

1. ARGENTINA - REVIEW UNDER STAND-BY ARRANGEMENT

1. Argentina has consulted with the Fund in accordance with paragraph 4 of the stand-by arrangement for Argentina (EBS/87/5, Sup. 3, as approved at EBM/87/107 (7/23/87) and as amended by Executive Board Decision No. 8739, adopted December 2, 1987) and as contemplated in paragraph 26 of the Memorandum of Understanding on Economic Policy, annexed to the letter dated January 12, 1987, and in the letter dated November 12, 1987, from both the Minister of Economy and the President of the Central Bank of the Republic of Argentina, in order to review the progress made in the implementation of the program, and to reach understandings regarding the circumstances in which purchases under the stand-by arrangement can be resumed, including understandings on performance criteria relating to the implementation of policies during the remaining period of the stand-by arrangement.

2. Paragraphs 1 and 2(a) of the stand-by arrangement shall be amended to read as follows:

1. For the period from July 23, 1987 to September 30, 1988, Argentina will have the right to make purchases from the Fund in an amount equivalent to SDR 947.5 million subject to paragraphs 2, 3, 4, 5, and 6 below, without further review by the Fund.

2(a). Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 285.5 million until October 20, 1987; the equivalent of SDR 451.0 million until December 20, 1987; the equivalent of SDR 616.5 million until May 20, 1988; and the equivalent of SDR 782.0 million until August 20, 1988.

3. The letter of February 24, 1988 from the Minister of Economy and the President of the Central Bank of the Republic of Argentina and the Memorandum on Economic Policy annexed thereto shall be attached to the stand-by arrangement, and the letter of January 12, 1987 from the Minister of Economy and the President of the Central Bank and the Memorandum of Understanding on Economic Policy annexed thereto, as supplemented and modified by the letter of July 8, 1987 and the letter of November 12, 1987 with attached Memorandum of Economic Policy shall be read as supplemented and modified by the letter of February 24, 1988 and the Memorandum on Economic Policy annexed thereto.

4. Accordingly, Argentina will not make purchases under the stand-by arrangement that would increase the Fund's holdings of Argentina's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota:

(a) during any period in which the data at the end of the preceding three-month period indicate that:

(i) the limit on the combined operational deficit of the nonfinancial public sector and the Central Bank described

in paragraph 16 and Table 2 of the attached memorandum of February 24, 1988; or

- (ii) the limit on the overall deficit of the nonfinancial public sector described in paragraph 16 and Table 2 of the attached memorandum of February 24, 1988; or
- (iii) The limit on treasury outlays described in paragraph 16 and Table 2 of the attached memorandum of February 24, 1988; or
- (iv) the limit on the change since December 1987 in net domestic assets of the Central Bank, described in paragraph 17 and Table 3 of the attached memorandum of February 24, 1988; or
- (v) the targets for the change in the net international reserves of the monetary authorities, described in paragraph 23 and Table 4 of the attached memorandum of February 24, 1988, have not been met; or

(b) during any period after March 31, 1988 in which the transfer abroad of profits and dividends through the free exchange market has not been permitted or during any period in which the intentions regarding external payments arrears have not been observed, as specified in paragraph 28 of the attached letter of February 24, 1988; or

(c) if Argentina fails to observe the limits to the total outstanding disbursed external debt of the public sector and the cumulative net disbursements of short-term external debt of the public sector, as described in paragraph 29 and Table 5 of the attached letter of February 24, 1988; or

(d) during any period after March 31, 1988, unless the Fund finds that satisfactory progress toward arrangements for the financing of the estimated balance of payments deficit for 1988 has been made and that satisfactory progress on a program for the elimination of payments arrears has been made.

5. The Fund decides that the review contemplated in the letter dated November 12, 1987, is completed and that, notwithstanding the nonobservance of performance criteria referred to in paragraphs 4(a)(i) and (ii), (c), and f(ii) of the stand-by arrangement, Argentina can resume purchases under the stand-by arrangement.

Decision No. 8819-(88/41), adopted  
March 18, 1988