

PRIME MINISTER

LOANS TO ARGENTINA

When the Treasury wrote on 17 November to say that no drawings had by then been made on the \$1.5 billion loan, you referred to an earlier drawing of \$300 million which you said was associated with the first IMF programme.

The position is as follows. There is only one IMF programme - a 15-month standby facility of SDR 1.5 billion, which started in January 1983. The intention was that this should be drawn upon in quarterly instalments. Two drawings of SDR 300 million were made, the last in May 1983. Subsequent drawings were suspended as, by August it became apparent that the Argentine economic programme was off course and the performance criteria were not being met.

In December 1982 a bridging loan of \$1.1 billion (share of UK banks ^{with commercial banks.} \$111 million) was arranged. The \$300 million which you correctly recalled, was the last instalment of the bridging loan, drawn I believe in June. It is to repay part of this bridging loan that the \$500 million instalment of the new \$1.5 billion loan is being sought.

AT

24 November 1983