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Peru: Negotiations With International Monetary Fund Halted, Result Of Tax Revenue Decline

by Barbara Khol

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On Feb. 28, the Agence France-Presse reported that a reduction in tax revenues has brought negotiations between the Peruvian government and the International Monetary Fund to a temporary halt. The situation has been exacerbated by declining export revenues resulting from the cholera epidemic, and low prices for Peru's mineral products on the world market. In January, President Alberto Fujimori's government had agreed to an IMF letter of intent which specified a substantial increase in tax revenue. The Fund was expected to organize a "Support Group" of governments to provide about \$800 million in bridge loans to settle Peru's balance of payments deficit. In the first two months of the year, tax revenues dropped to 8% of GDP, almost four points below official projections. An IMF mission is expected to arrive in Lima in March to advise in the design of a new tax collection system. Tax revenues in 1990 were equivalent to 5.4% of GDP. Taxpayers last year numbered only 283,000 in a labor force of 7.4 million. (Basic data from AFP, 02/28/91)

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