

Brasilia, January 6, 1983

Technical Memorandum of Understanding

This technical memorandum defines the concepts used in quantifying certain variables of the Economic Program described in the letter dated January 6, 1983, and sets out models for periodic reporting.

1. The overall balance-of-payments target for calendar year 1983 as described in paragraph 7 of that letter is at least equilibrium. The intermediate targets are a deficit of no more than US\$1.5 billion for the three-month period ending March 31, 1983; a deficit of no more than US\$1.5 billion for the six-month period ending June 30, 1983; and a deficit of no more than US\$0.7 billion for the nine-month period ending September 30, 1983. For the purpose of these targets, the balance-of-payments performance will be measured by changes in the net international reserve position of the Monetary Authorities (the Central Bank of Brazil and the Banco do Brasil), that is shown in the attached Table 1. However, in order to measure balance-of-payments performance, the change in the net international reserve position will be adjusted for net gold monetization. Furthermore, gold, SDRs, and nondollar assets and liabilities will be valued at the prices and exchange rates in effect on December 31, 1982. In addition, any reduction in the short-term liabilities of the Monetary Authorities that results from the refinancing of bridge operations from the U.S. Treasury, the BIS and foreign banks obtained until December 31, 1982 will not be considered for purposes of these targets.

2. The borrowing requirement of the nonfinancial public sector referred to in paragraph 21 of the letter will be defined as the sum of the net increases in the items described in the attached Table 2 above their respective stocks on December 31, 1982. These cumulative financing needs will not exceed Cr\$1,200 billion during the three-month period ending March 31, 1983; Cr\$3,200 billion during the three-month period ending June 30, 1983; Cr\$5,000 billion during the three-month period ending September 30, 1983; and Cr\$7,000 billion during the three-month period ending December 31, 1983.

3. The monetary policy targets for 1983 mentioned in paragraph 22 of the letter translate for the purpose of this program into a set of limits on the net domestic assets of the Monetary Authorities; these assets are defined as the difference between the liabilities to the private sector and the net foreign assets of the Monetary Authorities as shown in the attached Table 3. For the purpose of this definition the U.S. dollar value of the net foreign assets position attained on December 31, 1982 will be converted at all times into cruzeiros at the exchange rate of December 31, 1982; and for each of the three-month periods ending March 31, 1983, June 30, 1983, September 30, 1983, and December 31, 1983, the U.S. dollar value of the changes in the net foreign assets position occurring during these three-month periods will be converted into cruzeiros at the average exchange rates corresponding to these periods. The net domestic assets so defined, which on September 30, 1982 amounted to Cr\$2,415 billion, and are projected to amount

to Cr\$3,500 billion by December 31, 1982 will not exceed Cr\$4,050 billion during the three-month Cr\$4,650 billion during the three-month period ending June 30, 1983; Cr\$5,150 billion during the three-month period ending September 30, 1983; and Cr\$5,800 billion during the three-month period ending December 31, 1983.

4. The limits on new net external indebtedness referred to in paragraph 28 of the letter will be defined as the difference between disbursements and amortizations of medium- and long-term external debt of both the public and private sector, plus changes in the net position of certain types of short-term indebtedness, as described in the attached Table 4. The new net external indebtedness so defined will not exceed US\$2 billion on March 31, 1983; US\$3 billion on June 30, 1983; US\$4 billion on September 30, 1983; and US\$6 billion on December 31, 1983. Any loans obtained to refinance short-term liabilities of the monetary authorities resulting from bridge operations carried out before December 31, 1982 will not be counted against the net external indebtedness limits.

5. Allowing for the lag in publication of the relevant price index, the exchange rate policy described in paragraph 24 of the letter will be measured as follows: the percentage change in the cruzeiro value of the U.S. dollar on April 15, 1983 over its value on January 15, 1983 will be no less than the cumulative percentage change in the General Price Index--Domestic Supply (IGP-DI) during the three-month period ending March 31, 1983 plus 3 percentage points; the percentage change in the cruzeiro value of the U.S. dollar on July 15, 1983 over its value on January 15, 1983 will be no less than the cumulative percentage change in the IGP-DI during the six-month period ending June 30, 1983 plus 6.2 percentage points; the percentage change in the cruzeiro value of the U.S. dollar on October 15, 1983 over its value on January 15, 1983 will be no less than the cumulative percentage change in the IGP-DI in the nine-month period ending September 30, 1983 plus 9.4 percentage points; and the percentage change in the cruzeiro value of the U.S. dollar on January 15, 1984 over its value on January 15, 1983 will be no less than the cumulative percentage change of the IGP-DI in the 12-month period ending December 31, 1983 plus 12.7 percentage points.

Attachments (4)

ATTACHMENT I

Table 1. Net International Reserves of the Monetary Authorities 1/  
(In millions of U.S. dollars)

	Sept. 30 1982
I. <u>Assets</u>	<u>4,352.1</u>
A. Haveres prontos	1,386.1
B. Haveres a curto prazo	2,617.4
C. Haveres a medio e longo prazo	348.6
II. <u>Liabilities</u>	<u>3,303.7</u>
A. Obrigacoes prontas	--
B. Obrigacoes a curto prazo	3,303.7
C. Obrigacoes a medio prazo (FMI) <u>2/</u>	--
III. <u>Net international reserves (I-II)</u>	<u>1,048.4</u>

1/ Central Bank and Banco do Brasil.

2/ Includes all repurchase obligations arising from the use of Fund resources in the first credit tranche, under the extended arrangement, the compensatory financing facility, and the buffer stock financing facility.

ATTACHMENT II

Table 2. Public Sector Borrowing Requirements  
(In billions of cruzeiros)

	1981 <u>1/</u>
1. Net credit from banking system	1,923
Monetary authorities	(-188)
Commercial banks	(881)
Rest of banking system	(1,230)
2. Private sector holdings of public debt	867
3. Private sector holdings of state and municipal debt	146
4. Floating debt of state enterprises <u>2/</u>	23
5. Total domestic financing (1+2+3+4)	2,959
6. Foreign financing	280
7. Total public sector financing (5+6)	3,239
(As per cent of GDP)	(12.2)

1/ Change in stocks between December 1980 and December 1981 as per annexed tables.

2/ To "enpreteiros e fornecedores".

ATTACHMENT III

Table 3. Net Domestic Assets of the Monetary Authorities  
as of September 30, 1982

(In billions of cruzeiros)

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<u>A. Liabilities to private sector</u>	<u>3,419.05</u>
Monetary liabilities	1,002.57
1. Papel moeda	(656.71)
Papel moeda emitido	/772.30/
Caixa das autoridades monetarias	/-15.37/
Caixa dos bancos comerciais	/-100.21/
2. Depositos a vista	(345.85)
Depositos a vista do setor privado <u>1/</u>	/345.85/
Time and savings deposits	162.32
Depositos a prazo no Banco do Brasil	(162.32)
Other liabilities	2,254.15
1. Depositos sobre importacoes	(7.20)
Depositos diversos restit. s/import. (Res.331 e 443)	(0.08)
Depositos diversos restit. s/import. (GECAM 31)	(7.12)
2. Outros	(2,246.95)
Depositos diversos setor privado <u>2/</u>	/75.07/
Depositos diversos restit. s/viagem exter. (Res. 380)	/0.16/
Depositos diversos restit. s/oleo combust. (Res. 413)	
Depositos diversos restit. s/empr. compuls. (DL 1782)	
Depositos diversos restit. en moedas estrangeiras <u>3/</u>	/2,171.66/
<u>B. Net foreign assets</u>	<u>1,078.80</u>
<u>Net international reserves (see Table 1)</u>	<u>216.18</u>
<u>Net other foreign assets</u>	<u>862.64</u>
1. Haveres	863.53
BB cambiais em cobranca	256.41
Saldo convenios ativos (inconv.)	(1.59)
Exportacoes financiadas	(144.24)
Outras contas inconversiveis	(0.60)
Export financ. Finex	(280.12)
Export financ. Convenios Bilat.-NP	(180.57)
2. Obrigacoes	-0.89
Saldo de convenios ativos	(--)
Outras contas	(0.89)
<u>C. Net domestic assets (A-B)</u>	<u>2,340.25</u>

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1/ Conta 60.25.10 do Balancete consolidado das autoridades monetarias.

2/ Contas 70.10.10.50 a 70.10.10.75 do Balancete consolidado das autoridades monetarias.

3/ Contas 70.05.05.05 e 70.05.05.06 do Balancete consolidado das autoridades monetarias.

ATTACHMENT IV

Table 4. Net Disbursements of External Debt

(In millions of U.S. dollars)

	Jan.-June 1982
<u>I. Disbursements (medium- and long-term)</u> <sup>1/</sup>	<u>7,513.2</u>
A. Empréstimos e financiamentos estrangeiros ao Brasil	7,511.6
1. Organismos internacionais e agencias governamentais	(737.3)
2. Linhas de credito de exportacao e importacao de medio e longo prazo (acima de 24 meses)	(-268.7)
3. Contratos de risco (petroleo)	(54.5)
4. Suppliers' and buyers credits	(937.3)
5. Lei No. 4131 (medio e longo prazos)	(3,576.8)
6. Resolucao 63 (medio e longo prazos)	(2,432.4)
7. Bonus	(42.0)
B. Financiamentos a residentes para exportacao (receita)	1.6
<u>II. Amortization (medium and long term)</u>	<u>3,800.1</u>
A. Empréstimos e financiamentos estrangeiros	3,800.1
1. Organismos internacionais e agencias governamentais	(375.6)
2. Suppliers' and buyers' credits	(756.5)
3. De governamentais	(283.7)
4. Lei No. 4131 (medio e longo prazos)	(1,434.0)
5. Resolucao 63 (medio e longo prazos)	(866.4)
6. Compensatorios	(3.1)
7. Conversao em investimentos	(71.1)
8. Divida publica externa consolidada	(0.2)
9. Empréstimos diversos (acervos)	(5.1)
10. Bonus	(4.4)
B. Financiamentos a residentes para exportacao (despesa)	--
<u>III. Short-term capital</u>	<u>581.2</u>
Bancos comerciais	581.2
<u>IV. Net disbursements of external debt (I-II+III)</u>	<u>3,131.9</u>

Source: DEBAP, Balanco de Pagamentos.

<sup>1/</sup> Excludes disbursements of loans to refinance short-term bridge financing obtained by the monetary authorities until December 31, 1982.



DOCUMENT OF INTERNATIONAL MONETARY FUND  
AND NOT FOR PUBLIC USE

FOR  
AGENDA

EBS/83/4  
Correction 1

CONFIDENTIAL

January 17, 1983

To: Members of the Executive Board  
From: The Secretary  
Subject: Brazil - Request for Extended Arrangement

The following corrections have been made in EBS/83/4 (1/6/83):

Extended Arrangement

Page 1, para. 2(a), line 4: for "SDR 124,875 million"  
read "SDR 124.875 million"

line 6: for "SDR 872.875 billion"  
read "SDR 872.875 million"

last para., line 3: for "SDR 3,291.75 million"  
read "SDR 2,793.0 million"

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Page 2: Add paragraph 6, which was inadvertently omitted.

Att: (2)