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Costa Rica: International Monetary Fund Conditions For One-year Contingency Loan

by Deborah Tyroler

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In statements to reporters on Aug. 28, Treasury Minister Thelmo Vargas said that in order to obtain a one-year contingency loan from the International Monetary Fund, the government may be obligated to reduce its fiscal deficit to the equivalent of 1% of GDP. At present, the fiscal deficit is estimated at \$340 million per year. In negotiations with the IMF, officials had offered to reduce the deficit to 2% of GDP. In response to the Fund's most recent requirement, government spokespersons said they would present a counterproposal of 1.5% of GDP, equivalent to an \$85 million deficit. In June, President Angel Calderon's administration submitted a draft letter of intent to the IMF requesting of a three-year extended facility loan. Meanwhile, the government implemented a 5% spending cutback, and announced plans for a 10% reduction in 1991. Since then, the Fund has rejected the three-year option, focusing instead on a one-year contingency arrangement. (Basic data from ACAN-EFE, 08/28/90)

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