

Mr. Sakamoto stated that he would be providing advice on the collection of timely information on expenditures and revenues including transfers to and from the public sector entities. It was intended that he should advise on the establishment of a reporting and monitoring system which would be of value in providing information to financial managers, but it was unlikely that detailed advice could be given on the subject in the course of a one-month mission. Nonetheless, it was hoped that his visit would facilitate the provision of improved fiscal information before the arrival of the IMF mission in early August.

It was explained to Mr. Sakamoto that FAD had been requested to send a mission which would to some extent cover the same ground as Mr. Sakamoto. No formal request had yet been received, but it was thought likely that FAD would send a small mission to identify the needs and propose a framework for a monitoring and reporting system. This would involve a small mission for about two to three weeks. The mission would contact Mr. Sakamoto in Argentina.

Mrs. Casanegra-Jantscher indicated that the IBRD were also planning to provide technical assistance in the fiscal field to Argentina, but this was unlikely to begin until 1986. It was clearly desirable that the technical assistance activities of the World Bank, OAS, and IMF should be coordinated.

CENTRAL FILES

In conclusion Mr. Premchand provided Mr. Sakamoto with some advice on reading material which would be of value to him in preparing for his forthcoming visit to Argentina.

David C. Treffry
Advisor

cc: Mr. Latham
Mr. Premchand
Mrs. Casanegra-Jantscher

DCTreffry:med

CENTRAL FILES



EXECUTIVE DIRECTOR
United States

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

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Handwritten notes:
A. Ho
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Mr. Sogge
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CABLE ADDRESS
IMPERFUND

July 29, 1985

Dear Jacques:

I wanted to express to you my admiration for the performance of the staff and Management in preparing and distributing the documents on Argentina's standby arrangement. Having had a chance to review these materials over the weekend, I was impressed with their thoroughness and the soundness, in my view, of the analysis. While I have come to expect this from Fund documents as a matter of course, the new Argentine economic program and the short period of time during which these documents were prepared makes these characteristics particularly noteworthy in this case.

I want you to know that the impressive efforts of your staff in meeting a difficult timetable while maintaining the usual quality associated with IMF staff work have not gone unnoticed.

Sincerely,

Handwritten signature of Charles H. Dallara

Charles H. Dallara

Mr. Jacques de Larosiere
Managing Director
International Monetary Fund
Washington, D.C. 20431

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Office Memorandum

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.

1985 JUL 26 AM 11: 01

July 25, 1985

To: The Managing Director
The Deputy Managing Director

From: K. Burke Dillon *KBD*

Subject: Paris Club Meetings, July 15-21, 1985

During this six-day session official creditors concluded rescheduling agreements for Chile, Cuba, Jamaica, and Equatorial Guinea and signed the 1982-84 rescheduling agreement with Poland. As you are aware, creditors had decided to meet as scheduled with the Moroccan authorities on June 15 and 16, despite the postponement of the Fund Board's consideration of Morocco's request for a stand-by arrangement. However, after a preliminary question-and-answer session with the Moroccan authorities on Monday, creditors decided to defer negotiations on the rescheduling until after the Fund Board had met and the financing gap had been defined more clearly. The remaining time allowed for Morocco was devoted to efforts to reconcile creditor and debtor numbers on arrears.

Last week's tour d'horizon was brief and focused almost completely on Nigeria. We will, after consulting with the African Department, be sending you a separate memo concerning the issues raised by the discussion on Nigeria. A number of important questions on Paris Club policies and procedures arose during the individual country negotiations, and creditors have scheduled a "methodology" session for September to discuss some of these questions.

The area department representatives have sent you separate back-to-office reports on the meetings for Morocco, Chile, Jamaica, and Equatorial Guinea. The present memorandum reviews questions of policy and procedure that arose during these meetings, reports on the signing of the agreement with Poland as well as on certain other country matters, and concludes with the schedule of upcoming meetings.

1. Questions of policy and procedure
 - a. New export credits and cover

Most Paris Club creditors still firmly maintain, as a matter of principle, that questions concerning new export credits and cover are to be addressed bilaterally and are, in any case, to be kept completely separate from discussions on rescheduling. Nevertheless, last week's meeting made it clear that it is becoming increasingly difficult to keep questions of cover policy out of Paris Club meetings, as both debtors and creditors are becoming more aware of the important role export credits can play in the present environment.

The creditor discussion on Nigeria focused very much on the question of the possibility of using new cover policy as both a stick

Mr. Wiesner
Mr. Karl
BS
Sticks
BS
BS
F

and a carrot to encourage Nigeria to come to an agreement with the Fund and regularize its position with creditors. Poland has, throughout, tried unsuccessfully to tie the rescheduling to discussions on new credits and cover, and at the signing of the 1982-84 agreement the Polish representative appealed to delegations to assist Poland in securing new credits to "facilitate the fulfillment of the agreement we are signing." The Chilean authorities made it clear that they attached the highest importance to maintaining new cover and, as discussed below, the question of how to design a rescheduling in view of that objective was the issue during the 16-hour negotiation between creditors and Chile.

b. Private sector debt

Official creditors have long insisted, for reasons of inter-creditor equity, that Paris Club agreements--except those for countries belonging to a currency area such as the WAMU--cover all debt from or guaranteed by the participating creditors, including private sector debt without a debtor government guarantee. Last week creditors broke that rule for the first time and broke it for both Chile and Jamaica. It was agreed, however, that these cases were not to be viewed as precedents, and the issue is to be addressed at the September methodology session. In both of these cases a new clause was inserted in the Agreed Minute whereby the debtor government guaranteed the transfer of all private sector debt service payments owed to or guaranteed by the participating or observer creditor governments and their agencies; commercial risk remained, of course, with the creditor.

Chile's request that private sector debt be excluded from the rescheduling was motivated by a desire to maintain the flow of new trade credits for the private sector. Some delegations (e.g., Germany) acknowledged that they did distinguish between credits to the public and private sectors in setting cover policy and that excluding the private sector from the rescheduling could facilitate the maintenance of cover for private buyers. The United States spoke in general terms about the importance of normalizing private debtor/creditor relations. However, the main factor underlying creditors' willingness to move away from a long-established rule would appear to be the difficulties they have encountered recently in trying to incorporate the private sector into the reschedulings for certain Latin American countries, reflecting both the complications of various government schemes and the large number of debtors involved. After the negotiation with Chile, Jamaica's request to exclude the private sector was accepted with little discussion. Nevertheless, given the wide differences among creditor countries in the distribution of their credits between public and private debtors, a number of delegations (e.g., France) remain in principle opposed to such exclusions.

c. Buyers' versus suppliers' credits

Chile, again with a view to maintaining cover, had also requested that the rescheduling cover only direct loans from governments and

guaranteed bank credits and exclude guaranteed suppliers' credits. Creditors were firm in refusing to make such a distinction, which they viewed as totally artificial. Buyers' and suppliers' credits were seen as equivalent instruments, but the distribution of lending between these two modes varied considerably among agencies depending on their legal and administrative arrangements. Furthermore, agencies do not set separate cover policies for buyers' and suppliers' credits and, therefore, any decision to stay on or go off cover after a rescheduling would apply equally to both types of credits. It was agreed that Chile would drop this request and that the Chairman would, at the signing, make a statement that: "The rescheduling of suppliers' credits would not, in and of itself, have any effect on the attitude adopted by most of the export credit agencies." The word "most" was inserted in view of the position of Japan, which had only suppliers' credits outstanding to Chile and could not, therefore, give assurances that its cover policies would not be affected to by inclusion of suppliers' credits in the rescheduling.

d. Special accounts

Beginning with Zaire in 1983, creditors have for a number of countries required the establishment of special accounts under which the debtor pays in on a monthly basis the amounts estimated to be due under the Agreed Minute during the consolidation period. While initially such accounts were viewed as instruments to discipline countries that had fallen into serious arrears under previous agreements, the possibility of generalizing this practice will be discussed in the September methodology session. Experience has shown that the use of such special accounts, by establishing a predictable stream of payments, can facilitate the Fund staff's work, both in designing and monitoring programs. In particular, it can help avoid situations, such as recently occurred with Morocco, where important arrears to official creditors are identified only with a long delay. Importance will be attached to any position taken by the Fund on this question at the September meeting, and we will seek further guidance from you after consultation with area departments.

2. The 1982-84 rescheduling for Poland

Last week Poland and the representatives of 17 creditor countries finally signed the agreement rescheduling more than US\$10 billion of principal and interest in arrears as of December 31, 1981 or falling due over the three years 1982 through 1984. These amounts are to be repaid in semiannual installments over the period January 1990 through July 1995. Half of the 1985 moratorium interest due under this rescheduling was also deferred to be repaid in four equal annual installments beginning on December 31, 1986.

Payments due under the 1981 consolidation were not rescheduled under this new agreement. Under a separate protocol Poland has agreed to make between now and August 31, 1985 all payments necessary to bring

them current through December 31, 1984 on amounts owed under the 1981 consolidation, a sum that the Secretariat estimates to be about US\$500 million. Amounts falling due in the first 11 months of 1985 are to be paid by November 30, 1985.

Creditors have stipulated that they will meet to continue discussions with the Polish authorities on the 1985 rescheduling only after all amounts due as of August 31, 1985 under the 1981 agreement have been paid. September 16 has tentatively been set aside as the date for that meeting, and creditors will be asked on September 10 to indicate whether the required payments have been made.

3. Other country matters

Mozambique

You will recall that at the June Paris Club meeting, the United Kingdom--supported by the United States--raised the possibility of creditors agreeing on a further rescheduling for Mozambique without understandings having been reached between Mozambique and the Fund on a program to be supported by Fund resources in either the first or upper tranches. After consultation with the African Department, it was agreed that at the July meeting I should indicate to creditors that it would be in their interest, and in Mozambique's interest, that the policy dialogue with the Fund continue and that Mozambique be encouraged to develop the financial and economic data base essential to policy formulation and implementation. In other words, I was to signal that we would like them to keep the pressure on, while indicating that a program in early 1986 was conceivable.

In the event, Mozambique was not raised again at last week's tour d'horizon, but I was able to convey this message in corridor discussion with the French and the U.S. delegations, both of whom now appear to agree with this position. Unfortunately, I was not able to raise this matter with the head of the U.K. delegation, as he had to return to London immediately after the tour d'horizon.

Argentina

Argentina had not concluded a single bilateral by its June 30, 1985 bilateral deadline. Most creditors, with the notable exception of the United Kingdom, reported progress with their discussions on the bilaterals, although the United States had important problems concerning the treatment of exchange guaranteed loans. Creditors decided to send a firm but friendly reminder telex to Minister Sourrouille.

Peru

Although I was not involved in these discussions, I understand that certain major creditors were working in the corridors on a telex to the new Peruvian government giving a fairly firm joint response to the

ideas, including the possibility of seeking rescheduling without the Fund, set forward by Mr. Silva Ruete and others in recent visits to capitals.

4. Timetable

Creditors agreed on the following schedule for meetings over the remainder of this year.

September 16 to 19

Monday, September 16	Poland
Tuesday, September 17	Morocco
Wednesday, September 18	Tour d'horizon and methodology
Thursday, September 19	Panama

October 28 to November 1 (Only Central African Republic scheduled)

November 18 to 22 (open)

December 16 to 20 (open)

cc: AFR, ASD, CBD, EUR, EXR, MED, WHD, ETR, TRE, LEG, SEC
Office in Europe
Mr. Collins

Se quebró la inercia, no

Exclusivo: 30 preguntas a Adolfo Canitrot

El secretario de Programación y Coordinación Económica, Adolfo Canitrot, no es un hombre que se caracterice por ocultar lo que piensa. De ahí que su análisis de los primeros cuarenta días de vigencia del plan económico se encuentre bastante alejado del formalismo. A lo largo de una hora de diálogo, sólo interrumpido por una fugaz aparición del ministro Juan Sourrouille, quien declinó piegarse al reportaje, el funcionario aceptó abordar ante dos periodistas de El Cronista Comercial los aspectos más conflictivos del programa antiinflacionario. Muchas de las respuestas de Canitrot probablemente resulten polémicas, aunque el conjunto es de utilidad para conocer en detalle el pensamiento oficial en la actual etapa del plan y las perspectivas de su curso futuro. Por eso es que se juzgó importante reproducir en forma íntegra el desarrollo de la conversación.



Canitrot: "Quien compra dólares futuro a A 1,05 tiene una expectativa inflacionaria, aunque yo pienso que está loco. Todavía hay conductas salvajes".

— A poco más de un mes de la puesta en marcha del plan antiinflacionario, se advierten varios efectos. Unos se refieren al fuerte retroceso de los precios y la quiebra de la inercia inflacionaria, que estaban dentro de lo previsible. ¿Pero hasta qué punto estaban originariamente previstos otros — en cierta manera implícitos — como los reclamos de los gobernadores amenazando con sus renuncias, la agudización de la recesión, olas de despidos y suspensiones, presiones sindicales, descuento empresario por el congelamiento de precios y aplicación del desagio, etc.?

— Algunos efectos eran previsible, otros no; porque una modificación sustancial del comportamiento de los precios también altera pautas de conducta. Aquí caben dos o tres puntualizaciones. En el terreno precios, nosotros teníamos la sensación de que nos iba a costar un poco más el control, que íbamos a necesitar una batería de inspectores, multas, etc., que preparamos pero no usamos sino en una mínima proporción. (Alvaro) Alsogaray plantea la situación de una forma que daría la impresión de que hubiera policías y tanques en la calle; pero lo cierto es que el control se está haciendo de una manera muy liviana y más bien lo que ha habido es una toma de conciencia colectiva. En este sentido, la respuesta fue mucho mejor de la que esperábamos.

— Sin embargo hay problemas concretos y puntuales, como el caso de empresas líderes proveedoras de insumos, que recibieron autorización para aumentar precios antes del congelamiento en función de los incrementos de costos de mayo, pero luego se les suspendió.

— Quizás hubo un apresuramiento en las autorizaciones. Porque inicialmente la Secretaría de Comercio no tuvo en cuenta que el conjunto de precios que estaba autorizado era incompatible con el conjunto de precios que simultáneamente estaba congelando. El tema es que si a estas empresas proveedoras de insumos se les autorizaba el aumento y no se les imponía el desagio, a las que siguen en la cadena de industrialización y comercialización se las ahorcaba con la congelación; y si a éstas se les autorizaba aumentos entonces terminábamos en que todo caía sobre el salario o terminábamos también aumentando

salarios. Es decir, en un punto de la cadena se concedieron aumentos que eran incompatibles con las conductas que se establecieron para los que están ubicados de ahí en más.

— Pero desde el momento que eran aumentos que respondían a costos anteriores al congelamiento, ¿hasta qué punto esto no implica reprimir artificialmente la inflación? ¿Y hasta qué punto la incertidumbre sobre el nivel de precios a partir del cual se está aplicando el congelamiento no se ha convertido en un factor adicional de recesión, ante la paralización de operaciones?

— Yo no puedo saber en qué caso particular cada aumento concedido está justificado o no. La información que me llega desde la Secretaría de Comercio Interior es que en ciertos incrementos aplicados por algunas empresas había avances, en el sentido de que no sólo se ajustaba hacia atrás sino que contenían adelantos con respecto al futuro, lo que me parece natural, estaba implícito en la alta tasa de inflación anterior. Después otro tema es el desagio, que aparece completamente razonable. Yo tengo una teoría, casi un silogismo, que es la siguiente: quien en sus precios no pasó los costos financieros con una inflación del 30%, no hubiera podido subsistir en esa economía altamente inflacionaria; luego, los que existen y subsisten es porque aplicaron esa previsión, si no estarían quebrados. Una empresa sería la peor administrada del mundo si con una tasa inflacionaria del 30% mensual no incluía en sus costos implícitos la inflación futura. Quizá calculaban una incidencia menor; entonces perdían planta antes y siguen perdiendo plata ahora con el desagio. Eso es todo.

— ¿A su juicio, entonces, no hay inflación reprimida con el manejo de la política de precios?

— Yo estoy dispuesto, como también lo ha dicho el secretario de Comercio, a considerar todos los casos particulares, como se ha hecho con los textiles ahora. Pero no creo que sea un fenómeno generalizado.

— ¿A qué atribuye que las empresas estén peleando por el nivel donde quedar congeladas en sus precios, en un momento en que no venden?

— Yo creo que las empresas se quieren cubrir. Tienen la razonable conducta de tratar de quedar cubiertas lo más posible, por lo que pudiera. Cuan-

do yo empresario sé que viene un control, trato de fijar los precios suficientemente altos y después doy descuentos; pero me cubro.

— ¿Este comportamiento no estaría revelando la expectativa de un período de congelamiento bastante prolongado?

— Vamos a ver, vamos a ver. Yo creo que todos los que critican el congelamiento, como Alsogaray el otro día, no se dan cuenta de que sin este instrumento no hubiera sido posible ni el desagio ni los acomodamientos de precios relativos. Pero sabemos que en una sociedad como ésta, sofisticada, que no es la de los años '50, la credibilidad del plan va a estar finalmente en tango en que descongelamos. En tanto no descongelamos siempre aliguen va a decir: ¿cuando descongelen la que se va a venir!

— Hay también otra lectura del problema: si la conducción económica está segura de que no va a emitir moneda sin respaldo, el control de precios se transformaría en un mecanismo accesorio y en buena medida innecesario. En otras palabras, si en varios meses no se emite, nadie se va a acordar del congelamiento. ¿Para qué mantenerlo?

— No exactamente. Supongamos que una firma tuviera capacidad de fijar precios monopolísticamente y se arregla con el sindicato para aumentar los salarios en un 30% y los precios en ese lugar en un 30%; allí la situación introduciría un factor de perturbación muy grande.

— Pero no todas las empresas son monopolísticas...

— No. Por eso lo que nosotros estamos buscando en los sectores de empresas más grandes es algún tipo de acuerdo de conducta: compromisos en la relación con la dirigencia sindical y con la política de precios. El descongelamiento no va a ser una cosa tipo "free for all". Tenemos que garantizar una conducta gremial-empresaria.

— O sea que va a ser concertado.

— De algún modo. Necesitamos normas de conducta.

— ¿En qué consistirían?

— En que no haya ese juego duopólico de siempre, en que sindicalistas y empresarios se ponen de acuerdo y se dan aumentos los dos, a costa del resto de la sociedad, y siguen adelante. Entonces los de al-

do se plantean: ¿por qué nosotros no?, y empiezan a generarse todas las presiones que conocemos. Y el Estado, desgraciadamente, cuando

"Queremos evitar ese juego duopólico de siempre, en que sindicalistas y empresarios se ponen de acuerdo para darse aumentos a costa del resto de la sociedad. Apuntamos a una autorregulación de conductas antes de descongelar."

tiene ante sí estas situaciones, generalmente recurre a alguna "bomba atómica", a algún método feroz al que no queremos llegar. Eso se lo dijimos a los sindicalistas.

— De acuerdo con este planteo de efecto en cascada que obligaría a descongelar por etapas, ¿cómo se rebate el argumento de que las expectativas antiinflacionarias están quebradas y entonces habría que descongelar ya?

— ¿Están quebradas las expectativas? No. Yo creo que está quebrada la inercia, no las expectativas inflacionarias. El que está comprando dólares a \$ 0,95 ahora o a 1,05 a futuro tiene una expectativa inflacionaria que yo pienso que está loco. Pero de hecho lo está haciendo y prendiendo una luz colorada; todavía hay conductas salvajes.

— Pero en la medida en que el gobierno cumple su compromiso fiscal, por ejemplo, va a ir aplenando esas expectativas. ¿No cree que depende de ustedes?

— Creo que el compromiso fiscal es una condición necesaria pero no suficiente. Podemos cumplir el compromiso fiscal y tener inflación, y además una enorme recesión. Por eso mi argumento ante empresarios y sindicalistas es el siguiente: si ustedes no establecen algún tipo de autorregulación de conductas, entonces nos obligan a regularlos con la tasa de interés, quitándoles aire. Pero es un método que castiga a todo el mundo, es un método perverso al cual no queremos llegar. ¿En qué nos diferenciamos básicamente de los liberales? En que nosotros no creemos que el mercado de trabajo se regule por la oferta

y la demanda como cualquier otro. Es un mercado para la negociación y el acuerdo. De modo que sostenemos la necesidad de que este mercado esté estabilizado para cualquier compromiso de conducta. Una conducta doble: que los empresarios aguanten y sean solidarios en su política salarial, y que los asalariados también. Todo esto hay que negociarlo.

— Porque este esquema ajusta básicamente por ocupación...

— Nosotros queremos salir de eso. La idea es que la recesión no sea el instrumento de control. Es un instrumento muy caro.

DUREZA SALARIAL

— Antes de pasar al tema recesión-reactivación hay otro punto de importancia. En algún momento, antes o después, el congelamiento de precios deberá flexibilizarse y ello se acompañaría por los salarios de alguna forma. Pero sin embargo, no podrán flexibilizarse las remuneraciones del sector público, ya que el presupuesto para este año prevé mantener el congelamiento por lo menos hasta fin de año. ¿No se trataría de una situación políticamente complicada, que obligaría a extender el control de precios hasta fines de 1985?

— En el sector público hay pocas esperanzas de aumento de salarios. Tampoco esto quiere decir que, por descarte, las haya en el sector privado. La política salarial va a seguir siendo dura hasta que nosotros tengamos suficiente garantía de que el comportamiento se va a poder acordar sobre la base de un mínimo de autorrestricción. Los dirigentes sindicales van a tener que darse cuenta de que su propia actitud frente a la política salarial es la que más va a ayudar a resolver el tema.

Nosotros tenemos cuatro flancos en los cuales avanzar simultáneamente. Primero, hemos cumplido con la emisión cero y no obstante lo que diga Alsogaray vamos a seguir cumpliendo. Pero hay una realidad y es que le estamos poniendo un corse a los gastos estatales; la primera tarea es esa, aunque también tenemos que racionalizarlos y reordenarlos ahora que está el presupuesto cerrado. Los otros fren-

tes están en el manejo financiero, el de precios y salarios y el de tipo de cambio.

— Con respecto al primer sector, hay quienes dicen que con el actual volumen de recursos congelado, el Estado puede atender sus gastos operativos y los intereses de la deuda, no así los compromisos de inversión.

— Efectivamente, baja la inversión. Pero hay que hacer algunas aclaraciones, porque algunos parecen no entender el tema. Ojo que este Estado sin déficit es un animal distinto al de antes. Hay una cosa cierta y es que los métodos de financiamiento tienen que cambiar.

Esta es una sociedad que se acostumbró, sobre todo en tiempos del Proceso, a que el Estado tenga un enorme gasto de inversión y segundo que las llamadas entre comillas empresas privadas habitualmente se convertían en empresas paraestatales; porque formulaban proyectos que requerían una alta proporción de financiamiento estatal. Hay muchos emprendimientos en el sector papel, cemento y

"Aquí la idea de las empresas paraestatales se terminó. Algunos proyectos van a tener que ser pensados de nuevo, ya que los que se lancen con alta financiación estatal están condenados. No tanto por la filosofía, sino porque no hay plata."

petroquímica, por ejemplo, que son dirección privada con financiación pública. Entonces aquí la idea de las empresas paraestatales se terminó. Algunos proyectos van a tener que ser pensados de nuevo. Nosotros tenemos el peor ejemplo en el polo petroquímico Bahía Blanca que por una financiación apoyada firmemente en el Estado, hace años que está demorado. Y ahora todos los proyectos que se lancen en este sentido están condenados. No tanto por la filosofía, sino porque no hay plata.

— ¿Qué ocurrirá con los proyectos que ya están en ejecución y seguramente tendrán menos fondos para continuar?

— Yo creo que a algunos

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proyectos habrá que reprivatizarlos.

— **¿Algún caso concreto?**
— Petroquímica Bahía Blanca, por ejemplo. Entiendo que toda la ejecutoria del complejo tendrá que ser reprivatizada. Y a otros proyectos que no se privaticen al menos habrá que replantear todo el programa de financiamiento.

— **¿Sería el caso de Yacretá o Atucha II?**
— Las dos obras tienen financiamiento. Yacretá quizás un poco más lento, pero estuvimos viendo con el Banco Mundial que aun así se puede salvar la rentabilidad del proyecto.

— **En otro orden, existe inquietud porque si bien el Estado formó un "colchón" de recursos antes de lanzar el plan, en buena medida puede haber sido contrarrestado por la alta inflación de junio. ¿Cuál es su opinión?**

— No tengo la información en detalle, pero no creo que sea un problema serio, sobre todo con la reducción del costo financiero implícito en los contratos.

EL DESAGIO COMO RECURSO FISCAL

— **Con respecto al desagio, que había sido anunciado como de efecto neutro, ¿hasta qué punto no se está convirtiendo en un impuesto más desde el momento en que el Estado lo aplica para sus pagos (proveedores) y no para sus cobros (impuestos de la DGI)? ¿Esto estaba implícito en la reforma?**

— Está explícita la recuperación de la capacidad impositiva del Estado. Nosotros queremos aumentar la capacidad de recaudación.

— **¿Pero no es un mecanismo inequitativo planteado de esta forma?**

— El tema acá es el siguiente, que me parece que alguna gente no lo capta. Hay dos posibilidades de obtener los recursos que necesita el Estado: 1) mediante impuestos o tarifas y 2) mediante el impuesto inflacionario. Aquí hay una sustitución. Todos los que dicen que con los aumentos de tarifas e impuestos se aprieta a la sociedad y se le quita más que antes, mienten. Antes se le sacaba el impuesto inflacionario, ahora un impuesto explícito. De modo que lo que hemos hecho al no desagiar fue capturar los recursos adicionales que necesitábamos para cerrar el esquema. No es neutro en la medida que dejamos de percibir el impuesto inflacionario que golpea mayormente a ciertos sectores de la población y percibimos un impuesto que no necesariamente afecta al mismo sector.

— **¿La misma explicación vale para los proveedores del Estado, a los que se desagia deudas anteriores a la reforma?**

— En general, el proveedor del Estado con mucha razona-

bilidad en el pasado se cubría no sólo con la indexación sino con un plus por riesgos adicionales de no cobro, etc.

COMO ACTUAR SOBRE LA BRECHA CAMBIARIA

— **Ud. señalaba antes como ejemplo de las expectativas que impiden la liberación de precios la existencia de una alta brecha cambiaria. ¿Inversamente, si la brecha baja y se mantuviera ello significaría que estarían dadas las condiciones para descongelar?**

— Nosotros podemos hacer bajar el dólar, pero a costa de una suba de la tasa de interés. Entonces, una situación óptima sería que la brecha se cierre con una tasa de interés, digamos, cercana a la internacional. No lo vamos a conseguir en tres meses. Por ahora, entonces, tenemos que acudir a medidas duras para cerrar la brecha; y lo vamos a hacer, pero no nos satisface.

— **¿Por qué en lugar de mirar la brecha y la tasa de interés no se ofrece en cambio un programa de reactivación?**

— Para que haya reactivación tiene que bajar la tasa de interés. Tenemos varias ideas al respecto. Uno no puede esperar a que la gente se convenga de que la inflación es un hecho del pasado.

— **¿No existe a su juicio una expectativa de ajuste cambiario, desde el momento en que el tipo de cambio efectivo fue congelado en un nivel bajo tras la devaluación fiscalista de junio?**

— Cuando podamos bajar las retenciones lo haremos. Para ello será necesario que el Congreso apruebe cuanto antes el ahorro obligatorio y vaya dando curso a la reforma impositiva. La mejor del tipo de cambio vendrá por esa vía.

SIN PLANES MAGICOS PARA REACTIVAR

— **Sin duda el plan se orienta prioritariamente a bajar la inflación, pero aun alcanzando esa meta corre el riesgo de lograr la paz de los cementerios. ¿Por qué vía vendría la reactivación, si la exportación está desalentada por un tipo de cambio relativamente más bajo, la inversión pública restringida por las limitaciones presupuestarias, la inversión privada por el congelamiento de precios y la tasa de interés comprime la demanda interna, entre otros condicionantes?**

— Yo no creo en planes mágicos ni que en lo inmediato haya una posibilidad de reactivar vía inversión pública. Aquí hay dos elementos: uno que se refiere a la reactivación y otro al proceso de inversión, acumulación y crecimiento. Con respecto a la reactivación, el problema de recesión venía de antes y se complicó por un efecto no deseado y, honestamente, no muy previsto, que es el redimensionamiento de los stocks de las empresas productoras, que es un problema

friccional que va a recomponerse. En cuanto a las exportaciones, estamos apuntando a corregir rápidamente la situación, porque cuando lanzamos el plan no tuvimos tiempo de replantear el problema arancelario. Con el ajuste de un parche rápido para que el esquema cierre y nos comprometimos a trabajar inmediatamente en una reestructuración, que está estudiando Ricardo Campero.

Por otra parte hemos insistido, e insisto, en que las empresas van a tener que plantear seriamente, una vez terminada la fantasía o el oscurecimiento de la inflación, un programa exportador. Es su salida.

— **¿La reactivación vendrá por ahí?**

— El impulso de reactivación básico va a tener que venir por ahí. Ahora, nosotros podemos conseguir reactivaciones más pequeñas, alimentar un poco la demanda interna por algunos métodos, que se encuentran condicionados. El primer problema es el siguiente: no hemos estabilizado todavía el sistema financiero de

"El impulso básico de la reactivación va a tener que venir por el lado de las exportaciones. Esa es la salida, sin perjuicio de que podamos inducir reactivaciones más pequeñas. También hay varios buenos proyectos que pueden ponerse en marcha."

manera que los bancos que toman a corto presten a largo plazo; esto es importante. No se trata sólo de la tasa de interés sino de la conducta de los bancos, que hasta ahora se han limitado a calzar operaciones por un factor natural de incertidumbre. Quizá a través de los bancos oficiales podamos pensar en algunos programas específicos, como vivienda, por ejemplo.

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— **¿Esto implicaría un cierto grado de déficit para reactivar?**

— No. Nosotros tenemos un duro compromiso de mantener redescuentos en cero hasta octubre. Después no hay nada dicho. Esto no quiere decir que lo vayamos a hacer; en su momento se verá. Pero creo que si estabilizamos la expectativa del sector financiero podemos dar un poco más de aire, no cambiar estructuralmente el funcionamiento de la economía. En este sentido, tenemos la exportación —previa revisión de aranceles y retenciones— y después los programas de inversión, que van a tener que basarse en el sector privado. Hay varios buenos proyectos (gas, fertilizantes, etc.) donde falta reordenar la estructura legal y hacer un programa financiero

razonable. A mí me parecería un disparate hacer una privatización sobre la base de un esquema financiero fantástico, no serviría para nada. También se puede recurrir a organismos internacionales de financiamiento público. Por ahora no puedo ser demasiado preciso, pero una de las claves estará en la estabilización de la operatoria financiera, donde tiene que haber una política preanunciada. Como conclusión, yo diría que como sociedad recién estamos entrando en conocimiento de las nuevas reglas de juego; y estas que ha pasado ha servido para decir: "parece que a la inflación podemos frenarla", no que ya la tenemos frenada y entonces ahora sí habrá que revisar cuentas y conductas, sobre la base de una nueva plataforma.

— **¿No se corre el riesgo de "engolosinarse" con los bajos índices de julio y mantener situaciones de precios repñidos?**

— Quienes nos conocen saben que somos hipercríticos con nuestra tarea. Es riesgo que descarto. El caso de Israel lo tenemos muy presente.

— **¿Habrá incorporación de economistas del justicialismo al equipo económico?**

— No ahora. Para nosotros sería muy valioso contar a cualquiera de ellos; pero no olvidemos que la participación que eventualmente podrían tener no depende exclusivamente de sus capacidades individuales sino de que se transformen en un acto político. No estamos en actitud de cerrarnos, pero antes de noviembre parecería muy difícil algo así.



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Office Memorandum

To: Mr. Stuart

July 24, 1985

From: Manuel Guitián *7/26/85*

Subject: Argentina--Review of Stand-By Arrangement

I have written directly on the attached copy of the report the comments and questions prompted by a rapid perusal of its contents. In this note I will confine myself to a few general issues.

Given the nature of the program, and more generally, of the global strategy adopted by the authorities, the paper could stress even more than it does now the critical importance of holding to the established track whatever the short-term course of events in the economy. Firm resolve in implementation (even more than the adoption of the strategy itself) will be what counts to bring results, thereby distinguishing this from more gradual approaches. I have suggested a sentence to this effect in the appraisal, but there may be additional sections where this message could be conveyed as well.

On the specific policy content of the program, I thought a more critical assessment is warranted for the public sector finances. Not only the brunt of the adjustment falls on the revenue side, but it is predicated on the basis of debatable revenue sources (e.g., trade taxes or forced saving schemes). It would be more accurate, and also prudent, to bring this out clearly, even if the assessment is then qualified by stressing the absence of better alternatives in the short term. This aspect of the program affects the medium-term outlook and some references to it could be included in that section. Still on the public finances, there is a presentational matter worth raising: changes in concept (e.g., budget versus cash positions) and comparisons between periods with sharply different inflation developments (pre-June 1985 and thereafter) are quite confusing and either call for more elaboration or for appropriate caveats.

In the monetary area, the arguments for the choice of variables used to establish the ceilings on net domestic asset expansion is not persuasive. Difficulties in forecasting monetary behavior in situations like the current one in Argentina affect projections of all money concepts, not just those of a particular component. If I understand the process correctly, the ultimate forecast on which this aspect of the programming exercise in Argentina was based relates to a broad (banking system) monetary variable. Reserve money was then taken to represent a constant share of that broader monetary variable in order to set the ceilings. I think a reasonable argument can be made that fluctuations in a broader money concept are likely to be less pronounced than those in narrower components; this can be said in the paper directly.

I had difficulty with the analysis in the paper in the areas of capital inflows, exchange rates, monetary control, and presumably potential inflationary pressures. It is not clear what is meant in the paper by monetary control. Inflows that reflect resumption of confidence may result in larger than forecast monetary expansion, but not to increases in global spending; in this case, inflation performance would not be impaired and the exchange rate differential would tend to disappear. If the inflows are of a different nature (and some explanation should exist for their presence), either less domestic financing will be demanded or expenditure will exceed the programmed path; in the first instance, no monetary control issue would arise and in the latter, it is indeed doubtful that the steps adopted by the authorities represent an appropriate response to the problem. In any event, it is paradoxical that in the same report we talk about excess capital inflows, the need to raise resources abroad in a situation where arrears abound.

I have two final comments on the external sector: the treatment of exchange rate policy is somewhat muted and I would suggest that more stress be placed on safeguarding competitiveness. On international reserves, it would be useful to have a separate section discussing this subject on the basis of developments described in Table 5 as well as on the program's reserve management objectives. This would also be an appropriate section to discuss the position vis-à-vis the Fund.

I attach a brief list of detailed points that complement those marked in the text of the paper.

Attachments

cc: Mr. Finch
Mr. Habermeier
Mr. Nicoletopoulos
Mr. Tanzi
Mr. Wiesner

Argentina - Draft Report on
Review of Stand-By Arrangement
Specific Points

1. Medium-Term Outlook

The text and table on the medium-term outlook and projections should conform to standard practices and guidelines of presentation: for example, more disaggregated information on Table 15 would be useful (gross flows, amortization, standard definition of gap, etc.) The External Finance Division can be of assistance on this front.

2. Arrears

The implications for the performance criterion on arrears as well as for the restrictions clause of the obligations to official creditors falling due during the first quarter of 1986 are not clear. These are not covered in the January 1985 Paris Club agreement and are assumed to be rescheduled on terms similar to those of the 1985 agreement. It needs to be made sure that these obligations do not give rise to conflicts with regard to the commitments under the arrangement.

3. Other

-- Appendix I on Fund relations should list arrangements in effect during the last ten years.

-- There are data in some of the tables that need checking:
Table 8: balance of payments and reserve movements (rev. proj. 1985);
reserve movements and sum of its components (rev. proj. 1985).

-- Data on arrears in Tables 5, 8, 16 and Table 5 Attachment III need a consistency check.

-- Table 12 should show debt service ratios before and after rescheduling.

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15 FOLLOWING ANENDMENTS THAT HAVE BEEN DISCUSSED WITH YOUR

14 OFFICIALS AND COMMUNICATED TO THEM IN RECENT DAYS.

13 1. IN THE FINAL SENTENCE OF PARAGRAPH 1 REPLACE QUOTE

12 AVAILABLE EXTERNAL FINANCING UNQUOTE WITH QUOTE EXTERNAL

11 FINANCING CONSISTENT WITH THE PROGRAM UNQUOTE.

10 2. AT THE END OF PARAGRAPH 1 ADD QUOTE THE COMMITMENTS

9 SET OUT IN OUR LETTER OF JUNE 11, 1985 CONTINUE TO

8 REFLECT THE POLICIES OF THE GOVERNMENT EXCEPT AS MODIFIED

7 BY THIS LETTER UNQUOTE.

6 3. IN THE FINAL SENTENCE OF PARAGRAPH 2, REPLACE QUOTE

5 END OF JULY 16, 1985...1.478 PESOS UNQUOTE WITH QUOTE END

4 OF JULY 1985, AT WHICH TIME THE AUSTRAL WILL BE WORTH

3 1,478 PESOS UNQUOTE.

2 4. IN THE FINAL SENTENCE OF PARAGRAPH 4, REPLACE QUOTE

1 LIFTING OF THE FREEZE UNQUOTE WITH QUOTE LIFTING OF THE

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18 WAGE-PRICE FREEZE UNQUOTE.

17 5. IN THE FINAL SENTENCE OF PARAGRAPH 6, REPLACE QUOTE

16 ABOUT 4 PERCENT OF GDP, UNQUOTE WITH QUOTE ABOUT

15 4 PERCENT OF GDP FOR 1985 AS A WHOLE, UNQUOTE.

14 6. IN THE FIRST SENTENCE OF PARAGRAPH 7 REPLACE QUOTE

13 BUDGET AND CASH UNQUOTE WITH QUOTE BUDGET (COMMITMENT)

12 AND CASH UNQUOTE.

11 7. IN THE FOURTH SENTENCE OF PARAGRAPH 8 REPLACE QUOTE

10 ENTERPRISES ARE MAKING WEEKLY DEPOSITS WITH THE CENTRAL

9 BANK UNQUOTE WITH QUOTE ENTERPRISES WILL MAKE WEEKLY

8 DEPOSITS WITH THE STATE OWNED BANCO DE LA NACION UNQUOTE.

7 8. IN THE THIRD SENTENCE OF PARAGRAPH 14 REPLACE QUOTE

6 ABOUT 30 PERCENT IN RELATION TO THE U.S. DOLLAR AND

5 27 PERCENT IN RELATION UNQUOTE WITH QUOTE ABOUT

4 30 PERCENT IN RELATION TO THE U.S. DOLLAR AND IN RELATION

3 UNQUOTE.

2 9. FINAL SENTENCE OF PARAGRAPH 15, REPLACE QUOTE HAS

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TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

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IM - OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT
WHEN ALIGNING INTO LINE 23

START ADDRESS IN THE BOX	23	LIST OF 2	D O N O T T Y P E H E R E	
	22	ARGENTINA		
	21	PAGE 3		
START TEXT HERE	18	REFINANCING SO AS TO AVOID UNQUOTE WITH QUOTE HAS JUST	DISTRIBUTION	
	17	LENGTHENED THE MAXIMUM PERIOD FOR EXPORT PREFINANCING TO		
	16	90 DAYS FOR GRAINS AND OILSEEDS AND 120 DAYS FOR OTHER		
	15	TRADITIONAL EXPORTS AFFECTED BY THE MEASURE OF THE		
	14	BEGINNING OF JULY SO AS TO AVOID UNQUOTE.		
	13	9. FINAL SENTENCE OF PARAGRAPH 13, REPLACE QUOTE HAS		
	12	JUST STARTED PERMITTING ACCESS TO THESE DEPOSITS, SUBJECT		
	11	TO WITHDRAWAL LIMITS UNQUOTE WITH QUOTE HAS JUST TAKEN		
	10	MEASURES TO PERMIT ACCESS TO THESE DEPOSITS, SUBJECT TO A		
	9	MAXIMUM WITHDRAWAL LIMIT OF USDOLLARS 1,500 PER DEPOSIT		
8	UNQUOTE.			
7	10. IN TABLE 3, FOOTNOTE 1, FIRST SENTENCE, REPLACE			
6	QUOTE (AS DEFINED IN TABLE 4 OF THE JUNE 11, 1985 LETTER			
5	ON ECONOMIC POLICY) VALUED AT UNQUOTE WITH QUOTE (AS			
4	DEFINED IN TABLE 4) VALUED AT UNQUOTE			
3	IF YOU WOULD CONFIRM THAT THESE CHANGES ARE APPROPRIATE I			
2	WOULD PROPOSE THAT THE LETTER BE DATED AND SUBMITTED TO			
1	EXECUTIVE DIRECTORS ON JULY 22, 1985.			
	SPECIAL INSTRUCTIONS	↑ TEXT MUST END HERE ↓		
A				
B				
C	TELEX NO.:	CABLE ADDRESS:		
D	DRAFTED BY NAME (TYPE):	EXT.:	DEPT.:	DATE:
E	AUTHORIZED BY NAME (TYPE):	AUTHORIZED BY NAME (TYPE):	() ←	
F	Log _____			
	TYPE ** ON LAST OR ONLY PAGE OF MESSAGE			

IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT
WHEN ALIGNING INTO LINE 23

START ADDRESS IN THE BOX	23	LIST OF 2	D O DISTRIBUTION N O T T Y P E H E R E
	22	ARGENTINA	
	21	PAGE 4	
	20		
	19		
	18	REGARDS,	
	17	J. DE LAROSIERE	
	16	MANAGING DIRECTOR	
	15	INTERFUND	
	14		
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	SPECIAL INSTRUCTIONS ↑ TEXT MUST END HERE ↓		
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C	TELEX NO.:	CABLE ADDRESS:	
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E	AUTHORIZED BY NAME (TYPE) _____	AUTHORIZED BY NAME (TYPE) _____	DATE: _____
F	Log _____		(**) ← TYPE ** ON LAST OR ONLY PAGE OF MESSAGE
G	SIGNATURE _____ (PLEASE KEEP SIGNATURE IN SPACE ALLOWED)		SIGNATURE _____

IF
REQUIRED
INITIAL
BELOW

DISPATCHED IMF

1985 JUL 19 AM 5-22

LIST OF 2
ARGENTINA

MR. JUAN V. SOURROUILLE
MINISTER OF ECONOMY
MINISTRY OF ECONOMY
BUENOS AIRES, ARGENTINA

39021952
21952 MINEC AR.

MR. J. J. ALFREDO CONCEPCION
PRESIDENT
CENTRAL BANK OF ARGENTINA
BUENOS AIRES, ARGENTINA

39024031
24031 BCFA AR.

Table 1. Argentina: Operations of the Public Sector
(In percent of GDP)

	Nonfinancial Public Sector			Operating Result of the Central Bank	Combined Deficit of the Non- Financial Public Sector and the Central Bank
	Revenue	Spending	Deficit (-)		
<u>I. Budget Basis</u>					
1983	21.8	37.4	-15.6		
1984	22.4	34.4	-12.0		
1985	25.1	29.2	-4.1		
<u>II. Cash Basis</u>					
1983	21.7	32.1	-10.4	-1.1	-11.5
1984	22.5	30.7	-8.2	-2.7	-10.9
1985	25.3	28.9	-3.6	-2.4	-6.0
<u>1983</u>					
I	20.4	25.5	-5.1	-0.3	-5.4
II	24.4	30.2	-5.8	-1.4	-7.2
III	22.9	31.4	-8.5	-0.5	-9.0
IV	20.3	35.3	-15.0	-1.4	-16.4
<u>1984</u>					
I	20.5	29.1	-8.6	-3.4	-12.0
II	21.5	31.0	-9.5	-2.2	-11.7
III	21.7	27.6	-5.9	-3.1	-9.0
IV	23.9	32.8	-8.9	-2.3	-11.2
<u>1985</u>					
I	19.1	27.0	-7.9	-2.9	-10.8
II	22.6	30.1	-7.5	-5.6	-13.1
III	26.9	27.7	-0.8	-1.2	-2.0
IV	27.7	29.7	-2.0	-1.0	-3.0
<u>1986</u>					
I	25.4	25.8	-0.4	-0.8	-1.2

Table 2. Argentina: Limits on the Cash Deficit of the Nonfinancial Public Sector, the Combined Deficit of the Nonfinancial Public Sector and the Central Bank, and Treasury Outlays

(In millions of australes)

	Cash Deficit of the Nonfinancial Public Sector	Combined Deficit of Nonfinancial Public Sector and the Central Bank	Treasury Outlays
July 1985	50.0	100.0	550.0
July-September 1985	105.0	260.0	1,630.0

Table 3. Argentina: Targets for Cumulative Changes since June 1985 in the Net Domestic Assets of the Central Bank 1/

(In millions of australes)

July 1985	500.0 <u>2/</u>
September 1985	800.0 <u>3/</u>

1/ Net domestic assets of the Central Bank are defined as monetary liabilities of the Central Bank minus net international reserves of the monetary authorities (as defined in Table 4) valued at the exchange rate of \$ 0.800 per U.S. dollar. For purposes of this measure, the monetary liabilities of the Central Bank are defined as each month's average broad money (currency in circulation plus all local currency-denominated deposits in the consolidated financial system not including accrued interest, plus central bank paper held by the nonfinancial private sector) times a factor of 0.445. This factor corresponds to the estimated average value in June 1985 of the ratio of the Central Bank's monetary liabilities (currency issue plus deposits of financial intermediaries in the Central Bank plus central bank paper held by the nonfinancial private sector) to broad money. The targets have been set on the basis of estimated monetary liabilities for June 1985 and will be adjusted to allow for the difference between the preliminary and the definitive estimates of monetary liabilities, once the definitive estimate is available.

2/ The increase in the July average reflects the rise in monetary liabilities of the Central bank during the course of June. The limit for July is consistent with the same level of net domestic assets at end-June and at end-July.

3/ The increase in net domestic assets in August and September can be attributed almost completely to onlending by the Central Bank of increases in its foreign liabilities.

Table 4. Argentina: Targets for Net International Reserves
of the Monetary Authorities 1/

(In millions of U.S. dollars, end of period)

<u>1984</u>	
December	-8,263
<u>1985</u>	
March	-9,204
June	-9,015
July	-9,015
September	-9,217
December	-9,913

1/ For measuring balance of payments performance, international reserve assets and liabilities in currencies other than the U.S. dollar will be converted to U.S. dollars at the market exchange rates of June 30, 1984 and gold will be valued at US\$325 per fine troy ounce. The net international reserve targets will be adjusted for any other changes in the value of reserve assets and liabilities that result from factors other than balance of payments flows. The data for December 1984 and March 1985 are presented for purposes of defining the series, and the figure for June 1985 is a preliminary estimate.

Table 5. Argentina: Limits on Outstanding External
Payments Arrears 1/

(In millions of U.S. dollars, end of period)

December 1984	4,162
March 1985	3,543
June 1985	3,400
July 1985	3,650
September 1985	1,800
December 1985	1,100
March 1986	---

1/ For purposes of these limits, external payments arrears are defined to exclude: (a) principal amounts subject to rescheduling under general principles agreed between Argentina and its foreign bank creditors; (b) principal on loans originally covered by swap contracts with the Central Bank; (c) certificates of deposits placed with the Central Bank in conformity with circulars A-404, A-562, A-576, A-696, and A-697; (d) principal on loans for which the domestic private sector borrower obtained an exchange rate guarantee from the Central Bank in 1981 or 1982; and (e) arrears refinanced in accordance with the Paris Club Agreed Minutes. The data for December 1984 and March 1985 are included for purposes of defining the series, and the figure for June 1985 is a preliminary estimate.

WITHDRAWAL NOTICE**PROJECT**

Project number 2006-001
Project name WHDAI/Western Hemisphere Immediate Office
Project tab number 38
Project box number 1

DOCUMENT

Series / File Argentina - General Correspondence (75081)
Original box / file No 13 / 4
Date 1985-07-09
Type Attachment
From J. Ferran
To MD & DMD
Subject / Title Understanding on Actions that Will be Taken by the Government of Argentina
Prior to the Executive Board Consideration of the First Review of the Program
Number of pages 2
Classification SECRET
Authority Western Hemisphere Department

COMMENTS

**THIS DOCUMENT IS IN THE COURSE OF A SYSTEMATIC
PUBLIC DISCLOSURE REVIEW PROCESS**

Entered by jdurkin

Entered on 2006-08-24



Office Memorandum

File

TO : Mr. Lachman
DATE: July 1, 1985

FROM : L. Molho *LM*

SUBJECT : Argentina--World Bank Review Meeting on Country Program Paper

This memorandum summarizes the CPP discussion on Argentina that took place during the June 27 meeting of the World Bank's Operations Policy Subcommittee. Mr. Stern chaired the meeting while Messrs. Scherer, Levy, and Jaspersen were also in attendance.

The discussants expressed cautious optimism about the outcome of the economic adjustment program recently announced in Argentina. The view was expressed that the highly preliminary evidence on the package was quite encouraging. Prices seemed to have stabilized and the Austral, the new monetary unit pegged to the U.S. dollar, was trading above par. The business community's reaction seemed favorable and even though labor has expressed opposition to the new measures it appeared unlikely to stage major strikes.

It was generally agreed that the long-term effects of the measures would depend on the Government's will to adopt the much needed supporting measures. These latter measures would need to include not only the streamlining of the public sector's operation but also measures to promote exports and foreign investment as well as to rationalize industrial incentives. Crucial in this regard would be the adoption of appropriate exchange rate and fiscal policies. It was noted that progress in these areas was likely to be slow, in light of the probable reaction on the part of the interested parties. The discussants pointed out that the Bank's ability to encourage the early implementation in Argentina of the required policies was quite limited in the short run.

In the next two years, the Bank plans to focus its work on the agricultural sector loan program, while initiating discussions on the industrial sector. However, an industrial sector loan program could certainly not be in place before fiscal 1987, owing to the virtual absence of dialogue between the Bank and Argentina in recent years.

One of the conditions for the disbursement of the agricultural loan would be the lowering of export tax rates, with the revenue loss to be compensated by the introduction of a land tax. Although export taxes were raised as part of the recent economic adjustment program, this was more than offset by the 80 percent devaluation. The Bank staff hoped that the export tax rates could be rolled back by year end and it estimated that, by early 1987, the new land tax could make up for up to 30 percent of export tax revenues. Notwithstanding the possibility of delays in the implementation of the land tax, the discussants were of the view that the Bank should not relax its stance on conditionality. The consensus was that the Bank should not make contingency plans to supply Argentina with alternative sources of funds if the agricultural

loan were not disbursed, since this loan was viewed as the only proper channel of funds in the short run.

cc: Mr. Beza
Mr. Ferran
Mr. Stuart