

DOCUMENT OF INTERNATIONAL MONETARY FUND  
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**IMMEDIATE  
ATTENTION**

EBS/83/80

CONFIDENTIAL

April 21, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Costa Rica - Technical Adjustment to Credit Ceilings  
Under the Stand-By Arrangement

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Tuesday, April 26, 1983. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

INTERNATIONAL MONETARY FUND

COSTA RICA

Technical Adjustment to Credit Ceilings  
Under the Stand-By Arrangement

Prepared by the Western Hemisphere Department

(In consultation with the Exchange and Trade Relations  
and Legal Departments)

Approved by Eduardo Wiesner and Manuel Guitian

April 21, 1983

The Costa Rican authorities have informed the staff of a technical revision made to certain accounts of the banking system that have a bearing on one of the performance criteria under the stand-by arrangement approved by the Board on December 20, 1982 (EBS/82/214). This revision involves a reclassification of the deposit accounts that various public sector entities maintain in the domestic commercial banks which had been previously classified as private sector deposits. The reclassification of these accounts as public sector deposits has the effect of reducing the outstanding stock of net credit of the banking system to the nonfinancial public sector and affects the stand-by program's ceilings on net banking system credit to the nonfinancial public sector because those ceilings were established on the basis of data gathered according to the previous classification. In order to correct this anomaly, the President of the Central Bank and the Minister of Finance of Costa Rica have proposed in a cable dated April 12, 1983 (attached) that an adjustment be made to the ceilings on net banking system credit to the nonfinancial public sector set forth in Table 2 attached to their letter of November 23, 1982 requesting the stand-by arrangement. The ceilings would be adjusted downward for the difference between the ceiling on net domestic banking system credit to the nonfinancial public sector set for the end of December 1982 and the actual stock as of the same date of the net credit according to the new classification. The revised ceilings, set out in the attachment to the cable dated April 12, 1983, preserve the same flow of banking system net credit to the public sector during 1983 as was implicit in the original set of ceilings.

The staff has concluded that the new classification of the accounts proposed by the Costa Rican authorities is appropriate to measure the banking system net credit to the public sector accurately, and that the new set of ceilings proposed represents a proper technical adjustment to account for the new classification.

Proposed Decision

Accordingly, the following draft decision is proposed for adoption by the Executive Board:

1. The Government of Costa Rica has proposed a technical adjustment to the ceilings on domestic banking system's net credit to the nonfinancial public sector in Table 2 attached to the letter dated November 23, 1982 requesting a stand-by arrangement.

2. The Fund does not object to the proposal of the Government of Costa Rica. Accordingly, the cable dated April 12, 1983 from the President of the Central Bank and Minister of Finance of Costa Rica shall be attached to the stand-by arrangement for Costa Rica, and

(a) Table 2 in that cable shall replace Table 2 attached to the letter from the Government of Costa Rica dated November 23, 1982, and

(b) paragraph 4(a)(ii) of the stand-by arrangement for Costa Rica, attached to EBS/82/214, Supplement 1, shall be modified by substituting "...Table 2 in the cable attached to EBS/83/80 ..." for "... Table 2..."

San Jose, Costa Rica  
April 12, 1983

Mr. Jacques de Larosiere  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

The monetary authorities of Costa Rica have recently revised the banking system accounts by reclassifying as deposits of the nonfinancial public sector those deposit accounts held by public sector agencies and enterprises that previously were misclassified as part of the deposits of the private sector. Since the new levels of outstanding net domestic bank credit to the nonfinancial public sector would not be comparable to the corresponding ceilings set forth in the current stand-by program, we propose that an adjustment be made to these ceilings to reflect properly the new system of bank accounts. The new ceilings, presented in the attached Table 2, reflect a downward adjustment equal to the difference between the original ceiling on net domestic bank credit to the public sector set for the end of December 1982 and the actual level of that credit registered as of the same date according to the new classification of accounts. In this manner, the proposed revised ceilings would preserve the same flow of banking system net credit to the public sector during 1983 implicit in the original set of ceilings attached to our letter of November 23, 1982.

Sincerely,

Federico Vargas Peralta  
Minister of Finance

Carlos M. Castillo Morales  
President  
Central Bank of Costa Rica

Table 2. Costa Rica: Revised Ceilings on Domestic Banking System's Net Credit to the Nonfinancial Public Sector 1/

(Outstanding balances in millions of colones)

Periods	Ceilings
October 1, 1982-December 31, 1982	11,090
January 1, 1983-March 31, 1983	11,290
April 1, 1983-June 30, 1983	11,590
July 1, 1983-September 30, 1983	12,590
October 1, 1983-December 31, 1983	13,090

1/ Defined as the difference between the banking system's gross credit to the nonfinancial public sector and the latter's deposits in the banking system. For this purpose the nonfinancial public sector includes the Central Government, municipalities, decentralized agencies, and state enterprises. These ceilings will be reduced by the amount of any U.S. economic support loans directly disbursed to the nonfinancial public sector.