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## **Brazil: I.m.f. Letter Of Intent Not Yet Complete**

*by Barbara Khol*

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On Sept. 3, Economy Minister Zelia Cardoso de Mello told Knight-Ridder Financial News that the government will send a delegation to Washington Sept. 5 to complete talks on economic targets to complete details for an International Monetary Fund letter of intent. The delegation is to be headed by Central Bank president Ibrahim Eris and chief foreign debt negotiator Jorio Dauster. The stand-by agreement is expected to include a \$1.4 billion loan to be disbursed on a quarterly basis as economic targets are met. Knight-Ridder cited unidentified Economy Ministry sources as saying that the main obstacles in complete the letter of intent were issues of arrearage payments and Brazil's public sector borrowing requirement. Since September 1989, Brazil has accumulated some \$6 billion in arrears to private creditor banks on a total foreign debt amounting to \$114.7 billion. Brazilian officials say that any payments this year would have a negative impact on the government's anti-inflation program. Accounting methods to be used in establishing targets for the public sector borrowing requirement are also in question. Brasilia has targeted a budget surplus equal to 1.22% of GDP for 1990m assuming zero inflation through December. The IMF insists that monthly inflation rates should be reflected in the target. Brazil is reluctant to incorporate inflation projections in this year's target, asserting that any error in projections would affect the public sector borrowing requirement and other targets. (Basic data from Knight-Ridder Financial, 09/03/90)

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