



SAITO, Carlos
ROOM 11-320

0451

EBS/95/146

CONFIDENTIAL

August 30, 1995

To: Members of the Executive Board
From: The Secretary
Subject: Argentina - Letter of Intent and Memorandum of Economic Policies

Attached for consideration by the Executive Directors is a letter of intent from the President of the Central Bank of Argentina and the Minister of Economy and Public Works and Services of Argentina requesting a waiver and modification of performance criteria under the extended arrangement, together with a memorandum on economic policies of the Government of Argentina.

This subject, together with the staff report for the 1995 Article IV consultation with Argentina and its request for a waiver and modification of performance criteria under the extended arrangement (to be issued), is tentatively scheduled for discussion on Wednesday, September 27, 1995.

Mr. Hardy (ext. 37158) or Mr. Traa (ext. 36876) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads

Buenos Aires, August 29, 1995

Dear Mr. Camdessus:

The attached policy memorandum and annexed tables describe developments under the program of the Government of Argentina in the first half of 1995 and the revised objectives and targets that are proposed for the rest of the year. In view of the greater-than-expected slowdown in domestic absorption (reflected not only in a stronger adjustment in the external current account but also in a sharp increase in unemployment and a drop in public sector revenue), and the reopening of access to international credit markets, the Government is requesting a waiver of the application of the nonobserved performance criterion of the program in June 1995 as well as certain modifications of the performance criteria of the program for September and December 1995.

The Government of Argentina believes that the measures taken are adequate to achieve the objectives of its program. The Argentine authorities will maintain close relations with the Fund and will consult on the adoption of any measures that may be needed, in accordance with the Fund's practices on such consultations.

Sincerely,

/s/
Roque Fernandez
President
Central Bank
of the Republic of Argentina

/s/
Domingo F. Cavallo
Minister of Economy and
Public Works and Services

Policy Memorandum

In the wake of the crisis in Mexico, during the first half of 1995 Argentina experienced a substantial capital outflow and a sharp decline in bank deposits. Direct foreign financing to the private sector was severely restricted and there was a sharp contraction in credit available to consumers and small and medium-sized enterprises. Even though the loss in bank deposits was accommodated largely by the Central Bank through a reduction in reserve requirements and special rediscounts and swaps, this could not prevent a credit squeeze that led to a slowdown in the growth of real GDP in the first quarter and a moderate recession in the second quarter, compared with the corresponding periods of 1994. The effects of the contraction in domestic demand were attenuated by record agricultural production and a major adjustment in Argentina's external accounts. Merchandise exports rose by 45 percent and imports declined by 5 percent in the first half of 1995, compared with January-June 1994, and the trade account shifted from a deficit of US\$3 billion to a surplus of US\$1 billion over the same period. At the same time, during the first half of 1995 consumer prices rose by only 1 percent and wholesale prices by 4.4 percent, while urban unemployment jumped to 18.6 percent of the labor force in May 1995, from 12.2 percent in October 1994, largely as a result of a sharp increase in the labor force participation rate.

For the year as a whole, the external current account deficit as measured by the IMF is now projected to decline to US\$3.7 billion (1.3 percent of GDP), from US\$10 billion (3.7 percent of GDP) in 1994--about 0.7 percent of GDP lower than programmed. ^{1/}

The sharp adjustment in the external current account, the reversal of capital outflows (reflected in the recovery by early August of half of the loss in bank deposits that took place between December 1994 and early May 1995), the recovery of stock and bond prices to the pre-crisis levels, and the recent reopening of access to the international capital markets with the successful placement of a five-year Dm1 billion bond in August at favorable terms are evidence that Argentina's economic program is succeeding in its basic objective of assuring external viability over the medium term. Furthermore, the problems that emerged in the financial sector are well under way to being resolved, requiring less resources from the Trust Funds than originally expected, and the financial system is emerging stronger and more efficient.

These economic developments, however, have also had a strong impact on the public finances. In particular, the sharp contraction in domestic consumer demand and increased tax evasion combined to produce a revenue

^{1/} As measured by the authorities, the 1995 current account deficit is projected at US\$2.0 billion (0.7 percent of GDP), compared with US\$8.2 billion (2.9 percent of GDP) in 1994.

shortfall of about Arg\$1.6 billion (2 percent of quarterly GDP) in the second quarter of 1995 compared to program--a trend that is continuing in the third quarter. In order to meet the program fiscal targets for June, payment of the wealth tax was advanced and wage and other current payments were delayed. However, it is now estimated that there will be a revenue shortfall of more than Arg\$6 billion (over 2 percent of GDP) for the year as a whole, that will be only partly compensated by lower transfers of shared revenues to the provinces. Even though the Government expects to hold noninterest expenditures some Arg\$2 billion (0.7 percent of GDP) below original program targets, and is making additional efforts to reduce tax evasion and encourage employment, as described further below, it will be possible to attain a balanced overall fiscal position (excluding privatization receipts) only in the fourth quarter of 1995, and a deficit of Arg\$2.4 billion in the nonfinancial public sector is now projected for 1995 as a whole, which will be covered by privatization receipts. This compares with an overall surplus of Arg\$2 billion under the original program, excluding privatization receipts.

At the same time, the financing constraint on the public sector that was foreseen in March 1995, when the program was adopted, has eased significantly. Moreover, as noted, the restructuring of the commercial banking system is expected to require less resources than programmed. Indeed, with the resources already received and the expected proceeds from privatizations, the Government of Argentina will have more than sufficient resources to cover the required amortization of the public sector debt and the restructuring of the banking system without a need for generating the budgetary surplus that was programmed.

As financial conditions return to normal and the economy picks up momentum, tax collections are expected to recover. To encourage this process, in mid-August facilities were introduced to encourage payment of tax arrears and improve compliance. The first covers tax liabilities (including arrears to the social security system) accrued prior to December 1994 which may be discharged with public sector bonds or cash in 48 monthly installments, and the second facility covers tax liabilities accrued in the first half of 1995 which will be converted into notes, payable in 30 monthly installments. These notes will be discounted by the Government with the banks, an operation which is expected to yield at least Arg\$1 billion in revenue in the last quarter of 1995. Other initiatives to improve tax compliance include the introduction of a requirement for shareholdings to be identified and for the dividends to be made subject to withholding against the income tax, introduction of a personal fiscal compliance card, that will be required for most significant economic transactions, introduction of an incentive for middle and upper income consumers to ask for receipts, and introduction of nonerasable cash registers at the point of sale for the VAT.

The Government of Argentina is deeply concerned by the rise in unemployment, which has affected men and women of all ages in virtually all areas of the country, and is doing all within its power to alleviate and

overcome this problem. The administration of the unemployment fund is being improved to permit an increase in the number of beneficiaries; conditions have been made more flexible for part-time employment; a new apprentice program set up; and job training programs and incentives are being strengthened. In this regard, the Government considers that the high level of taxation on labor is a disincentive to employment and a cause of widespread tax evasion, and has therefore decided to lower employer social security contributions, that currently range from 33 percent in Buenos Aires to 16 1/2 percent in outlying provinces, by 30 percent in three equal steps, for all sectors, in September and November 1995 and January 1996. The initial revenue loss from this measure is expected to be recovered during 1996 through improved coverage and better administration of the social security system, in which evasion and noncompliance is currently estimated to be around 40 percent. All considered, using comparable tax rates, tax collection in 1996 as a share of GDP is expected to be higher than the projected level for 1995 but still lower than in 1993 and 1994, further indicating the scope for reducing tax evasion.

The Government of Argentina remains fully committed to the maintenance of fiscal and financial equilibrium as the guarantor of the Convertibility Plan and the prerequisite for maintaining confidence, encouraging capital inflows and resuming economic growth. For that purpose, the nonfinancial public sector will be in overall equilibrium on a cash basis in 1996, excluding privatization receipts. To achieve this goal, total expenditure (in nominal terms) will not exceed the level of outlays agreed for the 1995 program and all necessary measures will be taken to assure the required level of revenue.

The Government of Argentina intends to press forward with key structural reforms to improve the flexibility and efficiency of the economy. A new Bankruptcy Law was approved in Congress recently, and a new Work-related Accidents Law, which is expected to reduce labor costs substantially, has been passed by the Lower House and is expected to receive full Congressional sanction shortly. A new law has been approved that allows significantly more flexibility to enterprises with up to 40 employees as regards employment conditions and the negotiation of collective contracts. A new Collective Bargaining Law is to be submitted shortly to Congress which will contribute to decentralized labor negotiations, greater flexibility in labor practices, and increased employment opportunities.

The Government also has decided in recent days to transfer honorary pensions from the social security administration to the Social Development Secretariat, with the objective of ensuring that they are awarded henceforward exclusively on the basis of need. Similarly, medical attention for such pensioners will be handled henceforward by the Social Development Secretariat, on the basis of competitive bids, rather than through the Medicare system (PAMI) as at present. At the same time, PAMI will cease its involvement in providing ancillary services (such as tourism) and concentrate only on providing health care to pensioners, reducing costs and improving efficiency. The Government has also set up a system of automatic

distribution of funds to health plans (obras sociales), and plans to undertake further reforms in this area with assistance from the World Bank.

Substantial progress is being made by the provinces in reducing their fiscal deficits. With assistance from the World Bank and IDB, the privatization of some 8 out of the 27 provincial banks is expected to have been completed by year's end, and a further 6 provincial banks are well on the way to privatization. Several provinces are already privatizing their electric and water companies, and the province of Buenos Aires has announced its intention to privatize its electric utility. Reflecting these reforms, including reductions in wages and in special pensions, the cash deficit of the provinces, which was estimated at 0.7 percent of GDP in 1994, will decline substantially in 1995.

Given the external and domestic financing framework, the stronger-than-expected adjustment taking place in the economy, and the changed external prospects of the country, the Government of Argentina is convinced that its current policy stance is appropriate, and that the above described policies and measures are sufficient to maintain the viability of its program. In light of the overall evolution of the program, and the measures that have been adopted, the Government of Argentina therefore is requesting a modification of the targets and performance criteria under the program for September and December 1995 as indicated in the attached table. The Government of Argentina also intends to request a successor arrangement from the Fund in 1996 in support of its economic program and stands ready, as necessary and in a timely way, to adopt whatever measures are required to achieve the program's objectives of fostering sustained economic growth in conditions of internal and external viability.

Table 1. Argentina: Quantitative Performance Criteria and Indicative Targets for 1995

	Original Program		Prel. Outturn	Revised Program	
	Stock Dec. 1994	Dec. 1994- June 1995	Dec. 1994- June 1995	Dec. 1994- Sept. 1995	Dec. 1994- Dec. 1995
(In millions of pesos)					
1. Quantitative performance criteria					
Overall deficit (-) or surplus of the nonfinancial public sector <u>1/</u>		-835	-862	-2,400	-2,400
Combined deficit (-) or surplus of the nonfinancial public sector and the Central Bank <u>1/ 2/</u>		-835	-794	-2,350	-2,350
Cumulative ceiling on noninterest expenditure of the National Administration <u>3/</u>			22,570	34,730	46,230
Cumulative change in the net domestic assets of the Central Bank <u>4/</u>		3,370	2,379	2,870	2,210
(In millions of U.S. dollars)					
Cumulative change in the free international reserves of the Central Bank <u>5/</u>		-1,990	-802	-1,190	-190
Total debt of the public sector					
Total outstanding external and domestic debt <u>6/ 7/ 8/</u>	80,805	84,195	82,923	83,970	83,355
Cumulative net increase of domestic debt <u>8/</u>		600	-1,414	300	
Cumulative net increase in short-term external debt <u>8/ 9/</u>		700	-78	700	700
2. Indicative target					
Cumulative change in the net international reserves of the Central Bank <u>10/</u>		-5,940	-5,007	-4,540	-2,745

1/ The nonfinancial public sector, as defined under the program, excludes the provincial nonfinancial public sector. Excludes receipts from privatization.

2/ The deficit (-) or surplus of the Central Bank of Argentina (BCRA) is defined as net interest earnings less transfer payments to the Government.

3/ The ceiling will be adjusted up or down for any excess or shortfall from the program level in automatic revenue transfers to the provinces under the revenue sharing arrangements.

4/ The net domestic assets (NDA) are defined as the difference between the monetary liabilities and the net international reserves (NIR) of the BCRA, both measured at end period. The monetary liabilities includes currency issue and legal reserve deposits held in the BCRA. The NIR are defined in footnote 10.

5/ The free international reserves of the BCRA are defined as the difference between gross international reserves and the monetary liabilities (the latter as defined in footnote 4). Gross international reserves include BCRA holdings of gold, foreign currency in the form of cash and deposits abroad, and Argentina's net balance within the Latin American Trade Clearing System (ALADI), and exclude central bank holdings of government debt instruments.

6/ Data used to monitor external and domestic debt developments will be taken from the debt reporting system and the balance of payments accounts. These ceilings have been adjusted upwards by \$465 million to take into account revisions to the end-1994 stock of debt. The stock of debt will be valued at end-1994 exchange rates and measured at end of period.

7/ Total outstanding debt of the public sector includes all foreign currency-denominated and Argentine-peso denominated obligations of the national nonfinancial public sector, including funds obtained for constituting trust funds, foreign currency-denominated obligations of provincial governments, and the national financial public sector, including the BCRA and other official banks. The limit includes all new debt issued for the consolidation of domestic arrears (BOCCONs). It excludes new borrowing by the foreign trade bank (BICE) and any adjustments, during the period to the stock of BOCCONs resulting from the capitalization of interest. The ceilings will be adjusted for any revisions to the initial stock of debt resulting from the discovery or registration of old debt.

8/ The limit will be adjusted for borrowing to compensate for any shortfall in privatization receipts relative to program.

9/ Excludes bridge loan by the BIS.

10/ The net international reserves (NIR) are defined as the gross international reserves of the BCRA less foreign liabilities of the BCRA, including BIS bridge loans and the net IMF position. A negative sign signifies a loss of NIR. For measuring balance of payments performance, changes in NIR will not be affected by changes in gold prices nor, in the case of currencies other than the U.S. dollar, by changes in cross rates. The NIR target will be adjusted for any changes in the value of reserve assets and liabilities that result from factors other than balance of payments flows.

File 2. Argentina: Summary of Public Sector Operations, 1992-95

(In millions of pesos)

	1992	1993	1994 1/	1995 1/				1995 1/	
				Jan.-June Prog.	Jan.-June Prel.	Jan.-Sept. Rev. Prog.	Jan.-Dec. Rev. Prog.	Original Prog.	Revised Prog.
Revenue	38 844	44,275	48 761	25 180	23 550	35,294	48,166	54 345	48,166
Taxes	26,454	28,811	32,089	17,349	15,778	23,506	32,851	37,301	32,851
Social Security Contributions 2/	9,833	11,874	13,608	6,295	6,046	9,262	12,030	13,926	12,030
Nontax revenue	2,029	2,690	3,134	1,433	1,756	2,478	3,156	2,867	3,156
Capital revenue	105	145	74	45	16	56	108	117	108
Operating surplus of public enterprises	423	755	(144)	58	(46)	(8)	21	134	21
Noninterest expenditure	35,737	39,721	46,631	24,126	22,570	34,725	46,228	48,259	46,228
Wages	5,652	6,695	7,794	4,178	3,575	5,816	7,769	8,030	7,769
Goods and services	2,482	2,893	2,295	1,276	1,100	1,745	2,193	2,343	2,193
Pensions	12,653	13,136	15,241	7,637	7,297	11,477	15,573	16,018	15,573
Transfers	13,112	14,501	17,331	9,012	8,701	12,938	17,128	17,933	17,128
Provinces	12,620	12,595	12,535	6,671	6,216	9,244	12,321	13,524	12,321
Other	492	1,906	4,796	2,341	2,485	3,694	4,807	4,409	4,807
Other current	--	--	83	46	167	167	167	59	167
Capital expenditure	1,838	2,496	3,887	1,977	1,730	2,582	3,398	3,876	3,398
Interest (Accrual basis)	3,324	2,917	3,150	1,889	1,932	2,964	4,333	4,080	4,333
Statistical discrepancy 3/	---	---	---	---	90	---	---	---	---
Balance of quasi-fiscal operations	(274)	190	(33)	--	68	68	68	--	68
Overall balance of public sector	(491)	1,827	(1,053)	(835)	(794)	(2,327)	(2,327)	2,006	(2,327)
Privatization	1,867	2,740	733	1	125	516	2,396	2,400	2,396
Overall balance including privatization	1,376	5,567	(320)	(834)	(669)	(1,811)	69	4,406	69

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

1/ On the basis of the new definition which includes various social security operations on a gross basis, which had previously been included on a net basis.

2/ Excludes in 1994 Arg\$879 million that went to the newly established private pension funds (AFJPs).

3/ Statistical discrepancy between above-the-line and below-the-line measurement.

Table 3. Argentina: Summary of Public Sector Operations, 1992-1995

(in percent of GDP)

	1995 1/	1994 1/	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993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Buenos Aires, 5 de diciembre de 1995

Estimado Sr. Camdessus:

1. Las energías medidas adoptadas por el Gobierno para reforzar las finanzas públicas, para acelerar la convertibilidad y respaldar el sistema bancario -- medidas que se describen en la carta dirigida a Ud. con fecha 29 de agosto de 1995 -- han permitido lograr nuevamente la estabilidad tras la crisis de confianza y la consiguiente salida de capitales que tuvieron lugar a principios de 1995. Se han observado, y superado por márgenes holgados, todos los criterios de ejecución fijados para septiembre de 1995. Según las proyecciones, la inflación de precios al consumidor será de alrededor del 2% en 1995. Se prevé que el déficit de la cuenta corriente externa se reducirá más de 2,5 puntos porcentuales del PIB, situándose en un nivel inferior al 1% del PIB. El fortalecimiento del saldo en cuenta corriente, sumado a la recuperación del acceso a los mercados internacionales de capital, dan pruebas de la viabilidad externa del programa económico de Argentina. Se ha producido una significativa recuperación de los depósitos y de las reservas de liquidez del sistema financiero. Sin embargo, debido a la persistente de incertidumbre, y a una grave sequía, la reactivación iniciada en agosto se desaceleró en septiembre. La reactivación del crédito al sector privado ha sido más lenta de lo previsto, y la tasa de desempleo llegó a un nivel muy elevado. Dado que la recesión resultó más profunda y prolongada de lo anticipado, es probable que el crecimiento del PIB real sea negativo durante este año. Más recientemente, se han observado signos alentadores de una firme reactivación económica, y esperamos que el PIB real registre un crecimiento del 5% como mínimo en 1996.

2. Como se señaló en la carta del 29 de agosto, la recesión económica ha tenido efectos negativos en las finanzas públicas. Estos efectos han ido más allá de lo previsto en la revisión del programa acordada en agosto debido a que la desaceleración económica se ha prolongado más de lo esperado. El Gobierno sigue firmemente resuelto a alcanzar la totalidad de las metas fijadas para el final de diciembre de 1995, a cuyo efecto se están redoblando esfuerzos. En lo que respecta al ingreso fiscal, la Dirección General Impositiva ha acelerado considerablemente sus tareas de mejoramiento de la administración tributaria. Los resultados obtenidos en una moratoria impositiva concluida recientemente superan ampliamente las expectativas ya que ha generado un total del orden de los Ar\$4.000 millones. En lo que respecta al gasto, la Tesorería ha reemplazado el sistema de autorizaciones trimestrales de desembolsos presupuestarios por autorizaciones mensuales a fin de mantener un control más estricto de los egresos.

3. El gobierno está resuelto a lograr el equilibrio estructural de las finanzas públicas. En lo que atañe a la política fiscal para 1996, hemos presentado ante el Congreso un proyecto de presupuesto equilibrado. Asimismo, para reafirmar el compromiso del Gobierno con la disciplina fiscal, el Poder Ejecutivo ha presentado recientemente ante el Congreso un proyecto de ley por el que se autoriza con carácter temporal al Poder Ejecutivo a poner a poner en práctica, en caso necesario, medidas adicionales para alcanzar los objetivos fiscales fijados para 1996. La legislación propuesta sentaría las bases para profundizar la reforma del sector público federal, con consecuencias de vasto alcance en lo que respecta al aumento de la eficiencia y la reducción de los costos en el mediano plazo. Esta propuesta entraña la fusión y reestructuración de organismos públicos y la eliminación

de entidades o programas públicos superfluos. Al mismo tiempo, permitiría al Poder Ejecutivo introducir en forma rápida, en caso necesario, medidas impositivas tales como la eliminación de exenciones del impuesto sobre el valor agregado y del impuesto a las ganancias, así como otras medidas para fortalecer la recaudación fiscal a través de los impuestos a la riqueza y los impuestos específicos sobre el consumo.

4. Como se mencionó anteriormente, ha habido una importante recuperación de depósitos en el sistema bancario, y hacia el final de noviembre habían reingresado en el sistema más del 80% de los depósitos retirados inicialmente. Para reforzar la liquidez del sistema financiero, y a la vez reducir las distorsiones, acrecentar la eficiencia y reducir los márgenes de las tasas de interés, el Banco Central ha reemplazado a partir de agosto de 1995 el régimen de encaje legal no remunerado por requisitos de liquidez uniformes que pueden cumplirse mediante la compra de Letras de Liquidez Bancaria, acuerdos de pase pasivo o la realización de depósitos en el exterior en condiciones específicas. Según las proyecciones, en 1996 la liquidez global de los bancos se elevará a niveles similares a los existentes a fines de 1994. También se está reforzando el respaldo de reservas disponibles existentes en el Banco Central, y a tal fin en el mes de septiembre se estableció un programa de reducción de los redescuentos pendientes.

5. El Gobierno de la República Argentina, junto con los gobernadores y otras autoridades provinciales, está elaborando un plan para sanear las finanzas de las provincias. Recientemente, varios gobiernos provinciales han rebajado los sueldos, reducido el personal, racionalizado las operaciones y privatizado bancos y otras empresas públicas. El proceso de ajuste se orienta a lograr el equilibrio estructural de las finanzas públicas provinciales y una considerable reducción del déficit en 1996. El BIRF y el BID están prestando asistencia a fin de preparar los programas provinciales de seguridad social para su posterior incorporación al sistema nacional de seguridad social. Las provincias también están tratando de resolver sus problemas de endeudamiento recurriendo a tal efecto a los fondos obtenidos mediante la privatización de los bancos y empresas provinciales.

6. La persistencia de un alto nivel de desempleo es motivo de profunda inquietud para el Gobierno razón por la cual se ha asignado la máxima importancia a las medidas encaminadas a resolver este problema. En la carta del 29 de agosto, el Gobierno describió una serie de medidas adoptadas a tal fin. Dichas medidas están comenzando a producir efecto y coadyuvarán a la incipiente recuperación de la actividad económica y de los niveles de empleo. El Gobierno sigue procurando introducir cambios estructurales en los mercados de trabajo para lograr mayor eficiencia en la asignación de la mano de obra y reducir los costos laborales. Entre las nuevas medidas contempladas para 1996 a fin de lograr este objetivo pueden mencionarse la reforma del régimen de negociación colectiva y la flexibilización de los convenios colectivos en lo que respecta a su renegociación. El Gobierno también ha iniciado con el BIRF y el BID una reforma del sistema de salud encaminada a reducir los costos laborales e intensificar la competencia entre las entidades que prestan servicios médicos.

7. El Gobierno de la República Argentina considera que el enérgico ajuste que se está llevando a cabo en la economía, el mejoramiento de las perspectivas externas del país y las medidas que se están poniendo en práctica para lograr un saldo fiscal equilibrado en los próximos años ofrecen bases sólidas para el nuevo acuerdo del FMI que el Gobierno se propone solicitar para 1996. Debido a los cambios introducidos en la definición de los pasivos monetarios del banco central, a los que se hizo referencia en el párrafo 4, el Gobierno solicita la modificación de la definición establecida en el programa para los activos internos netos y las

reservas internacionales disponibles en lo que respecta a diciembre de 1995, según lo indicado en el cuadro adjunto.

8. El Gobierno de la República Argentina considera que las medidas ya adoptadas y las que se ha previsto introducir en 1996 contribuirán al logro de los objetivos de su programa. Las autoridades argentinas se mantendrán en estrecha relación con el FMI y lo consultarán sobre la adopción de toda medida que pueda ser necesaria, conforme a las disposiciones de esa institución sobre dichas consultas.

Atentamente,

/f./
Domingo F. Cavallo
Ministro de Economía y
Obras y Servicios Públicos

Argentina: Algunos criterios de ejecución
para diciembre de 1995

	1995		
	enero-septiembre	Resultado	enero-dic.
	Límite	Resultado (Nueva definición)	Límite
Variación acumulada de los activos internos netos del Banco Central 1/2/ (en millones de pesos)	2, 870	1, 614	2, 408 2, 210
Variación acumulada de las reservas disponibles del Banco Central 3/ (en millones de dólares de EE.UU.)	-1.190	103	-691 -190

1/ Los activos internos netos (AIN) del Banco Central de la República Argentina (BCRA) se definen como la diferencia entre los pasivos monetarios del BCRA y las reservas internacionales netas (RIN) del BCRA, ambos medidos al fin del período. En lo que respecta a las metas para diciembre de 1995, en la definición de pasivos monetarios quedan comprendidos la emisión monetaria, los depósitos de los bancos en el BCRA, los pases pasivos con el BCRA que superen los Arg\$480 millones y las letras de liquidez bancaria. Los pases activos con el BCRA no se deducen de los pasivos monetarios. En lo que respecta a las metas para el período enero-septiembre de 1995, en la definición de pasivos monetarios quedan comprendidas la emisión monetaria y los depósitos de encaje legal en poder del BCRA, según se describe en el documento EBS/95/51. Las reservas internacionales netas se definen en la nota 2.

2/ Las reservas internacionales netas (RIN) se definen como las reservas internacionales brutas del BCRA menos los pasivos externos del BCRA, incluido el valor neto de los préstamos puente y la posición neta en el FMI. El signo negativo indica una pérdida de RIN. A los efectos de medir el resultado de la balanza de pagos, la variación de las RIN no se verá afectada por la variación del precio del oro ni, en el caso de otras monedas distintas del dólar de EE.UU., por la variación de los tipos de cambio cruzados. La meta con respecto a las RIN se ajustará teniendo en cuenta toda variación del valor de los activos y pasivos de reserva resultante de factores no relacionados con los flujos de la balanza de pagos.

3/ Las reservas internacionales disponibles del BCRA se definen como la diferencia entre las reservas internacionales brutas y los pasivos monetarios del BCRA (según se definen en la nota 1). Las reservas internacionales brutas incluyen las tenencias de oro en poder del BCRA, las divisas mantenidas en efectivo y en depósitos en el exterior y el saldo neto de Argentina en el sistema latinoamericano de compensación de pagos comerciales de la ALADI. Se excluyen de dichas reservas las tenencias de instrumentos de deuda pública en poder del Banco Central.