

## International Monetary Fund

[Paraguay](#) and the IMF

### **Paraguay:** Letter of Intent

#### **Press Release:**

[IMF Executive Board  
Completes Sixth and  
Final Review under  
Paraguay's Stand-By  
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July 31, 2008

July 14, 2008

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The following item is a Letter of Intent of the government of Paraguay, which describes the policies that Paraguay intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Paraguay, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Asunción, Paraguay  
July 14, 2008

Mr. Dominique Strauss-Kahn  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. **Achievements.** Macroeconomic conditions have improved markedly since the adoption of the Stand-By Arrangement (SBA) in May 2006. Macroeconomic performance has exceeded most of the objectives under the SBA; economic growth reached an estimated 6¾ percent in 2007, public debt levels have been reduced to around 20 percent of GDP, and international reserves have reached record levels. However, while core inflation was reduced to 6 percent at end-2007, it reached a cumulative 4 percent over the first five months of 2008, mostly driven by international supply shocks on food and fuel items. A key challenge for the new administration that takes over on August 15 will be to consolidate these gains.
2. **Program implementation.** Performance under our economic program for 2008, supported by the SBA, has been quite strong.
  - **Quantitative performance criteria.** All performance criteria through end-March 2008 have been observed with large margins. In particular, international reserves have surpassed US\$3 billion and the public finances have recorded a surplus of about 1½ percent of GDP, both substantially above program objectives. We also believe that the end-June 2008 performance criteria have been met.
  - **Structural benchmarks.** All structural benchmarks through end-June 2008 have been met, except for the benchmark on the signing of revised result-oriented management contracts and development of business plans for five large state-owned enterprises, which was only partly satisfied due to time constraints and the imminent change of the government and the management of these companies.
3. **Sixth program review.** Against this background of good economic performance, the Government of Paraguay hereby requests the completion of the sixth and last review under the SBA-supported program.
4. **Expiration of the program.** We remain committed to the broad macroeconomic and reform agenda set out in previous Letters of Intent as the program comes to an end in August 2008. We encourage the new administration to maintain the productive and fruitful dialogue we have had with the Fund.

5. **Publication.** As part of our communication policy, we intend to publish this Letter in the websites of the Ministry of Finance and Central Bank to maintain our citizens informed about our policy intentions. We also authorize the Fund to publish this Letter.

Sincerely yours,

\_\_\_\_\_/s/\_\_\_\_\_  
Germán Rojas  
President  
Central Bank of Paraguay

\_\_\_\_\_/s/\_\_\_\_\_  
Miguel Gómez  
Minister of Finance