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AGENDA

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EBS/98/189

CONFIDENTIAL

November 12, 1998

To: Members of the Executive Board
From: The Secretary
Subject: Brazil—Request for Stand-By Arrangement—Letter of Intent

Attached for consideration by the Executive Directors is a letter of intent from the Minister of Finance and the President of the Central Bank of Brazil, together with the memorandum of economic policies for Brazil. This subject will be brought to the agenda for discussion on a date to be announced.

Mrs. Ter-Minassian (ext. 38844) or Mr. Mackenzie (ext. 38344) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads

Brasilia, November 13, 1998

Dear Mr. Camdessus,

The attached policy memorandum describes the economic policies and objectives of the Government of Brazil for the period 1998-2001, in support of which the Government requests from the Fund an amount equivalent of SDR 13,025 million (US\$18,023.21) in the form of a stand by arrangement for a period of 36 months. The Government believes that these policies will promote sustainable and equitable long term growth of output and employment in conditions of low inflation and external viability, particularly in the context of volatile international financial markets. It will also improve efficiency throughout the economy in general and in the public sector in particular and address priority social needs. The Government stands ready to take additional policy measures if needed to ensure the advancement of these objectives.

The Brazil-IMF program follows intensified dialogue since early October. The IMF has already expressed support in two previous joint communiques for the Brazilian three year fiscal program. Brazil sees the program with the Fund as having essentially a preventive nature. It will assist the country to face a period of deep uncertainty in the international financial markets.

During the period of the arrangement, the authorities of Brazil will maintain close relations with the Fund, and will consult on the adoption of policy measures that may be needed, in accordance with existing practices. Over the next six months, reviews of the program will be carried out with the Fund before end-March and 1999 and end-June 1999.

/s/

Pedro Sampaio Malan
Minister of Finance

/s/

Gustavo Henrique de Barros Franco
President
Central Bank of Brazil

Mr. Michel Camdessus
Managing Director
International Monetary Fund