EXECUTIVE BOARD MEETING

EBS/20/76

April 23, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Costa Rica—Request for Purchase Under the Rapid Financing Instrument**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Wednesday, April 29, 2020**
Proposed Decision:	Page 12
Publication:	Yes*
Questions:	Ms. Otker, WHD (ext. 37810)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—European Investment Bank, Inter-American Development Bank, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

COSTA RICA

April 23, 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

EXECUTIVE SUMMARY

Context. Costa Rica has been hit hard by the Covid-19 pandemic, owing to its highly open economy that has large exposures to trade, tourism, foreign direct investment, and global supply chains. Tourism exports, which account for over 6 percent of GDP and 19 percent of exports, have collapsed with border closures, while other exports have also slowed owing to a slump in demand from trading partners. A severe local outbreak, which saw confirmed Covid-19 cases jump to 669 in just over six weeks, has led to large domestic labor restrictions, aimed at preventing a spreading of the virus, and is poised to cause additional widespread and prolonged disruptions to economic activity, balance of payments (BOP), and fiscal accounts, at a time when the fiscal space is very limited.

Request for Fund support. Reflecting the large external financing gap associated with a sharp contraction of net exports and reduced foreign investment, and the significant fiscal need to mitigate the impact of the virus, the authorities are seeking financial assistance under the Fund's Rapid Financing Instrument. The request is for about US$508 million, or 100 percent of quota, under a policy framework to ensure an adequate response, while strengthening medium-term fiscal sustainability. Staff supports this request.

Policies. Prior to the pandemic, Costa Rica was on a path of fiscal consolidation to keep public debt on a sustainable path, with a major fiscal reform bill passed at end-2018 and a fiscal rule that ties spending growth from 2020. In response to the pandemic, the authorities are accommodating the health care spending needed to contain and mitigate the impact of the virus and anticipate increased spending for social protection to protect the most vulnerable. They are committed to returning to the fiscal consolidation path with a strict implementation of the fiscal rule and revenue-enhancing measures once the crisis moderates. They plan to maintain an accommodative monetary policy stance and exchange rate flexibility, and safeguard the stability of the financial system, including to mitigate pandemic-related risks. The authorities are committed to implementing a broad array of structural reforms underpinned by OECD accession, to support competitiveness and boost potential growth and resilience of the economy.

Approved By
Krishna Srinivasan (WHD) and Vikram Haksar (SPR)

Discussions took place via conference calls on April 15-16, 2020. The team comprised Ms. Otker (head), Mmes. Geng, Hengge, and Sin, Mr. Di Vittorio (all WHD), and Mr. D. Grigorian (MCM). Mr. Peraza (Regional Resident Representative) and Mr. Cartagena (OED) joined the meetings. The IMF team held meetings with Central Bank President Cubero, Minister of Finance Chaves, Minister of Planning Garrido, and other senior government and financial sector officials, and other international financial institutions. Mr. Vera Avellan and Ms. Canelas assisted in the preparation of the staff report.

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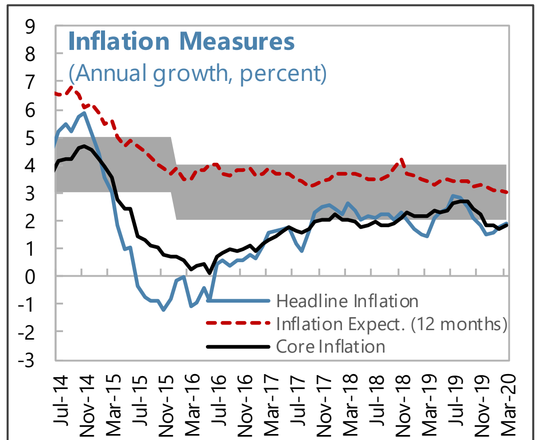
PRE-COVID-19 DEVELOPMENTS

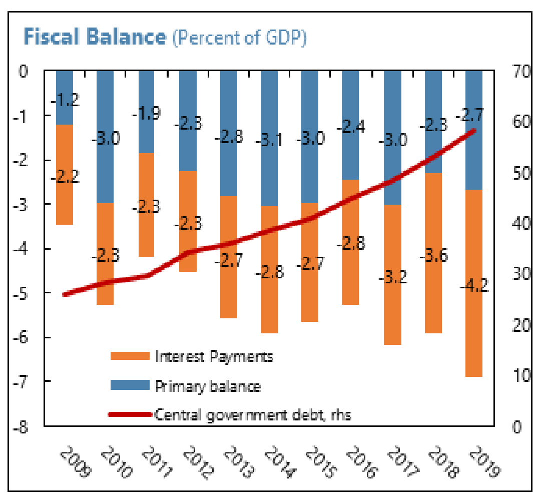
1. **Prior to the Covid-19 shock, macroeconomic conditions were broadly stable.** After consecutive falls in growth during 2017-19, the economy expanded by 2.1 percent in 2019, and was projected to grow further at 2.5 percent in 2020. Inflation pressures remained low, falling below the 2-4 percent target range of the Central Bank of Costa Rica (BCCR) since November 2019, given subdued economic activity, lower oil prices, high unemployment, and an appreciating domestic currency. With inflation expectations anchored to the mid-point of the target range and the US Fed rate cuts, the BCCR lowered its key policy rate in 8 steps from 5¼ - 2¼ percent from March 2019.



Sources: BCCR and Haver Analytics.

2. **The external position was broadly in line with medium-term fundamentals and desirable policies and the banking system was stable.** The current account deficit narrowed to 2.5 percent in 2019, fully financed by FDI inflows. Reserves were at 6 months of imports, or 115 percent of the Fund's ARA float metric, within the range considered as adequate. Competitiveness indicators compare favorably with peers, but lag OECD countries, particularly for infrastructure and the ease of doing business. The banking system entered the crisis with reported adequate capital and liquidity buffers and low, but rising, nonperforming loans since 2017. However, banks are vulnerable to high household indebtedness, sizable net foreign liabilities, large sovereign exposures, and high levels of loan dollarization (around 37 percent, 2/3 of which were extended to unhedged borrowers).

3. **The fiscal situation has been the key vulnerability even before the Covid-19 shock**. The fiscal balance deteriorated sharply over the past decade, as a result of the countercyclical measures that were taken in response to the global financial crisis but had not been reversed. The 2018 fiscal reform and the fiscal rule applied from early 2020 were major steps toward fiscal sustainability. However, the fiscal balance deteriorated sharply in 2019, with the overall deficit rising to 7.0 percent of GDP, reflecting largely a growing interest bill. The debt-to-GDP ratio jumped to 58½ percent, from 53 percent in 2018, and was projected to exceed 60 percent in 2020 before the shock. To reassure markets of its commitment to fiscal discipline and following Moody's downgrade of the sovereign rating, the government announced additional fiscal measures in early February, including to improve tax administration and collection, replace expensive debt, consolidate public institutions and streamline public wage scales, and reduce debt through asset sales and financial surpluses of decentralized public entities.



IMPACT OF COVID-19 AND POLICY RESPONSES

4. **The Covid-19 pandemic is having a significant effect on the Costa Rican economy.** Confirmed cases are now at 669, with a mortality rate of 0.91 percent, making Costa Rica one of the most affected countries in Central America. The government has taken extensive measures to contain the outbreak (which seems to have helped flatten the infection curve), including by declaring a national emergency, mandatory quarantines, closures of schools, public offices, and most public spaces, travel restrictions for residents, and a ban on nonresidents to enter the country (Annex I, Table 1). A specialized hospital has been set up for Covid-19 treatment, and more flexible work hours, including to reduce working days, have been adopted in the private sector.

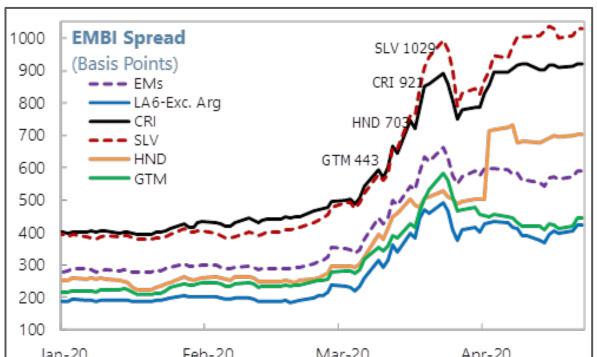
5. **The global growth slowdown and the containment measures are having a sharp impact on the balance of payments (BOP) and FX earnings.** Tourism receipts (more than 19 percent of exports in a normal year) have collapsed from March 2020, owing to border closures and restricted travel. Recessions and travel restrictions in the main source countries (the US, Europe, and Central America) have sharply reduced tourism demand, with a projected 60 percent drop for 2020 as a whole. Owing to sharp contractions in trading partners and supply chain interruptions, total exports are expected to fall, offset in part by lower imports from weak activity and low oil prices, notwithstanding higher imports of medical supplies. At the same time, the availability of external financing is severely constrained. Staff expects FDI inflows, largely sourced from the US, to drop significantly in 2020, with the adverse effects on tourism and exports expected to prompt firms to delay or reduce investment in ongoing or planned projects. Tighter global financial conditions make market borrowing costs prohibitive (EMBI spreads 500bp higher compared to last year) as public financing needs worsen with a higher deficit, lower-than-expected external loan disbursement, and limited room to borrow more from a small, satiated domestic market.

Table. Costa Rica: Balance of Payments Financing Gap
(In millions of U.S. dollars unless ow mentioned)

		Projections
	2019	2020
Current account balance	**-1,545**	**-2,976**
Exports of Goods and Services	21,126	17,668
Tourism exports	3,977	1,586
Other exports	17,149	16,082
Imports of Goods and Services	-19,593	-17,908
Oil imports	-1,576	-885
Capital and financial account (positive=inflows)	**3,000**	**-529**
Of which: Foreign direct investment (net)	2,418	1,434
Of which: public sector (net)	1,013	-1,411
Financing		
Drawdown of reserves (+ decrease)	-1,455	1,946
BOP Financing gap		**1,559**
In percent of GDP		2.5
Of which RFI disbursement		508
Of which financing from other IFIs		1,051

Sources: BCCR and IMF staff estimates and projections.

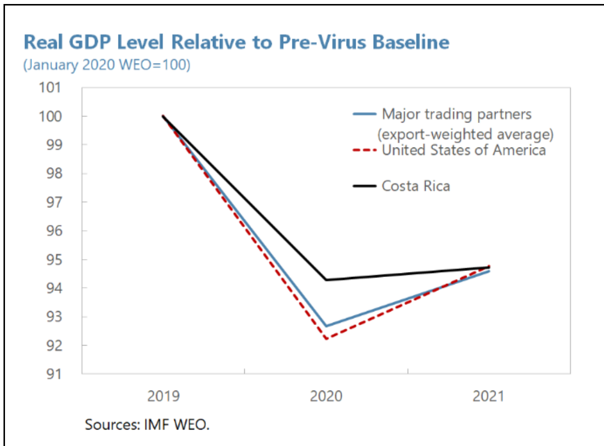
6. **This combined impact has created an immediate BOP financing need**. The expected sharp decline in tourism and other exports will only be partially offset by terms-of-trade gains from lower oil prices, giving rise to a significant BOP financing gap, estimated at about US$1.6 billion, or 2.5 percent of GDP. Disbursement under the Fund's Rapid Financing Instrument (RFI) would partially cover this gap, boost confidence, and help catalyze support from other multilateral agencies

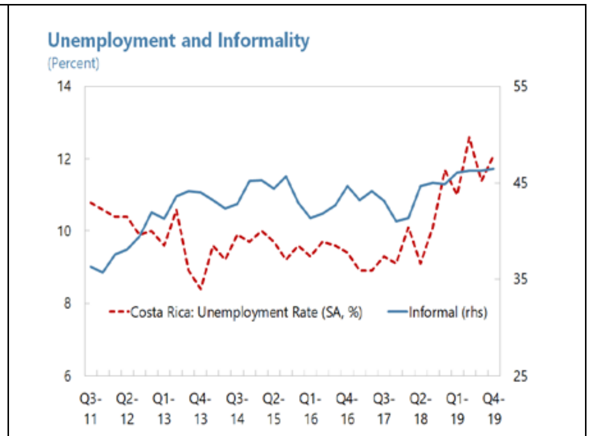


Sources: Bloomberg LP.

to help fill the remainder of the gap. The authorities are actively working to secure financing from these institutions,[1] some of which have mandated Fund-financing as a precondition. While there is some scope to draw down foreign reserves, additional external financing is needed to keep reserves at 100 percent of the ARA-float metric, to maintain adequate buffers to counter excessive currency pressures in the event of a prolonged crisis. Without Fund financing and support from other IFIs, reserves would fall to 3.5 months of imports (80 percent of the ARA metric).

7. The necessary containment measures have also dampened sharply the near-term economic prospects. Shorter working hours and lower output in key sectors (including, services, transportation, and retail) are expected to reverse the modest growth pickup in the later part of 2019. While uncertainties are very large, the economy is expected to contract by 3.3 percent in 2020, compared with the 2.5 percent growth projected prior to the Covid-19 shock (Tables 1-3). The collapse in output puts further pressure on the already-elevated level of unemployment, with substantial job losses in many sectors and expected drop in incomes of roughly 40 percent of the formal sector. The poor and vulnerable will be severely affected, including those in the informal sector that make up 46 percent of employed but are not part of the social safety system.





8. To mitigate the economic effects, the authorities have adopted a range of fiscal, financial, and monetary policy actions (Annex I, Tables 1 and 2). The measures have aimed, appropriately, at ensuring necessary resources to attend the health emergency, protecting firms, employment, and households, and preventing the health crisis from creating long-term economic damage. Key measures include: a 3-month moratorium on tax payments; deferred payment of social security contributions and making them proportional to the time worked; subsidies and transfers for three months to the most vulnerable families economically affected by the crisis; targeted support to SMEs; and monetary and regulatory actions to ease credit and liquidity conditions—including a 100-basis points cut in the key policy rate to a record low (1¼ percent), relaxation of the regulation on restructuring loans, and a possible targeted moratorium on the payment of loan principal and/or interest for the most affected sectors for at least 8 weeks (only for personal, housing, vehicle,

[1]These would include the World Bank (WB), Inter-American Development Bank (IDB), the Development Bank of Latin America (CAF), Central American Bank for Economic Integration (CABEI), and French Development Agency (ADF).

consumer, and education loans, and to debtors who suffered layoffs, suspension of employment contract or cuts in working hours).

9. The fiscal implications of these measures will be very large, at a time when the fiscal space is very limited given the ongoing fiscal consolidation efforts. This has direct parallels with the external financing shortfall, with the majority of the increased deficit expected to be financed externally, given the tight domestic market. Tax revenue is expected to get a direct hit, with a projected drop of about 1.3 percent of GDP from the impact of sharply lower economic activity and the tax relief measures. While the health system is relatively better prepared among regional peers, the additional health-related spending could increase further as confirmed virus cases grow. Overall, total spending is expected to increase by about 2.4 percent of GDP, driven by the provision of social transfers to the most affected sectors and individuals (about 1 percent of GDP), medical spending (about 0.3 percent of GDP), and the impact of lower growth (Annex I, Table 2). As a result, the primary and overall fiscal deficit for 2020 would widen to 4.8 percent and 9.8 percent of GDP, respectively, in the absence of compensatory measures, bringing the public debt to about 68 percent of GDP (compared with 58.5 percent in 2019 and pre-shock ratio of 61 percent).

The Initial Fiscal Impact of the Covid-19 Shock on Central Government

(In percent of GDP, unless o.w. mentioned)

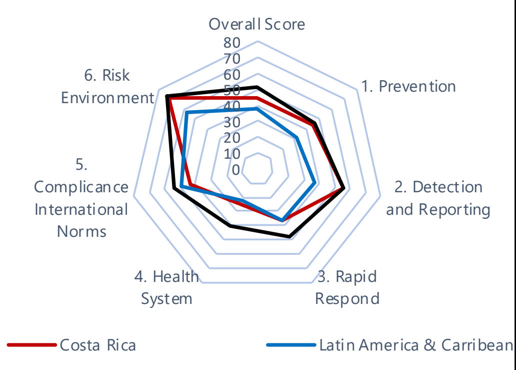
	2020 Pre-Covid19 shock	2020 After-Covid19 shock (passive scenario) 1/
Total revenue	14.7	13.5
Tax revenue	14.3	13.0
Total expenditure	20.9	23.3
Current expenditure	19.1	21.5
Primary balance	-1.4	-4.8
Overall balance	**-6.1**	**-9.8**
Debt	**61.1**	**67.9**
Gross Financing Needs (Baseline) (in billion colones)	**4,273**	**5,038**
Domestic		
Bond placements	2,979	2,903
External		
Bond placements	-	-
Bilateral	69	69
Multilateral financing	645	1540
unidentified financing	-	895
Use of government deposits	580	526
Memorandum item:		
GDP growth (percent)	2.5	-3.3

1/ Assuming no compensatory policy adjustments.

RISKS TO OUTLOOK

10. The outlook is subject to significant downside risks, arising from a prolonged Covid-19 outbreak and an unusual degree of uncertainty related to the impact on domestic and the global economy. Staff projections assume that the spread of the disease will be contained at relatively moderate levels and activity will resume once the immediate health crisis begins to wane, likely from the third quarter of 2020. However, the economic activity, including tourism, may not pick up as rapidly as expected in the baseline, should the contraction in the global economy last much longer-than-expected and continuation of the local outbreak create a more protracted and widespread disruption to the domestic economy. Additional downside risks include higher spending and delays in the implementation of the fiscal consolidation strategy, with a consequent sharper rise in

Global Health Security Index, 2019



Source: John Hopkins Center for Health Security.

the risk premia and drop in confidence that could, in turn, reduce sources of financing and result in excessively high levels of debt.

POLICY DISCUSSIONS

A. Fiscal Policy: Safeguarding Debt Sustainability

11. Public debt is projected to remain sustainable under the authorities' expected fiscal policy path (which includes some compensatory measures), albeit with risks. The debt-to-GDP ratio is expected to peak at a higher level, at 70 percent in 2023, owing to the significant costs of the pandemic, and to decline gradually to 67 percent toward the end of the projection horizon of 2021-25. The heat map points to risks to debt sustainability from weaker-than-projected growth, primary balance, exchange rate, and contingent liability shocks. Notwithstanding a captive local institutional investor base holding more than half of domestic debt, the elevated risks to the debt path underscore the continued need for fiscal consolidation within a clear, institutional medium-term framework.

12. Preserving fiscal sustainability should therefore remain the key policy priority, and additional fiscal measures should help safeguard fiscal sustainability. The pandemic is expected to increase the public debt-to-GDP ratio by about 6 percent of GDP in 2020, compared to the pre-shock projections. A temporary deterioration of the fiscal position in 2020 is warranted by the immediate medical, humanitarian, and economic needs prompted by the crisis, including through the temporary activation of the fiscal rule emergency escape clause.[2] However, the pre-crisis fiscal consolidation path, anchored by the 2018 fiscal reform, must be preserved. Staff welcomes the authorities' stated commitment to the fiscal consolidation path and immediate efforts to contain the impact of the pandemic by reprioritizing spending, including through the announced public wage freeze for 2020 and contemplating additional compensatory measures.[3] Starting from 2021, and once the economy recovers from the pandemic, staff recommends ending all the emergency spending measures and reapplying the fiscal rule. Accompanying the rule with additional measures of at least 2 percent of GDP over 2021-24 and asset sales of about 1.4 percent of GDP would help reduce debt to 67 percent of GDP by 2025 and further to 50 percent by 2034—owing to declining gross financing needs. A more ambitious and front-loaded fiscal adjustment would allow debt to fall faster, while building buffers against future shocks.

13. The measures could combine a range of options both on the revenue and spending side, some of which are being contemplated by the authorities. On the revenue side, measures on tax administration and exemptions (as announced in early February) could be implemented to reduce compliance gaps estimated around 1.9-2.7 percent of GDP and to expand the tax base. The

[2] The emergency escape clause allows the government to suspend the fiscal rule temporarily in exceptional circumstances that requires a higher current expenditure of at least 0.3 percent of GDP.

[3] These measures include additional revenue due to lower fuel prices, lower transfers to decentralized public agencies and progressive solidarity contributions from pensions, cooperatives, and individuals in higher income brackets.

sharp decline in oil prices provides an opportunity to raise excise duties on petrol and diesel. Property and environmental taxes, and higher consumption tax rates (VAT or excises) could provide additional revenue. On the spending side, savings could include reducing the wage bill (currently 35 percent of total spending), including through continued public sector wage freeze or nominal wage cuts to the upper quartile of the salary scale, swift implementation of the planned civil service reform, or cuts in goods and services, including through a centralized procurement system. Fiscal measures should be designed to protect the vulnerable through targeted transfers, subject to ex-post accountability and controls to ensure spending efficiency, and be complemented by asset sales to reduce debt and mitigate the impact of fiscal consolidation on inclusive growth. Efficiency gains could come from governance and operational reforms to improve the performance of public enterprises, particularly those with below-market returns in commercial sectors.

14. Fiscal risks may arise from a permanent deterioration in the fiscal position if the spending caused by the pandemic-related measures become larger or permanent. While the government has created a contingency fund for the COVID-19 emergency of about 3.2 percent of GDP for higher-than-expected emergency spending needs, reallocating spending away from non-essential expenditures toward priority areas, such as social assistance or capital spending to close infrastructure gaps, could help save scarce resources. Implementing the fiscal rule in the context of a medium-term fiscal framework (MTFF), backed by necessary institutions and close coordination between the relevant fiscal authorities, would help fiscal management and generate fiscal space.[4]

B. Monetary and Exchange Rate Policy

15. The BCCR's accommodative monetary policy stance remains appropriate in a substantially weaker growth environment but will continue to face challenges. Contraction of economic activity and anchoring of inflation expectations should allow further reductions in the policy rate to support growth. However, the BCCR's efforts would likely be confronted by the challenges of conducting monetary policy in a highly-dollarized economy, with an incomplete pass-through from policy to retail rates and the potential impact of falling interest rate differentials on the exchange rate, with adverse balance sheet effects. The BCCR should continue to support exchange rate flexibility, backed by appropriate macroprudential tools, to help restore external balance and absorb future shocks, and FX interventions should be limited to addressing disorderly market conditions. Continued efforts to enhance transparency of monetary policy and reduce dollarization should strengthen monetary policy transmission, while anchoring inflation expectations in a highly uncertain environment. Caution is also warranted on the ongoing calls to introduce ceilings on lending rates, for their adverse effects on financial inclusion, financial intermediation, and monetary policy transmission. Efforts should focus, instead, on addressing the underlying causes of high interest rates, including those related to existing distortions in the operation of banks.

16. Staff supports the BCCR's efforts to stand ready to provide liquidity to the financial system, including with additional tools. To support workers who are affected by the Covid-19

[4] The authorities requested TA to establish a MTFF and finalized the arrangements for the Fiscal Council.

crisis, Congress has passed a Bill that allows early withdrawal of benefits from the complementary pension operators (OPCs). Allowing the BCCR to purchase government and other liquid securities in the secondary market could meet subsequent extraordinary liquidity needs by OPCs and help protect financial stability and smooth functioning of markets under systemic stress, especially if the room for further policy rate cut becomes constrained. Such purchases should be conducted in open and transparent ways and with due considerations for liquidity and price implications by properly scaling and timing the transactions. In this connection, staff supports the BCCR's emphasis on proper modalities of such operations (e.g., transparency, duration, amounts, triggers, and exit strategies and eligible securities).

C. Safeguarding Financial Stability and Sustainable Growth

17. While the financial sector appears to be resilient, with adequate capital and liquidity buffers, the expected economic disruption associated with the health crisis could expose the existing pockets of vulnerability. With highly-indebted household and corporate sectors in Costa Rica, widespread job losses and business closures could result in many borrowers facing difficulties to repay loans and result in a significant deterioration in banks' asset quality. Given the high level of unhedged FX-borrowing, especially in sectors exposed to the virus shock (tourism and construction) a downward pressure on the currency could add to the difficulty in servicing debts.

18. Staff supports the recent regulatory actions taken by the authorities to ease credit and liquidity conditions for households and businesses to prevent a widespread collapse. For the relaxation of the regulation on restructuring of loans and a temporary moratorium on loan principal and/or interest payments, it is crucial that any approved changes be made transparent, targeted for the most affected sectors, and temporary, so as not to create moral hazard and foster poor credit-risk management practices. Continued efforts to strengthen the risk-based supervisory framework and enhanced monitoring and stress testing of risk exposures are very important in this regard, as well as avoiding a relaxation of prudential rules. Staff welcomes the recent move to differentiate reserve requirements on domestic and FX-denominated deposits and the plan to fully restore in June higher provisioning requirements for FX loans to unhedged borrowers to help build buffers.[5]

19. The authorities have made significant progress in implementing a broad array of structural reforms, underpinned by the OECD accession process, which should support economic activity and medium-term growth prospects. The authorities completed all 22 of the OECD accession review committees with impressive speed and dedication, covering a range of environmental, fiscal, health, education, governance, labor and social policy, and financial sector reforms, with the accession expected to be achieved by mid-2020. Speedy implementation of these reforms, streamlining business and labor market regulations, closing infrastructure gaps, and enhancing competition in the electricity and financial sectors should support competitiveness, improve the business environment and financial stability, help attract foreign direct investment, and

[5] In June 2019, the authorities reduced the reserve requirement for domestic currency deposits from 15 to 12 percent, while maintaining that for foreign currency deposits unchanged at 15 percent, and partially restored the additional provisions for unhedged borrowers from 1 to1.25 percent.

support medium-term potential growth. The reforms would also help enhance resilience to future shocks, and facilitate the recovery from the Covid-19 shock, while also boosting the capacity to address the key social vulnerabilities, including informality, inequality, and unemployment.

MODALITIES OF SUPPORT

20. Staff proposes to provide support to Costa Rica equivalent to 100 percent of quota (SDR 369.4 million or about US$ 508 million) under the RFI. Access of 100 percent of quota is well within the applicable limits under the GRA. Costa Rica meets the eligibility requirements for support under the RFI. It has an urgent balance of payments need, which, if not addressed, will result in immediate and severe economic disruption. The country is assessed to have sustainable debt and adequate capacity to repay the Fund (see Table 4). It is also not feasible at this stage to put in place an upper-credit-tranche (UCT) Fund-supported program due to the urgent needs facing the country, as well as the high degree of uncertainty regarding the duration and scale of the pandemic. However, in the event that the magnitude of the negative impact of the shock on the economy amplifies, the authorities may need to consider the RFI disbursement as a bridge to a longer-duration UCT program, such as Stand-By Arrangement or an Extended Fund Facility arrangement, for which the authorities have already expressed an interest. The authorities have indicated their intention to cooperate with the Fund and pursue economic policies appropriate for addressing the impact of Covid-19 on the country's balance of payments.

21. The proposed access of 100 percent of quota is about 33 percent of the estimated financing gap, and as such, it is insufficient to cover the full financing gap facing Costa Rica. The authorities are actively seeking further support from bilateral and multilateral sources and already have reasonable assurances to obtain funds from the WB, IDB, CAF, CABEI, and ADF through emergency financing and/or budget support.

22. The authorities have requested the expected RFI purchase for direct budget support. Budget support provides the fastest way to reduce the financing gap in the balance of payments and soften the hit on the budget, while dissuading any potential concerns associated with the BCCR on-lending to the government, given the independence of the central bank. The BCCR and the Ministry of Finance will agree on a Memorandum of Understanding to: (i) commit to maintaining funds received from the IMF in a government account at the central bank, pending their use; (ii) require the government to hold foreign exchange balances only with the BCCR; and (iii) clarify the responsibilities for repaying Fund resources. The BCCR commits to undergo a safeguards assessment, which would need to be completed before Executive Board approval of any subsequent arrangement and to provide access to the most recent external audit reports and authorize the central bank's external auditors to hold discussions with staff.

23. Risks to Costa Rica' capacity to repay are mitigated by the authorities' good track record of implementation of Fund recommendations, resolve to achieving fiscal consolidation in the medium term, and a commitment to a continued close dialogue with the Fund.

STAFF APPRAISAL

24. **Staff views the authorities' request for Fund financing under the RFI to be justified, and recommends its approval by the Board.** Costa Rica does not currently have an IMF arrangement. The request for financing in the amount of 100 percent of quota is justified by the scale and severity of the Covid-19 shock to Costa Rica and the impact of the shock on its balance of payments. Even after the pandemic recedes, it may take a long time for the tourism and export sectors to recover to the pre-pandemic levels. Costa Rica may also be negatively affected by the diminished availability of external financing sources given the ongoing disruption to global financial markets.

25. **While the authorities have pressing healthcare and humanitarian needs to cope with the pandemic, it is critical that they stand ready to take measures to maintain medium-term sustainability**. The authorities' proposals for additional spending are justified by the need to respond to the pandemic, consistent with medium-term economic sustainability, and are necessary to maintain social cohesion and to protect the most vulnerable during the crisis. The authorities will need to prioritize spending and keep spending beyond those needed for health and social needs contained. In this context, they are committed to using the funds transparently and through established governance mechanisms to ensure the funds are used to address the Covid-19 related shocks. The authorities are also committed to maintaining macroeconomic stability and returning to their fiscal consolidation path with strict implementation of the fiscal rule underpinned by the 2018 fiscal reform after the shock has dissipated. As such, the authorities stand ready to act, once the immediate health crisis moderates, to take measures as needed to return the deficit to a path that lowers debt and ensures that debt remains on a downward trajectory.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Costa Rica has requested a purchase in an amount equivalent to SDR 369.4 million (100 percent of quota) under the Rapid Financing Instrument.

2. The Fund notes the intentions of Costa Rica as set forth in the letter dated April 22, 2020 from the President of the Central Bank and the Minister of Finance, and approves the purchase in accordance with the request.

Table 1. Costa Rica: Selected Economic and Financial Indicators

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Projections					
	(Annual percentage change)										
Real GDP	3.6	4.2	3.9	2.7	2.1	-3.3	3.0	3.1	3.2	3.3	3.5
Domestic demand	4.2	4.3	3.7	1.0	1.2	-1.9	1.6	2.4	3.0	3.3	3.4
Consumption	4.2	3.6	3.5	1.7	2.2	-1.3	1.2	1.5	2.1	2.6	2.8
Private	4.6	4.0	3.6	2.0	1.6	-1.8	2.8	3.1	3.1	3.3	3.5
Public	2.4	2.4	3.1	0.5	4.9	0.5	-5.0	-5.3	-2.4	-0.6	-0.6
Gross fixed capital formation	3.0	4.8	-2.5	3.0	-6.4	-4.7	3.2	6.7	7.0	5.9	5.6
Exports of goods and nonfactor services	2.6	9.4	4.1	4.7	2.7	-13.9	10.5	5.8	4.7	4.5	4.5
Imports of goods and nonfactor services	4.4	8.9	3.5	0.1	0.1	-9.7	5.5	3.8	4.1	4.2	4.2
	(Contributions to real GDP growth)										
Domestic demand	4.4	4.4	5.1	1.1	1.2	-2.0	1.6	2.4	3.0	3.3	3.4
Consumption	3.5	3.1	3.0	1.4	1.8	-1.1	1.0	1.2	1.7	2.1	2.3
Gross domestic investment	0.9	1.4	0.8	-0.3	-0.6	-0.8	0.6	1.2	1.3	1.1	1.1
Net exports	-0.8	-0.2	0.1	1.6	0.9	-1.4	1.4	0.6	0.2	0.1	0.1
Savings and Investment	(In percent of GDP)										
Savings	18.4	18.4	19.3	19.6	17.9	16.4	15.9	16.5	17.1	17.6	18.0
Domestic savings	15.0	16.2	16.0	16.3	15.4	11.6	13.0	13.5	14.0	14.4	14.7
Private sector	17.3	17.7	18.0	18.8	18.5	16.8	17.3	16.6	16.2	15.7	15.5
Public sector	-2.4	-1.5	-2.1	-2.5	-3.1	-5.2	-4.3	-3.1	-2.1	-1.3	-0.8
External savings	3.5	2.2	3.3	3.3	2.5	4.8	2.9	3.0	3.1	3.2	3.3
Gross domestic investment	18.4	18.4	19.3	19.6	17.9	16.4	15.9	16.5	17.1	17.6	18.0
Private sector	15.8	15.6	16.4	17.4	15.1	13.7	13.2	13.7	14.3	14.8	15.2
Public sector	2.7	2.7	2.9	2.3	2.8	2.7	2.8	2.8	2.8	2.8	2.8
Balance of payments											
Current account balance	-3.5	-2.2	-3.3	-3.3	-2.5	-4.8	-2.9	-3.0	-3.1	-3.2	-3.3
Trade balance	-8.3	-7.7	-7.4	-7.2	-6.1	-5.9	-5.7	-5.7	-5.9	-6.3	-6.6
Services	8.3	8.8	8.1	8.5	8.6	5.5	7.3	7.4	7.4	7.5	7.6
Income	-4.3	-4.2	-4.9	-5.4	-5.8	-5.2	-5.3	-5.5	-5.4	-5.1	-4.9
Current transfers	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Capital account balance	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial account balance	-5.8	-2.2	-2.9	-3.7	-4.4	0.9	-4.4	-4.1	-2.9	-4.0	-2.5
Public sector	-3.4	-0.7	-0.4	-1.1	-1.6	2.3	-2.5	-1.8	-0.1	-0.9	1.0
Private sector	-2.5	-1.5	-2.5	-2.6	-2.8	-1.4	-1.9	-2.3	-2.7	-3.1	-3.5
Foreign direct investment, net	-4.6	-3.7	-4.4	-3.6	-3.9	-2.3	-3.3	-3.4	-3.6	-3.8	-4.0
Other net private flows	0.7	2.1	1.8	1.0	1.1	0.9	1.4	1.1	0.8	0.6	0.5
Errors and omissions	-1.3	-0.7	-0.4	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Change in net international reserves (increase +)	1.1	-0.4	-0.7	0.6	2.3	-3.1	1.5	1.2	-0.1	0.9	-0.7
BOP financing gap	0.0	0.0	0.0	0.0	0.0	-2.5	0.0	0.0	0.0	0.0	0.0
Public Finances											
Central government primary balance	-3.0	-2.4	-3.0	-2.3	-2.8	-3.7	-1.4	0.0	1.2	2.2	2.2
Central government overall balance	-5.6	-5.3	-6.2	-5.9	-7.0	-8.7	-6.7	-5.2	-4.0	-2.8	-2.0
Central government debt	40.9	44.9	48.3	53.1	58.4	67.2	69.1	69.9	70.0	68.9	67.0
Consolidated public sector overall balance 1/	-5.8	-4.7	-5.3	-5.1	-6.3	-8.3	-7.4	-6.3	-5.3	-4.5	-4.0
Consolidated public sector debt 2/	45.4	49.8	50.5	55.5	58.9	66.8	67.9	67.9	67.1	65.2	62.6
Of which: External public debt	11.3	11.3	10.9	12.7	14.0	18.0	20.4	21.9	19.9	20.4	18.4
Memorandum items:											
Nominal GDP (billions of colones)	29,281	31,136	33,189	34,938	36,280	35,529	37,534	39,758	42,212	44,863	47,695
Output gap (as percent of potential GDP) 3/	-0.2	0.6	1.1	0.5	-0.6	-6.9	-7.1	-7.3	-7.4	-7.4	-7.4
GDP deflator (percent change)	3.8	2.0	2.6	2.5	1.7	1.3	2.6	2.8	2.9	2.8	2.7
Consumer prices (percent change; period average)	0.8	0.0	1.6	2.2	2.1	1.5	2.3	2.8	3.0	3.0	3.0
Consumer prices (percent change; end of period)	-0.8	0.8	2.6	2.0	1.5	2.0	2.5	3.0	3.0	3.0	3.0
Credit to the private sector (percent change)	11.8	12.8	8.5	6.3	-1.5	-8.1	5.2	6.7	7.4	8.7	8.5
Risk-adjusted capital ratio (end of period)	16.2	16.4	16.8	16.7	17.5	…	…	…	…	…	…
Nonperforming loans to total loans (end of period)	1.6	1.5	2.0	2.1	2.4	…	…	…	…	…	…
Liquid assets to total short-term liabilities (end of period)	97.8	95.9	102.7	98.6	96.8	…	…	…	…	…	…
Credit in foreign currency (share of total credit, end of perioc	41.8	41.0	39.2	39.1	36.3	…	…	…	…	…	…
Net international reserves (millions of U.S. dollars)	7,834	7,574	7,150	7,507	8,962	7,016	8,016	8,816	8,716	9,416	8,816
-in months of next year's non-maquila imports	5.3	4.9	4.4	4.7	6.1	4.5	4.9	5.1	4.7	4.8	4.5

Sources: Central Bank of Costa Rica, and Fund staff estimates.
e - Estimated figures.

1/ The consolidated public sector balance comprises the central government, decentralized government entities, public enterprises, and the central bank, but excludes the Instituto Costarricense de Electricidad (ICE).

2/ The consolidated public debt nets out central government and central bank debt held by the Caja Costarricense del Seguro Social (social security agency) and other entities of the nonfinancial public sector.

3/ The fiscal consolidation—while improving debt dynamics—is expected to weigh on activity. Therefore, growth is projected to gradually return to its potential rate of 3.5 percent by the end of the medium term and the output gap will only start to narrow from 2025 onwards.

Table 2. Costa Rica: Balance of Payments

						Projections					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
					(In millions of U.S. dollars)						
Current Account	-1,921	-1,257	-1,961	-1,999	-1,545	-2,976	-1,913	-2,068	-2,237	-2,433	-2,638
Goods and services balance	2	684	427	800	1,533	-240	1,061	1,170	1,126	912	781
Trade balance	-4,607	-4,426	-4,370	-4,389	-3,804	-3,626	-3,700	-3,890	-4,252	-4,814	-5,328
Export of goods (f.o.b.)	9,452	10,100	10,808	11,474	11,623	10,899	11,507	12,221	12,922	13,591	14,321
Import of goods (f.o.b.)	14,059	14,526	15,178	15,863	15,427	14,525	15,206	16,111	17,174	18,405	19,650
Services balance	4,609	5,110	4,797	5,189	5,337	3,386	4,761	5,059	5,378	5,726	6,109
Of which: Travel balance	2,576	2,845	2,612	2,791	2,907	919	2,184	2,318	2,459	2,623	2,811
Exports of services	7,694	8,537	8,632	9,090	9,503	6,769	8,449	8,951	9,481	10,055	10,677
Imports of services	3,085	3,427	3,835	3,902	4,166	3,382	3,688	3,892	4,104	4,329	4,568
Primary Income	-2,380	-2,452	-2,891	-3,262	-3,591	-3,232	-3,473	-3,748	-3,885	-3,878	-3,963
Secondary Income	457	510	503	463	513	496	499	510	522	533	544
Capital Account	31	87	41	31	32	34	37	40	42	44	47
Financial Account	-3,230	-1,287	-1,721	-2,266	-2,731	563	-2,876	-2,828	-2,095	-3,089	-1,992
Public sector	-1,868	-392	-222	-687	-1,013	1,411	-1,648	-1,246	-106	-689	822
Private sector	-1,363	-895	-1,499	-1,579	-1,719	-848	-1,228	-1,582	-1,989	-2,400	-2,814
Foreign direct investment, net	-2,541	-2,127	-2,583	-2,183	-2,418	-1,434	-2,152	-2,349	-2,588	-2,871	-3,185
Other private sector flows, net	1,179	1,232	1,084	604	700	586	924	767	599	471	372
Errors and Omissions	-717	-376	-224	59	236	0	0	0	0	0	0
Financing											
Change in International Reserves (increase +)	623	-260	-424	357	1,455	-1,946	1,000	800	-100	700	-600
Financing gap	0	0	0	0	0	-1,559	0	0	0	0	0
						(In percent of GDP)					
Current Account	-3.5	-2.2	-3.3	-3.3	-2.5	-4.8	-2.9	-3.0	-3.1	-3.2	-3.3
Goods and services balance	0.0	1.2	0.7	1.3	2.5	-0.4	1.6	1.7	1.6	1.2	1.0
Trade balance	-8.3	-7.7	-7.4	-7.2	-6.1	-5.9	-5.7	-5.7	-5.9	-6.3	-6.6
Export of goods (f.o.b.)	17.1	17.5	18.3	18.8	18.7	17.6	17.7	17.8	17.9	17.8	17.8
Import of goods (f.o.b.)	25.4	25.1	25.7	26.1	24.8	23.4	23.4	23.5	23.7	24.1	24.4
Services balance	8.3	8.8	8.1	8.5	8.6	5.5	7.3	7.4	7.4	7.5	7.6
Of which: Travel balance	4.6	4.9	4.4	4.6	4.7	1.5	3.4	3.4	3.4	3.4	3.5
Exports of services	13.9	14.8	14.6	14.9	15.3	10.9	13.0	13.0	13.1	13.2	13.3
Imports of services	5.6	5.9	6.5	6.4	6.7	5.5	5.7	5.7	5.7	5.7	5.7
Primary Income	-4.3	-4.2	-4.9	-5.4	-5.8	-5.2	-5.3	-5.5	-5.4	-5.1	-4.9
Secondary Income	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Capital Account	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial Account	-5.8	-2.2	-2.9	-3.7	-4.4	0.9	-4.4	-4.1	-2.9	-4.0	-2.5
Public sector	-3.4	-0.7	-0.4	-1.1	-1.6	2.3	-2.5	-1.8	-0.1	-0.9	1.0
Private sector	-2.5	-1.5	-2.5	-2.6	-2.8	-1.4	-1.9	-2.3	-2.7	-3.1	-3.5
Foreign direct investment, net	-4.6	-3.7	-4.4	-3.6	-3.9	-2.3	-3.3	-3.4	-3.6	-3.8	-4.0
Other private sector flows	2.1	2.1	1.8	1.0	1.1	0.9	1.4	1.1	0.8	0.6	0.5
Errors and Omissions	-1.3	-0.7	-0.4	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Financing											
Change in International Reserves (increase +)	1.1	-0.4	-0.7	0.6	2.3	-3.1	1.5	1.2	-0.1	0.9	-0.7
Financing gap	0.0	0.0	0.0	0.0	0.0	-2.5	0.0	0.0	0.0	0.0	0.0
Memorandum Items:											
Non-oil current account (percent of GDP)	-1.4	-0.4	-1.1	-0.8	-0.1	-3.4	-1.5	-1.5	-1.5	-1.6	-1.6
Terms of trade (annual percentage change)	8.0	1.5	-6.7	-5.3	-0.8	5.9	0.0	0.0	0.2	0.3	0.4
Net international reserves (millions of U.S. dollars)	7,834	7,574	7,150	7,507	8,962	7,016	8,016	8,816	8,716	9,416	8,816
-in months of next year's non-maquila imports	5.3	4.9	4.4	4.7	6.1	4.5	4.9	5.1	4.7	4.8	4.5
-in percent short-term debt 1/	197.7	165.1	136.6	120.3	123.5	129.2	144.2	139.2	135.6	144.9	134.6
External debt (percent of GDP) 2/	42.5	44.2	46.1	47.7	49.4	48.0	49.4	49.5	47.8	46.7	43.6

Sources: Central Bank of Costa Rica; and Fund staff estimates.

e - Estimated figures.

1/ Public and private sector external debt on remaining maturity. Includes trade credit.

2/ Includes public and private sector debt.

Table 3. Costa Rica: Central Government Balance

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Projection 3/					
	(In billions of colones)										
Revenue	**3,994**	**4,379**	**4,560**	**4,767**	**5,164**	**5,185**	**6,180**	**6,700**	**7,297**	**7,891**	**8,437**
Tax revenue	3,862	4,168	4,390	4,567	4,890	4,951	5,666	6,156	6,719	7,276	7,781
Nontax revenue 1/	132	212	170	199	275	234	514	545	578	616	655
Expenditure	**5,647**	**6,024**	**6,610**	**6,829**	**7,707**	**8,279**	**8,711**	**8,785**	**8,966**	**9,161**	**9,383**
Current noninterest	4,330	4,563	4,907	5,096	5,421	5,835	5,969	5,930	5,954	6,003	6,449
Wages	2,113	2,178	2,290	2,395	2,477	2,477	2,725	2,720	2,716	2,794	2,875
Goods and services	194	198	217	224	232	419	330	278	295	314	334
Transfers	2,023	2,187	2,400	2,477	2,712	2,939	2,914	2,931	2,943	2,895	3,240
Interest 2/	787	886	1,054	1,254	1,535	1,769	2,009	2,076	2,168	2,261	1,980
Capital	530	575	649	480	751	675	732	779	844	897	954
Primary balance	**-866**	**-758**	**-996**	**-809**	**-1,007**	**-1,325**	**-522**	**-9**	**499**	**991**	**1,034**
Overall Balance	**-1,653**	**-1,644**	**-2,050**	**-2,063**	**-2,543**	**-3,094**	**-2,531**	**-2,085**	**-1,669**	**-1,270**	**-946**
Total Financing	1,659	1,733	2,066	1,997	2,486	2,199	2,531	2,085	1,669	1,270	946
External (net)	598	160	62	150	1,119	1,411	1,319	1,019	134	707	-179
Domestic (net)	1,055	1,484	1,988	1,913	1,291	788	1,212	1,067	1,536	562	1,126
Unidentified financing	0	0	0	0	133	895	0	0	0	0	0
Central government debt	**11,969**	**13,987**	**16,042**	**18,544**	**21,189**	**23,866**	**25,933**	**27,794**	**29,548**	**30,907**	**31,943**
External	2,929	3,177	3,350	3,712	4,608	5,925	7,163	8,186	7,873	8,591	8,184
Domestic	9,040	10,810	12,693	14,832	16,581	17,046	18,770	19,608	21,675	22,316	23,759
Other debt (multilateral financing) 4/	0	0	0	0	0	895	0	0	0	0	0
	(In percent of GDP)										
Revenue	**13.6**	**14.1**	**13.7**	**13.6**	**14.2**	**14.6**	**16.5**	**16.9**	**17.3**	**17.6**	**17.7**
Tax revenue	13.2	13.4	13.2	13.1	13.5	13.9	15.1	15.5	15.9	16.2	16.3
Nontax revenue 1/ 3/	0.5	0.7	0.5	0.6	0.8	0.7	1.4	1.4	1.4	1.4	1.4
Expenditure	**19.3**	**19.3**	**19.9**	**19.5**	**21.2**	**23.3**	**23.2**	**22.1**	**21.2**	**20.4**	**19.7**
Current noninterest	14.8	14.7	14.8	14.6	14.9	16.4	15.9	14.9	14.1	13.4	13.5
Wages	7.2	7.0	6.9	6.9	6.8	7.0	7.3	6.8	6.4	6.2	6.0
Goods and services	0.7	0.6	0.7	0.6	0.6	1.2	0.9	0.7	0.7	0.7	0.7
Transfers	6.9	7.0	7.2	7.1	7.5	8.3	7.8	7.4	7.0	6.5	6.8
Interest 2/	2.7	2.8	3.2	3.6	4.2	5.0	5.4	5.2	5.1	5.0	4.2
Capital	1.8	1.8	2.0	1.4	2.1	1.9	2.0	2.0	2.0	2.0	2.0
Primary balance	**-3.0**	**-2.4**	**-3.0**	**-2.3**	**-2.8**	**-3.7**	**-1.4**	**0.0**	**1.2**	**2.2**	**2.2**
Overall Balance	**-5.6**	**-5.3**	**-6.2**	**-5.9**	**-7.0**	**-8.7**	**-6.7**	**-5.2**	**-4.0**	**-2.8**	**-2.0**
Total Financing	**5.7**	**5.6**	**6.2**	**5.7**	**6.9**	**6.2**	**6.7**	**5.2**	**4.0**	**2.8**	**2.0**
External (net)	2.0	0.5	0.2	0.4	3.1	4.0	3.5	2.6	0.3	1.6	-0.4
Domestic (net)	3.6	4.8	6.0	5.5	3.6	2.2	3.2	2.7	3.6	1.3	2.4
Unidentified financing	0.0	0.0	0.0	0.0	0.4	2.5	0.0	0.0	0.0	0.0	0.0
Central government debt	**40.9**	**44.9**	**48.3**	**53.1**	**58.4**	**67.2**	**69.1**	**69.9**	**70.0**	**68.9**	**67.0**
External	10.0	10.2	10.1	10.6	12.7	16.7	19.1	20.6	18.7	19.1	17.2
Domestic	30.9	34.7	38.2	42.5	45.7	48.0	50.0	49.3	51.3	49.7	49.8
Other debt (unidentified financing)	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Non-interest expenditure growth (percent)											
in nominal terms	9.1	5.7	8.1	0.4	10.7	5.5	2.9	0.1	1.3	1.5	7.3
in real terms	8.2	5.7	6.4	-1.8	8.4	3.9	0.7	-2.6	-1.6	-1.5	4.2
Nominal GDP (billions of colones)	29,281	31,136	33,189	34,938	36,280	35,529	37,534	39,758	42,212	44,863	47,695
CPI Inflation (period average)	0.8	0.0	1.6	2.2	2.1	1.5	2.3	2.8	3.0	3.0	3.0

Sources: Ministry of Finance and Fund staff estimates.
e - Estimated figures.

1/ Transfers to the Social development and Family Transfers Fund (FODESAF) are recorded in net terms.

2/ The inflation adjustment of the principal of TUDES (inflation indexed bonds) was recorded as interest expenditure.

3/ Central government includes decentralized public agencies starting from 2021

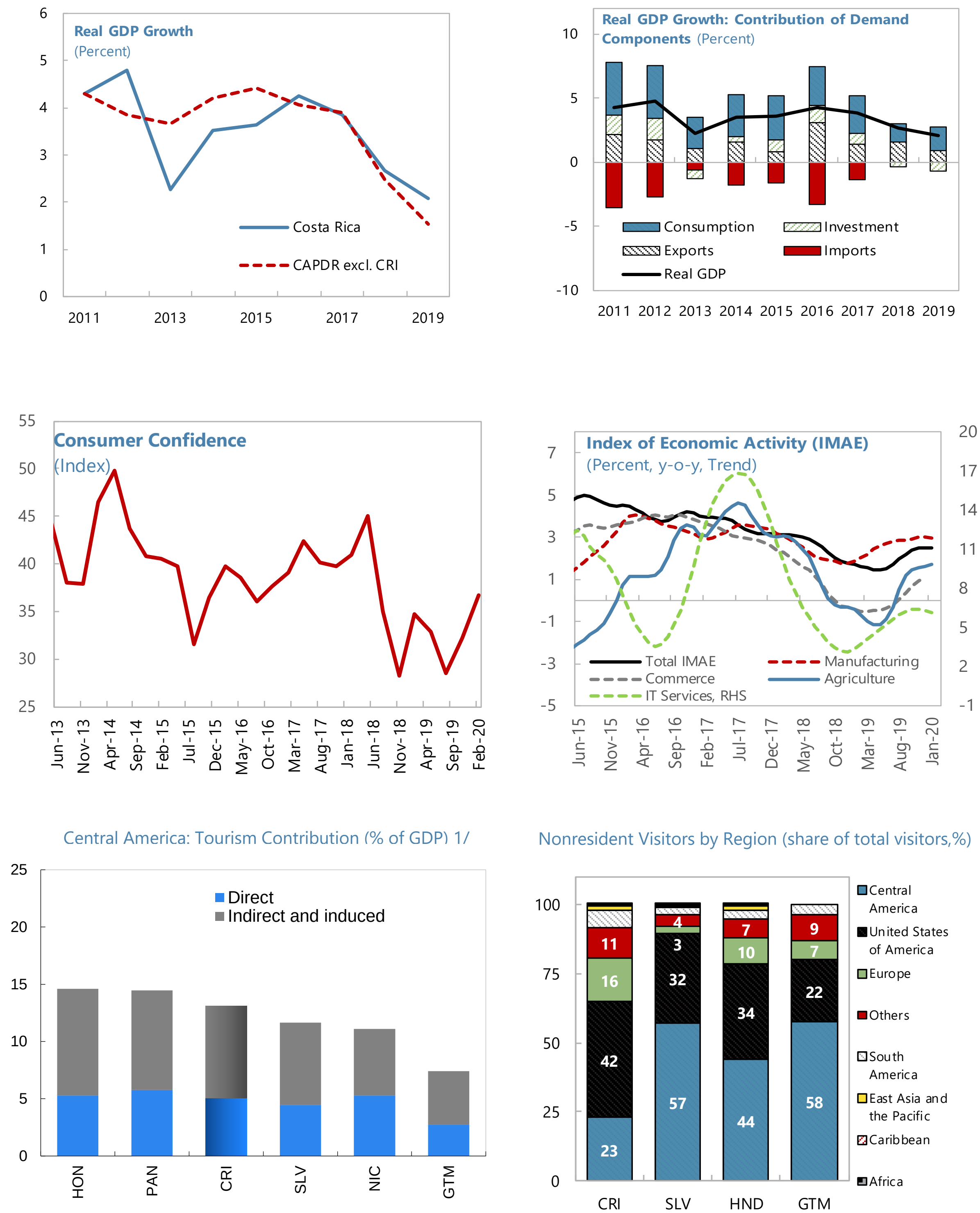
4/ The financing gap is expected to be filled with the IMF RFI and additional financing from other multilaterals.

Table 4. Costa Rica: Indicators of Capacity to Repay the Fund 1/

	2020	2021	2022	2023	2024	2025
Obligations to the Fund from existing credit						
(In millions of SDR)						
Principal	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.00
Obligations to the Fund from existing and prospective credit 1/						
(In millions of SDR)						
Principal	0.00	0.00	0.00	92.35	184.70	92.35
Charges and interest	4.39	4.49	4.49	4.30	2.46	0.48
Obligations to the Fund from existing and prospective credit						
In millions of U.S. dollars 2/	6.02	6.15	6.15	132.47	256.52	127.23
In percent of gross international reserves	0.09	0.08	0.07	1.52	2.72	1.44
In percent of exports of goods and services	0.03	0.03	0.03	0.59	1.08	0.51
In percent of GDP	0.01	0.01	0.01	0.18	0.34	0.16
In percent of quota	1.19	1.22	1.22	26.16	50.67	25.13
Outstanding Fund credit based on existing drawings (end-of-period)						
In millions of SDRs	0.00	0.00	0.00	0.00	0.00	0.00
In percent of quota	0.00	0.00	0.00	0.00	0.00	0.00
Outstanding Fund credit based on existing and prospective drawings (end-of-period)						
In millions of SDRs	369.40	369.40	369.40	277.05	92.35	0.00
In millions of U.S. dollars 2/	506.29	506.29	506.29	379.72	126.57	0.00
In percent of gross international reserves	7.22	6.32	5.74	4.36	1.34	0.00
In percent of exports of goods and services	2.87	2.54	2.39	1.69	0.54	0.00
In percent of GDP	0.82	0.78	0.74	0.52	0.17	0.00
In percent of quota	100.00	100.00	100.00	75.00	25.00	0.00
Memorandum items						
Nominal GDP (in millions of U.S. dollars)	61,945	65,027	68,626	72,355	76,336	80,552
Exports of goods and services (in millions of U.S. dollars)	17,668	19,955	21,172	22,403	23,646	24,999
Gross international reserves (in millions of U.S. dollars)	7,016	8,016	8,816	8,716	9,416	8,816
Quota (in millions of SDRs)	369.40	369.40	369.40	369.40	369.40	369.40

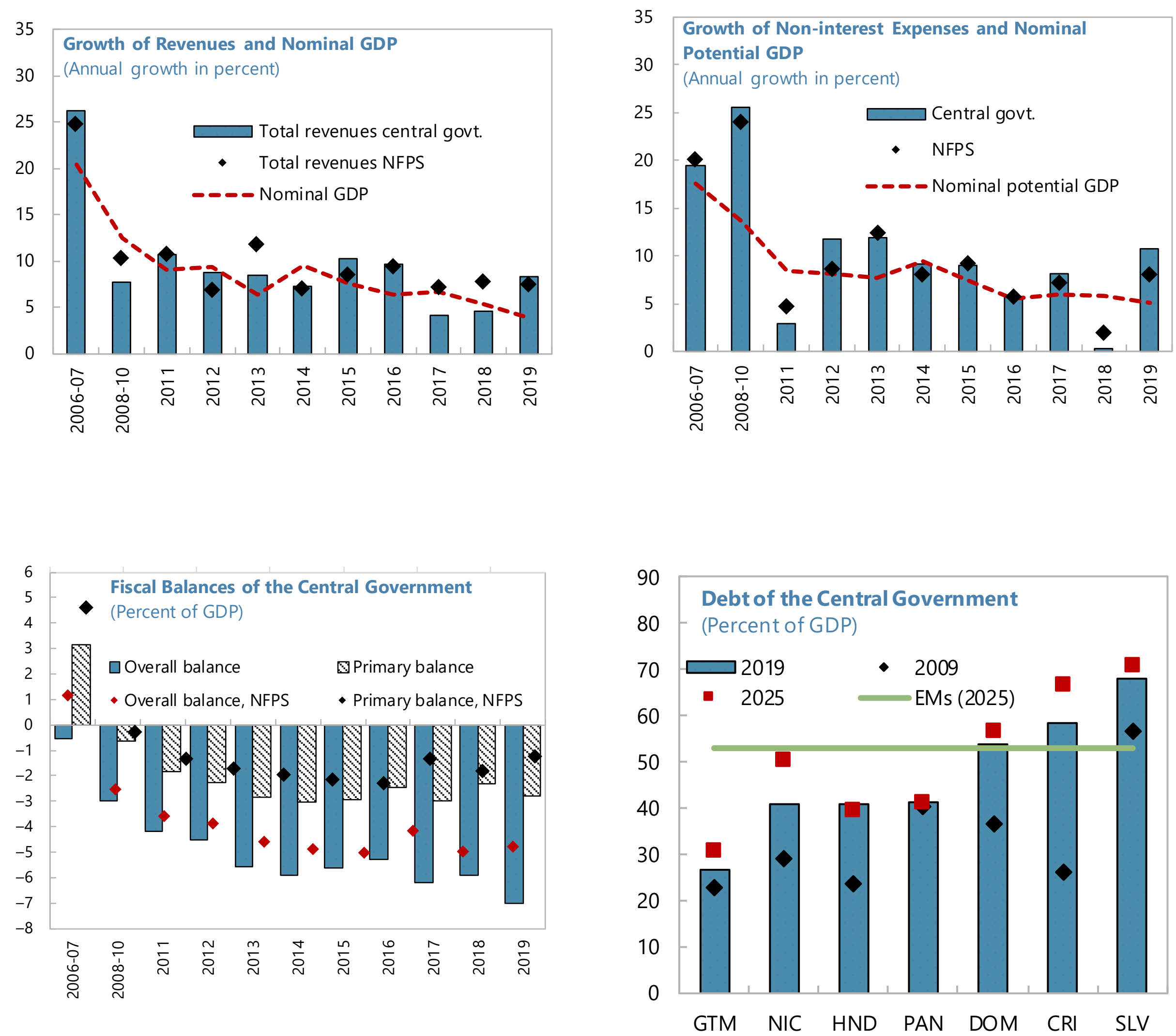
Sources: IMF staff estimates.
1/ Assumes access of 100 percent of quota in April 2020 as one-time disbursement.
2/ Based on the SDR rate as of March 30, 2020.

Figure 1. Costa Rica: Real Sector Developments



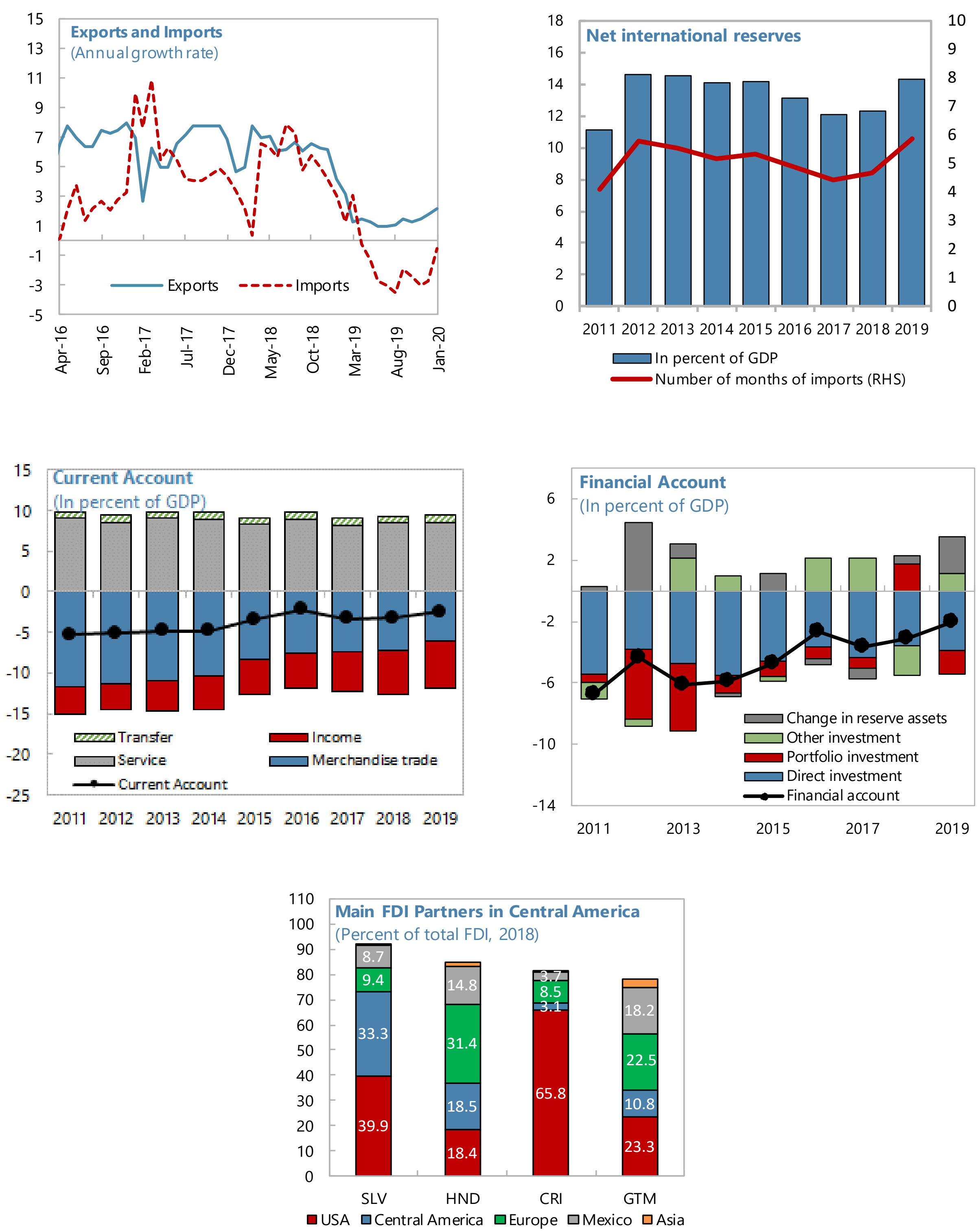
Sources: National authorities, WEO Database, University of Costa Rica; World Travel and Tourism Council database; World Tourism Organization; and Fund staff estimates. Note: Direct contribution of tourism includes direct GDP impact of the most relevant sectors (catering, accommodation, entertainment, recreation, transportation, and other travel and tourism related services), and indirect/induced contribution includes supply chain impact to the other sectors and the impacts of incomes earned directly and indirectly as they are spent in the local economy.

Figure 2. Costa Rica: Fiscal Sector Developments



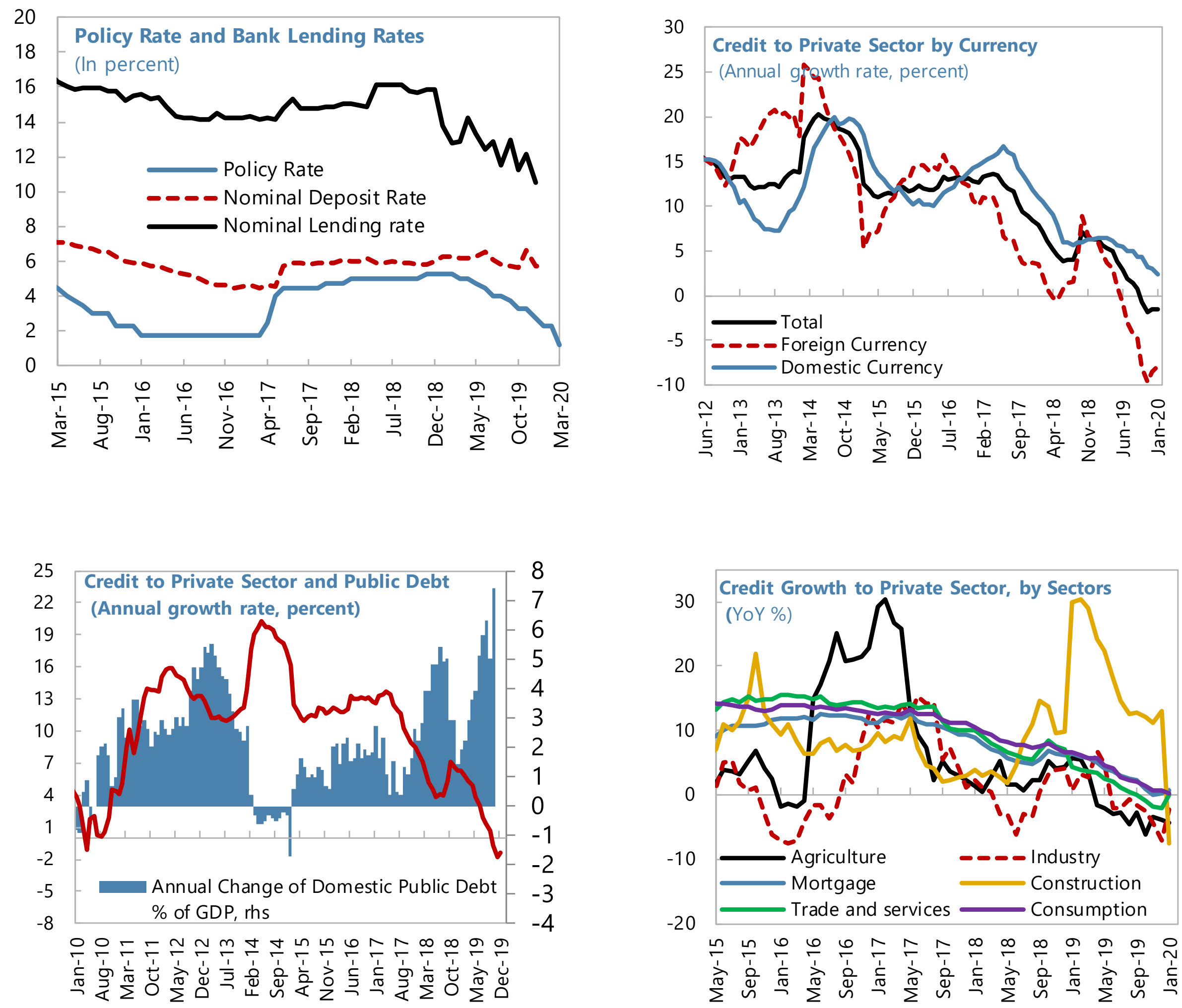
Sources: National authorities, WEO Database, and Fund staff estimates.

Figure 3. Costa Rica: External Sector Developments



Sources: National authorities, WEO Database, and Fund staff estimates

Figure 4. Costa Rica: Monetary and Financial Sector Developments



Sources: National authorities, WEO Database, and Fund staff estimates.

Annex I. Policy Measures in Response to Covid-19 Crisis

Table AI.1. Costa Rica: Policy Responses to Contain and Mitigate the COVID-19 Crisis	
Containment measures	- Declaration of a state of yellow alert and a national emergency. - Closures of public and private schools from March 20 until further notice. - Cancellation of large public events; total closure of bars, clubs and casinos from March 15, with an executive agreement between President Alvarado and the Minister of Health to grant the health authority resources for surveillance and control. - Ban on nonresidents and non-nationals entering the country starting March 18 through May 15 the earliest, and mandatory quarantines for those who have close contacts with the infected and those who enter the country from abroad. - Closure of all national parks, effective from March 20 until 13 April the earliest; and starting March 24, closure of beaches and churches, and vehicle restrictions, including a ban on non-essential private and public vehicle circulation starting April 8 (subject to a traffic fine of just over ¢110,000). - Allow more flexible work hours for the private sector, including authorization to reduce working days up to 50-75% to support virus containment while keeping firms afloat.
Fiscal measures	- Congress approved a package of measures including an interest-free 3-month moratorium on the payment of VAT, business income taxes, and customs duties, payable by end-year, making social security contributions proportional to the time actually worked and deferral of their payment. - Firms in the tourism sector facing liquidity constraints were granted a 4-month moratorium on taxes to be paid to the Costa Rican Tourism Institute. - Suspension of the salary increase for public employees (except for the police) for 2020. - Extraordinary budget (pending Congress approval) of ¢225 bn to provide a subsidy of ¢100-200,000 per month for 3 months to about 375,000 families economically affected by the crisis. - The 3-month subsidy is granted to individuals temporarily or permanently laid off or are facing reduced working hours as a result of the pandemic, had a monthly income of less than ¢750,000 prior to COVID-19, and are older than 15. The authorities set up a dedicated website to allow individuals to apply for the subsidy online, with transfers to be distributed directly to their bank accounts. Unbanked individuals will be able to open a bank account with their subsidy application, and those without internet access can apply by phone. Eligible individuals must be the household head or the person financially sustaining the household.
Monetary and financial	- Reduction of the policy rate by 100 bps to 1.25% to improve credit conditions. - Reduction of the gross interest rate on overnight deposits from 0.62% to 0.01%. - Reduction of the interest rates of Permanent Credit Facility and the Permanent Deposit Facility of the Integrated Liquidity Market from 2.75% and 0.75% to 2.00% and 0.01%, resp. - Temporary reduction of the minimum accumulation of countercyclical provisions for financial entities to 0%. - Allow debtors to renegotiate the terms of their loans without penalizing their credit scores for up to twice within a 24-month period. - At the discretion of financial entities, exempt borrowers from the presentation of information usually required for purposes of analyzing the payment capacity, and allow the establishment of grace periods. - Suspend for 12 months the application of provisioning rules for entities that enter category "irregularity 2" when they record losses for at least six out of the past 12 months. - Provide emergency funding of ¢8 billion to SMEs that are in need ("Programa de Primer Impacto" by the Banking System for Development (SBD)). - Approve loan moratorium (on both the principal and interest) for cooperatives and SMEs affected by coronavirus. Also, provide a special rescue credit line. - Allow the BCCR to purchase government and other liquid securities (both in domestic and foreign currencies) in the secondary market under market stress and to offer liquidity to OPCs. - Authorize the complementary pension operators (OPC) to give out benefits under the Labor Capitalization Fund (FCL) to employees who are affected by Covid-19.
Other measures being considered	- Allow the government to obtain ¢75,000 million from the National Insurance Institute (INS) to assist families economically affected by the new coronavirus. - "Solidarity contributions" to be levied on "salaries and pensions" above ¢1 million. - Moratorium of payments on loans and interests for at least 8 weeks for the most affected sectors, granted by all financial entities, subject to proof of the extent of impact.

Table AI.2. Costa Rica – Spending Measures to Address COVID-19 in 2020 1/

	Millions of colones	Percent of GDP
Capital spending	**10,597**	**0.03**
Construction of hospital (CENARE to CEACO)	10,597	0.03
Current spending	**440,509**	**1.23**
of which (Central Government spending)	362,509	1.02
3-month transfers to households	334,350	0.94
Medical spending	28,159	0.08
of which (public agencies outside Central Government)	78,000	0.22
3-month transfers to households	21,597	0.06
Medical spending	56,403	0.16
Total spending measures	**451,106**	**1.26**

1/ Authorities and IMF estimates

Annex II. Public Debt Sustainability Analysis

Bottomline: Debt is sustainable

Baseline

The debt of the central government is projected to peak at 70 percent of GDP in 2023 and decline to 67 percent of GDP over the projection horizon. Its gross financing needs are high and projected to average around 10 percent of GDP. Neither debt nor gross financing needs breach the MAC DSA thresholds. However, the baseline reflects the implementation of a strong fiscal consolidation strategy that includes the implementation of the fiscal rule from 2021, additional measures both on the revenue and the spending side for about 2.0 percent of GDP, and asset sales, and some compensatory measures already adopted to contain the additional fiscal burden of emergency measures adopted. A stable investor base is an important mitigating factor. Notwithstanding the vulnerabilities associated with external and FX debt, highlighted in the debt profile indicators of the heat map, more than half of total domestic debt is held by captive local institutional investors, including the social security system, nonfinancial public-sector institutions, and banks.	The authorities are addressing the COVID-19 shock with additional temporary spending financed by re-prioritization of expenditures, additional tax measures and loans from multilaterals. The medium-term fiscal consolidation path is realistic and reflects the authorities' commitment to sizable fiscal consolidation, but it remains subject to risks from policy slippages or a more prolonged and severe health crisis.

Stress Tests

Debt exceed the high-risk threshold under the primary balance, exchange rate, and contingent liability shock. However, gross financing needs would remain below the high-risk threshold in all standardized macro-fiscal stress tests, except for the contingent liability shock scenario.	Debt would be vulnerable if the authorities delay their fiscal consolidation plan, which could also endanger exchange rate stability. A depreciation would be a risk but a manageable one based on the stress test.

Assumptions

The COVID-19 pandemic is expected to reduce Costa Rica's real GDP growth rate to -3.3 percent in 2020, from the earlier IMF staff projection of 2.5 percent. In 2021, growth is projected to rebound to 3 percent in a V-shaped scenario, although adverse effects may continue due to hysteresis effects.	The baseline assumes that that the spread of the disease will be contained at moderate levels and activity will resume in one year. A more protracted shock could further weaken GDP growth, reduce tax revenues and further deteriorate the fiscal and external current account deficits.

Coverage and Contingent Liabilities

The public debt sustainability analysis considers a restricted coverage of the public sector at the central government level due to data availability and reliability. The rest of the consolidated public sector has been broadly in balance in recent years as the cash surplus of the social security system and other decentralized government entities broadly offset the small central bank deficit—resulting from its liquidity management operations.

Figure AII.1. Costa Rica: Public Sector Debt Sustainability Analysis (DSA)
(in percent of GDP, unless otherwise indicated)

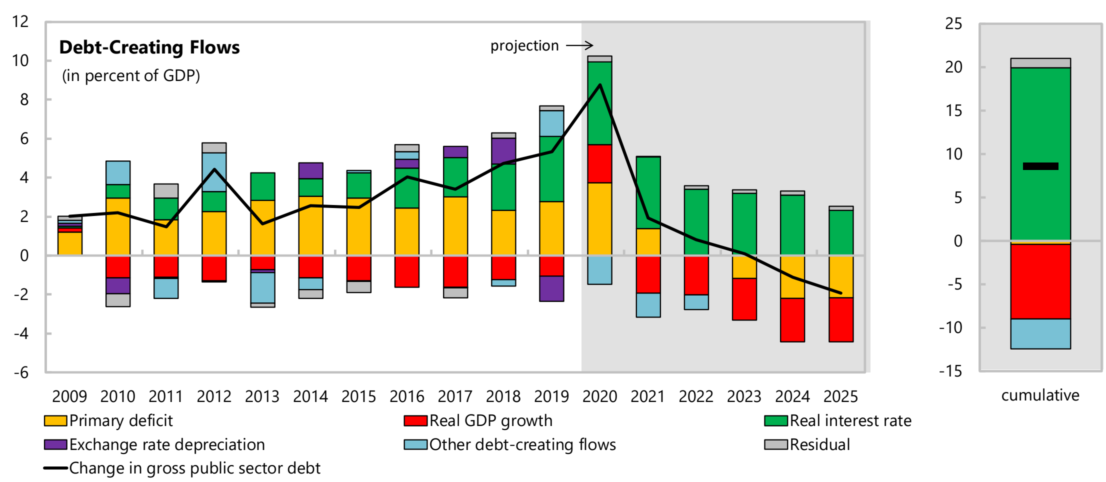
Debt, Economic and Market Indicators 1/

	Actual			Projections					
	2009-2017 2/	2018	2019	2020	2021	2022	2023	2024	2025
Nominal gross public debt	36.3	53.1	58.4	67.2	69.1	69.9	70.0	68.9	67.0
Public gross financing needs	12.2	12.2	13.0	14.2	12.9	11.2	10.3	7.4	6.1
Real GDP growth (in percent)	3.4	2.7	2.1	-3.3	3.0	3.1	3.2	3.4	3.5
Inflation (GDP deflator, in percent)	4.8	2.5	1.7	1.3	2.6	2.8	2.9	2.8	2.7
Nominal GDP growth (in percent)	8.4	5.3	3.8	-2.1	5.6	5.9	6.2	6.3	6.3
Effective interest rate (in percent) 4/	8.6	7.8	8.3	8.4	8.4	8.0	7.8	7.7	6.4

As of April 17, 2020		
Sovereign Spreads		
EMBIG (bp) 3/		909
5Y CDS (bp)		722
Ratings	Foreign	Local
Moody's	B2	B2
S&Ps	B+	B+
Fitch	B+	B+

Contribution to Changes in Public Debt

	Actual			Projections							
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	cumulative	debt-stabilizing primary balance 9/
Change in gross public sector debt	2.7	4.7	5.3	8.8	1.9	0.8	0.1	-1.1	-1.9	8.6	
Identified debt-creating flows	2.8	4.5	5.1	8.5	1.9	0.6	-0.1	-1.3	-2.1	7.5	
Primary deficit	2.5	2.3	2.8	3.7	1.4	0.0	-1.2	-2.2	-2.2	-0.4	0.1
Primary (noninterest) revenue and grants	13.5	13.6	14.2	14.6	16.5	16.9	17.3	17.6	17.7	100.5	
Primary (noninterest) expenditure	16.0	16.0	17.0	18.3	17.9	16.9	16.1	15.4	15.5	100.1	
Automatic debt dynamics 5/	0.2	2.5	1.0	6.2	1.8	1.4	1.1	0.9	0.1	11.4	
Interest rate/growth differential 6/	0.1	1.2	2.3	6.2	1.8	1.4	1.1	0.9	0.1	11.4	
Of which: real interest rate	1.2	2.4	3.3	4.2	3.7	3.4	3.2	3.1	2.3	19.9	
Of which: real GDP growth	-1.1	-1.2	-1.1	2.0	-1.9	-2.0	-2.1	-2.2	-2.3	-8.5	
Exchange rate depreciation 7/	0.1	1.3	-1.3	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.1	-0.3	1.3	-1.5	-1.3	-0.8	0.0	0.0	0.0	-3.5	
Use of Deposits (negative)	0.1	-0.3	1.3	-1.5	-1.3	-0.8	0.0	0.0	0.0	-3.5	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Please specify (2) (e.g., ESM and Euroare	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes 8/	-0.1	0.3	0.2	0.3	0.0	0.2	0.2	0.2	0.2	1.1	



Source: IMF staff calculations.

1/ Public sector is defined as central government.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

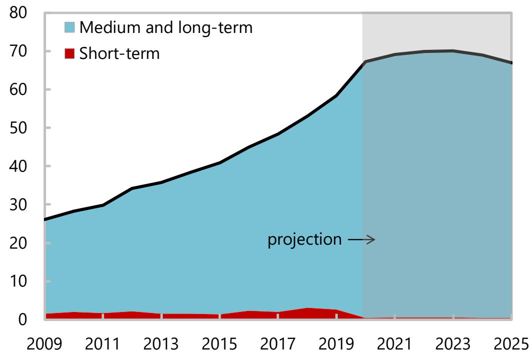
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure AII.2. Costa Rica: Public DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

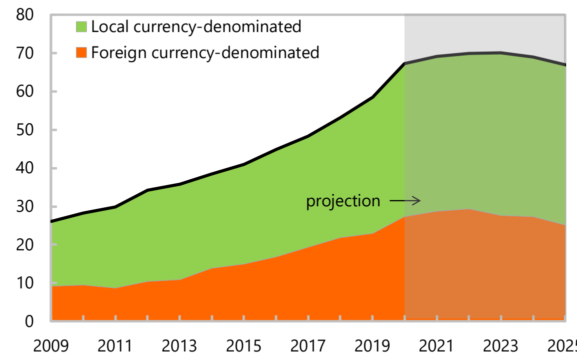
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

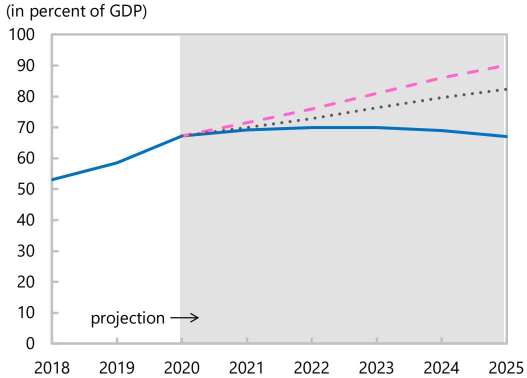


Alternative Scenarios

Baseline   Historical   Constant Primary Balance

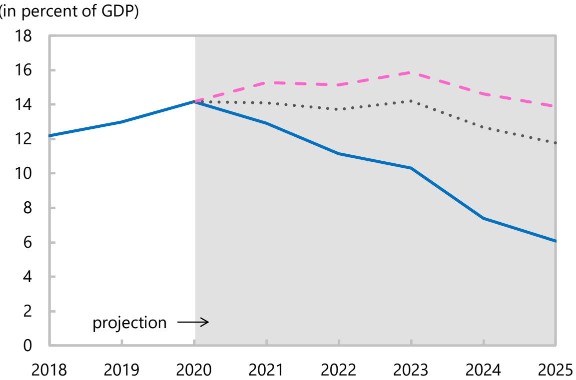
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

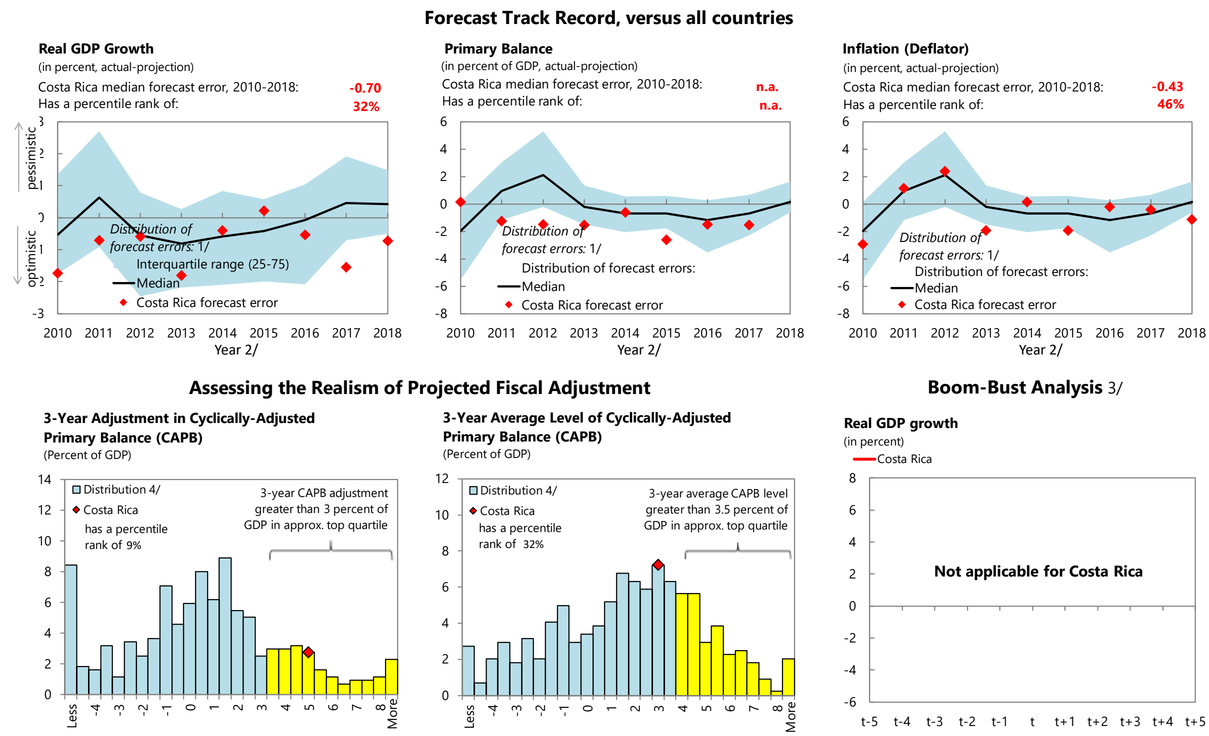
(in percent)

Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-3.3	3.0	3.1	3.2	3.4	3.5
Inflation	1.3	2.6	2.8	2.9	2.8	2.7
Primary Balance	-3.7	-1.4	0.0	1.2	2.2	2.2
Effective interest rate	8.4	8.4	8.0	7.8	7.7	6.4
Constant Primary Balance Scenario						
Real GDP growth	-3.3	3.0	3.1	3.2	3.4	3.5
Inflation	1.3	2.6	2.8	2.9	2.8	2.7
Primary Balance	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7
Effective interest rate	8.4	8.4	8.0	7.7	7.6	6.6

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-3.3	3.6	3.6	3.6	3.6	3.6
Inflation	1.3	2.6	2.8	2.9	2.8	2.7
Primary Balance	-3.7	-2.6	-2.6	-2.6	-2.6	-2.6
Effective interest rate	8.4	8.4	7.8	7.5	7.2	6.1

Source: IMF staff calculations.

Figure AII.3. Costa Rica: Public DSA – Realism of Baseline Assumptions



Source : IMF Staff calculations.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.

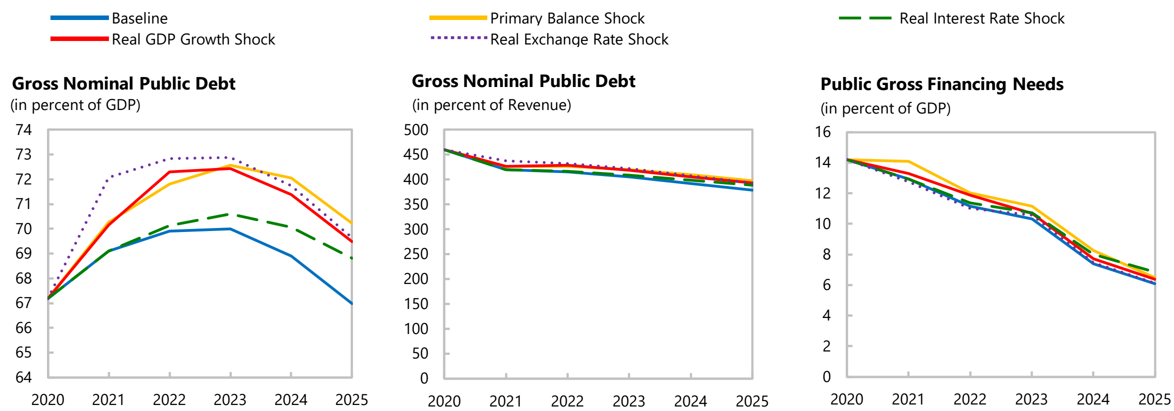
2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Costa Rica, as it meets neither the positive output gap criterion nor the private credit growth criterion.

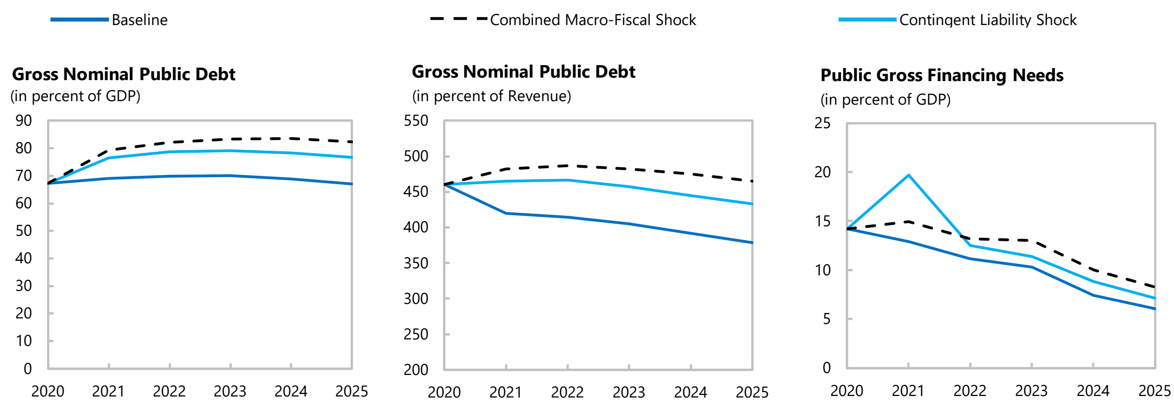
4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure AII.4. Costa Rica: Public DSA – Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

	2020	2021	2022	2023	2024	2025
Primary Balance Shock						
Real GDP growth	-3.3	3.0	3.1	3.2	3.4	3.5
Inflation	1.3	2.6	2.8	2.9	2.8	2.7
Primary balance	-3.7	-2.6	-0.7	0.6	1.7	2.2
Effective interest rate	8.4	8.4	8.0	7.8	7.7	6.5
Real Interest Rate Shock						
Real GDP growth	-3.3	3.0	3.1	3.2	3.4	3.5
Inflation	1.3	2.6	2.8	2.9	2.8	2.7
Primary balance	-3.7	-1.4	0.0	1.2	2.2	2.2
Effective interest rate	8.4	8.4	8.3	8.4	8.5	7.4
Combined Shock						
Real GDP growth	-3.3	2.0	2.1	3.2	3.4	3.5
Inflation	1.3	2.3	2.5	2.9	2.8	2.7
Primary balance	-3.7	-2.6	-0.7	0.6	1.7	2.2
Effective interest rate	8.4	9.1	8.0	8.2	8.3	7.1

	2020	2021	2022	2023	2024	2025
Real GDP Growth Shock						
Real GDP growth	-3.3	2.0	2.1	3.2	3.4	3.5
Inflation	1.3	2.3	2.5	2.9	2.8	2.7
Primary balance	-3.7	-1.6	-0.4	1.2	2.2	2.2
Effective interest rate	8.4	8.4	8.0	7.8	7.7	6.4
Real Exchange Rate Shock						
Real GDP growth	-3.3	3.0	3.1	3.2	3.4	3.5
Inflation	1.3	10.1	2.8	2.9	2.8	2.7
Primary balance	-3.7	-1.4	0.0	1.2	2.2	2.2
Effective interest rate	8.4	9.1	7.7	7.6	7.5	6.1
Contingent Liability Shock						
Real GDP growth	-3.3	2.0	2.1	3.2	3.4	3.5
Inflation	1.3	2.3	2.5	2.9	2.8	2.7
Primary balance	-3.7	-7.6	0.0	1.2	2.2	2.2
Effective interest rate	8.4	9.1	8.3	8.0	7.9	6.7

Source: IMF staff calculations.

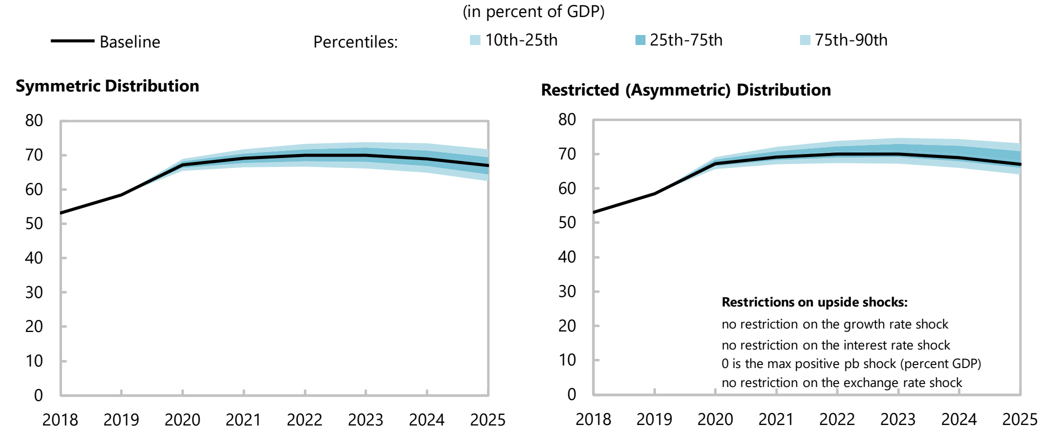
Figure AII.5. Costa Rica: Public DSA – Risk Assessment

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

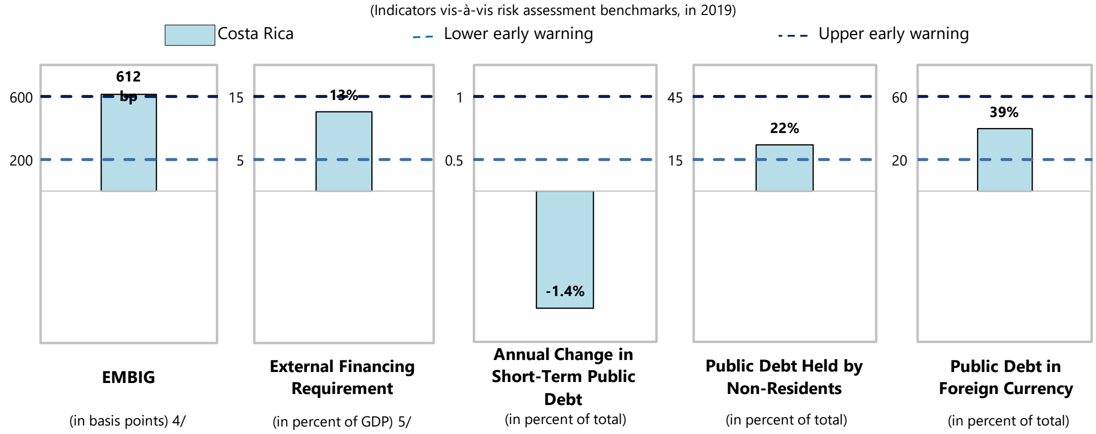
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)



Source: IMF staff calculations.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 18-Jan-20 through 17-Apr-20.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Appendix I. Letter of Intent

San José, Costa Rica
April 22, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C.

Dear Ms. Georgieva:

1. The Covid-19 pandemic has hit Costa Rica hard. We reported our first confirmed case on March 6. In just more than six weeks, the number of confirmed cases reached 669, with six deaths. In response, we have taken measures to contain the spread of the virus and protect the health of the population. We declared a national emergency, administered mandatory quarantines and closures of schools and most public spaces, and put in place travel restrictions for residents and a ban on nonresidents from entering the country. More recently, we established a specialized hospital center targeted for Covid-19 treatment and adopted more flexible work hours in the private sector, including authorization to reduce working days up to 50-75 percent.

2. These necessary containment measures, along with the slowdown in global growth, will have a major impact on our economy and foreign exchange earnings. Costa Rica is a highly open economy with large exposures to trade, tourism revenues, and foreign direct investment. Our tourism sector has been hit particularly hard. Tourism revenues, which account for more than 6 percent of GDP and 19 percent of exports, have collapsed with border closures and restricted travel, and we anticipate the sharp global slowdown to further lower demand for tourism and other exports and have a negative impact on foreign investment inflows that we heavily rely on to finance our current account deficit. We expect growth in 2020 to drop sharply, reversing the turnaround witnessed from the second half of 2019.

3. To mitigate the adverse economic effects and prevent the health crisis from creating long-term damage to our economy, we have put together a policy action plan to protect firms, employment, and households. The key measures included a 3-month moratorium on tax payments; deferred payment of social security contributions and making them proportional to the time worked; subsidies and transfers to the most vulnerable; and monetary and regulatory measures to ease credit and liquidity conditions.

4. We expect the combined effect of the external shock and the domestic containment and policy measures to have large adverse effect on our external and fiscal accounts. The pandemic is expected to create a large balance of payments need, estimated to be around 2.5 percent of GDP. This is at a time when availability of external financing is also severely constrained by difficult global financial conditions, which have made market borrowing costs prohibitive: the EMBI spreads are now almost 500 basis points higher compared to last year. The large estimated fiscal cost of the containment and mitigation measures also come at a time of very limited fiscal space, given the fiscal consolidation efforts we had embarked on in 2018, including through a major fiscal reform bill

and a fiscal rule that ties down spending growth from 2020. Notwithstanding these efforts, we anticipate the spending needs associated with the pandemic alone to add 2.0 percentage points of GDP to our fiscal deficit, and, together with the impact of a sharply lower economic activity on tax revenues, result in a larger overall deficit of about 8.6 percent of GDP.

5. Against this background, the government of Costa Rica requests emergency financing from the IMF under the Rapid Financing Instrument (RFI)—a purchase of 100 percent of our quota equivalent to SDR 369.4 million (or about US$508 million). The IMF assistance through the RFI, possibly to be followed by a longer-duration Stand-by Arrangement or an Extended Fund Facility, as warranted, will help us meet part of the urgent balance of payments need and defray the costs associated with increased health spending and social assistance to businesses, individuals, and the vulnerable. The support of the international community will be crucial this year and we are confident that the Fund's emergency support will help catalyze additional financing from other multilateral institutions, including the Central American Bank for Economic Integration (CABEI), the World Bank, the Inter-American Development Bank (IDB), and Latin American Development Bank (CAF).

6. We remain committed to implementing policies that will address the medical, social, humanitarian, and economic effects of the crisis, while maintaining macroeconomic and financial stability. We have been making efforts to contain the impact of the pandemic shock on the fiscal balance by reprioritizing spending, including through the announced public wage freeze for 2020, and contemplating additional compensatory measures that could provide savings. Given the need to increase health expenditure and social transfers to mitigate the impact of the shock, we had to activate the emergency escape clause in the fiscal rule in 2020. To put our debt on a sustained downward path, we are committed to returning to the pre-COVID fiscal consolidation path, anchored by the 2018-fiscal reform, and to reapplying the fiscal rule from 2021 once the economy recovers from the pandemic. We believe such a strategy would help boost market confidence and lower our borrowing costs. We are committed, once the immediate health crisis has dissipated, to taking additional income and expenditure measures to resume fiscal consolidation to reach a primary balance of 2.2 percent of GDP in 2024 that would reduce debt to 50 percent of GDP by 2034. We stand ready to engage with the IMF on elaborating various policy options. We are also committed to using the RFI resources transparently and through established governance mechanisms, including ex-post accountability and controls, to ensure the funds are used to address the Covid-19 related shocks.

7. To support the recovery of our economy from the shock, we intend to maintain exchange rate flexibility and an accommodative monetary policy stance. We stand ready to continue providing liquidity to the financial system as needed, and maintain our efforts to strengthen monetary policy transmission, while enhancing the resilience of our financial system to future shocks.

8. We aim for a speedy implementation of a range of structural reforms anchored by the OECD accession process, covering environmental, fiscal, health, education, governance, labor and social policy, and financial sector reforms. Speedy implementation of these reforms, along with streamlining business and labor market regulations, closing infrastructure gaps, and enhancing competition in the electricity and financial sectors, should support competitiveness, improve the business environment, safeguard financial stability, strengthen our near- and medium-term economic prospects, and boost our resilience to future shocks.

9. The government of Costa Rica intends to continue maintaining a close policy dialogue with the IMF to further explore solutions to our balance of payments difficulties in the period ahead and abstain from adopting measures or policies that would further deteriorate the external and public debt sustainability position. We do not intend to introduce exchange or trade restrictions or other measures or policies that would compound our balance of payments difficulties.

10. In line with IMF safeguards policy, we commit to undergo a safeguards assessment, provide IMF staff with the Central Bank of Costa Rica's most recently completed external audit reports, and authorize Fund staff to hold discussions with the central bank's external auditors. We are also collaborating with the IMF staff to establish a Memorandum of Understanding between the Central Bank of Costa Rica and the Ministry of Finance to clarify the responsibilities for timely servicing of the financial obligations to the IMF.

11. Like many other countries, the challenges and uncertainties ahead of us are unprecedented and will test our resolve and social cohesion. We seek your support in our endeavors and intend to do our share to support you in your efforts to mitigate the inevitable impact on the world economy arising from this pandemic. We look forward to an expeditious approval of our request for financial assistance and want to underline our deepest appreciation for the speed and determination that the IMF has shown in responding to the needs of its membership.

12. We authorize the Fund to publish this Letter of Intent for the request for a purchase under the RFI.

Sincerely yours,

/s/

Rodrigo Cubero
President, Central Bank of Costa Rica; Governor of the IMF

/s/

Rodrigo Chaves
Minister of Finance