

LOAN COMMITTEE

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LC/M/86-01
January 6, 1986

Minutes of Loan Committee Meeting to Consider
ARGENTINA - Agricultural Sector Loan
Held on December 6, 1985 in Conference Room E-1208

A. Present

Committee:

Messrs. E. Stern (Chairman)
Husain, OPSVP
Gue (Acting RVP)
Michalopoulos (Acting VPERS)
Wood (Acting SVPFI)
Scott (Acting LEGVP)

Others:

Messrs. De Azcarate, CPDDR
van der Meer, LCPDR
Pfeffermann, LCNVP
van Gigch, LCPDR
Otten, LCPAC
Collell, LEGLC

Abbott, LEGLC
Sokol, LC2PB
Lysy, PBDCP
Clements, SVPOP
Lewis, AGREP
Fitchett, AGREP

B. Issues

A meeting of the Loan Committee was called to discuss the proposed Agricultural Sector loan of \$350 million to Argentina as described in the documents submitted to the Committee under cover of a memorandum dated November 22, 1985 from the Acting Regional Vice President. The discussion focussed on the issues outlined in the Country Policy Department's memorandum of December 5.

C. Discussion

1. Introduction of land tax: The Committee raised questions about the timing of the measures which the Argentines proposed to undertake in order to bring about one of the major objectives of the policy package supported by the proposed loan: the reduction and eventual elimination of the export taxes on agricultural products. The Chairman stated that the introduction of a federal

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COMMITTEE

Senior Vice President, Operations (Chairman) ✓
Senior Vice President, Finance
Vice President & General Counsel
Vice President, Operations Policy
Regional Vice President concerned*
Vice President, Energy & Industry (for lending
in these sectors and SALs)
Vice President, Economics and Research (for non-
project lending)

OTHERS

Standard (see OMS 9 25 page 7)

*Copy to all other Regional Vice Presidents

land tax was an essential component of the desired reforms. He therefore concluded that the schedule for preparation of the land tax (to be approved by the Bank before Board Presentation) ought to provide satisfactory arrangements for approval and implementation of the tax prior to the disbursement of the second tranche.

2. Fiscal Measures. The Committee also raised a question as to whether Government expenditures might be reduced so as to offset any reduction in revenues from the elimination of export taxes. It was agreed that, apart from new revenues, expenditure reductions could compensate for the revenue reduction from the export tax losses. In this connection, the release of the second tranche would be conditioned on the Borrower putting into effect fiscal measures sufficient in total to compensate for any revenue losses resulting from the export tax reduction.
3. Import Licensing. The Committee asked about the proposals for modifying the discriminatory effects against agriculture of the import licensing system which the Government introduced in 1983. The Region had proposed that fully assembled tractors and agricultural machinery, currently the only agricultural inputs prohibited, be redesignated from the "prohibited" to the "prior approval" classification for imported goods. After discussion, the Chairman concluded that the change, a proposed condition for release of the loan's first tranche, should instead provide that tractors and agricultural machinery be classified under the "automatic entry" provisions.

D. Conclusion

4. Subject to the clarifications noted in paras 1-3, the Committee approved the recommendation to proceed with the negotiation of the proposed loan on the terms and conditions proposed by the Region.