

Paraguay: Stand-By Arrangement—Request for Extension—Staff Report; and Press Release on the Executive Board Consideration

In the context of the request for an extension of the Stand-By Arrangement, the following documents have been released and is included in this package:

- the staff report for the Stand-By Arrangement—Request for Extension prepared by a staff team of the IMF. Based on information available the staff report was completed on September 27, 2005. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a Press Release summarizing the Executive Board's consideration of the staff report that completed the request.

The document listed below has been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Paraguay*

*May also be included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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**International Monetary Fund
Washington, D.C.**

INTERNATIONAL MONETARY FUND

PARAGUAY

Stand-By Arrangement—Request for Extension

Prepared by the Western Hemisphere and Policy Development and Review Departments

Approved by Caroline Atkinson and Anthony R. Boote

September 27, 2005

1. In the attached letter dated September 26, 2005, the Paraguayan authorities are requesting a two-month extension of the Stand-By Arrangement (SBA), which is due to expire on September 30, 2005. The SBA was previously extended for six months (beyond its original expiration date of end-March 2005) on December 20, 2004. The authorities are not requesting any change in the cumulative access under the arrangement and intend to continue to treat it as precautionary.
2. The extension is needed to provide additional time to complete the sixth review under the SBA. As indicated in their letter, the authorities' macroeconomic program remains broadly on track. All quantitative performance criteria for end-June 2005 have been observed—some of them with large margins. In addition, the continuous performance criteria on the nonaccumulation of arrears and non-contracting of short-term external debt (as well as the standard continuous performance criteria in the arrangement) appear to have been met. The government's end-year program targets also appear to be within reach. However, given delays in the structural reform agenda the authorities have requested more time to implement two outstanding benchmarks under the program: (i) a plan for private capital participation in three public enterprises; and (ii) an action plan to meet the original objective of the general banking bill.
3. The staff supports the authorities' request for an extension of the arrangement to November 30, 2005, with unchanged cumulative access.

Asunción, Paraguay
September 26, 2005

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Mr. de Rato:

We would like to request a two month extension of our Stand-By Arrangement (SBA), (which is due to expire on September 30, 2005), to November 30, 2005. This extension is needed to provide sufficient time to complete the sixth review under the arrangement and to solidify the achievement of program objectives while discussions on a successor arrangement are underway.

There have been significant achievements under the program, including the best macroeconomic outcomes in a decade, with growth at 4 percent and inflation under 3 percent in 2004. Positive achievements continued this year despite a less favorable external environment. All quantitative performance criteria for end-June 2005 were met—some with large margins. We remain fully committed to a sound macroeconomic framework during the extension period and believe that the end-year program projections are within reach.

Sincerely yours,

_____/s/_____
Monica Perez dos Santos
President
Central Bank of Paraguay

_____/s/_____
Ernst Bergen
Minister of Finance



Press Release No. 06/26
FOR IMMEDIATE RELEASE
February 7, 2006

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth Review of Paraguay's Stand-By Arrangement

The Executive Board of the International Monetary Fund (IMF) completed on November 30, 2005 the sixth review of Paraguay's economic performance under an SDR 50 million (about US\$73.3 million) Stand-By Arrangement for Paraguay, originally approved on December 15, 2003 for 15 months (see [Press Release No. 03/218](#)). The arrangement was subsequently extended through September 30, 2005 on December 20, 2004 (see [Press Release No. 04/271](#)) and through November 30, 2005, on September 30, 2005. Both the later extension and the review were completed by the Executive Board on a lapse of time basis.

The completion of the sixth review made a cumulative amount equivalent to SDR 50 million (about US\$71.2 million) immediately available to Paraguay. However, Paraguay did not make any drawings under the arrangement.

(This statement is being released for public record)