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## Costa Rica: Debt Reduction Negotiations Concluded

*by Deborah Tyroler*

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On March 15 in New York, an unidentified member of Costa Rica's commercial creditor bank advisory committee told Notimex that San Jose will be able to reduce its foreign debt by slightly more than \$1 billion. The banker said 97% of the country's commercial bank creditors have delivered the necessary waivers for Costa Rica to buy back 60% of outstanding loans (principal and interest arrears) at secondary market prices. At present, Costa Rican debt paper in the secondary market is quoted at 16 cents per dollar of face value. The remaining 40% of outstanding loans, said the source, will be guaranteed via 20-year bonds at a 6.25% interest rate, and 10-year grace period on principal. Between 12 and 18 months of interest payments are guaranteed. Costa Rica's representative at the World Bank, Edgar Ayales, confirmed that negotiations on debt reduction had been concluded. He added that the agreement will be finalized in late April. The Costa Rican foreign debt is comprised of about \$3 billion owed to the Paris Club and multilateral institutions. Outstanding loans to foreign commercial banks total \$1.5 billion. According to Ayales, Costa Rica will receive \$253 million from the International Monetary Fund, World Bank, Japan and European Economic Community nations, among others, to establish the fund dedicated to debt buyback and payment of guarantees. The agreement with commercial banks does not include new loans. [At the conclusion of a two-day visit in San Jose on March 3, IMF managing director Michel Camdessus told president-elect Jose Angel Calderon and his designated economic team that implementing a series of "corrective" policies as soon as possible is recommended in order for the Fund to continue disbursement of \$95 million in loans. Camdessus reportedly urged President Oscar Arias to launch these policies before Calderon is inaugurated on May 8. The IMF official said the Fund supports the agreement to repurchase debt from commercial banks, but that the creditor banks wish to ensure that Costa Rica applies a variety of economic adjustments. The most important of these measures would be reducing the fiscal deficit, estimated at \$177 million in 1989.] (Basic data from Notimex, 03/03/90, 03/15/90)

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