UNCLASSIFIED 47758

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

COSTA RICA

PROJECT PAPER

ECONOMIC STABILIZATION
AND RECOVERY PROGRAM V
(Amendment # I)

AID/LAC/P-344 &
CR-LAC/P-315

Project Number:515-0222
Loan Number:515-K-607/A

UNCLASSIFIED

(Unclassified without

CLASSIFICATION: Limited Official Use (Attachment II)

AID 1120-1 (9-86)

PAAD

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE
APPROVAL DOCUMENT

1. PAAD NO.: 515-K-607
Project No. 515-0222 Amendment No. 1

2. COUNTRY: Costa Rica

3. CATEGORY: Cash Transfer

4. DATE: August 1986

5. TO: AA/LAC: D. Ink

6. OYB CHANGE NO.: N/A

7. FROM: LAC/DR: ~~Terrence J. Brown~~

8. OYB INCREASE: None

TO BE TAKEN FROM: Economic Support Fund

9. APPROVAL REQUESTED FOR COMMITMENT OF: $80,000,000

10. APPROPRIATION - ALLOTMENT: 72-1161037 637-65-515-00-50-61

11. TYPE FUNDING: ☐ LOAN ☒ GRANT

12. LOCAL CURRENCY ARRANGEMENT: ☒ INFORMAL ☐ FORMAL ☐ NONE

13. ESTIMATED DELIVERY PERIOD: FY 1986

14. TRANSACTION ELIGIBILITY DATE:

15. COMMODITIES FINANCED: N/A

16. PERMITTED SOURCE		17. ESTIMATED SOURCE	
U.S. only:		U.S.:	$80,000,000
Limited F.W.:		Industrialized Countries:	
Free World:		Local:	
Cash:	$80,000,000	Other:	

18. SUMMARY DESCRIPTION

The purposes of the program are to provide balance of payments support to A.I.D. stabilization efforts in Costa Rica, and to encourage policy and structural changes aimed at re-establishing dynamic growth in the economy through increased exports. The $80 million grant, which will be signed with the Government of Costa Rica, will consist of a cash transfer to the Central Bank of Costa Rica (BCCR), the dollar equivalent of which will be made available for sale to private producers. Imports from the U.S. of raw materials, intermediate goods, construction materials, capital equipment, and spare parts in an amount equal to the grant will be required. An amount in local currency equivalent to the grant will be deposited by the Central Bank in the Special Account established under ESR II. Disbursement of local currency from the account will be made pursuant to implementation letters for the purposes specified in this PAAD Amendment. The $80 million authorized hereby will be subject to the Conditions, Covenants, and Special Provisions specified in Section II.F. of the PAAD Amendment, as approved pursuant to LAC Bureau guidance in Attachment 2.

The Mission may vary the disbursement plan contained in Section III A. (as amended) of this PAAD Amendment to maintain a rational flow of foreign exchange into Costa Rica, with prior concurrence from AA/LAC. The BCCR will provide the colon equivalent of each dollar disbursement calculated at the highest rate of exchange, at the date of the disbursement, which is not unlawful in Costa Rica.

19. CLEARANCES

		DATE
LAC/CEN:PAskin		8/22/86
LAC/DP:WWheeler	WW	8/22/86
LAC/DR:TBrown	TB	
GC/LAC:PJohnson	M Ruiz (draft)	8/25/86
M/FM/PAFD:EOwens	EO	8/26/86
DAA/LAC:MButler		
PPC/EA:KKauffman		8/25/86

20. ACTION

☒ APPROVED ☐ DISAPPROVED

Dwight A. Ink 8/27/86
AUTHORIZED SIGNATURE DATE

Assistant Administrator (LAC)
TITLE

CLASSIFICATION: Limited Official Use
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ESR V

PAAD AMENDMENT OUTLINE

PAGE

I. BACKGROUND AND RATIONALE

A. Purpose of Program

B. Rationale for Amendment

C. The Economic Setting

D. Other Balance of Payments Assistance

II. CONDITIONALITY STRATEGY

A. The Macroeconomic Approach

B. Negotiating Areas

C. The 1986 Phase

D. The 1987 Plan

E. Timing of Disbursements

F. The Conditions/Covenants

1. First Disbursement

2. Second Disbursement

3. Third Disbursement

4. Covenants

G. Non-Performance

III. IMPLEMENTATION

A. Disbursement Schedule

B. Local Currency Programming

ATTACHMENT I BCCR March and July Cash Flow Projections for 1986 (A) - millions of U.S. dollars

ATTACHMENT II Action Memorandum from LAC/DR to AAA/LAC Summarizing Results of DAEC Review of PAAD Amendment

ECONOMIC STABILIZATION AND RECOVERY V

PAAD AMENDMENT

I. BACKGROUND AND RATIONALE

A. Purpose of Program

The purpose of this program remains the same as that stated in the original PAAD for the Economic Stabilization and Recovery (ESR V) program submitted in May of this year. All implementation arrangements, uses of program resources, and statutory or regulatory requirements (e.g., U.S. sourcing) also remain the same. This amendment provides the justification for the authorization for an additional $110.0 million in ESF grant funds, which will bring the total authorized life of project funding to $150.582 million.

B. Rationale for Amendment

In obtaining authorization of the first disbursement of ESR V funds in June, it was determined that, in addition to structural change, more priority to macroeconomic considerations in the Mission's conditionality was required. This came about as a result of growing concerns in the Mission and in AID/W regarding the weak economic situation and the absence of new initiatives by other key donors who in the past had helped Costa Rica deal with the broader economic issues affecting the country. Given this situation, the Mission agreed to divide the ESF funds programmed for Costa Rica into two parts, attaching conditionality of a more structural nature (CODESA) to the first disbursement of $40.582 million, and leveraging the larger amount of $110.0 million, to be disbursed in three tranches, against conditions pertaining to macroeconomic planning and management as well as structural adjustments. This amendment, then, lays out the Mission's conditionality strategy for the second part of the ESR V program.

C. The Economic Setting

A complete analysis of the current situation of the economy of Costa Rica was developed by the Mission and included in the PAAD submitted in May. It is not our intention to repeat that analysis, only to update and highlight its main conclusions with respect to the financial situation in the public sector and in the external accounts of the economy.

An improvement in the external terms of trade (coffee and oil) and some increase in the demand for Costa Rica's non-traditional exports will make possible a growth rate in GDP of some 3% in 1986, up from a 1% increase in 1985. A credit program was formulated early this year by the monetary authorities which will accomodate this real growth rate while holding inflation to last year's rate of about 10%.

Under this growth and inflation scenario, the deficit in the non-financial public sector was projected to decline slightly to 1.5% of GDP, from 1.8% of GDP in 1985. Central administration expenditures were seen as registering an increase over 1985, but an increase in revenues due to higher coffee prices outweighed the expenditure increase, leading to the slight overall improvement. However, Central Bank (BCCR) losses, a complicating factor in public sector finances since at least 1982, were expected to be about 4.7% of GDP. Consequently, the overall public sector deficit (financial and non-financial) was projected to reach some 6.2% of GDP.

Since these projections were made, the GOCR has developed new estimates in preparation for negotiations with the IMF on a new standby. In the new projections, the deficit of the non-financial public sector is calculated to be 1.3% of GDP, while BCCR losses are slightly higher at 5.3%, for an overall public sector deficit of 6.6% of GDP at the end of 1986. The size of the non-financial public sector deficit is the result of limited flexibility in reducing expenditures, plus a ¢1.6 billion shortfall in projected revenue. Contributing to the revenue shortfall is an estimated decline of $10 per sack in the average annual export price of coffee, lower taxes on profits of non-traditional exports in accordance with a new incentive structure, decreases in sales and consumption taxes, and lower import taxes as a result of reduced import volume in the first quarter of 1986 following enactment of a new tariff regime.

The current account deficit in the balance of payments is likely to be substantially higher than was forecast when the PAAD was submitted in May. At that time, the overall balance was expected to be in moderate surplus by year end 1986. However, the BCCR has recently revised its projected cash flow for 1986 which points to less official foreign assistance and less favorable coffee export earnings than were earlier anticipated. As a result, a deficit of some $112 million on a cash flow basis may materialize by year end (see Attachment 1). If so, the BCCR will encounter extreme difficulties meeting all of its external obligations, which will result in additional delays in processing import applications and an increase in arrears in external debt service towards the end of 1986.

D. Other Balance of Payments Assistance

The last IMF standby arrangement expired in April of this year. The GOCR was unable to make the last two drawings under this program due to non-compliance with respect to meeting targets established for one drawing on net international reserves, net domestic assets and external payments arrears. For the last drawing, in addition to the above targets, the GOCR failed the target for domestic banking system credit to the non-financial public sector. Negotiations are now underway for a new arrangement that would extend through 1987, and focus on an appropriate target for the non-financial public sector deficit.

The IBRD Structural Adjustment Loan (SAL) was fully disbursed in June, 1986. Discussions preceding the last disbursement centered on measures to reduce the CNP deficit, public sector employment levels and import surcharges. A timetable for achieving these targets was agreed upon by both parties. Specifically, (1) CNP losses are to be reduced by two-thirds which will be achieved by eliminating CNP participation in the marketing of rice and sorghum, removing consumer price subsidies on basic grains (both already achieved), and reducing employment and transferring certain functions to cooperatives; (2) surcharges on imported consumer goods are to be eliminated and the BCCR has approved a schedule which will achieve this target by January 1, 1987: and (3) public sector employment is to be reduced over a three year period to the level that existed in March 1984, and the GOCR has approved a decree of the Budgetary Authority that will achieve this reduced level.

Also, the IBRD is now in the final stages of developing a $35 million financial sector loan which is expected to be ready in September of this year, with the first disbursements planned for late 1987 following ratification by the Costa Rican Legislative Assembly. In addition, a $3.5 million technical assistance loan was recently ratified by the Assembly which includes resources for a review of services in certain areas of the public sector. Results from these studies could lead to important recommendations for changes in the structure of public sector expenditures.

II. CONDITIONALITY STRATEGY

A. The Approach

The disequilibrium in the external accounts of the economy of Costa Rica is symptomatic of the structural imbalance between domestic demand and the external resources available to the economy. This, and the likely absence of assistance from other donors during 1986 in support of Costa Rica's stabilization program, has led the Mission to confront the problem of stabilization and recovery directly, and to focus its efforts on helping the GOCR achieve a limited number of economic targets by the end of 1986 and to prepare a more comprehensive plan for 1987.

The conditionality and performance program for the last three tranches of ESR V funds will encompass the balance of the CY 1986 and all of CY 1987. To implement its strategy, the Mission will establish conditions which will (1) define the requirements for and gauge GOCR performance against selected 1986 macroeconomic targets, (2) require development and submission to A.I.D. of an economic stabilization plan for the year 1987, and (3) initiate the process for structural changes in the financial sector designed to improve its overall efficiency as well as to strengthen the competitive position of the private banks. The Mission's strategy is intended to help the GOCR meet certain essential performance targets for 1986 and formalize a 1987 plan that will assist in maintaining monetary and fiscal stability in Costa Rica through the end of next year, and to focus attention on a key area where structural change can have a positive long-term impact on overall economic performance.

Consistent with this strategy, disbursements of the balance of ESR V funds will be made against GOCR performance on selected economic stabilization actions during the remainder of 1986, the development and acceptance by A.I.D. of an economic stabilization plan for 1987, and the submission of legislation and approval of new Central Bank regulations required to institute structural changes in the financial sector. These actions will contribute to the long run goals of (1) balance in the external accounts of the economy without recourse to extraordinary financing, and (2) the growth and development of more dynamic sectors of the economy. Achievement of these goals will permit higher rates of growth in per capita GDP without inflationary pressures and without disequilibrium in the balance of payments. We believe this approach will have the added benefit of enlisting the support of other external donors and the multilateral IFIs by demonstrating the country's continued commitment to thoughtful and responsible economic management and recovery in the months to come.

It is important to note that explicit macroeconomic conditionality of the type described above represents a new thrust for A.I.D.'s balance of payments program in Costa Rica. As is discussed elsewhere in this paper, over the last three years other institutions, particularly the IMF, the IBRD and the commercial banks, have been working together closely in the context of formal agreements with the GOCR to achieve economic stabilization and recovery through appropriate conditionality. A.I.D. has played a supportive role by negotiating conditions related to certain complementary structural adjustment issues (e.g., appropriate credit policies, reform of the banking sector, investment promotion and the CODESA divestiture initiative), and through the regular disbursement of foreign exchange to keep import and production levels up and encourage continued dollar flows from other sources.

While this collaborative effort was quite effective in CY 1985, Costa Rica's relationship with the IMF failed to survive a variety of financial and economic problems which took place at year's end and in early 1986. In the case of the IBRD, the Structural Adjustment Loan was disbursed in full, albeit somewhat late, in June, 1986, following negotiated agreements on targets for import surcharges, public sector employment levels and CNP losses.

B. Negotiating Areas

Discussions between the IMF and GOCR on a new standby arrangement have begun but, at this time, it is impossible to predict accurately the content of a new arrangement, or when it might be effected. In the meantime, it is in our interest to reach an agreement with the GOCR on a framework for structural adjustment and macroeconomic performance in order to provide a rational use for our ESF assistance.

In looking at the implications of this strategy thrust, therefore, the Mission carefully reviewed the mix of issues associated with selecting and defining conditionality for 1986-1987. On the structural adjustment side, an area of the economy which has not been subject to prior conditionality (under A.I.D. programs or those of other institutions) is the efficiency of the financial sector. Historically, the public banks have had an almost monopolistic position granted to them, and it has only been recently that the private banks have been able to assume a limited role in the sector. The near monopoly of the state banks is regularly cited as one of the key constraints to development because of their inefficiencies and the additional costs associated with those inefficiencies. Further, in support of the Mission's unfolding development strategy, which now focuses on agro-industry and will soon include other structural elements in a process of economic transformation, a more efficient financial sector is a critical element. Although a politically sensitive topic, there has been some movement to begin to modify the regulations controlling the

operations of the financial sector. The Mission believes that conditionality under the ESR V program can provide an additional push to achieve significant change.

On the macroeconomic side, after conversations with AID/W and discussions with the AA/LAC in San Jose in May, it was concluded that the following priority subjects warranted consideration as the focus of conditionality for the balance of the ESR program:

(1) A public sector expenditure program aimed at reducing the deficit as percentage of GDP.

(2) Closure of the foreign exchange gap with a program that maintains external credit worthiness.

(3) A banking system credit program geared to the continued reduction of inflation.

(4) Interest rate policies aimed at clearing credit markets with positive real rates of interest.

(5) An exchange rate and trade regime which maintains a unitary exchange rate without an import license or other control system.

The Mission and the GOCR face a significant constraint in achieving the targets that will be set under this macroeconomic conditionality because a clear economic planning and management structure (i.e., an experienced economic cabinet team with strong and decisive leadership) has not yet emerged from within the Arias government. This has resulted in an unfocussed and uncertain approach to economic planning at the higher levels since the new government took office in May, and has left economic plans for the future in an unsettled state.

In addition to this general constraint, there are other specific reasons why the GOCR will be unable to produce a stabilization plan to be implemented with quantifiable results for the balance of calendar year 1986:

-- When the new government took office in May, the expenditure budget had been partly executed or obligated leaving little room for the new government to keep expenditures in 1986 at a level consistent with IMF public sector deficit targets. Nonetheless, in the second half of 1986, the government is bringing the deficit under control by keeping expenditures to a minimum (growing only a projected 8.8% over the first half of the year) while revenues are projected to increase 19.7% over the level of the first half of the year.

-- The mechanics of developing a comprehensive plan for the rest of 1986, which is a constantly shrinking timeframe, and securing its approval within the GOCR and AID would take some time -- easily up to three months. This would leave only a few months (including December which is usually a vacation month for the government) in which to implement it.

Thus, concentrating on a few critical actions for 1986, rather than a broader plan, is a more realistic commitment to obtain from the GOCR for the coming months.

For these reasons, the Mission has chosen to separate the macroeconomic conditionality into two phases: one set for 1986 and one for 1987. The purpose of the former is to urge the GOCR to deal quickly with the current economic situation, while the latter will encourage the GOCR to begin planning now for a more comprehensive stabilization and adjustment effort over a time frame where substantial achievements are possible. The intent of both stages of the strategy, however, is to provide the GOCR with a continuous framework that is consistent with maintaining the gains it has made already under its stabilization program and to facilitate the planning and negotiating processes with other donors in the future.

With respect to the conditionality associated with the financial sector, the Mission's sense is that sufficient time remains in 1986 to introduce appropriate legislation and approve selected new regulations of the Central Bank, both of which will be aimed at improving the overall efficiency of the banking system and expanding the role of private banks in the economy. Therefore, conditionality on this issue will be incorporated in the 1986 phase of the program.

C. The 1986 Phase

1. Structural Adjustment Conditionality

Following from the above discussion, the Mission will require that the GOCR develop a package of reforms designed to increase efficiency in the financial sector while also improving the competitive position of the private banks vis-a-vis the public banks, and thus allow the private banks to take a more active role and participate in a broader range of financial activities required to foster sustained development. The conditionality will require that the portion of the reform package requiring legislative action be submitted to the Assembly for final review and approval and, for the changes within the direct control of the BCCR, that approval of the Bank's Board of Directors to those changes be received and the changes instituted.

2. Macroeconomic Conditionality

It is important to note that, in this phase, we are referring only to discrete conditions requiring GOCR action by the end of 1986. The comprehensive plan for 1987, to be required for the final disbursement of ESR V funds, will contain a much broader range of specific targets in the context of the five areas outlined in Section II.B., above.

After reviewing GOCR performance to date in each of these areas and looking at prospects for the next several months, the Mission has determined that the following conditionality actions are required:

-- Public Sector Deficit. The GOCR continues to achieve some progress in reducing the deficit of the non-financial public sector, but this has been offset by losses in the financial public sector. Continued progress on the former, ultimately leading to the generation of surpluses, will be needed to compensate for the latter. The Mission will condition its support under this amendment on actions taken to improve the situation in the non-financial public sector. See Section II F.1.

-- Foreign Exchange Gap. Arrearages totalled some $143 million in June 1986. The Mission will condition GOCR action to reduce arrearages to no more than $40 million below that level. The rationale for this action is related to the balance of payments discussion in Section I.C. above. Given a projected cash-flow gap of about $112 million the BCCR would be allowed arrears of up to $105 million. The remainder would be absorbed through import compression. See Section II F.1.

-- Banking System Credit. The monetary authorities designed a credit program early this year that conforms to a deficit in the non-financial public sector of 1.5% of GDP. This program called for no net increase in credit to the non-financial public sector and was supported by a condition in the original ESR V project agreement. A new credit program will be necessary to assure that 1987 targets are achieved, and will be treated in the context of the 1987 program.

-- Interest Rates. Since 1983, Central Bank management of the financial system has resulted in positive real interest rates on both deposits and loans, except for a small portion of subsidized credit that has been decreasing in absolute terms since 1984. In July of this year, the BCCR enacted new measures further liberalizing interest rates under which, beginning August 1, all banks are free to set interest rates on non-subsidized loans according to supply and demand. The

Mission will reinforce progress in this area by maintaining the covenant of previous ESR agreements regarding interest rate structure.

-- Exchange Rates and Trade Regime. Exchange rate management has also improved in recent years. In 1983, the BCCR unified the "free" and the inter-bank rates and reduced the percentage of export proceeds that had to be liquidated at the lower official rate. Today, there is a unified rate that is periodically adjusted through mini-devaluations. In terms of an equilibrium exchange rate, the Colon today is clearly overvalued in the sense that the market clearing rate would be much higher without substantial balance of payments assistance. However, in view of Costa Rica's huge external debt it would be difficult to assess the degree of overvaluation. But the Mission believes that according to purchasing power parity, or the relationship between Costa Rica's domestic inflation and the inflation of its trading partners, the Colon is not overvalued and that the policy of mini-devaluations pursued by the BCCR has been effective in maintaining the profitability of exports. Even though there is no reason to believe that the GOCR intends to deviate from its mini-devaluation strategy, the Mission will maintain a condition of past ESR agreements designed to continue the pattern of mini-devaluations through the rest of the year.

D. The 1987 plan

As mentioned earlier, we will require a plan from the GOCR that will be a comprehensive program for getting the economy back on track in 1987. The plan, which will build upon the five areas identified in Section II.B., above, will contain all of the appropriate quantified targets for the key economic variables, and will lay out what must be done, by whom, and when, in order to achieve those targets. As we see it, the targets will be of two general types: stabilization and structural. Examples of stabilization targets include the deficit in the non-financial public sector, arrearages, and so forth. Structural adjustment would address resource allocation within the public sector and, possibly, continued actions on increased efficiency in the financial sector.

E. Timing of Disbursements

Our analysis of the current foreign exchange situation is that it is poor and growing worse. This argues for disbursement of the $110 million covered in this PAAD amendment at the earliest possible date. We envision a first disbursement of $40.0 million being made in late September or early October, a disbursement of $30.0 million before the end of CY 1986 following submission of legislation and BCCR approval of

administrative changes related to financial sector reforms, and a final disbursement of $40.0 million being made in early CY 1986 after GOCR compliance with the targets established for 1986 has been verified. (It should be noted that the GOCR's cash flow projections for 1986 assumes disbursements from ESR V funds of $80.0 million -- an amount that will be reached with the first disbursement; thus, even if the second disbursement does not occur this year, it will not have an impact on those projections).

F. The Conditions/Covenants

1. First Disbursement

The first disbursement of funds under this amendment will be contingent upon receipt of written commitment from the GOCR to:

a. Carry out actions necessary to:

(1) Achieve a deficit in the non-financial public sector of no more than 1.3% of GDP by the end CY 1986. Discussions with the GOCR and the BCCR will result in a mutually agreed upon set of indicators that will serve to verify, within a reasonable time after the close of CY 1986, the achievement of this target. T.J.B.

(2) Achieve a level of arrearages no higher than $105 million by year end 1986.

As noted in Section I.C., above, complete achievement of the non-financial public sector deficit target may not be possible due to the situation inherited by the new administration which limits flexibility and options to reduce the deficit below 1.3% of GDP. Nonetheless, the Mission feels that the proposed target should be maintained and that an incentive structure should be established under which $10.0 million would be disbursed for a deficit level of 1.3% and an additional $10.0 million disbursed for each subsequent 0.1% reduction achieved up to a total disbursement of $40.0 million at a deficit of 1.0% of GDP. If the final target is not achieved, the Mission will consult with AID/W in accordance with the discussion in Section II.G., below. Alternatively, any undisbursed funds could be incorporated into the FY 1987 ESF program to provide additional resources to leverage the conditionality to be associated with that program.

b. Prepare and submit to A.I.D. by November 1, 1986, a comprehensive economic and financial stabilization plan for CY 1987 to include, but not be restricted to, the following targets:

(1) Equilibrium in the non-financial public sector budget.

(2) No arrears in international obligations.

The Mission will work with the GOCR during the rest of CY 1986 to assure that feasible and comprehensive parameters are set within the plan and, further, that it contains a complete statement of the various regulatory initiatives or reforms necessary to the achievement of the plan.

2. Second Disbursement

Prior to disbursement of the second tranche of funds planned under this amendment and by November 1, 1986, the BCCR will:

a. Submit a reform package to the Legislative Assembly which:

(1) Revises Article 85 of the Central Bank Law so that, for all banks, the BCCR will administratively establish limits on the maximum credit individual clients will be eligible to receive according to the type of loan and its guarantee. (At present, a fixed ratio of the amount of the loan to the capital and reserves of the bank is applied. The ratio is higher for private banks, but should a private bank reach the equity level of the smallest public bank the lower ratio goes into effect -- thus creating a disincentive for private banks to increase their capital base beyond a certain point).

(2) Strengthens the regulatory functions of the Superintendency of Banks and grants it authority to impose penalties when laws or regulations are violated.

b. Approve changes in the Central Bank regulations to:

(1) Permit private banks to capture resources through Investment Certificates with maturity of greater than 30 days (currently limited to greater than 180 days).

(2) Automatically increase the colon value of investment certificates issued by the banks provided that the 10:1 debt to equity ratio is not surpassed. (Currently the BCCR must act on individual cases when pre-established ceilings on investment certificate values are changed).

(3) Establish guidelines for minimum bad debt reserves, including a timetable for creating such reserves for existing loans.

(4) Eliminate the provision allowing banks to accrue interest on loans more than 90 days past due. (Currently banks accrue interest until a loan is legally declared uncollectable, which has the effect of overstating the size and profit on the banks' loan portfolio).

These conditions build upon the changes which have already been made in areas such as interest rate policy and credit allocation, and will result in a more accurate picture of the financial situation of all banks, ultimately leading to increased efficiency and, for the private banks, an improved competitive position.

3. Third Disbursement

The third disbursement under this amendment will be contingent upon:

a. Achievement of the CY 1986 targets listed under the first disbursement conditions, above, and their verification by A.I.D.

b. Approval by A.I.D. of the comprehensive stabilization plan for CY 1987 required in accordance with Section II.F.1.b.

4. Covenants

The Grant Agreement Amendment for ESR V will call for continuation of all other appropriate Covenants currently in force and establish a new one committing the GOCR to carry out any and all studies as might be required in the development of the 1987 Economic Stabilization Plan.

G. Non-Performance

Coordination among donors and lending institutions in implementing the GOCR's stabilization program has been a key factor in the progress made to date. Continued participation by those institutions will be important to future successes, although it appears that through the balance of 1986 their role (at least in financial terms) will be very limited.

Given this situation, the Mission, in conjunction with considerable guidance from AID/W, is embarking on a new strategy which sets out macroeconomic performance criteria as conditions for our assistance. We are concerned, however, that given the uncertainties within the GOCR on how to proceed with the stabilization program, as well as what other institutions will be stipulating as conditions for future financial support to the program, we may confront a situation of conflicting, or at least inconsistent, conditionality demands which could lead to non-compliance with our conditionality by the GOCR. Should a problem of this nature arise, the Mission will ask that AID/W participate in a joint review to determine alternative acceptable levels of performance, or other criteria, on which to base a decision to proceed.

III. IMPLEMENTATION

A. Disbursement Schedule

The total resource level planned for the ESR V program is $150.582 million. Of this amount, $40.582 million was authorized based on the original PAAD submission and, following signature of a Project Agreement, the funds were disbursed in late June, 1986.

As outlined above, a four tranche disbursement schedule for ESR V is now envisioned, with the final three tranches totalling $110 million covered by this PAAD Amendment and tied to the conditions to disbursement described in Section II.F., above. The first of the remaining disbursements will be made upon GOCR agreement to take a selected number of economic stabilization actions over the rest of 1986, and to develop a comprehensive stabilization plan for 1987. It is expected that such an agreement will be reached within several weeks of the approval of this PAAD Amendment, with disbursement of $40.0 million to follow immediately thereafter. The second disbursement of $30.0 million will take place in the November/December time frame following submission of a financial sector reform package to the Legislative Assembly and BCCR approval of the identified changes to its regulations. Disbursement of the final tranche of $40.0 million will be dictated not only by the presentation of a stabilization plan acceptable to A.I.D. but also by demonstrating satisfactory performance against the 1986 targets. In that the data needed to measure performance against those targets will not be available until February, 1987, disbursement of the final tranche will not occur until late in the first quarter of CY 1987.

B. Local Currency Programming

The Project Agreement for the ESR V program was signed on June 24, 1986, and includes a covenant that, immediately following each dollar disbursement under ESR V, the BCCR will deposit an equivalent amount of local currency into the AID Special Account originally established as part of the ESR II Project Agreement.

In accordance with the Action Memorandum approved by the DAA/LAC on June 9, 1986, funds deposited in the Special Account will be jointly programmed by the Mission and the GOCR. The following table updates the table presented in the original PAAD and provides the tentative plans for the general allocation of local currency funds made available under ESR V.

Of these activities, the resources for CODESA and the Agricultural School represent increments of funding for ongoing programs (i.e., payment of a mortgage). Additional increments of $30.0 million and $16.0 million, respectively, in FY 1987 are planned for these two projects. While not a mortgage per se, the funds for the Special Credit Line represent an additional input to the existing line which is consistent with the Mission's strategy to strengthen the private sector and increase productivity. The Housing Bank represents a new activity to start in 1986. It has a planned life of project budget of $50.0 million and, thus, will have a mortgage to be satisfied in future years ($20 million in 1987 and and $10 million in 1988). The remaining activities correspond to discrete Mission initiatives. Available resources from ESR V will be sufficient to fully fund them without creating demands for future year resources. The PAAD submitted in May, 1986, contains additional discussion on the nature of these tentative activities. It should also be pointed out that the "Other" line item in the budget includes resources for the Mission's operating expenses trust fund which, in FY 1986, will also cover the costs of the new A.I.D. office building in San Jose.

ESR V LOCAL CURRENCY ALLOCATION

ACTIVITY	AMOUNT (US$ million equivalent)
CODESA Divestiture and Central Bank Debt Reduction	70.0
Special Credit Line for Private Sector	20.0
Agricultural School	16.0
Housing Bank	20.0
Private Sector Road Maintenance	5.0
Counterpart to Mission Projects and Programs	4.75
Agribusiness Programs	5.25
Other	9.582
TOTAL	150.582

BCCR MARCH AND JULY CASH FLOW PROJECTIONS FOR 1986 (A)

- millions of U.S. dollars -

INCOME	JULY	MARCH	DIFFERENCE
Exports (excludes CACM)	945.1	952.6	- 7.5
Banana Tax	11.1	11.9	- 0.8
Foreign Exchange Loans and Grants	392.8	760.3	-367.5
IBRD-SAL	40.0	70.0	- 30.0
Other Loans	111.1	110.9	0.2
IMF	10.0	20.0	- 10.0
Revolving Credit	133.3	394.8	-261.5
EX-Im Bank	17.8	44.6	- 26.8
ESF	80.6	120.0	- 39.4
Private Capital	48.2	47.4	0.8
Other Income	233.7	234.4	- 0.7
Tourism	91.2	88.9	2.3
Other	142.5	145.5	- 3.0
Sale of Gold	18.0	18.0	0
Total Income	1,648.9	2,024.6	-375.7
EXPENDITURES			
Imports (excludes CACM)	778.4	796.2	- 17.8
Amortizaction	471.9(B)	778.1	-306.2
Mutilateral	111.2	104.1	7.1
Bilateral	99.5	104.5	- 5.0
Commercial Banks Consortium	3.8	3.8	0
Revolving Credit	133.8(C)	435.0	-301.2
Other	123.6	130.7	- 7.1
Interest	316.4(B)	322.0	- 5.6
Multilateral	75.5	79.3	- 3.8
Bilateral	58.3	58.5	- 0.2
Commercial Bank Consortium	132.3	139.7	- 7.4
Revolving Credit	17.8	17.8	0
Other	32.5	26.7	5.8
Private Debt	37.4	40.9	- 3.5
Amortization	19.5	22.3	- 2.8
Interest	17.9	18.6	- 0.7
Other Expenditures	212.8	228.1	- 15.3
Tourism	67.1	65.9	1.2
Other	145.7	162.2	- 16.5
Total Expenditures	1,816.9	2,165.3	-348.4
Initial Cash	71.3	71.3	0
Statistical Discrepancy	4.6	22.0	- 17.4
Deficit	92.1	47.4	44.7
Required operating cash reserve	20.0	20.0	0
OVERALL DEFICIT	112.1	67.4	44.7

Source: Central Bank of Costa Rica

17

(A) In the March projection, data for January through February are ex post and the remaining data are projected. In the July projection, data for January through June are ex post and data for the remaining six months are projected.

(B) As of June 30, 1986, amortization, interest and import arrears totalled $ 62.5 million, $ 73.5 million and $ 7.6 million respectively

(C) Assumes that a principal payment of $ 40.2 million falling due in December, 1986 will be rescheduled. In the March projection this amount was scheduled to be payed.

PRICE CHECKING UNIT REPORT

Summary

A recent RIG compliance audit, finalized June 6, 1986 concluded that (1) as of March 6, 1986, no import/export transactions had been verified by the AID-supported Price Checking Unit; and (2) that insufficient sanctions existed to deter capital flight.

Despite these findings, Mission review and analysis show that the Price Checking Unit located at the Central Bank of Costa Rica became operational for export transactions on April 15, 1986. Since that time, price verifications on 2,779 export items have been carried out. Over one thousand export license transactions were approved in June and over one hundred rejected. Regarding imports, the Price Checking Unit has continued to build its data base and anticipates reaching operational status by September, 1986.

An effective means of sanctioning import/export violators exists and is being utilized at the Central Bank. Without verified price information the Price Checking Unit will withhold issuing necessary import or export licenses. The role of the PCU in this regard has been institutionalized within the BCCR. The PCU has evolved from an original ex post facto verification model to a role of active interventions.

Background

Based on a request from the AID Administrator, on April 5, 1984, USAID/Costa Rica contracted for the services of Price Waterhouse and Company to verify possible over-billings of import transactions from the U.S. at the Central Bank of Costa Rica (BCCR). The examination proved inconclusive as no audit trail of import transactions existed at the BCCR. It was found that once import documentation was approved, it was forwarded to commercial banks, and upon payment, was sent in turn to the importer. The CPA firm reported that the only price verification that took place transpired in the Customs Office, and their checks were sporadic.

On June 19, 1984, the USAID/Costa Rica Controller and Financial Analyst visited the Price Checking Unit at the Central Reserve Bank of El Salvador to ascertain the effectiveness of the unit, and to study its organizational structure, cost effectiveness, problems, etc. They concluded that the system was effective and could serve as a model for replication in Costa Rica.

In July of 1984, the Mission contracted with the Contracting Corporation of America (CCA) to examine import and export practices in Costa Rica in order to identify avenues of capital flight. Based on their findings, CCA recommended the establishment of a PCU within the BCCR.

Subsequently, after review by USAID of a BCCR proposal entitled "Organization of the Office for Analysis and Control of International Prices", a two year Memorandum of Understanding in the amount of 26.7 million colones ($553,000) was signed on March 18, 1985. Funds were provided from local currency generated under AID Project 515-0192 which transferred $35 million to Costa Rica under the Economic Stabilization and Recovery III Program. It is significant to note that under the original ESR III Agreement, the covenant mandating the above BCCR proposal required development of a plan to monitor import and export transactions on an "ex post facto basis", as well as set up mechanisms to investigate and punish violators, also on an ex post facto basis.

The goal of the BCCR Price Checking Unit, as agreed by USAID and the BCCR, was to "Prevent the drop in the Central Bank's international reserves and the flight of capital brought about through export and import price manipulation... and prevent the fiscal evasion derived from such practices."

Specific PCU objectives were established as follows:

*Prevent underbilling of exports done through prices, volume and/or quality of goods exported;

*Prevent over and underbilling of imports;

*Improve tax collection for both imports and exports;

*Improve utilization of foreign exchange by supplying proper and timely information on international prices;

*Prevent the flight of capital generated by the practice of manipulating international prices.

An ambitious set of activities were proposed by the BCCR in order to accomplish the above stated objectives and incorporated into the signed Memorandum of Understanding. While this list is included in Annex I, illustratively, the PCU was to investigate price discrepancies, keep import/export statistics, set up a computerized price control and statistical system, coordinate with the Ministry of Finance, customs houses and the BCCR International Transactions Department, promote legislative reform within the Organic Law and Commercial Code, train personnel, etc.

The PCU was to be established as an "advisory unit" within the Finance Unit of the BCCR. In addition to an Office Director there were to be hired five price analysts, four price inspectors and a secretary whose salaries were to be provided under the MOU. An additional six positions were to be provided by the BCCR at a cost of 3.5 million colones ($73,000). Equipment provided under the MOU included office equipment, furniture, two vehicles and one Burroughs B-25 computer and components.

10

The approved budget is detailed below:

Fund Source	USAID	BCCR	TOTAL
I. Year One			
Salaries	¢ 3,400,800	¢1,694,040	¢ 5,094,840
Equipment, Furniture, Computer, Vehicles	7,431,600	92,800	7,524,400
Training	1,145,000	-	1,145,000
Technical Assistance	3,300,000	-	3,300,000
Computer Maintenance	165,000	-	165,000
Contingencies	2,316,360	-	2,316,360
TOTAL Year 1	¢17,758,760	¢1,786,840	¢19,545,600
II. Year Two			
Salaries	¢ 3,400,800	¢1,694,040	¢ 5,094,840
Training	1,145,000	-	1,145,000
Technical Assistance	3,300,000	-	3,300,000
Telex Rent	180,000	-	180,000
Computer Maintenance	165,000	-	165,000
Contingencies	708,,870	-	708,870
TOTAL Year 2	¢8,899,670	¢1,694,040	¢10,593,710
GRAND TOTAL	¢26,658,430	¢3,480,880	¢30,139,310

The Costa Rican Banking Association, a private professional organization and co-signer of the original MOU, was to control and report on all funds provided for the PCU. Their responsibility extended to the hiring of staff members and the procurement of equipment and other services required by the PCU. A first disbursement request of colones 14,695,180 (about $300,000) was presented to USAID on May 14, 1985 to cover PCU expenditures through September 1985 and was subsequently approved.

Status

In February, 1985, three months prior to the disbursement of funds for the PCU, the BCCR appointed five of its employees to begin work planning technical and administrative details for accomplishing unit objectives. Starting with little prior knowledge, the unit undertook a study of inputs that would be incorporated into a data bank sufficient to permit price verifications of import/export transactions. In May, 1985, a course offered by the Burroughs Corporation was concluded on the application of the Burroughs hardware (programming, data base design, etc.) to the PCU operation. Further training was undertaken by all PCU

21

employees in the use of software applicable to international customs operations. In addition, six of the ten positions to be funded under the MOU were filled.

By July, 1985, all furniture, office and computer equipment had been acquired and installed in a permanent office within the BCCR headquarters. Also, in June, 1985, a trip was made by PCU officials to the Colombian Institute of Foreign Commerce to study their eighteen years experience in import controls of pharmaceutical-chemical products. A further visit was made to the Price Control Department of the Central Reserve Bank of El Salvador to aid in the design of the PCU's computerized data system. Design of this data system continued and pre-occupied the PCU until April, 1986.

Audit Report

On March 5, 1986, the Office of the Regional Inspector General for Audit/Tegucigalpa began a financial and compliance audit of certain aspects of the Price Checking Unit. The principal objective was to determine whether the PCU was performing its intended function of identifying and deterring the flight of capital from Costa Rica. The audit also sought to ascertain whether the Costa Rican Banking Association (ABC) was properly administering and accounting for the local currency assigned to it under the original March 18, 1985 MOU.

The auditors concluded in their final report (Audit 1-515-86-15) dated June 6, 1986 that, "The Price Checking Unit was not performing its function of identifying and deterring capital flight." The report continued that as of March 6, 1986, the PCU was "still updating and expanding its computerized data base" and that it had not:

- selected any transactions for price verification
- effectively analyzed declared prices of imports and exports
- investigated discrepancies (variances) in prices declared
- inspected imported commodities

The audit recommendation required that USAID/Costa Rica establish a "reasonable date" by which the Price Checking Unit would be "performing its intended duties effectively" and that periodic status reports be required that ensured PCU was complying with its mandate. Further, it was recommended that USAID negotiate with the GOCR to ensure that "adequate and effective means exist under Costa Rican legislation and regulations to effectively sanction parties found guilty of misstating prices of imports and exports for the purpose of illegally transferring capital out of the country." (Note: For the purposes of this report, Audit recommendations regarding the Costa Rica Banking Association (ABC), while having been addressed, are not reported on here.)

USAID/Costa Rica took several concurrent steps to comply with the audit recommendations while at the same time beginning its own investigation of the PCU:

First, the Mission informed the BCCR in writing of its intention to require evidence within thirty days following signature of the Economic Stabilization and Recovery V Project Agreement (signed on June 24, 1986) that the PCU was "fully operational", and that quarterly reports emphasizing actual progress in verifying import/export prices would be required through 1988. (Ref San José 06686).

Secondly, an examination was made of the GOCR Organic Law in question, which while prohibiting import/export price manipulations, does not stipulate punishment for violators. While the PCU had noted the inadequacy of the law in this regard to the audit team, the PCU Director has strongly noted that a means of punishing price manipulators --- the withholding of export or import licenses --- exists and is being effectively utilized. Unless the PCU clears the granting of an export license, the BCCR's Department of International Transactions will not issue it. Several price discrepancies from the same company will result in an on-site inspection from PCU inspectors and could further result in the violators being placed on a BCCR "black list". Further leverage can be applied by the BCCR requiring from exporters large guarantee deposits at the Central Bank. Official by-laws of the BCCR firmly institutionalize the role of the PCU in import/export transactions by setting conditions by which the PCU can grant licenses and delineating responsibilities between PCU and the Customs Office. (Reglamento para la Aplicación del Régimen Cambiario, Artículos 8, 9 and 10.) While the Mission will continue to analyze whether legal reforms should be encouraged to further punish violators, it is clear that the problem of sanctions identified in the Audit Report is being effectively addressed through the current practices of PCU operations.

It is significant to note that the ability of the PCU to monitor price transactions before they are approved and to enforce price regulations via the granting of licenses goes much further than the "ex post facto" agreement negotiated with the BCCR in the original ESR III covenant (Covenant D, May 7, 1984). This change, supported by USAID since the inception of the PCU, is a major positive step that has insured an increasingly activist as opposed to monitoring role by the PCU.

On three occasions since the start of the PCU Audit, USAID has requested detailed information from the PCU regarding issues identified by auditors and by the Mission. Requested reports and meetings held with PCU officials have focused on determining the nature of problems encountered, the progress PCU has made in meeting their objectives (especially since the RIG Audit) and operational plans for the future. Adequate responses have been particularly critical for the PCU owing to the requirement that they demonstrate their operational status to AID by July 24, 1986. (ESR V, Covenant J).

27

Based on reports received and Mission verifications, it is the opinion of USAID/Costa Rica that the Price Checking Unit is operational in checking export transactions. Since April 15, price vertifications on 2,779 export items have been performed. During June alone, 1,111 export license transactions were approved (an average of 52 per day) and over 100 licenses were rejected. Rejections are made not only on variations of prices declared as compared to fixed prices per item but also on the basis of weight. Since mid-April, the difference between declared export prices and prices fixed by the PCU has resulted in an advantage of approximately $3 million.

As of mid-July, the PCU had established price classifications per import/export group as follows:

Imports	Price Classification
Pharmaceuticals	5371
Exports	
Shellfish/Fish	8097
Coffee	2375
Flowers	2127
Others	2019
International Price Checks	
Shellfish/Fish	6451
Fruits and Vegetables	2329

The PCU has made less progress on the import side than on exports due to the complexity of establishing international prices on imports. The sector chosen as a priority -- pharmaceuticals/chemicals--represents 23% of Costa Rican imports. (Costa Rican imports totalled $1.1 billion in 1985, with exports at $994.0 million.) The PCU has concentrated to date on identifying foreign exporters and entering item prices into the data base. The Mission believes this process can be accelerated by requesting that all importers provide three separate quotations per license application thereby allowing the fixing of an average competitive price and the start of import verifications. This method is in use by El Salvador's PCU.

As noted earlier, the PCU has been able to work closely with both the BCCR's Department of International Transactions in approving export/import licenses and with Customs. The Director General of Customs recently instructed all Customs offices to work closely with PCU inspectors to guarantee declared quantity, quality and prices of imported and exported goods. PCU inspectors are continuing site visits to Costa Rican importers and exporters to ascertain absorptive productive capacity, type and weight of packing material, number of employees, etc.

Both USAID and the RIG auditors have investigated the question of why it has taken PCU so long to become operational (thirteen months since MOU signing), albeit partially so. It is the considered opinion of USAID that the original low level of expertise available among PCU personnel, the lack of technical skills--especially in data system construction--the time necessary for necessary training, equipment delivery, data base development and the establishment of verification procedures compatible with Costa Rican laws likely precluded a more timely evolution. While it probably would have been possible to begin price verifications in certain sectors prior to the completion of its data base, PCU chose not to. Considering the above, it may have been overly optimistic for AID to have expected a more rapid development than has occurred. It is clear that the PCU has made significant progress over the past four months in becoming more operational and in meeting its intended objectives.

For the immediate coming period, PCU plans to continue the compilation of its data base, particularly in the import area, and the expansion of import verifications. Technical assistance from Colombia is being arranged to assist the PCU in this task. It will also continue to hire its full staff complement as provided under the MOU and to expand field work including site visits and liaison with Customs officials. The PCU envisions some training in English as import documentation and correspondence tends to be in that language.

While USAID continues to strongly support the PCU, a note on capital flight at this point is in order. With interest rates down in the United States and interest rates in Costa Rica in the range of 23% to 36%, it becomes far more advantageous for Costa Rican businessmen to repatriate dollars from accounts in the U.S. rather than borrow locally. The Mission has noted a trend for increased investments in short-term paper at the Costa Rican stock exchange ("bolsa"), likely due at least in part to the U.S. interest rate situation. Further, a tightening of credit in Costa Rica in recent months has obliged investors to utilize their own resources thereby acting as a deterrent to further capital flight and promoting a capital inflow. This trend for capital repatriation has been reconfirmed in discussions with the U.S. Embassy's Economic Officer.

Recommendations:

Considering PCU progress and problems to date, USAID/Costa Rica recommends the following:

1. Continued AID support through the existing Agreement to the Price Checking Unit through March 18, 1987 (the expiration of the original MOU).

2. That a technical consultancy be provided at the PCU to determine the adequacy of the data base, procedures and reports in meeting original objectives; this can be undertaken by technical assistance personnel

available from the El Salvador PCU or other similar unit. The technician will work with the PCU to streamline verification of import transactions particularly; recommendations will allow the Mission to assess the validity of original PCU objectives and the nature of future AID support.

3. That USAID undertake a detailed review of PCU's workplan through March 18, 1987, following completion of the consultancy described in point 2 above.

4. Action by USAID in improving the quality of PCU reporting.

CENTRAL BANK LOSSES AND INTEREST ON ESF LOCAL CURRENCY

I. THE PROBLEM

A. Background

The economic significance of Central Bank losses lies in the fact that these losses require the creation of money in the form of an expansion of Central Bank currency issue, and thus constitute an expansion of the money supply similar to that resulting from an expansion of domestic credit. When the Central Bank pays interest on its domestic currency liabilities, or buys foreign exchange to pay interest on its external liabilities, it issues currency and expands money in circulation. When the Central Bank collects interest on its assets the effect is a withdrawal of money in circulation. Central Bank losses (the net difference between interest earned and interest paid) constitute a net expansion of money.

An economic stabilization program is essentially an exercise in the programming of total domestic credit. In this regard, the monetary authorities consider the balance of payments, or the amount of external resources available to the economy, judge the degree of excess capacity in the economy and set limits on the expansion of credit that will be consistent with a growth rate that will not generate an excessive rate of inflation or exhaust the foreign reserves of the Central Bank. When credit expansion exceeds these prescribed limits, aggregate domestic demand and imports grow more than programmed, foreign exchange reserves are depleted, and the economy suffers an external imbalance that hinders further growth without inflation. Therefore, within the context of a stabilization program, the private sector, the non-financial public sector and the financial public sector (if there are central bank losses) all compete for a limited amount of credit resources.

B. Composition of Central Bank Losses

In the case of the Central Bank of Costa Rica (BCCR), losses exist as the result of the imbalance between the size of its interest-earning assets and of its interest-paying liabilities. As can be seen in Attachment 1, interest payments exceeded interest income by 118% in 1985. The largest item for interest payment is that on external debt accumulated in the late 1970's to defend the colon. According to BCCR figures, interest payments on external debt accounted for 73% of total interest payments in 1985, while interest payments on stabilization bonds and to state-owned commercial banks on private sector dollar-denominated deposits transferred to the Central Bank (due to a

100% reserve requirement) accounted for 5.0% and 6.8%, respectively. Interest payments on local currency in the AID Special Account represented 6.3% of total interest payments which, in turn, was 10.5% of total BCCR losses of ₡9.6 billion and about 0.5% of GDP.

A review of the above composition of Central Bank losses shows that the magnitude of interest payments in each category is predetermined by outstanding obligations. In the case of payments on external debt, this will remain the single largest component well into the future given the size of the GOCR's external debt. For the stabilization bonds, in 1985 the Central Bank reduced its outstanding obligations from ₡7.7 billion to ₡3.0 billion which reduced interest payments from a projected level of ₡1.5 billion to ₡0.8 billion. Although this had a small impact, it was necessary to reverse the measure in early 1986 since sales of stabilization bonds (given current levels of reserve requirements on bank deposits) are presently the most effective means the Central Bank has to control liquidity. A reduction in interest rates on dollar-denominated deposits of the private sector is not feasible until the Central Bank is able to increase its foreign exchange reserves to a level that could allow the withdrawal of such deposits. Thus, apart from the possible benefit of an unexpected build-up of foreign exchange reserves (and hence interest earnings on the investment of such reserves), the margin of manoeuver available to the Central Bank is quite limited.

C. Impact of Central Bank Losses

Central Bank losses are the main source of net credit expansion in Costa Rica, and for this reason they constitute a major point of discussion in negotiating performance targets with the IMF for a standby arrangement. Whereas the deficit of the non-financial public sector has been reduced between 1982 and 1985 from 9.0% of GDP to 1.7% of GDP, Central Bank losses have been on the order of 5% of GDP over this period. Consequently, the overall public sector deficit, while falling from 14.6% of GDP in 1982 to 7.6% of GDP in 1985, continues to be higher than desirable. In order to partly offset the impact of Central Bank losses, the IMF, in negotiations of a new standby arrangement, has requested the generation of a surplus in the non-financial public sector on the order of 0.6% of GDP in 1986 and 2.0% of GDP in 1987.

Turning the current non-financial public sector deficit into a surplus, however, will require structural adjustments in the type and scope of services provided by the public sector. Achieving these adjustments is a medium to long term proposition; yet, because of the relatively short time frame associated with the IMF negotiations, the necessary reduction in the deficit will be targeted through decreased expenditures rather than structural change.

In this context, a reduction of BCCR losses must continue to have an important role in the GOCR economic stabilization program. As

already noted above, however, the options available to the BCCR are limited. One further option to decrease Central Bank losses would be for the Central Bank to increase interest earnings through the expansion of rediscount operations with state-owned commercial banks, but this would generate additional liquidity and would be inconsistent with the stabilization program. Another measure would be cutting the Central Bank's operating expenses and increasing the rediscount rate and other fees charged to commercial banks, but these would account only for a small portion of the losses. The heart of the issue is that Central Bank losses are presently so high that, with due exercise of monetary prudence, it is unable to purchase other domestic assets so as to gain the additional earnings needed to reduce the losses to a level compatible with economic stability. Seen in this context, the 10% of total BCCR losses represented by the interest paid on USAID local currency deposits, while a minor contributor to those losses, is nonetheless an attractive target in terms of attempting to reduce them.

II. INTEREST PAYMENTS ON ESF LOCAL CURRENCY

To facilitate the discussion in this section, the following details are provided on the background of the Mission's local currency and its management.

A. The AID Special Account

In accordance with Section 6.1 (L) of the third amendment to the ESR II Grant Agreement, signed on August 29, 1983, the BCCR established the AID Special Account and agreed that, upon disbursement of each increment of ESF assistance, the local currency equivalent of the disbursement would be deposited in that account. Further, it was stipulated that the BCCR would pay interest on the balance in the account at a rate equal to that paid by commercial banks on six months time deposits. This agreement has subsequently been carried over to the ESR III, IV and V Grant Agreements.

The purpose in establishing the Special Account was to provide the Mission with a centralized mechanism for managing and accounting for the local currency made available by the various ESR programs. As is discussed in more detail below, this local currency has financed development initiatives of the Mission as well as provided the financial leverage in support of the program to divest the subsidiaries of the Costa Rican Development Corporation (CODESA). Interest paid on the balance in the account serves to maintain the dollar value of the local currency and to provide the GOCR with an incentive to move forward in the implementation of the Mission's programs so as to reduce the balance in the account and, thus, interest payments.

B. Composition of the Special Account

1. Financial Status

Since it was established in August, 1983, a total of 15 deposits have been made in the Special Account as follows:

-	ESR II (2)	$ 21.5 million
-	ESR III (5)	$ 95.0 million
-	ESR IV (7)	$140.0 million
-	ESR V (1)	$ 20.6 million *
		$277.1 million

* In addition to this amount, $20 million obligated under ESR V will be transferred to the local currency credit line and, thus, is not included in this analysis.

Two additional deposits under ESR V totalling $110 million are also planned, which will bring the cummulative amount deposited in the Special Account to $407.1 million.

In addition to these deposits of "principal", interest payments, calculated at the rate stipulated in the Project Agreements, have been made based on the balance in the account each month. Through July, 1986, these payments will total approximately ₡2.1 billion or about $42 million at an average exchange rate of ₡50/$.

2. Activities

Local currency funds have either been disbursed or committed for a total of over 100 individual activities since August, 1983. Of these, 80% have been through Memorandum of Understandings under which funds have been transferred from the Mission to the implementing institutions (almost all of which are in the private sector). The remaining 20% have been managed directly by the Mission as counterpart to DA projects or special activities in support of the Mission program (e.g., evaluations and small community activities). In addition, resources have been transferred to the Mission's Trust Fund to finance the majority of our operating expense budget.

3. Monetization

To complete the picture on the local currency situation, a discussion on the monetization of those resources -- actual and planned -- is required. In this regard, it is helpfull to make a distinction between the "principal" to be monetized, that which is to be demonetized, and the interest earned on the principal.

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Of the $277.1 million in principal deposited in the Special Account between August 29, 1983 and July 31, 1986, approximately $67.1 million (24.2%) will be expended on discrete activities as follows:

- ESR II	$ 21.5 million
- ESR III	$ 35.0 million
- ESR IV	$ 10.0 million *
- ESR V	$ 0.6 million
	$ 67.1 million

* The entire $140 million obligated under the project is committed to the CODESA divestiture; however, as part of this process, some funds will be monetized to pay the costs of the Trust operating companies while owned by the Trust, etc.

The majority of the principal deposited in the Special Account has been committed to two projects -- CODESA and the Agricultural School (EARTH) -- to be used such that the funds will be demonetized. Thus far, these funds total $210 million (75.8% of principal) as follows:

- ESR III	$ 60 million (EARTH)
- ESR IV	$130 million (CODESA)
- ESR V	$ 20 million (CODESA)
	$210 million

Of the additional $110 million still to be deposited in the Special Account under ESR V, $50 million will be for the CODESA project and, as such, will not be monetized. The remaining $60 million will finance project activities as discussed in the PAAD for ESR V and will ultimately be monetized in accordance with the disbursement schedule for those activities.

As already noted above, interest payments to the Special Account will total approximately $42 million through July, 1986. To date these funds have been programmed for a variety of project activities as well as for Mission operating expenses. As such, these funds are being monetized at the point at which they are disbursed from the Special Account. Including these resources raises the cummulative total deposited in the Special Account to $319.1 million of which $109.1 million, or 34.2%, will be monetized.

At this point, it is important to note that monetization occurs only when funds are disbursed from the Special Account. With this in mind, and being cognizant of the negative consequences of excess money

31

supply on the GOCR's stabilization program, the Mission has worked closely with the GOCR to establish upper limits on the amount of funds to be monetized in a given year. In 1984, this limit was $40 million and, in 1985, $60 million (exclusive of funds transferred to the credit line, see below). Although no agreement has been formalized for 1986, the Mission has imposed a $60 million ceiling. Even with these ceilings, our experience has been that, due to the implementation schedules of the activities that will monetize funds, disbursements in both 1984 and 1985 were well below the ceilings.

4. Local Currency Credit Line

In addition to the resources used for individual activities discussed above, funds from each of the ESR programs have been transferred directly to the BCCR to capitalize a local currency credit line. Currently, the equivalent of $95 million has been transferred to the credit line as follows:

- ESR I	$ 15 million
- ESR II	$ 35 million
- ESR III	$ 25 million
- ESR IV	$ 20 million
	$ 95 million

Another $25 million equivalent (ESR II - $5 million and ESR V - $20 million) will be transferred to the credit line by the end of August, 1986.

Funds in the credit line are channeled through state and private banks to the productive private sector to finance working capital, investment in plant modernization and expansion, production inputs and restructuring debts. The full $95 million in the credit line has been drawn down with approximately 30% of the volume handled by state banks and 70% by private banks.

Although the funds transferred to the credit line from ESRs I, II and III are loan funds, the soft terms of the loans make for a high grant component. Practically speaking, therefore, the funds transferred to the credit line are granted to the Central Bank and, as such, become productive assets for the BCCR. Specifically, the BCCR earns 5% on the credit line (another 4.5% of the 9.5% spread to the ICIs goes to a special deposit insurance fund administered by the Costa Rican Bank Association). While this does not compensate completely for the interest the BCCR pays on the Special Account, it does represent a new source of income for the Bank.

32

III. IMPACT OF INTEREST PAYMENTS ON BCCR LOSSES

In the above discussion we have made a clear distinction between the "principal" from ESF transfers and the interest paid on that principal. We have also noted that 75% of the principal transferred to date (exclusive of the local currency credit line) is to be demonetized. It is worth reemphasizing that the rate of monetization of the local currency is a basic concern of the Mission and would be carefully monitored consistent with sound fiscal programs of the IMF in the event of a standby arrangement or of the GOCR if no standby is in effect.

The underlying concern, therefore, is the extent to which interest payments on the Special Account contribute to BCCR losses. As has been discussed, the interest paid is 6.3% of total interest paid by the BCCR and accounts for 10.5% of its losses. Due to the composition of other BCCR obligations, the interest paid on the Special Account is perceived as the only area where immediate reductions -- albeit in modest amounts, leading to a relatively minor decrease in losses -- can be made.

On the other hand, the interest payments serve three key functions: they maintain the dollar value of the local currency; they provide an incentive for the GOCR to make a commitment to the implementation of the local currency activities, thereby drawing down on the Special Account and limiting the amount of the interest payment; and they provide the Mission with resources to finance the majority of its operating expense budget. Also, the Mission carefully controls the amount that is monetized on an annual basis in keeping with the performance targets of the GOCR's stabilization program. (Within this context, until such time as they are actually disbursed, interest payments are simply the recording of a bookkeeping entry at the BCCR. While the accumulated interest is a potential source of monetary expansion and, at that point a "real" loss for the BCCR, this control on annual monetization also controls the extent of BCCR losses). Finally, compensating grants to the BCCR for the local currency credit line provide a counterbalance to the interest paid on the Special Account.

IV. RESPONSES TO THE PROBLEM

The Mission believes that the sum of the factors just described provides a strong argument for continuing with interest payments despite the fact that they make a marginal contribution to BCCR losses. Nonetheless, several options exist for dealing with the problem:

1. Fiscal Subsidy. This alternative would have the government reduce expenditures (cut programs) or increase taxes to transfer resources to the Central Bank needed to reduce the size of its losses. A source at the Ministry of Finance stated that the minister had been considering the idea of increasing some taxes and earmarking them for this purpose. We do not advocate higher

taxes because of the negative impact they would have on economic growth particularly since taxes are already high in Costa Rica. The question, then, is what is the ability of the GOCR to cut public sector expenditures to generate a budget surplus? Under this alternative, there would be no impact on the Mission's local currency program since it would involve only a transfer from the central government to the BCCR.

2. Matching Grant. This alternative would call for a matching grant mechanism under which the Mission would agree to forgive interest payments on the Special Account in return for a fiscal subsidy. A ratio of one colon of forgiveness for each two colones of fiscal subsidy could be considered. This alternative would affect the local currency program, depending on the size of the fiscal subsidy and when the agreement would go into effect.

3. Reductions in Interest Paid to Special Account. Two options exist which involve reducing interest payments to the Special Account:

   a. Interest Moratorium. This would entail declaring an indefinite moratorium on interest earnings altogether, resulting in an immediate, one time reduction in the Bank's losses of about 10%. Our best estimate is that if such a moratorium were declared effective October 1, and assuming no new commitments were made, present local currency program commitments would all be satisfied with available resources. The net effect, however, would be to eliminate the Mission's flexibility to respond to opportunities or to finance new development initiatives.

   b. Reduced Interest Rate. This alternative would require that the interest rate used to calculate interest payments be equal to the rate of inflation. Currently, this would mean cutting the current rate approximately in half to 10%. This would serve to reduce the BCCR deficit by 5% and would still allow the local currency stocks for long term needs such as the CODESA and EARTH efforts to maintain their value vis-a-vis the rate of inflation. This option would also allow the Mission to fully fund all commitments outstanding as of June 30.

4. No Change. Under this alternative, the BCCR would continue making interest payments in accordance with the existing agreements. The rationale for this alternative is presented in Section III, above.

V. RECOMMENDATION

Based on the case made throughout this presentation, the Mission recommends approval of the no change option.

ESTIMATED NET LOSSES OF THE CENTRAL BANK, 1985 - 1986

(In millions of colones)

		1985 (¢60=US$1)	Proj. 1986 (¢60=US$1)
I.	Interest Earned	7,277	5.863
	1. Rescheduling - Tranche I	1,734	1,734
	- Tranche II	750	678
	- Revolver	600	390
	2. Interest received	4,193	3,061
II.	Interest Paid	15,840	14,410
	1. External Debt	11,568	12,240
	2. Bank deposits F/E	1,074	1,020
	3. Stabilization bonds	800	600
	4. ESF trust account	1,000	550 *
	5. Other	1,398	--
III.	Difference (I-II)	-8,563	-8,547
IV.	Other Net Operating Losses	- 990	- 990
V.	Total Losses (III+IV)	-9,553	-9,537

Source: Central Bank of Costa Rica (01/14/86)

Note: According to Central Bank staff, accounting for this table is on a cash-flow basis, i.e., receipts and payments are shown as received in currency rather than on accrual basis.

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* This projected figure by the BCCR is understated. Interest payments for the period January-June, 1986, were approximately 780 million colones.

ANNEX 1

OF THE FOR ANALYSIS AND CONTROL OF INTERNATIONAL PRICES (OCOPI)

CONTENTS

1. Background

2. Objectives

   2.1 General objectives of the Office

   2.2 Specific objectives of the Office

3. Work to be done by the Office for the Analysis and Control of International Prices, and timing thereof

4. Proposed administrative structure for the Office for the Analysis and Control of Irternational Prices

   4.1 Administrative location of this Office

   4.2 Initial structure for this Office

   4.3 Work structure for the Office

   4.4 Equipment required

1. BACKGROUND

While it is difficult to prove the practices of underbilling export and overvaluing imports, it is firmly believed that such practices exist in the course of our international trade, just as such practices exist in many of the countries around the world. The immediate consequences of such practices include:

a. A negative impact on the situation in the country, as regards international monetary reserves.

b. Flight of capital.

c. Fiscal evasion.

In the past, little attention has been paid to the problem and it is not until a time of crisis, such as the present, that the need arises to have an office such as the one proposed. The factors that have also contributed to the upsurge of this problem include the scarcity of resources of the country's custom houses and related offices, and the lack of suitable legislation typifying such practices as an offense and establishing the punishment for infringement thereof.

2. OBJECTIVES

2.1 General objectives of the office

Prevent the drop in the Central Bank's international reserves

and the flight of capital brought about through export and import price manipulation. Furthermore, to prevent the fiscal evasion derived from such practices.

2.2 Specific objectives of the office

a. Prevent underbilling of exports done through prices, volume and/or quality of goods exported.

b. Prevent over- and under-billing of imports, which is done depending on the goods involved.

c. Improve tax collection, both in the case of exports and of imports.

d. Improve utilization of foreign exchange by supplying proper and timely information on international prices.

e. Prevent the flight of capital that is generated by such practices of manipulating international prices.

3. WORK TO BE DONE BY THE OFFICE FOR THE ANALYSIS AND CONTROL OF INTERNATIONAL PRICES

3.1 Work to be done

Below is a list of the main activities to be carried out by the Office. This list is intended to serve as a basis for setting up guidelines and priorities:

1. Make studies of import and export prices declared, in order to determine whether they come within the levels of international prices.

2.

3. Keep statistics on prices of goods exported and imported.

4. Study descriptions and price trends for certain predetermined products.

5. Keep an updated record of foreign suppliers.

6. Set up a computerized system of statistics and international price control, and contact international organizations for obtaining specialized programs that will make it possible to operate the system.

7. Subscribe to publications or bulletins specializing in international trade.

8. Work with the Ministry of Finance in order to provide the custom houses with the necessary infrastructure (scales, cold storage rooms, etc.) and adequate and trained personnel, and schedule inspection visits to custom houses.

9. Work with the custom houses to set up more streamlined procedures for the handling and forwarding of export and import documents to the Central Bank.

10. Work with the Sections of the International Transaction Department and of the Central Bank for obtaining suitable and timely information, and for making changes in procedures to ensure proper operation of, and cooperation with, this office.

11. Set up modern statistical systems (in coordination with the Bureau of Statistics and Censuses), that will provide suitable and timely information on customs movement, for use by this Office.

12. Set up closer cooperation with other similar entities in Central America and with control organizations in other countries, for the purpose of obtaining periodic information or specific data on certain international trade prices, through embassies and other government agencies.

13. Appraise offers by international firms providing information services, and study systems used in other countries, in order to set up an information network, both for the Central Bank and for the country's custom houses.

14. Promote changes in present legislation (Article 100 of the Central Bank's Organic Law, Commercial Code and other laws and regulations) in order to typify the offenses of over- and under-billing. Also, revise the scope of certain contracts-law which distort control of exports and imports.

15. Promote training of personnel in this field.

16. It is necessary for this office to take the necessary steps, as soon as possible, in order to get transportation equipment (two rural vehicles, at least) to enable its personnel to travel to custom houses and to various firms in the discharge of their duties.

17. This Office shall report to the Director's Office any anomalous situation so that the pertinent measures will be adopted.

3.2 Timing of intervention by this Office in connection with price controls

Studies shall be made by sampling or by groups of products or companies. Efforts will be made, insofar as possible, to prevent such work from interfering with normal export and import processing.

In analyzing exports and imports, studies will be made a posteriori. The Office shall inform the International Transaction Department of any cases where there are apparent discrepancies, so that the necessary steps will be taken and the pertinent legal action will be suggested.

Inspections of custom houses and companies

When deemed advisable and within the scope of existing legislation and resources, the inspectors will visit custom houses and companies in the country, for the purpose of ensuring proper compliance with provisions and recommendations issued by this Office.

4. ADMINISTRATIVE STRUCTURE OF THE OFFICE FOR ANALYSIS AND CONTROL OF INTERNATIONAL PRICES

Below is a description of the main administrative activities

of this unit.

4.1 Administrative Location of this Office

The best location for this Office is as an advisory unit to the Finance Division, in line with the work to be done, so that this Office can have better managerial support, at least during the installation phase of the Office, outlining of policy and procedures for implementation, coordination and control.

4.2 Initial Structure for this Office

Originally, it was planned to install the unit with a Head -- called Price Analist, Category 17, and five subordinates called price inspectors, Category 16. The number of employees is low, and for this reason consideration is being given to the possibility of appointing another four employees with a high academic training. In addition, another five employees are needed, to work on the recovery of foreign exchange from exports. It is necessary to have well-paid people in this kind of jobs. Intermediate categories give rise to a high personnel turnover and this would mean not having highly skilled personnel, which is an indispensable requirement for this kind of Office.

4.3 Work structure proposed for the Office

The work to be done by the members of this Office is broadly described as follows:

Head of the Office

The unit will be under a Head, who will be responsible for all of the administrative process of the office (direction, planning, control, etc.). Of the office staff described below, one employee will be the Assistant Head or Official 1. He will help the Head, among other things, in the administrative work and will act as Head in the latter's absence.

Office staff of the Unit (Price analysts)

At present there are available five openings, category 16, for office employees, that is, employees that will do "desk" work, such as documentation analysis, preparing statistics, making out reports, etc.

Price inspectors

The Office should have at least four price inspectors at first, who would visit custom houses to confirm the data declared by importers and exporters, and see that the necessary corrections are made in the official documents, and report any anomaly.

These inspectors can be assisted by, or rotated with, the office personnel. The inspectors will visit the companies when it is deemed advisable.

Secretary for the Office

Due to the volume of communications, operation of telex and other equipment, filing, etc., this job is necessary.

4.4 Equipment required

Transportation

There is a permanent need for a minimum of two tural-type vehicles to visit companies and custom houses in the country, for inspection work.

Office Equipment

It will be necessary to provide complete equipment for all of the members of this office. At present there are available six desks, six chairs, two calculators, one filing cabinet.

Computer equipment

The work to be done by this office must be supported by the overall automation plan. It will be necessary to acquire additional equipment (mini-computers) for the exclusive use of this office.

Telex and other information service

Due to the urgency with which contact must be established with other, similar, specialized organizations, the office should have telex equipment specially devoted to handling its needs. Also, it should have information services from specialized organizations, such as those engaged by the Chamber of Industry, the Coffee Office and the Central Bank itself, with the Reuter information service on the price of precious metals and other goods.

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BANCO CENTRAL DE COSTA RICA

SECRETARIA GENERAL

REGLAMENTO PARA LA APLICACION DEL REGIMEN CAMBIARIO

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CAPITULO I

DISPOSICIONES GENERALES

Artículo 1

El presente Reglamento establece las normas a que deben sujetarse las operaciones con divisas de conformidad con lo dispuesto en la Ley Nº 6789 del 3 de agosto de 1982, en la Ley Orgánica del Banco Central de Costa Rica, en la Ley de la Moneda y en la Ley Nº 6696, del 3 de diciembre de 1981, reformada por Ley Nº 6707, del 21 de diciembre de 1981.

ARTICULO 2

Podrán realizar operaciones en el mercado cambiario sólo las entidades expresamente autorizadas por el Banco Central de Costa Rica.
Para los efectos de este Reglamento se utilizan las siguientes definiciones:

* a) Tipo de cambio oficial: es el tipo de cambio establecido por la Ley de la Moneda, el cual, conforme con la Ley Nº 6696 del 3 de diciembre de 1981, se fija en ₡ 20.00 para la compra y en ₡ 20.30 para la venta, por cada dólar de los Estados Unidos de América.

** b) Tipo de cambio interbancario: es el tipo de cambio que aplican los bancos autorizados, correspondiente al precio de compra y venta determinado por el Banco Central para la liquidación del porcentaje de las divisas provenientes de exportaciones, que el citado Banco autorice negociar de conformidad con lo estipulado en el Artículo 95 de su Ley Orgánica.

c) Tipo de cambio libre: es el tipo de cambio aplicable a las transacciones con divisas a que se refieren los incisos a) al g) del Artículo 94 de la Ley Orgánica del Banco Central de Costa Rica.

ch) Mercado oficial: es el mercado cambiario donde se realizan las transacciones al tipo de cambio oficial.

d) Mercado interbancario: es el mercado cambiario donde se realizan las transacciones correspondientes a la categoría preferencial.

e) Mercado libre: es el mercado cambiario donde se realizan las transacciones al tipo de cambio libre.

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* Modificado en Sesión Nº 3786-82, Artículo 5, del 4-11-82

** Modificado en Sesión Nº 3850-83, Artículo 2, del 24-6-83

NOTA: En la Sesión Nº 3888-83, Artículo 2, celebrada el 10 de noviembre de 1983, se decidió unificar los mercados interbancario y libre de cambio.

CAPITULO II

DE LAS EXPORTACIONES Y OTROS INGRESOS DE DIVISAS

ARTICULO 3

Los trámites correspondientes al cobro de exportaciones deben llevarse a cabo por medio de las entidades autorizadas al efecto por el Banco Central, y se efectuarán únicamente mediante carta de crédito o cobranza bancaria. Sin embargo, la Administración del Banco Central queda facultada para autorizar, en casos excepcionales, una modalidad diferente de cobro de dichas exportaciones.

Cuando el cobro de la exportación se tramite por medio de un banco, éste hará la correspondiente liquidación al exportador en colones costarricenses, convirtiendo las divisas a los tipos de cambio oficial e interbancario para la compra vigentes al día siguiente del recibo del pago, en las proporciones establecidas.

LICENCIAS DE EXPORTACION

ARTICULO 4

Toda exportación de bienes debe contar previamente con una licencia de exportación emitida por el Banco Central, sin la cual las autoridades aduanales no autorizarán la salida de la mercadería. En casos especiales, cuando a juicio del Banco Central sea necesario, al otorgarse la licencia se exigirá una garantía para asegurar que el exportador venderá a las entidades autorizadas el valor de su exportación en divisas aceptables para el Banco Central.

ARTICULO 5

La licencia de exportación se emitirá en formularios suplidos por el Banco Central y en los cuales deberán consignarse los siguientes datos:

a) Nombre del exportador con sus dos apellidos y número de cédula de identidad o cédula jurídica, según corresponda, o razón social legalmente inscrita.

b) Nombre del consignatario

c) Denominación general de la mercadería, código NAUCA y detalle del peso, número de unidades o volumen, según proceda.

d) País al que se exporta.

e) Valor FOB o valor CIF de la mercadería, expresado en la respectiva moneda extranjera

f) Indicación de si la venta es en firme o en consignación.

g) Nombre de la entidad autorizada por medio de la cual se tramitará el cobro, y especificación de si se trata de carta de crédito, cobranza u otra modalidad autorizada por la Administración del Banco Central conforme a lo estipulado en el Artículo 3, precedente.

h) Aduana de salida de la mercadería

i) Fecha de vencimiento de la licencia

j) Fechas de pago de la exportación.

ARTICULO 6

La solicitud de licencia de exportación deberá ser firmada por el representante legal de la empresa o por la persona autorizada legalmente ante el Banco Central para esos efectos, cuando se trate de una persona jurídica, y por el propio exportador si éste es una persona física. La información suministrada en la licencia tendrá valor y trascendencia de declaración jurada.

ARTICULO 7

Cuando la solicitud de licencia de exportación se refiere a mercadería, cuya salida del país estuviera restringida, el interesado deberá presentar la autorización del caso extendida por los organismos correspondientes.

Para la exportación de maquinaria usada, así como de vehículos y repuestos, será necesaria una manifestación escrita del Ministerio de Economía y Comercio, en la que exprese su criterio favorable para que se otorgue la licencia respectiva.

En caso de que el citado Ministerio apruebe una exportación temporal de maquinaria, el interesado deberá hacer un depósito en colones o presentar otra garantía a satisfacción del Banco Central de Costa Rica, por el equivalente en colones del valor real de los bienes de capital, calculado al tipo de cambio interbancario.

* La exportación de bienes originalmente importados en forma temporal por personas físicas o jurídicas al amparo de contratos administrativos celebrados con el Estado y sus instituciones, se regulará en materia cambiaria por las normas relativas a la importación temporal, aunque dichos bienes hayan pagado los derechos e impuestos de internación al país.

ARTICULO 8

El Banco Central no emitirá la licencia de exportación cuando el interesado se encuentra en mora respecto de su obligación de venta de divisas provenientes de exportaciones anteriores.

Tampoco extenderá la licencia de exportación cuando los precios de los artículos que se desee exportar, declarados por el exportador, difieran evidentemente de los precios que a la fecha de exportación tengan en los mercados internacionales los bienes de que se trate.

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* Adicionado este párrafo en Sesión No. 3844, Artículo 8, del 2-6-83.

Artículo 9

El Banco Central remitirá a cada exportador un estado mensual de la cuenta de sus exportaciones. El exportador dispondrá de un plazo de 15 días hábiles para presentar reclamos sobre cualquiera de los datos incluidos en su estado de cuenta, pasado el cual se considerará que el exportador está conforme con lo ahí estipulado.

ARTICULO 10

El Banco Central convendrá con el Ministerio de Hacienda que las autoridades aduanales verifiquen que el tipo de mercadería, así como los detalles relativos a su peso, número de unidades y volumen, consignados en la licencia de exportación, correspondan a la realidad, así como que consignen el número de dicha licencia en el pedimento de exportación, del que proporcionarán copia al Banco Central

ARTICULO 11

La exportación de oro estará regulada por las siguientes normas complementarias:

a) Al solicitar la licencia respectiva el exportador deberá demostrar que el oro ha sido depositado en el Instituto Emisor

b) El valor del material será fijado conforme a su contenido de oro fino y al precio prevaleciente en el mercado internacional. La liquidación final se hará tomando como base la cotización del día en que se llevó a cabo la exportación o el promedio mensual de las cotizaciones, según el sistema de venta escogido por el exportador.

c) Al momento de procederse a su exportación, el interesado retirará el oro y, acompañado de un funcionario del Banco Central, lo entregará a la compañía que lo transportará al exterior.

Liquidación de divisas provenientes de exportaciones y de ingresos de capital oficial.

*ARTICULO 12

Sólo las entidades del Sistema Bancario Nacional podrán liquidar las divisas provenientes de exportaciones y de otros conceptos no exceptuados en el Artículo 94 de la Ley Orgánica del Banco Central. Esa liquidación se hará en los mercados oficial, interbancario y libre y de conformidad con los porcentajes que establezca al efecto el Banco Central y a los tipos de cambio que rijan en esos mercados.

Las Sociedades Financieras de Inversión y de Crédito Especial de Carácter no Bancario, registradas en la Auditoría General de Bancos y autorizadas expresamente por el Banco Central, podrán actuar como agentes de exportadores, en cuyo caso deberán presentar la liquidación al Banco Central con los documentos respectivos, debidamente endosados y con apego a lo dispuesto por este Reglamento.

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* Modificado en Sesión Nº 3767-82, Artículo 1, del 26-8-82, luego en la Nº 3835-83, Artículo 8, del 28-4-83; posteriormente por la Sesión Nº 3850-83, Artículo 2, del 24-6-83.

* ARTICULO 13

La totalidad de las divisas provenientes de exportaciones y de otros conceptos no exceptuados por el Artículo 94 de la Ley Orgánica del Banco Central, adquiridas por las entidades autorizadas, deberá ser traspasada al Instituto Emisor el primer día hábil posterior al de su adquisición, a los tipo de cambio de compra que estuvieron vigentes en los mercados oficial e interbancario en la fecha en que se hizo la liquidación, más la parte de la diferencia cambiaria correspondiente a esas entidades.

** En lo que respecta a las exportaciones de bienes y servicios que se efectúen a Centroamérica, su importe deberá ser liquidado en dólares de los Estados Unidos de América, en el entendido de que la respectiva licencia de exportación sólo será autorizada si tales exportaciones están amparadas a cartas de crédito irrevocables, expresadas en la indicada moneda y aceptadas por un banco reconocido de fuera del área centroamericana, o si el interesado deposita de previo el monto en dólares correspondiente al valor de su venta al exterior.

En el caso de exportaciones de bienes se podrá autorizar licencias de exportación para ser cursadas por medio de la Cámara de Compensación Centroamericana, hasta por un monto conjunto que no podrá superar los pagos de las importaciones de bienes y servicios cursados mediante dicha Cámara. El Departamento de Transacciones Internacionales autorizará esas licencias por estricto orden de presentación al Banco Central, teniendo los interesados un plazo máximo de quince días hábiles para hacer uso de ellas; pasado ese término, el interesado deberá presentar una nueva solicitud.

*** También se podrán tramitar por medio de la Cámara de Compensación Centroamericana todas aquellas operaciones correspondientes a gastos de estudiantes que estén cursando sus estudios en instituciones especializadas en el campo de la enseñanza, las cuales sean de caracter regional o multinacional.

**** ARTICULO 14

Los exportadores que envíen sus productos o mercaderías al exterior vendidos en firme o en consignación, dispondrán de los siguientes plazos máximos, contados a partir de la fecha de salida del país de las mercaderías, para la venta de las divisas a las entidades autorizadas: 30 días cuando se trate de café, banano en fruta, azúcar, carne de ganado vacuno y artículos perecederos; de 90 días en lo tocante al resto de los productos agropecuarios y artículos industriales, excepto bienes de capital. Respecto a estos últimos, los plazos se establecerán en cada caso.

En lo tocante a los bienes industriales de consumo duradero y semiduradero, la Administración del Banco Central queda autorizada para ampliar el respectivo plazo de 90 días hasta un máximo de 360 días.

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* Modificado en Sesión No. 3786-82, Artículo 5, del 4-11-82.
** Se adiciona este párrafo en Sesión No. 3949-84, Artículo 2, del 22-6-84. Posteriormente sustituido en Sesión No. 4031-85, Artículo 15, del 22-5-85.
*** Se adiciona este párrafo en Sesión No. 4039-85, Artículo 2, del 12-6-85.
**** Modificado en Sesión No. 3865, Artículo 16, del 16-8-83.

Los exportadores deberán vender las divisas producto de sus ventas al exterior a más tardar el día siguiente de su recibo. Se presumirá que las divisas fueron efectivamente recibidas a más tardar en la fecha que indican los documentos aportados para obtener la respectiva licencia de exportación, excepto que el interesado demuestre lo contrario mediante certificación emitida por un contador público autorizado u otra prueba fehaciente.

Artículo 15

En lo que concierne a las mercaderías enviadas en consignación, el Banco requerirá de los exportadores una orden irrevocable para sus consignatarios a efecto de que éstos le remitan, con la puntualidad debida, copia de las cuentas de ventas y un detalle de los giros librados por el respectivo exportador por razón de anticipos, y otra orden, también irrevocable, para los representantes o agentes de los consignatarios, con el fin de que éstos envíen al propio Banco copia de los avisos de dichos giros a cargo de los exportadores, cuando el Banco requiera tales informaciones. Los exportadores tendrán además la obligación de cuidar que los consignatarios y sus agentes hagan llegar copias con toda puntualidad.

ARTICULO 16

El Banco acreditará a la cuenta del exportador las sumas necesarias para cubrir los gastos por intereses y comisiones sobre adelantos, por comisiones bancarias y por otros gastos relacionados con el cobro, debidamente justificados y comprobados a juicio del Banco Central de Costa Rica.

Asimismo debitará o acreditará, a la cuenta del exportador, las sumas necesarias por los siguientes conceptos: faltantes de mercadería, devoluciones de mercadería, comisiones pagadas a agentes, descuentos por pronto pago y especiales, baja calidad de la mercadería y otros rubros relacionados con la actividad, debidamente justificados y comprobados a juicio del Banco Central de Costa Rica.

* ARTICULO 17

Todas las empresas que se dediquen regularmente al suministro de servicios y que total o parcialmente los vendan al exterior, deberán presentar al Banco Central una liquidación anual detallada y completa de las operaciones con divisas en que hayan intervenido directa o indirectamente, por razones de su negocio.

El Departamento de Transacciones Internacionales podrá en esos casos aplicar, en lo pertinente, las normas relativas a la exportación de bienes.

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* Derogado en Sesión Nº 3805, Artículo 7, del 11-1-83. Posteriormente se dejó en suspenso la derogatoria en Sesión Nº 3818, Artículo 7, del 24-2-83.

* ARTICULO 18

Todas las entidades públicas, las empresas en cuyo capital tengan participación el Estado y los entes que administren patrimonios públicos, deberán liquidar en el Banco Central la totalidad de sus ingresos en moneda extranjera por concepto de entradas de capital, al tipo de cambio interbancario vigente al momento de la transacción. En el caso de ingresos de capital derivados de empréstitos que prevean el financiamiento directo de bienes y servicios por parte de la entidad prestataria, el Banco Central, previo permiso de la Autoridad Presupuestaria podrá autorizar que esas divisas sean depositadas en cuentas corrientes a nombre de cada Institución en alguno de los Bancos Comerciales del Estado, en el entendido de que tales depósitos quedarán sujetos a un encaje del 100%.

CAPITULO III

DE LAS IMPORTACIONES Y OTROS PAGOS AL EXTERIOR

Registros de pedido confirmado.

ARTICULO 19

Toda persona natural o jurídica que pretenda importar mercaderías debe registrar el pedido, una vez que éste haya sido confirmado, en el Banco Central de Costa Rica, para lo cual usará el formulario que el Instituto Emisor suministrará al efecto.

A las solicitudes de registro de pedido confirmado deberán acompañarse copia del pedido, la factura proforma u otro documento que compruebe la transacción. Los pedidos deberán registrarse en el Banco Central antes del embarque de la mercadería y su número deberá consignarse en la respectiva póliza de desalmacenaje, sin lo cual ésta no podrá tramitarse. El Instituto Emisor coordinará con el Ministerio de Hacienda la observancia de dicha norma.

ARTICULO 20

Se exceptúan del trámite de registro de pedido confirmado los siguientes rubros:

- Mercaderías cuyo valor CIF sea menor de $ 500.00
- Materias primas o componentes de maquinaria, importados temporalmente para su proceso en el país ("draw back")
- Otras importaciones temporales
- Artículos nacionales devueltos al país
- Importaciones de misiones diplomáticas y extranjeras y de organismos internacionales acreditados en el país.
- Menaje de casa para rentistas residentes y para costarricenses que regresen a radicar en el país.

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* Modificado en Sesiones Nos. 3815 y 3826, Artículos 9 y 7 del 15-02-83 y 24-03-83, respectivamente.
En Sesión No. 3979-84, Artículo 7, del 1-11-84, se dispuso modificar lo resuelto por Art. 9 de la Sesión No. 3815-83, del 15-2-83, en el sentido de que debido a un acto posterior, o sea lo acordado en la Sesión No. 3818-83, Art. 7, del 24-2-83, la reforma que se le introdujo en tal opor

En el caso de equipos y maquinaria, incluidos sus repuestos, cuya importación deba hacerse con carácter urgente, el registro de pedido confirmado será entregado al importador por el Banco Central de Costa Rica a más tardar el siguiente día hábil al de su solicitud. El carácter de urgente de la importación, será calificado por el Banco Central en cada caso.

ARTICULO 21

El Banco Central negará el registro de pedido confirmado cuando los precios y el peso de los bienes por importar sean evidentemente distintos de los usuales.

ARTICULO 22

El registro de pedido confirmado no obliga al Banco Central a conceder las divisas requeridas para el pago de la importación de que se trate.

UTILIZACION DE LAS DIVISAS

ARTICULO 23

El Banco Central distribuirá en la forma que se detalla a continuación sus disponibilidades de divisas.

* A) Para cubrir las siguientes necesidades del mercado oficial:

Gastos originados en los estudios superiores que cursan en el exterior los costarricenses debidamente registrados en el Banco Central, según lo establecido en el "Reglamento para otorgar divisas a estudiantes en el exterior"

** B) Para cubrir las siguientes necesidades del mercado interbancario al tipo de cambio que rija en el mismo al momento de la presentación de la respectiva solicitud.

1) Servicio de la deuda pública externa conforme a las disposiciones que adopte al respecto la Junta Directiva del Banco Central.

2) Servicio exterior de Costa Rica, con base en el presupuesto que al efecto elaboren el Ministerio de Relaciones Exteriores y Culto y el Banco Central de Costa Rica, el cual deberá ser aprobado por la Junta Directiva de éste último.

*** 3) Importaciones de mercaderías comprendidas en la lista anexa que incluye todos los artículos de la canasta básica y que hayan ingresado al territorio aduanero nacional a partir de la fecha de vigencia de este Reglamento.

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* Modificado en Sesión Nº 3805, Artículo 7, del 11-01-83. Posteriormente modificado en Sesión Nº 3813-83, Artículo 8, del 8-02-83.

** Modificado en Sesión Nº 3850-83, Artículo 2, del 24-06-83

*** Modificado en Sesión Nº 3805-83, Artículo 7, del 11-01-83. Posteriormente, en Sesión Nº 3818-83, Art. 7, del 24-2-83, se dejó en suspenso tal modificación.

* Las importaciones de mercaderías a que se refiere el párrafo anterior y que ingresaron al territorio aduanero nacional durante el período comprendido entre el 1° de enero y el 10 de junio de 1982, tendrán derecho a un 50% de las divisas requeridas para su pago, o bien al 100% de tales divisas cuando se trate de mercaderías que ingresaron al territorio aduanero nacional entre el 11 de marzo y el 10 de junio de 1982, en el entendido de que los interesados sólo podrán acogerse a una de dichas opciones, y que en el caso de las importaciones ya pagadas, sólo se autorizarán aquellas que fueron canceladas con líneas de crédito contratadas con Bancos y entidades financieras de primer orden. Quedan exceptuadas de esta última disposición las importaciones correspondientes a productos medicinales y farmacéuticos, las cuales disfrutarán del 100% de las divisas necesarias para su cancelación. En el caso de empresas exportadoras cuyas materias primas no se encuentren total o parcialmente incluidas en la lista anexa antes mencionada, el Banco Central autorizará divisas al tipo de cambio interbancario, bajo las siguientes condiciones:

a) Hasta por el 100% de los insumos importados, incorporados a las exportaciones, para lo cual el interesado deberá presentar la solicitud debidamente justificada y aportar toda la información que el Banco Central requiera para comprobar la utilización de los insumos extranjeros y la proporción de ventas externas con respecto al total, con cifras reales y proyectadas.

b) Las divisas serán autorizadas contra los reintegros de divisas provenientes de exportaciones efectuadas con posterioridad al 11 de junio de 1982, una vez que se compruben las relaciones de costo y de producción mencionadas en el literal anterior, y siguiendo el trámite de solicitud que se establecen en este Reglamento.

c) Esta disposición se aplicará para todos los insumos importados que la empresa mantenga sin utilizar, ya sea en almacén fiscal (a su nombre o el de su agente), o en sus propias bodegas, e incluso, para los que haya incorporado en el producto final.

Esta situación deberá ser certificada por un Contador Público Autorizado con las cédulas de cálculo respectivo.

La disposición anterior no será aplicable en aquellos casos de exportaciones a Centroamérica en los que la concesión del beneficio ahí contemplado, signifique dejar en posición de desventaja competitiva a otras empresas del área.

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* Modificado en Sesión No. 3771-82, Artículo 5, del 16-9-82 y en Sesión No. 3805-83, Artículo 7, del 11-1-83. Posteriormente en Sesión No. 3818-83, Artículo 7, del 24-2-83, se dejó en suspenso la modificación inmediata anterior.

Cada entidad autorizada deberá suministrar semanalmente al Banco Central, una lista de la demanda real de pagos de importación, en la que se detallará el valor en dólares de los Estados Unidos de América, el número y fecha de la cobranza, el número de registro de pedido confirmado y la descripción de la mercadería con su partida NAUCA, todo ello en el formulario que suministrará el Banco Central para tales propósitos.

* Dentro de la lista periódica a que se refiere el párrafo inmediato anterior, el Banco Central formará dos grupos, para cada uno de los cuales y en forma separada, autorizará los egresos de divisas siguiendo estrictamente el orden del número de registro de pedido confirmado, en el entendido que uno de dichos grupos estará constituido por las solicitudes que presenten aquellas empresas cuyas exportaciones sean mayores de US$ 500 mil anuales y tengan un contenido nacional superior al 35% del valor de la producción. Para ser incluidas en dicho grupo, al cual el Departamento de Transacciones Internacionales le dará un trato preferente en cuanto al trámite de autorización de divisas, las firmas exportadoras deberán solicitar directamente a esa Dependencia su inclusión y demostrar que cumplan con los requisitos antes citados, a cuyo efecto se tomarán en cuenta las exportaciones efectuadas durante los últimos doce meses o cualquiera otra información complementaria que justifique su inclusión en la lista de empresas elegibles, una vez aprobado lo cual deberán anotar en las correspondientes solicitudes de egreso de divisas su respectivo código de exportador.

La recepción de la solicitud de divisas en el Banco Central o en las entidades autorizadas no implica compromiso alguno en cuanto al tipo de cambio al que se concederán. Las autorizaciones de divisas se otorgarán conforme lo permitan las disponibilidades de divisas. El tipo de cambio aplicable a cada transacción será el que prevalezca en el momento en que la entidad autorizada efectúe la venta a su cliente y conforme a lo establecido en este Reglamento.

4) Todos aquellos gastos efectuados en el exterior y que sean necesarios para llevar a cabo las exportaciones.

Las importaciones de mercaderías no incluídas en la lista anexa a este Reglamento, así como los demás pagos no contemplados en los literales a) y b) anteriores, deberán ser cubiertos con divisas del mercado libre a que se refiere el Artículo 37 de estas normas.

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* Modificado en Sesión No. 3850, Art. 2 y 3851, Art. 1, celebradas en su orden, el 24 y el 27 de junio de 1983. Posterioemente se modificó en Sesión No. 3855-83, Artículo 12, del 7-7-83. Se suspende temporalmente la aplicación de este párrafo en Sesión No. 3949-84, Art. 2, del 12-6-84.

AUTORIZACION DE DIVISAS

* ARTICULO 24

Toda solicitud para la venta de divisas destinadas al pago de importaciones de bienes y servicios, excepto las amparadas a tratados de libre comercio suscritos por el país, deberán ser acompañadas de un depósito en colones por el 100% del monto total de la solicitud, calculado al tipo de cambio que le corresponda; ese depósito será aplicado a la venta de divisas en el momento en que ésta se efectúe. Todas las solicitudes deberán presentarse a las entidades autorizadas en el formulario que el Banco Central suministrará al efecto, junto con los siguientes documentos:

a) BIENES

-Factura comercial, firmada y jurada
-Cuenta de gastos
-Conocimiento de embarque o guía aérea, terrestre o postal
-Original de registro de pedido confirmado
-Póliza de desalmacenaje, sellada y cumplimentada por la aduana, o en su defecto certificación de la Autoridad Aduanal en que conste que la mercadería se encuentra en la bodega de la aduana respectiva.

**b) SERVICIOS

Respecto al pago de los gastos inherentes a las importaciones, tales como seguros, transportes, comisiones bancarias en el exterior, intereses por plazos otorgados, impuestos pagaderos en países de tránsito y servicios de mobilización de mercaderías en puertos del exterior, el interesado deberá aportar la siguiente documentación:

-Nota de gastos
-Factura de la empresa que prestó el servicio; y
-Documentos de importación citados en el literal a) de este artículo.

ARTICULO 25

Los pagos por importaciones a Centroamérica, amparados o no a tratados de libre comercio, solamente se autorizarán por el Banco Central de Costa Rica para ser canalizados por medio de la Cámara de Compensación Centroame

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* Modificado en principio el párrafo primero en la Sesión No. 3774-82, Artículo 4, cuya vigencia se estableció a partir del 8-11-84 mediante Artículo 2 de la Selón No. 3785-82, del 2-11-82; fecha variada nuevamente en la Sesión No. 3786-82, Artículo 2, del 4-11-82 para que la citada vigencia fuera a partir del 10-11-82. Modificado nuevamente en Sesión No. 3949-84, Artículo 2, del 22-6-84.

** Modificado en Sesión No. 3805-83, Artículo 7, del 11-1-83. Posteriormente, mediante Artículo 7 de la Sesión No. 3818-83, del 24-2-83, se dejó en suspenso esa modificación.

57

ricana. Para los efectos consiguientes el interesado deberá presentar los documentos que se citan a continuación:

-Copia de la factura comercial, firmada y jurada
-Formulario aduanero, sellado por la Aduana Costarricense, para mercaderías amparadas al Tratado de Libre Comercio.
-Nota de gastos
-Póliza de desalmacenaje debidamente cumplimentada por la aduana, o en su defecto certificación de la Autoridad Aduanal haciendo constar que la mercadería permanece en las bodegas de la aduana respectiva.
* -Licencia o permiso de exportación del país de procedencia de la mercadería, excepto para los originarios de Guatemala.

ARTICULO 26

Los pagos por importaciones de Panamá, bajo el Tratado Bilateral de Libre Comercio, serán tramitados en el Banco Central al amparo del Convenio de Compensación suscrito con ese país, para lo cual el interesado deberá presentar los mismos documentos mencionados en el artículo anterior, excepto la licencia o permiso de exportación. Igual trámite se dará a los pagos por importaciones procedentes de México y Colombia, conforme a los términos de los convenios de compensación y créditos recíprocos negociados con esos países. Igual tratamiento se le dará a las importaciones que provengan de países con los que se firme convenios de ese tipo en el futuro.

La Administración del Banco queda facultada para que, en casos excepcionales, efectúe los respectivos pagos fuera de los correspondientes convenios.

** ARTICULO 27

Las entidades autorizadas para negociar las divisas deben remesar directamente los pagos al exterior a fin de garantizar el destino de aquellas, ya sea en los casos de cobranzas o en los de remesas directas. No podrán tramitarse pagos anticipados si no es por medio de orden de pago documentaria y en lo tocante a carta de crédito, cada entidad establecerá sus propios mecanismos de apertura y cancelación, dentro de lo cual se deberán contemplar los demás aspectos que involucre este Reglamento.

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* Modificado en Sesión No. 3763-82, Artículo 6, del 10-8-82.

** Modificado en Sesiones Nos. 3859, Art. 4; 3949, Art. 2; 3978, Art. 2; celebradas el 21-7-83, el 22-6-84 y el 25-10-84, respectivamente. Posteriormente modificado en Sesión No. 3986-84, Artículo 10, del 14 de diciembre de 1984.

ARTICULO 28

Para los pagos por importaciones de bienes y servicios, con más de seis meses de vencidos contados a partir de la fecha de embarque de la mercadería, deberá presentarse un estado de cuenta o constancia del proveedor certificada por un Contador Público Autorizado, que demuestre que la obligación está pendiente de pago a la fecha en que se solicita la autorización del egreso de divisas. En todo caso, el tipo de cambio aplicable será el que corresponda conforme a lo establecido en el Artículo 23 de este Reglamento.

* ARTICULO 29

Toda autorización de divisas será válida desde la fecha de autorización y durante los cinco días hábiles siguientes a partir de la fecha de aviso a la entidad autorizada. Transcurrido ese plazo la autorización quedará sin efecto y el interesado no podrá hacer una nueva solicitud de divisas para cubrir el mismo pago.

Para el caso de las cartas de crédito, el plazo de cinco días hábiles de validez de la autorización de divisas empezará a contarse a partir de la fecha en que el banco extranjero debite la cuenta de la institución local, es decir, cuando se haga uso de la carta de crédito.

Se exceptúan de lo establecido en el párrafo trasanterior las autorizaciones de divisas para pagos correspondientes al mercado libre de cambios. En estos casos, dichas autorizaciones serán válidas durante los 5 días hábiles siguientes a la fecha en que se otorgaron. Vencido ese plazo quedarán sin efecto, pero el interesado podrá presentar una nueva solicitud para cubrir el mismo pago.

ARTICULO 30

Los documentos de importación a que se refiere el presente Reglamento, así como los estados de cuenta del proveedor, deberán ser aportados por el interesado a la entidad autorizada en originales o en copia fiel del original debidamente firmados y resellados por el ente que los emite. Se exceptúa de lo anterior el registro de pedido confirmado, que deberá ser el original autorizado por el Banco Central de Costa Rica.

ARTICULO 31

El Departamento de Transacciones Internacionales establecerá un control cruzado entre las autorizaciones de divisas, los registros de pedido confirmado emitidos por el Banco Central y las pólizas de desalmacenaje.

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* Modificado en Sesión Nº 3786-82, Artículo 5, del 4-11-82.
Modificado nuevamente en Sesión Nº 3787-82, Artículo 4, del 9-11-82. y se dejo sin efecto este acuerdo en Sesión Nº 3790-82, Artículo 2, del 16-11-82.

59

CAPITULO IV

DE LAS OPERACIONES EN EL MERCADO CAMBIARIO

ARTICULO 32

Con base en la legislación vigente sólo podrán dedicarse a la compra y venta de divisas las entidades que se citan de inmediato:

a) El Banco Central de Costa Rica

b) Los Bancos Comerciales del Estado y

c) Los Bancos Privados que expresamente autorice para ello el Banco Central.

Para intervenir en el mercado cambiario las citadas entidades deberán apegarse estrictamente a las disposiciones que el Banco Central dicte sobre la materia.

Mercado oficial

ARTICULO 33

Unicamente participarán en transacciones de divisas provenientes de exportaciones y de los demás conceptos no exceptuados por el Artículo 94 de la Ley Orgánica del Banco Central, las entidades mencionadas en los literales a), b) y c) del artículo anterior. Las Sociedades Financieras de Inversión y de Crédito Especial de Carácter no Bancario, únicamente podrán participar en el mercado cambiario de conformidad con lo establecido en el Artículo 12 de este Reglamento.

* ARTICULO 34

Con fundamento en lo que establece sobre el particular la Ley Orgánica del Banco Central de Costa Rica, se fijan los siguientes tipos de cambio de compra y venta para las transacciones de divisas del mercado oficial:

VENTA: ₡ 20.30 por cada dólar de los Estados Unidos de América

COMPRA: ₡ 20.00 por cada dólar de los Estados Unidos de América.

** Los 30 puntos de diferencia entre ambos tipos de cambio se distribuirán a razón de 9 puntos para CODESA, 5 para el INFOCOOP, 10 para el Banco Central, 4 para el Banco Comercial comprador y 2 para el Banco Comercial vendedor.

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* Modificado por Sesión Nº 3771-82, Artículo 8, del 16-09-82.
** Modificado este párrafo por Sesión No. 4030, Artículo 4, del 26-2-86, de acuerdo con la Ley No. 6957.

Mercado preferencial

* ARTICULO 35

Conforme a lo establecido en el Artículo 12 de este Reglamento, y de acuerdo con lo previsto en el literal g) del Artículo 94 de la Ley Orgánica del Banco Central de Costa Rica, se liquidará al tipo de cambio interbancario el porcentaje de divisas provenientes de exportaciones y de otros conceptos no exceptuados en el citado Artículo 94 que determine el Banco Central de Costa Rica.

** ARTICULO 36

La diferencia entre el tipo de compra y el de venta de las divisas a que se refiere el Artículo 35, será de 75 céntimos de colón por cada dólar de los Estados Unidos de América, de los cuales 9 puntos serán para la Corporación Costarricense de Desarrollo, 5 puntos para el INFOCOOP, 21 puntos para el Fondo de Pérdidas Cambiarias, 28 puntos para el Banco Central de Costa Rica, 8 puntos para el Banco Comercial comprador y 4 puntos para el Banco Comercial vendedor.

Mercado libre

ARTICULO 37

Según lo previsto en el Artículo 94 de la Ley Orgánica del Banco Central de Costa Rica, son divisas del mercado libre de cambio las provenientes de:

a) Las asignaciones que reciban los representantes diplomáticos, los agentes consulares del extranjero y los representantes de organismos internacionales, para cubrir los sueldos y gastos relacionados con sus funcionarios oficiales
b) Los gastos que efectúen los turistas y viajeros en el territorio nacional
c) Las remesas familiares o personales que se envíen a personas residentes en el país
ch) Las indemnizaciones por contratos de seguros, siempre que las primas hayan sido pagadas en el extranjero.
d) El ingreso de capitales extranjeros, cuando éstos no hayan sido registrados en el Banco Central de Costa Rica, de acuerdo con las disposiciones que al efecto dicte su Junta Directiva
e) Los fondos que mantengan en Costa Rica las personas naturales y las jurídicas, residentes y domiciliadas, respectivamente, en el exterior
f) La repatriación de capitales nacionales
g) Los demás ingresos de divisas que determine la Junta Directiva del Banco Central, en el ejercicio de sus atribuciones legales.

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* Modificado en Sesión Nº 3786-82, Artículo 5, del 4-11-82, posteriormente se modificó en la Sesión Nº 3850-83, Artículo 2, del 24-6-83

** Modificado en Sesión Nº 3786-82, Artículo 5, del 4-11-82. Posteriormente modificado en Sesión 4030, Artículo 4, del 15-5-85. Nuevamente mo-) en Sesión No. 4114, Artículo 2, celebrada el 26-2-86.

Quienes recibieren divisas como resultado de las transacciones del mercado libre, indicadas anteriormente, o que las adquieren en ese mismo mercado; gozarán de su libre propiedad y disposición sin estar sujetas a control ni intervención alguna, excepto que su conversión en colones únicamente podrán hacerla en las entidades autorizadas conforme al Artículo 32 de este Reglamento y a los tipos de cambio que rija en el mercado libre.

* La diferencia entre el tipo de compra y el de venta de las divisas a que se refiere este Artículo será de 50 céntimos de colón por cada dólar de los Estados Unidos de América, de los cuales 21 corresponderán al Banco Comercial, 9 serán para la Corporación Costarricense de Desarrollo y los 20 restantes serán para el Banco Central, con el objeto de destinarlos a la constitución de un fondo para cubrir pérdidas cambiarias de los Bancos Comerciales del Estado. Los ingresos correspondientes a los dos últimos conceptos deberán remitirse semanalmente al Instituto Emisor, los días lunes.

ARTICULO 38

Todos los depósitos en moneda extranjera a plazo, de cuenta corriente y de ahorro constituidos o que se lleguen a constituir en los Bancos Comerciales del Estado, con divisas originadas en las transacciones detalladas en el Artículo anterior, serán asimismo considerados como del mercado libre.

** ARTICULO 39

Las entidades indicadas en los incisos b) y c) del Artículo 32 de este Reglamento, sólo podrán participar en el mercado libre como intermediarios entre compradores y vendedores en ese mercado. A efecto de asegurar tal condición, la Administración del Banco Central establecerá los saldos máximos de divisas que los Bancos Comerciales podrán tener al final de cada día, así como la forma y el período en que se computarán esos saldos.

ARTICULO 40

Sin perjuicio de su condición de intermediario, los resultados financieros y los riesgos propios de las operaciones de compra y venta de divisas del mercado libre correrán por cuenta exclusiva de cada Banco.

ARTICULO 41

Las entidades autorizadas para trabajar en el mercado libre suministrarán divisas para todas las transacciones de la cuenta corriente de la Balanza de Pagos. También suministrarán, previa autorización del Banco Central, divisas para las transacciones de la cuenta de capital.

Toda solicitud para la venta de divisas destinadas al pago de importaciones de bienes y servicios, deberá presentarse a las entidades autorizadas en el formulario que el Banco Central suministrará al efecto, junto con los documentos que establece el Artículo 24 de este Reglamento. Estas solicitudes serán autorizadas directamente por dichas entidades, quienes deberán remesar directamente los pagos al exterior en todos los casos posibles a fin de garantizar el destino de las divisas, ya sea si se trata de cobranzas o remesas directas.

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* Modificado en Sesión Nº 3786-82, Artículo 5, celebrada el 4-11-82

** Modificado en Sesión Nº 3764-82, Artículo 5, celebrada el 17-8-82.

* Los Bancos Comerciales podrán vender divisas libres para el pago anticipado de importaciones de bienes y servicios, mediante la constitución de un depósito en garantía por el equivalente en colones del 15% del importe del egreso en dólares. El reintegro se efectuará contra la presentación de los documentos de importación, a más tardar dentro de los siguientes seis meses.

El monto de las divisas vendidas deberá indicarse en la correspondiente fórmula de registro de pedido confirmado, de manera que se eviten las duplicaciones.

Para la venta de divisas por los siguientes conceptos, se establecen las disposiciones que se detallan de seguido:

** -Viajes al exterior (una cuota de $ 100.oo diarios y un máximo de $800.oo por viajero)
-Turismo extranjero después de haber efectuado el correspondiente trámite de migración (hasta un máximo de $50.oo)
-Remesa familiar (monto máximo de $ 500.oo mensuales por beneficiario hasta un límite por familia de $ 1.000.oo)
-Estudiantes no registrados (monto máximo de $ 500.oo mensuales por manutención. Aparte colegiatura, libros de texto y seguro según comprobantes)

Las solicitudes de divisas por montos superiores a los límites aquí especificados, deberán contar con la aprobación previa del Banco Central, el cual las autorizará siempre y cuando compruebe fehacientemente que se trata de transacciones corrientes.

El Banco Central autorizará todas las solicitudes de divisas debidamente justificadas y correspondientes a los siguientes conceptos:

-Servicios de deuda privada externa
-Reintegros y dividendos por inversiones de capital
-Derechos de patente, regalías o "royalties" y pagos por servicios profesionales.

La Administración del Banco elaborará un instructivo que contendrá los requisitos y documentos requeridos para la tramitación de las solicitudes antes indicadas.

ARTICULO 42

Las entidades autorizadas para operar en el mercado libre de divisas registrarán, en el formulario que para tal fin suministrará la Auditoría General de Bancos, las compras y ventas de divisas que efectúen, e igualmente deberán contar con los registros especiales que disponga el Banco Central, así como suministrar a éste la información complementaria que les solicite.

Además, deberán conservar copia de los documentos con el objeto de que puedan verificarse posteriormente las operaciones, a requerimientos del Banco Central.

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* Se agrega ese párrafo, según lo acordado en la Sesión Nº 3764-82, Artículo 5, del 17-8-82.

** Modificado en Sesión Nº 3791-82, Artículo 22, del 18-11-82, posteriormente modificado en Sesión Nº 3794-82, Artículo 7, del 30-11-82.

CAPITULO V

DISPOSICIONES FINALES

ARTICULO 43

La Administración del Banco Central determinará las comisiones y otros cargos y los procedimientos de transferencia de fondos, así como los mecanismos necesarios para el adecuado funcionamiento del régimen cambiario.

ARTICULO 44

Las infracciones a este Reglamento se sansionarán de conformidad con lo establecido en el Artículo 100 de la Ley Orgánica del Banco Central de Costa Rica.

ARTICULO 45

De conformidad con lo establecido en el Artículo 13 de la Ley General de la Administración Pública, se autoriza a la Administración del Banco para resolver las situaciones de carácter especial o de naturaleza transitoria no expresamente reguladas en este Reglamento y que se presenten como consecuencia de su aplicación.

ARTICULO 46

Este Reglamento rige a partir de su publicación en el Diario Oficial "La Gaceta" y puede ser derogado, ampliado o modificado por la Junta Directiva del Banco Central de Costa Rica. Además deroga y modifica, en lo pertinente, el Régimen Cambiario vigente establecido al amparo de los Artículos 94, 95 y 96 de la Ley Orgánica del Banco Central de Costa Rica, y particularmente las siguientes disposiciones:

a) Artículo 19 de la Sesión Nº 3699-81 (Aprobación del "Reglamento para las operaciones de compra venta de divisas correspondientes al Mercado Libre de Cambios", publicado en el Diario Oficial "La Gaceta" del 19 de enero de 1982)

b) Artículo 12, numeral 4, de la Sesión Nº 3715-82 (otorgamiento de garantías cambiarias para las operaciones amparadas al registro selectivo de inversiones)

c) Artículo 4 de la Sesión Nº 3716-82 (divisas oficiales para las importaciones de equipo médico-quirúrgico en general, excepto las que, a la fecha de vigencia del presente Reglamento, se encuentren en Aduana o en tránsito)

d) Artículo 10 de la Sesión Nº 3722-82 (otorgamiento de divisas oficiales para importaciones pendientes de pago de medicamentos y equipo para hospitales, hechas por clínicas y consultorios privados).

DISPOSICIONES TRANSITORIAS

TRANSITORIO I

Las solicitudes de divisas para importaciones registradas por el Departamento de Transacciones Internacionales, a partir de la vigencia de este Reglamento, se tramitarán con el original del registro de pedido confirmado. Las solicitudes registradas con anterioridad a esa fecha, serán tramitadas con la copia blanca al carbón del registro, utilizada para la compra de divisas.

TRANSITORIO II

Cualquier persona física o jurídica que considere quedar en situación de desventaja respecto de sus competidores a raíz de las disposiciones contenidas en los Artículos de este Reglamento que tienen que ver con las reformas introducidas a la Ley Orgánica del Banco Central de Costa Rica mediante Ley Nº 6789 del 3 de agosto de 1982, dispone de un plazo que vence el 30 de agosto de 1982, para solicitar al Banco Central la revisión de su caso. Es entendido que el Instituto Emisor no considerará solicitudes relacionadas con la importación de los artículos terminados que se detallan en las secciones III, IV y V de la lista anexa de este Reglamento.

LFC/.
21-5-86.

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DE RUEHSJ #5156/01 150 **
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FM AMEMBASSY SAN JOSE
TO AMEMBASSY TEGUCIGALPA 0286
BT
UNCLAS SAN JOSE 05156

PROJECT DEVELOPMENT DIVISION
U.S.A.I.D/COSTA RICA
JUL 1 9 16 AM '86

ANNEX I

CLASS: UNCLASSIFIED
CHRGE: AID 05/22/86
APPRV: MDIR:DACHAIJ
DRFTD: CONT:RULAYTON:TFA
CLEAR: 1.CONT:G. TEAM
2.PPDI:KELLY
3.DDIP:RAFCRI
DISTR: AMB DCM MDIR
DDIR PDD CONT

AIDAC

FOR RIG/A/T C.GOTHARD

E.O. 12356: N/A
SUBJECT: DRAFT AUDIT ON CENTRAL BANK OF COSTA RICA'S PRICE CHECKING UNIT

REF: TEGUCIGALPA 05211

1. USAID COSTA RICA ACKNOWLEDGES RECEIPT OF REFTEL AND SUBJECT DRAFT AUDIT. THE FOLLOWING ACTIONS HAVE BEEN TAKEN IN RESPONSE TO DRAFT RECOMMENDATION, IN RELATION WITH THE PRICE CHECKING UNIT'S ABILITY TO IDENTIFY AND DETER THE FLIGHT OF CAPITAL OUT OF COSTA RICA. IT SHOULD BE NOTED THAT, AS CORROBORATED BY LETTER SUBMITTED TO USAID DATED MAY 19, 1986 BY THE PRICE CHECKING UNIT, IT HAS TAKEN A CONSIDERABLE AMOUNT OF TIME TO ESTABLISH THE UNIT FROM SCRATCH. EQUIPMENT HAD TO BE PURCHASED, PERSONNEL HIRED AND TRAINED, AUTOMATED SYSTEMS DEVELOPED (BY THE UNIT ITSELF), AND FIRST ATTEMPTS MADE AT GATHERING DATA AND VERIFYING TRANSACTIONS.

- A. AS PART OF ECONOMIC STABILIZATION AND RECOVERY V LOAN, TO BE NEGOTIATED WITH CENTRAL BANK OF COSTA RICA (BCCR), FOLLOWING COVENANT WILL BE INCLUDED: THE BCCR WILL AGREE TO PROVIDE EVIDENCE ACCEPTABLE TO AID NO LATER THAN 30 DAYS FOLLOWING THE SIGNATURE OF THIS AGREEMENT.THAT THE PROCESS OF IMPORT AND EXPORT PRICE VERIFICATION BY THE CENTRAL BANK PRICE CHECKING UNIT IS FULLY OPERATIONAL; AND THEREAFTER TO PROVIDE TO AID, AT THE END OF EACH CALENDAR QUARTER THROUGH DECEMBER 31, 1988, REPORTS IN A FORM ACCEPTABLE TO AID ON THE OPERATIONS OF THE UNIT, WITH PARTICULAR EMPHASIS ON ACTUAL PROGRESS ACHIEVED IN VERIFYING IMPORT AND EXPORT PRICES.

- B. IN RESPONSE TO RECOMMENDATION THAT "USAID ASSURE ITSELF THAT ADEQUATE AND EFFECTIVE MEANS EXIST UNDER COSTA RICAN LAW TO SANCTION IMPORT/EXPORT PRICE VIOLATIONS, USAID HAS INVOLVED RLA IN MATTER AND HAS ALREADY TAKEN

STEPS TO INVOLVE COSTA RICAN LEGAL EXPERT.

C. BASED ON ACTIONS TAKEN IN PARAGRAPHS 1A AND 1B ABOVE, THE USAID FEELS THAT A RECOMMENDATION IS NO LONGER WARRANTED AND THEREFORE SHOULD BE DELETED FROM THE FINAL AUDIT REPORT.

2. IN RESPONSE TO THE DEFICIENCIES RELATING TO THE ASOCIACION BANCARIA COSTARRICENSE'S (ABC'S) MANAGEMENT OF FUNDS TO ESTABLISH AND OPERATE THE PRICE CHECKING UNIT, ON APRIL 18 THE USAID REQUESTED THE ABC TO CONTRACT A US OR US AFFILIATE CPA FIRM TO CONDUCT AN EXTERNAL AUDIT OF ITS OPERATION. ON MAY 22, THE ABC NOTIFIED THE USAID THAT THE FIRM SELECTED TO PERFORM THIS NON-FEDERAL AUDIT IS COOPER & LYBRAND. IN ADDITION, AT THE REQUEST OF THE USAID, THE ABC HAS PREPARED A RESPONSE, DATED MAY 21, TO DEFICIENCIES NOTED IN RIG/A/T AUDIT. THE USAID HAS REVIEWED SAID RESPONSE AND PROVIDES COMMENT.

A. THE ABC FEELS THAT A PRINCIPAL CAUSE FOR SOME OF THE PERCEIVED DEFICIENCIES WAS DUE TO A COMMUNICATIONS PROBLEM. APPARENTLY, THE RIG/A/T AUDITOR NEVER VISITED THE ACCOUNTING FIRM (GRANADOS & CO.) WHICH MAINTAINS THE BOOKS AND RECORDS FOR THE ABC, OR FOR THAT MATTER NEVER BECAME AWARE OF ITS EXISTENCE. THIS, NATURALLY, GAVE THE AUDITOR THE IMPRESSION THAT THE ONLY BOOKS AND RECORDS MAINTAINED BY THE ABC CONSISTED OF A LISTING OF CHECKS WRITTEN, WHICH MAY HAVE PROMPTED THE RIG/A/T AUDITOR TO STATE THAT THE ABC DID NOT PROPERLY ADMINISTER THE FUNDS NOR DID IT ADEQUATELY ACCOUNT FOR THE FUNDS ASSIGNED TO IT. HAVING HEARD BOTH THE ABC'S COMMENTS AND THE AUDITOR'S COMMENTS, WE FEEL THAT THERE DEFINITELY WAS A COMMUNICATION GAP AT THE TIME THE AUDIT WAS PERFORMED.

B. TRANSFER OF FUNDS TO ACCOUNTS OF OTHER

PROJECTS (PROJECT FOR THE INTEGRATED INFORMATION SYSTEM FOR THE BCCR) WAS MADE. FROM THE MANNER IN WHICH THE ABC MENTIONS THIS, IT SEEMS THAT THEY FEEL AS IF THE TRANSFER WAS JUSTIFIED AND THAT THIS WAS SOMETHING THEY COULD DO. THE USAID IN A MEETING WITH ABC OFFICIALS HAS STRESSED THAT THIS PROCEDURE SHOULD NOT HAVE BEEN USED UNDER ANY CIRCUMSTANCES. THE CONTROLLER'S OFFICE HAS REQUESTED THAT THE PROJECT OFFICER ISSUE WRITTEN INSTRUCTIONS TO THIS EFFECT AND THAT IMMEDIATE ADJUSTMENTS BE MADE FOR PAST TRANSACTIONS.

- C. A STATEMENT OF THE BOOK BALANCES IN ABC'S BANK ACCOUNT NO. 214-24-210, SUPPLIED BY THEIR ACCOUNTING FIRM, FOR THE MONTHS FROM JUNE 1985 TO MARCH 1986; SHOWS AN AVERAGE BALANCE OF COLONES 93,950; APPROXIMATELY DOLLARS 1,620. BECAUSE OF THE LARGE DISCREPANCY BETWEEN THIS FIGURE AND THE COLONES 4,920,200 (ABOUT DOLLARS 100,000) CITED BY THE RIG/A/T AUDITOR, AN ANALYSIS OF BALANCES IN ABC'S NON-INTEREST BEARING ACCOUNT WILL HAVE TO BE EFFECTED BY THE CPA FIRM.

- D. THE ABC'S ACCOUNTING FIRM STATED IN THEIR REPORT THAT IT WAS UNABLE TO IDENTIFY THE QUESTIONABLE COLONES 544,000 MENTIONED BY THE RIG/A/T AUDITOR AS NOT BEING ACCOUNTED FOR. FURTHERMORE, THE FIRM BELIEVES THAT IF FUNDS WERE MISTAKENLY DEPOSITED TO AN ACCOUNT FROM ANOTHER PROJECT, AS SUGGESTED IN THE AUDIT REPORT, THIS WOULD HAVE BEEN DETECTED AT THE TIME OF THEIR RECONCILIATION.

- E. IN REFERENCE TO THE AMOUNTS WHICH ACCORDING TO THE RIG/A/T AUDITOR WERE IMPROPERLY TREATED AS EXPENSES INSTEAD OF ADVANCES, THE ABC AND ITS ACCOUNTING FIRM WERE NOT ABLE TO CLEARLY IDENTIFY WHICH TRANSACTIONS WERE BEING REFERRED TO OR WHEN AN ADVANCE WAS SUPPOSED TO HAVE TAKEN PLACE. SINCE THE SPECIFICS REGARDING THE FINDING ARE NOT AVAILABLE, THE USAID REQUESTS DETAILS BE PROVIDED BY RIG/A/T FOR INVESTIGATION BY THE MISSION AND NON-FEDERAL AUDITORS.

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