

**FINANCE**

**Agreement Between the  
UNITED STATES OF AMERICA  
and COSTA RICA**

Signed at Washington and San Jose  
May 18, 1990

Entered into Force May 18, 1990

*with*

Letter of Understanding



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966  
(80 Stat. 271; 1 U.S.C. 113)—

“ . . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

**SWAP AGREEMENT**  
**AMONG THE UNITED STATES TREASURY, THE CENTRAL BANK**  
**OF COSTA RICA AND THE GOVERNMENT OF COSTA RICA**

I. The United States Treasury Exchange Stabilization Fund (the "Fund"), with the Federal Reserve Bank of New York (the "FRBNY") acting as fiscal agent, is prepared to extend to the Central Bank of Costa Rica (the "Bank") a drawing facility aggregating not more than twenty seven million, four hundred and fifty-two thousand United States dollars (U.S.\$27,452,000), on a covered basis in the form of a Costa Rican colon/United States dollar swap. This facility will be available for a single drawing on May 21, 1990. The amount drawn under this agreement, together with interest accrued thereon, shall be liquidated not later than May 21, 1990. This agreement is subject to, and incorporates by reference, the terms and conditions set forth in the Letter of Mutual Understandings among the United States Department of the Treasury, the Central Bank of Costa Rica and the Government of Costa Rica bearing the same date as this agreement (the "Letter").

II. The drawing under this agreement will be used by Costa Rica in conjunction with its foreign exchange operations. The rate of exchange applied to the drawing under this agreement shall be applied to its liquidation. Such rate or rates shall be based upon the spot rate as agreed between the parties at the time the drawing is made.


III. (A) At the request of the Bank, an amount of twenty-seven million, four hundred and fifty-two thousand United States dollars (U.S.\$27,452,000), shall be credited on May 21, 1990 to the Administered Contribution Account of the International Monetary Fund on the FRBNY's books by authenticated telecommunication, pursuant to the terms and conditions set forth in the Letter.

(B) The Costa Rican colon counterpart of the drawing by the Bank is to be credited to a special account in the name of "Federal Reserve Bank of New York as Fiscal Agent of the United States, Special Account No. 2" on the books of the Bank in accordance with instructions given to the Bank by authenticated telecommunication. In the event that this facility is not fully repaid by May 21, 1990, the counterpart account will earn interest at a rate based upon the average equivalent coupon-issue yield at the auction of the latest issue of three-month United States Treasury bills preceding May 21, 1990. The average yield, expressed in percent, will be stated in two decimal places, and, if such decimal is not a multiple of .05, it will be adjusted to the next higher multiple of .05. Interest will be calculated on


the actual number of days in the year, i.e., 365 days. Such return shall be converted into United States dollars at the time of repayment of the amount being repaid, calculated at the rate of exchange described in paragraph II above. Such balances may be withdrawn by the U.S. Treasury on one business day's notice (San Jose).

IV. This agreement is executed in two counterparts, each of which when so executed shall be deemed to be an original, and all of which taken together shall constitute one and the same agreement.

United States Treasury  
Exchange Stabilization  
Fund


By:   
Charles H. Dallara  
Assistant Secretary  
(International Affairs)

Government of  
Costa Rica

By:   
Thelmo Vargas  
Minister of Finance

Central Bank of Costa Rica

By:

  
Jorge Guardia  
Executive President

Date: May 18, 1990

SCHEDULE B

MAY 21, 1990

TO: INTERNATIONAL MONETARY FUND ("FUND")  
FROM: BANCO CENTRAL DE COSTA RICA ("BANCO CENTRAL")  
RE: TERMINATION OF VOLUNTARY CONTRIBUTION ACCOUNT

WE REFER TO THE VOLUNTARY CONTRIBUTION ACCOUNT - COSTA RICA (THE "ACCOUNT") ESTABLISHED BY THE FUND PURSUANT TO AN INSTRUMENT EFFECTIVE APRIL 25, 1990 (THE "INSTRUMENT"). BANCO CENTRAL, ON BEHALF OF THE GOVERNMENT OF COSTA RICA, HEREBY IRREVOCABLY INSTRUCTS THE FUND TO TERMINATE THE ACCOUNT, EFFECTIVE MONDAY, MAY 21, 1990 AND TO PAY AN AMOUNT EQUAL TO U.S. \$27,452,000.00 TO THE U.S. DEPARTMENT OF TREASURY EXCHANGE STABILIZATION FUND/SECRETARY OF THE TREASURY SPECIAL ACCOUNT NO. 2 MAINTAINED AT FEDERAL RESERVE BANK OF NEW YORK.

THEREAFTER, BANCO CENTRAL REQUESTS THAT ANY AND ALL AMOUNTS REMAINING IN THE ACCOUNT AND AVAILABLE TO COSTA RICA PURSUANT TO THE TERMS OF THE INSTRUMENT (INCLUDING ANY INVESTMENT EARNINGS ON AMOUNTS PREVIOUSLY DEPOSITED) BE TRANSFERRED TO THE ACCOUNT OF BANCO CENTRAL DE COSTA RICA MAINTAINED AT THE FEDERAL RESERVE BANK OF NEW YORK, ACCOUNT NUMBER 021083598.

2. THE AMOUNTS REFERRED TO ABOVE ARE THE PROCEEDS OF CONTRIBUTIONS TO THE ACCOUNT BY: [LIST ALL EXCEPT U.S.]

3. BANCO CENTRAL HEREBY REPRESENTS AND WARRANTS TO THE FUND THAT THE PROCEEDS OF EACH OF THE ABOVE DISBURSEMENTS WILL BE USED FOR OPERATIONS CONSISTENT WITH THE PROVISIONS OF THE SUMMARY OF TERMS SET FORTH IN SECTION C OF THE DOCUMENT ENTITLED "THE REPUBLIC OF COSTA RICA - 1989 FINANCING PACKAGE", WHICH OPERATIONS ARE ALSO CONSISTENT WITH THE PURPOSE OF THE ACCOUNT STATED IN PARAGRAPH 1 OF THE INSTRUMENT.

4. WE REQUEST YOU TO COMMUNICATE A COPY OF THESE INSTRUCTIONS TO THE FEDERAL RESERVE BANK OF NEW YORK.



DEPARTMENT OF THE TREASURY  
WASHINGTON

ASSISTANT SECRETARY

May 18, 1990

The Honorable Thelmo Vargas  
Minister of Finance of Costa Rica

Mr. Jorge Guardia  
Executive President of the Central Bank  
of Costa Rica

Gentlemen:

This letter (the "Letter") sets forth the mutual understandings of the Government of the United States of America, the Government of Costa Rica (the "Costa Rican Government"), and the Central Bank of Costa Rica (the "Bank"), pursuant to which the Government of the United States of America will enter into a swap agreement (the "Swap Agreement") for a drawing facility of twenty-seven million, four hundred and fifty-two thousand dollars (U.S.\$27,452,000) (the "Facility"). A copy of the Swap Agreement is attached hereto. This Facility must be repaid on May 21, 1990.

1. Costa Rica is negotiating with the International Monetary Fund (the "IMF") on a new economic reform program which would qualify for IMF financial support. It is anticipated that the new program, which would succeed the stand-by arrangement that is expiring on May 22, 1990, will be submitted for approval by the Executive Board of the IMF in the fall of 1990.
2. The new IMF program will reflect the agreement which Costa Rica has reached with its commercial bank creditors ("The Republic of Costa Rica 1989 Financing Package" hereinafter referred to as the "1989 Package") which reduces and refinances its public sector external indebtedness to nonofficial creditors. Pursuant to this agreement, the IMF has established a Voluntary Contribution Account for the purpose of administering resources used to implement the 1989 Package.
3. The Bank will use the proceeds from the Facility in conjunction with its foreign exchange operations, in particular to meet its obligations regarding the Voluntary Contribution Account.
4. The Facility provides for a single drawing for an amount of twenty-seven million, four hundred and fifty-two thousand dollars (U.S.\$27,452,000) to be made available on May 21, 1990.
5. The Bank agrees that the proceeds of this drawing shall be deposited in the account designated "Administered Contribution Account" of the IMF at the Federal Reserve Bank of New York (the "FRBNY") as soon as possible after receipt by the IMF of irrevocable payment instructions in the form identical

to Schedule A to this Letter. The Bank also agrees to issue a subsequent irrevocable instruction (the "Second Instruction") on May 21, 1990 in the form identical to Schedule B to this Letter terminating the Voluntary Contribution Account and transferring twenty-seven million, four hundred and fifty-two thousand dollars (U.S.\$27,452,000) to the Treasury Exchange Stabilization Fund account at the FRBNY.

The Bank also agrees to provide the U.S. Treasury, by 9:30 AM (Washington time) on May 21, 1990, and prior to the drawing on the Facility by Costa Rica, a copy of the Second Instruction, which the U.S. Treasury, on behalf of the Bank, may transmit to the IMF before the close of the May 21, 1990 business day (New York), in the event that the Bank does not issue directly to the IMF the Second Instruction as provided in the paragraph above. The Costa Rican Government and the Bank further agree that the FRBNY may debit any Costa Rican account at the FRBNY (other than the collateral accounts established pursuant to the 1989 Package) to effect repayment of this Facility, including any accrued interest on the amount being repaid, if the Facility has not been repaid by the close of the May 21, 1990 business day (New York).

6. If the Facility remains unpaid after May 21, 1990, the Costa Rican Government and the Bank will apply for all purchases from the IMF for which Costa Rica is eligible, and use the purchases to the extent necessary to repay the Facility.

If this letter correctly sets forth your understanding concerning the matters discussed above, kindly sign it in the places indicated below and return it to me.

Sincerely,



Charles E. Dallara  
Assistant Secretary  
(International Affairs)

FOR THE GOVERNMENT OF COSTA RICA:

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Thelmo Vargas  
Minister of Finance

FOR THE CENTRAL BANK OF COSTA RICA:

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Jorge Guardia  
Executive President



Schedule A

May 21, 1990

TO: INTERNATIONAL MONETARY FUND ("FUND")  
FROM: BANCO CENTRAL DE COSTA RICA ("BANCO CENTRAL")  
RE: DISBURSEMENTS FROM VOLUNTARY CONTRIBUTION ACCOUNT

1. WE REFER TO THE VOLUNTARY CONTRIBUTION ACCOUNT - COSTA RICA (THE "ACCOUNT") ESTABLISHED BY THE FUND PURSUANT TO AN INSTRUMENT EFFECTIVE APRIL 25, 1990 (THE "INSTRUMENT"). BANCO CENTRAL, ON BEHALF OF THE GOVERNMENT OF COSTA RICA, HEREBY IRREVOCABLY INSTRUCTS THE FUND TO MAKE THE FOLLOWING DISBURSEMENTS FROM THE ACCOUNT AT OPENING OF BUSINESS ON MONDAY, MAY 21, 1990:

(A) AN AMOUNT EQUAL TO U.S. \$22,219,464.00 TO THE NEW YORK FEDERAL RESERVE BANK OF NEW YORK, AS COLLATERAL AGENT, ACCOUNT NUMBER 021 086 906;

(B) AN AMOUNT EQUAL TO U.S. \$16,208,704.65 TO THE NEW YORK FEDERAL RESERVE BANK OF NEW YORK, AS COLLATERAL AGENT, ACCOUNT NUMBER 021 086 919; AND

(C) AN AMOUNT EQUAL TO U.S. \$187,119,912.33 TO BANK OF AMERICA INTERNATIONAL - NEW YORK, ACCOUNT NUMBER 32169, ATTN: AVIL ALLEN.