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Argentina Request for Extended Arrangement

Argentina: Congreso

Roque Fernandez

Domingo F. Cavallo

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FOR AGENDA

EBS/95/51

CONFIDENTIAL

March 23, 1995

To: Members of the Executive Board

From: The Secretary

Subject: Argentina - Request for Extended Arrangement - Letter of Intent

Attached for consideration by the Executive Directors is a letter from the President of the Central Bank of the Republic of Argentina and the Minister of Economy and Public Works and Services requesting waivers of nonobserved performance criteria under the extended arrangement and an extension of the arrangement in an amount equivalent to SDR 1.53 billion, together with the memorandum of economic policies of the Government of Argentina.

This subject, together with the staff paper describing and analyzing Argentina's economic program (to be circulated shortly), is tentatively scheduled for discussion on Thursday, April 6, 1995.

Mr. Hardy (ext. 37158) or Mr. Kreis (ext. 38602) 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, March 23, 1995

Dear Mr. Camdessus:

The attached policy memorandum and annexed tables describe the objectives and program of the Government of Argentina for 1995, for which support from the IMF is requested under an extension of the current extended arrangement for a fourth year, and an increase in the amount of the arrangement to the equivalent of SDR 1.53 billion. On the basis of this program and actions that have been taken, the Government also requests waivers of nonobserved performance criteria to permit the purchase of undrawn balances under the arrangement.

The Government of Argentina believes that its program is adequate to achieve the objectives of maintaining economic growth in conditions of low inflation and external viability, in the present unsettled international financial markets, and deepening the process of structural transformation. During the period of the arrangement, the authorities of Argentina will consult with the Fund on the adoption of any measures that may be appropriate, in accordance with the Fund's policies on such consultations. Reviews of the program will be carried out with the Fund before end-September and end-December 1995, and end-March 1996.

Sincerely,

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

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

Attachment:
Memorandum of Economic Policies
of the Government of Argentina

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Policy Memorandum

The economic program of the Government of Argentina for 1995 seeks to maintain economic growth in conditions of low inflation and external viability, in the present unsettled international financial markets, and, at the same time, to deepen the process of structural transformation begun in 1989.

Over the past few years, Argentina has undergone a profound economic and social transformation. Inflation declined from close to 5,000 percent in 1989 to 3.9 percent in 1994, and GDP expanded by over 7.5 percent a year on average in the period 1991-94, following a decade of declining output. Gross fixed investment rose from 14 percent of GDP in 1990 to over 20 percent in 1994. Domestic savings fell in 1991 owing to the initial expansionary effect on domestic absorption of stabilization and renewed confidence, but increased from 13 percent of GDP in 1992 to over 17 percent in 1994.

During these years, Argentina attracted foreign direct and portfolio investment on a large scale, which helped to finance a substantial increase in imports, especially imports of capital goods, which rose to almost US$6 billion in 1994 from US$0.6 billion in 1990. Exports, which had been depressed by declining international prices in 1992-93, picked up strongly, rising by 20 percent in 1994, with exports of manufactured goods rising by 27 percent a year during both 1993 and 1994.

The achievements of the past few years result from the profound social and economic reforms implemented by the Government of Argentina since 1989. These reforms, which have been supported since 1991 by a stand-by arrangement from the IMF, and since 1992 by an extended arrangement under the Extended Fund Facility arrangement or EFF, have opened up the economy; restructured the tax system and tax administration; reduced the size and improved the efficiency of the public sector through a comprehensive program of privatization of public enterprises, reform of the social security system and other measures; strengthened the public finances; and restored Argentina's domestic and international creditworthiness.

In 1994, economic growth remained strong at more than 6 percent and inflation was lowered to less than 4 percent. However, the overall surplus in the nonfinancial public sector (excluding provinces) targeted in the program supported by the extended arrangement was not achieved. The shortfall with respect to the program mainly reflected a slowdown in revenue and expenditure overruns in the second half of the year, that were concentrated in the social security system. The revenue shortfall emerged in part because tax evasion declined less than initially hoped.

In response to the weakening trend in the public finances, the Government eliminated unfilled vacancies in the public sector, and cut uncommitted authorizations for expenditure on goods and services. In early

March 1995 Congress passed a law that makes payments of pensions (including judicial awards) subject to the budgetary process, and suspended payments on judicial awards during 1995. This law will eliminate one of the main causes of the expenditure overrun in 1994.

The external environment for Argentina deteriorated significantly in the wake of the Mexican crisis that emerged in late 1994. The repercussions on Argentina were manifested in a capital outflow (reflected in a decline of more than Arg$5 billion or 12 percent in commercial bank deposits from mid-December to mid-March 1995), a cumulative fall in the stock market of as much as 50 percent, and declines in bond prices of up to 45 percent at their low point on March 8, 1995. On March 13 the Government announced a revised economic program for 1995 and a series of measures to strengthen the public finances, as well as its intention to seek an extension of the extended arrangement from the IMF. From their low point through March 17, 1995 the stock and bond markets recovered by 30 and some 16 percent, respectively.

The outflow of bank deposits led to sharp increases in interest rates, with prime rates rising to 33 percent in U.S. dollars and 49 percent in Argentine pesos in mid-March (increases of 25-33 percentage points since December), and call-money rates which at times reached over 70 percent. Difficulties emerged in certain segments of the banking system (mainly wholesale banks, provincial banks and credit unions) which are being addressed through restructuring and mergers. In response to the outflow of deposits and resulting tightening of liquidity, the Central Bank lowered legal reserve requirements in several stages from an average of 21 percent of deposits in December to some 14 percent by mid-March (releasing resources equivalent to more than Arg$4 billion) and extended some Arg$1.3 billion in swaps and rediscounts, using the margin of excess international reserves over the monetary base. At the same time, strict adherence to the Convertibility Law by the monetary authorities was reflected in a significant decline in both the gross international reserves and the monetary liabilities of the Central Bank from end-December to mid-March.

<u>The 1995 Economic Program</u>

The guiding principles of economic policy for 1995 will continue as in the past, namely: maintenance of fiscal and financial equilibrium, and strict adherence to the Convertibility Law of March 1991, which established a fixed exchange rate for the Argentine peso at par with the U.S. dollar, and requires full backing of the monetary base by international reserves.

The Government believes that the impact on Argentina of the external shock that is affecting Latin America will be contained and transitory in nature, as the fundamentals of the economy remain strong. The reform process is deeply rooted, fiscal and monetary policies are sound and the country's medium-term prospects have been strengthened. Exports rose by 35 percent in January-February 1995, compared with the same months of the previous year and are expected to grow by 20-25 percent over the year as a whole, helped by record output in the agricultural sector, strong international prices and the increasing integration of the economies of Argentina, Brazil, Paraguay and Uruguay in the MERCOSUR, which came into full effect in January 1995. Foreign direct investment is buoyant, with major projects underway in many sectors, particularly in the food-processing, mining and automobile industries, and in infrastructure.

Nevertheless, the Government recognizes that the international situation remains unsettled, and the significant decline in private capital inflows has complicated the prospects for GDP growth at rates recorded in recent years. The Government has recast its plans for 1995 so as to be able to withstand a substantial reduction in capital inflows, and to leave no doubt as to the ability of the public sector to service its maturing obligations.

For this purpose, fiscal policies have been adjusted so as to generate an overall surplus in the national nonfinancial public sector (excluding provinces) of Arg$2 billion, a surplus that will be used to amortize public debt. In addition, the Government expects to raise US$2.4 billion during 1995 from privatization. This will include sales of its remaining share holdings in a number of already privatized enterprises and the sale of petrochemical plants and hydroelectric and nuclear power plants. In addition, the Government is requesting US$800 million from the EXIMBANK of Japan as parallel financing under the fourth year extension of the extended arrangement from the IMF. The Government may also arrange bridging loans on the security of its remaining holdings of shares in the oil company (YPF) against disbursements from multilateral agencies for the purpose of the restructuring of the financial system, as explained below. The resources raised from privatization and pledging of shares will not be used to finances higher Government expenditure. If a shortfall emerges in proceeds from privatization because of adverse market conditions, the authorities and the Fund staff will consider alternatives to address this problem.

To ensure achievement of the planned overall surplus in the nonfinancial public sector in 1995, and in light of the changed short-term economic outlook, in late February and mid-March the Government announced a series of measures estimated to yield some Arg$6.3 billion or 2 percent of GDP in the remainder of 1995, or Arg$8.5 billion (2 3/4 percent of GDP) on an annual basis. These measures were presented by the Executive and approved by the Congress in only two weeks, in a clear demonstration of decisiveness and political consensus.

The fiscal measures include:

--further cuts in expenditure, including a reduction of 5-15 percent in salaries of public employees earning more than Arg$2,000 a month (expected together to yield in the remainder of 1995 Arg$1.0 billion, or 0.3 percent of GDP);

--a temporary increase of 3 percentage points to 21 percent in the rate of the Value Added Tax, under special provisions that exclude the proceeds from revenue-sharing with the provinces (expected yield Arg$2.2 billion, or 0.7 percent of GDP). The nonshared element of the increase in the VAT is to expire on April 1, 1996;

--increases in import tariffs, including a transitory 3 percent import surcharge (excluding capital goods, data-processing and telecommunications equipment, and fuels), a 10 percent tariff on imports of non-MERCOSUR capital goods, data-processing and telecommunications equipment, and increases of tariffs on an additional 69 items allowed as exemptions under the MERCOSUR arrangements (yield Arg$0.7 billion or 0.2 percent of GDP);

--a partial roll-back of previous reductions in employer social security contributions for certain sectors, coupled with a lowering of contribution rates in the services sector, as a result of which contribution rates will be the same for all economic activities although they would differ among provinces (net yield Arg$ 0.4 billion or 0.1 percent of GDP);

--a broadening of the base of the VAT and income taxes, mainly by eliminating deductions and exemptions, a broadening of the base and lowering of the rate of the wealth tax, new facilities for regularizing tax arrears, and a number of smaller measures, largely in the area of social security (yield Arg$2.0 billion or 0.7 percent of GDP).

In recent years, the increase in provincial government expenditure has exceeded the rise in revenues received from the Treasury under the revenue-sharing arrangements and from their own resources, resulting in annual deficits in the provinces of some 0.7 percent of GDP in 1993 and 1994 which were largely financed by the regularization of debts owed by the National Administration to the provinces, their share of the proceeds from the sale of YPF, and in 1994 by issues of Treasury bonds amounting to Arg$0.6 billion, secured by shared revenues. With the ending of these sources of financing, a major adjustment in the provincial government finances is expected in 1995, as the provinces do not have access to domestic or foreign financing. Apart from Arg$0.6 billion already issued, which completes the regularization of arrears with the provinces, the Treasury will issue no bonds from now onwards on behalf of, or directed to, the provinces nor will the Central Bank approve any domestic borrowing by provinces, including loans guaranteed by shared revenues. The adjustment effort in the provinces is being facilitated by restructuring loans from the World Bank and Inter-American Development Bank (IDB). Issues of debt for regularization of arrears will be limited to an amount that does not exceed reductions in outstanding debt via the new tax moratorium, discharged with public bonds, and debt-equity swaps from privatizations in excess of the US$2.4 billion mentioned above.

The reduction in bank deposits has led to difficulties in certain segments of the banking system, particularly certain small wholesale banks and credit cooperatives, and some provincial banks, which have long-standing problems of insufficient capital and non-performing loans. These difficulties are being addressed through various measures. The Central Bank temporary assigned 2 percentage points of the reserve requirements to the state-owned Banco de la Nación to be used to purchase assets from financial institutions with liquidity problems, and later allowed commercial banks to deduct purchases of assets from banks with liquidity problems from the reserve requirement.

To address the problems that have emerged in the domestic financial system on a more comprehensive basis, the Government plans to set up two funds, the first to capitalize, restructure and privatize the provincial banks in the context of World Bank and IDB loans for this purpose, and the second to assist in the restructuring of the private financial system and to co-finance with the private sector a future deposit insurance scheme. In addition to the World Bank and IDB financing, and resources expected from the EXIMBANK of Japan parallel financing, these funds will be capitalized through bonds (Bonos Argentinos) in the amount of US$2 billion that are being floated in the domestic market and abroad, and possibly by bridge loans obtained through pledging YPF shares. The Bonos Argentinos, which will have a maturity of three years, with quarterly amortizations starting April 1996, and an interest rate of 3 percentage points over LIBOR, may also be used to discharge tax obligations after each maturity. None of these resources will be used to finance any other public sector operations. Any resources remaining in the fund for restructuring the provincial banks, once the restructuring is complete and the loans have been recovered, will be gradually transferred to the provinces.

Monetary policy will continue to be governed by the Convertibility Law, which requires full backing of the monetary base with international reserves (according to the law, U.S. dollar-denominated Government bonds held by the Central Bank can be used to cover up to 20 percent of the monetary base). The Government is confident that with the measures that have been taken to strengthen fiscal policies--and the support from the International Monetary Fund and other institutions--confidence will be restored and capital outflows reversed, strengthening bank liquidity. During the remainder of the year (April-December), broad money is expected to recover by around 18.5 percent, raising the ratio of M4 to GDP to 20.4 percent by the end of the year, approximately the level at the end of 1994. In this context, the Central Bank during the balance of the year expects to reduce outstanding swaps and rediscounts, and gradually restore legal reserve requirements so as to recover an adequate margin of liquidity, which would be reflected in a recovery in its holdings of gross international reserves. It is expected that the recent measure allowing banks to hold part of the reserve requirement in the form of cash-in-vault will be reversed partly by end-June, and fully by end-November.

In the present circumstances, it is important to move even more decisively in implementing structural reforms to increase the flexibility and efficiency of the economy and reduce costs. The Government has already presented to Congress proposals to modify the regulations on collective bargaining contracts and associated employment risks,including work-related accidents, and improve the procedures for the reorganization of enterprises in bankruptcy proceedings. In mid-March 1995, Congress approved a law which allows small and medium-sized enterprises (of up to 40 employees) more flexibility as regards employment conditions and use of temporary workers. The newly approved Social Security Solidarity Law will put the system's finances on a sounder basis, and the program of provincial reforms should reduce distortions in the tax system and result in a permanent reduction in the size of the public sector that would improve the allocation of resources and increase the overall efficiency of the economy. Looking further ahead, the Government plans to promote reforms in the labor legislation to help resolve the problem of unemployment, and to seek improvements in the efficiency and delivery of health services.

Despite the issue of substantial amounts of consolidation bonds during 1992-94 to consolidate domestic arrears accumulated during the 1980s, registered public debt declined from 33 percent of GDP in 1990 to the equivalent of 26 percent of GDP in 1994. Nevertheless, even though the stock of short-term debt remains small, debt service obligations will be high later in the decade as the grace period on the consolidation bonds expires. Against this background, the Government will continue seeking to raise domestic savings in the coming years, and will continue to make adequate fiscal provisions and reduce debt through debt-equity swaps or asset sales so as to be able to manage its external and internal debt service, and will make efforts to improve the maturity profile of the debt as conditions in the international capital markets permit. The limits on net borrowing under the program are intended to facilitate achievement of these objectives.

The main parameters of the 1995 program are shown in the attached tables, which also detail the performance criteria.

The Government is determined to maintain its commitment to the fixed exchange rate under the Convertibility Plan, and to ensure the ability of the public sector to meet its obligations, and stands ready to adopt, in a timely way, whatever measures are required to achieve the goals of the program. Reviews of the program will be carried out with the Fund before end-September and end-December 1995, and end-March 1996.

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

	Stock Dec. 1994	Dec. 1994 - March 95 1/	Dec. 1994 - June 95	Dec. 1994 - Sept. 95	Dec. 1994 - Dec. 95
			(In millions of Pesos)		
1. Quantitative performance criteria					
Overall deficit (-) or surplus of the nonfinancial public sector 2/		-1,260	-835	745	2,000
Combined deficit (-) or surplus of the nonfinancial public sector and the Central Bank 2/ 3/		-1,260	-835	745	2,000
Cumulative change in the net domestic assets of the Central Bank 4/		2,690	3,370	2,870	2,315
			(In millions of U.S. dollars)		
Cumulative change in the free international reserves of the Central Bank 5/		-2,790	-1,990	-1,190	-390
Total debt of the public sector					
Total outstanding external and domestic debt 6/ 7/	80,340	80,220	83,730	83,505	82,890
Cumulative net increase of domestic debt		600	600	300	--
Cumulative net increase in short-term external debt 8/		700	700	700	700
2. Indicative target					
Cumulative change in the net international reserves of the Central Bank 9/		-5,340	-5,940	-4,785	-2,290

1/ Indicative.

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

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

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 9.

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. 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 U.S. dollar-denominated and Argentine-peso denominated obligations of the national nonfinancial public sector, including funds obtained for constituting trust funds, U.S. dollar-denominated obligations of provincial governments, and the national financial public sector, including the BCRA, BICE, and other official banks. The limit includes all new debt issued for the consolidation of domestic arrears (BOCONs). It excludes any adjustments, during the period, to the stock of BOCONs 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/ Excludes bridge loan by BIS.

9/ The net international reserves (NIR) are defined as the gross international reserves of the BCRA less liabilities of the BCRA, including net 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.

Table 2. Argentina: Summary of Public Sector Operations, 1994-95

(In millions of Argentine pesos)

	1994 Prog.	Jan-June 1994 Prel. 1/	July-Dec 1994 Prel. 1/	1994 Prel. 1/	1994 Prel. 2/	1995 Program 2/ QI	1995 Program 2/ QII	1995 Program 2/ QIII	1995 Program 2/ QIV	1995 Prog.
Revenue	48,957	23,673	24,125	47,799	48,605	11,829	13,355	14,507	14,654	54,345
General government current revenue	48,751	23,667	24,073	47,741	48,547	11,769	13,308	14,436	14,582	54,211
National Administration taxes 3/	32,333	15,903	15,687	31,590	32,090	7,806	9,543	9,830	10,122	37,301
Social security 4/	14,051	6,489	6,800	13,290	13,596	3,173	3,122	3,913	3,718	13,926
Nontax revenue	2,367	1,275	1,586	2,861	2,861	790	643	692	742	2,867
Operating surplus of public enterprises	123	(21)	5	(16)	(16)	36	27	40	31	134
Capital revenue, nonprivatization	83	27	47	74	74	24	21	31	42	117
Expenditure, excluding interest payments 5/	43,450	21,482	23,630	45,112	46,286	12,256	11,873	12,014	12,117	48,260
National administration wages	7,171	3,635	3,829	7,464	7,778	2,234	1,944	1,927	1,925	8,030
Goods and services	2,245	996	1,238	2,233	2,324	712	558	515	558	2,343
Pensions	14,890	7,333	8,668	16,001	15,311	3,864	3,773	4,221	4,160	16,018
Transfers	16,245	8,082	8,467	16,551	16,969	4,426	4,587	4,383	4,537	17,933
To provinces	13,668	6,739	6,828	13,568	12,535	3,163	3,508	3,365	3,488	13,524
Other	2,577	1,343	1,639	2,983	4,434	1,263	1,079	1,018	1,049	4,409
Other current expenditure	5	17	66	83	85	49	3	3	4	59
Capital expenditure	2,894	1,418	1,361	2,780	3,819	970	1,008	965	933	3,876
Primary balance	6,107	2,674	745	3,420	3,052	(426)	1,681	3,493	3,738	8,485
Excluding privatization	5,507	2,191	495	2,687	2,319	(427)	1,482	2,493	2,538	6,085
Privatization	600	483	250	733	733	1	199	1,000	1,200	2,400
Interest (accrual basis)	3,137	1,649	1,826	3,150	3,150	833	1,057	915	1,275	4,080
Overall balance (NFPS)	2,970	1,025	(1,081)	270	(98)	(1,259)	624	2,578	2,463	4,405
Balance on quasi-fiscal operations	359	(176)	142	(33)	(33)	0	0	0	0	0
Overall balance of public sector	3,329	849	(939)	237	(131)	(1,259)	624	2,578	2,463	4,405
Excluding privatization	2,729	366	(1,189)	(496)	(864)	(1,260)	425	1,578	1,263	2,005

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

1/ On 1994 program basis.

2/ 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.

3/ Excludes in 1994 (on the 1994 program basis) Arg$500 million for the issue of bonds against deferred income tax deductions ("quebrantos").

4/ Includes in 1994 (on the 1994 program basis) Arg$879 million that went to the newly established private pension funds (AFJPs). Contribution payments in the form of bonds are included at market value.

5/ Excludes expenditure for arrears clearance to pensioners, suppliers, and provincial governments of Arg$4.2 billion in 1994. Also excluded from expenditure are advances on transfers to provinces under the revenue-sharing arrangement of Arg$611 million that were financed with bonds; cash payments to pensioners of Arg$223 million resulting from judicial awards; and payments by the government for provincial employment reduction schemes, financed by bonds, in the amount of Arg$27 million.

Table 3. Argentina: Summary of Public Sector Operations, 1994-95

(In percent of GDP)

	1994 Prog.	Jan-June 1994 Prel. 1/	July-Dec 1994 Prel. 1/	1994 Prel. 1/	1994 Prel. 2/	1995 Program 2/ QI	QII	QIII	QIV	1995 Prog.
Revenue	17.5	18.1	16.4	17.2	17.5	17.0	18.0	18.7	18.8	18.1
General government current revenue	17.5	18.1	16.4	17.2	17.5	16.9	18.0	18.6	18.7	18.1
National Administration taxes 3/	11.6	12.1	10.7	11.4	11.6	11.2	12.9	12.7	13.0	12.5
Social security 4/	5.1	5.0	4.6	4.8	4.9	4.6	4.2	5.0	4.8	4.7
Nontax revenue	0.9	1.0	1.1	1.0	1.0	1.1	0.9	0.9	1.0	1.0
Operating surplus of public enterprises	--	--	--	--	--	--	--	--	--	--
Capital revenue, nonprivatization	--	--	--	--	--	--	--	--	--	--
Expenditure, excluding interest payments 5/	15.6	16.4	16.1	16.2	16.7	17.6	16.1	15.5	15.5	16.1
National administration wages	2.6	2.8	2.6	2.7	2.8	3.2	2.6	2.5	2.5	2.7
Goods and services	0.8	0.8	0.8	0.8	0.8	1.0	0.8	0.7	0.7	0.8
Pensions	5.4	5.6	5.9	5.8	5.5	5.5	5.1	5.4	5.3	5.4
Transfers	5.8	6.2	5.8	6.0	6.1	6.4	6.2	5.7	5.8	6.0
To provinces	4.9	5.1	4.7	4.9	4.5	4.5	4.7	4.3	4.5	4.5
Other	0.9	1.0	1.1	1.1	1.6	1.8	1.5	1.3	1.3	1.5
Other current expenditure	---	---	---	---	---	---	---	---	---	---
Capital expenditure	1.0	1.1	0.9	1.0	1.4	1.4	1.4	1.2	1.2	1.3
Primary balance	2.2	2.0	0.5	1.2	1.1	-0.6	2.3	4.5	4.8	2.8
Excluding privatization	2.0	1.7	0.3	1.0	0.8	-0.6	2.0	3.2	3.3	2.0
Privatization	0.2	0.4	0.2	0.3	0.3	---	0.3	1.3	1.5	0.8
Interest (accrual basis)	1.1	1.3	1.2	1.1	1.1	1.2	1.4	1.2	1.6	1.4
Overall balance (NFPS)	1.1	0.8	-0.7	0.1	-0.0	-1.8	0.8	3.3	3.2	1.5
Balance of quasi-fiscal operations	0.1	-0.1	0.1	---	---	---	---	---	---	---
Overall balance	1.2	0.6	-0.6	0.1	-0.0	-1.8	0.8	3.3	3.2	1.5
Excluding privatization	1.0	0.3	-0.8	-0.2	-0.3	-1.8	0.6	2.0	1.6	0.7

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

1/ On 1994 program basis.

2/ 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.

3/ Excludes in 1994 (on the 1994 program basis) 0.2 percent of GDP for the issue of bonds against deferred income tax deductions ("quebrantos").

4/ Includes in 1994 (on the 1994 program basis) 0.3 percent of GDP that went to the newly established private pension funds (AFJPs). Contribution payments in the form of bonds are included at market value.

5/ Excludes expenditure for arrears clearance to pensioners, suppliers, and provincial governments of 1.5 percent of GDP in 1994. Also excluded from expenditure are advances on transfers to provinces under the revenue-sharing arrangement of 0.[illegible] percent of GDP that were financed with bonds; cash payments to pensioners of 0.1 percent of GDP resulting from judicial awards; and payments by the government for provincial employment reduction schemes, financed by bonds, in the amount of 0.01 percent of GDP.