

# Costa Rica

## more loans

□ The Fiscal Commission of the Legislative Assembly recommended approval of a loan contract with the Interamerican Development Bank for \$60 million to be used for construction of the hydroelectric plant Corobicí, and for complementary studies for the hydroelectric plant Borruca. The next step is approval by the Assembly. This is just one more project—and loan—currently under consideration. Costa Rica's foreign debt continues to grow, and new loans must be serviced even if they have not yet been approved.

**Corobicí.** This plant is the second stage of the Arenal Hydroelectric Project, located the River Basin of the same name. Last October, the Corobicí project received another loan from IDB for \$500 million, payable in 25 years, at an interest rate of 7.50/o a year. Work on the Corobicí complex began at the end of last year, and the total cost of the project is estimated in \$115 million. It is expected to be operating by the beginning of 1982, or end of 1983, which is when Costa Rica will need another plant. The first stage of the Arenal complex should be completed by the end of this year. Its initial generating capacity will be 174,000 kilowatts per hour, with a yearly production of 767 million kilowatts (see CAR V, 42). Corobicí itself will have three generating units with a capacity of 58 MW each, and an annual production of 784 GWH.

According to the plans, IDB is expected to finance 510/o of the Corobicí plant, and the Costa Rican Electricity Institute, ICE, is to finance the rest. Last May, ICE received a presidential order to look for additional funding for the project. The recent approval granted by the Fiscal Commission, if approved by the Assembly, would empower ICE to sign a contract with IDB for this loan, \$30 million of which will be used directly for Corobicí. It is payable in 25 years, with an interest rate of 7.50/o a year.

**Borruca.** The remaining \$30 million approved by the Fiscal Commission will be used to finance complementary studies for Costa Rica's truly ambitious hydroelectric project, Borruca. This project is located on the Río Grande of Tenaba. It will involve a special damn 260 meters high and machinery capable of processing 760,000 kilowatts, with an annual generating capacity of more than 5,000 MW. When completed, the Borruca plant will cover by itself all the country's energy needs. Most of the power will be used by a local

Aluminum plant, and only 150/o will be used for local consumption.

The complementary studies for the Borruca plant involve a revision of the existing studies, the advanced design of the most urgent aspects of the project, and a functional design of the parts which are programmed for construction in the future. These studies will be used to open bidding on the project. The financing for Borruca will be provided by the Venezuelan Investment Fund, IDB, and \$57.4 million by the Costa Rican government. The total cost of the project has been estimated in \$117.4 million.

**Loans Totalling \$198.4 Million Pending.** The Legislative Assembly is presently considering 10 loans totalling \$198.4 million. According to the Minister of Finances, Hernan Sáenz, approval of these loans will represent a saving of \$8,570, as these funds are to be used to renegotiate the public debt and to lower the interest on the debt from 1.860/o to 10/o. A loan for \$45.8 million, granted by the Bank of America National Trust last October, is to be used to refinance the public debt.

The Fiscal Commission already recommended approval of this contract, and now it is pending final approval by the Assembly. According to estimates published in the Costa Rican daily "La Nación", the country is loosing more than \$4,700 a day because of the delays in Legislative approval of these loans. The same source adds that since last October, when the present government contracted the first loan, the country has had to pay \$1.5 million in interest.

### LOANS PENDING LEGISLATIVE APPROVAL (In millions of dollars)

Bank	Sum	Use
CABEI	0.7	Litoral Hwy, Pacific to Valle Central
	12.5	Baru-Palmar Norte Hwy.
	0.8	Ciudad Colón-Puerto Caldera Hwy.
	1.6	Tarcoles-Loma Hwy.
	0.7	Development of Fishing
Venezuelan Investment Fund	0.7	"
	3.2	Remodelling Calderas Port
	6.1	San José-Siquierres-Puerto Viejo Hwy.
IDB	60.2	Hydroelectric Project Corobicí
Bank of America National Trust	70.2	Aqueducts and Refinancing of Public Debt.

**Foreign Debt Grows.** According to the Minister of Finances, Costa Rica's foreign debt up to December 1978 amounted to \$1.177 billion. Of this sum, \$1,051.6 million correspond to the central government.

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# Costa Rica

## plethora of loans

□ Amidst a financial crisis, the Costa Rican government plunges deeper into debt. Various loans are approved by the Legislative Assembly, and still more are awaiting a "green light" as the president of the Central Bank announces that Costa Rica's foreign debt is already over \$1.4 billion.

**Borrowing to the Bone.** A group of private banks organized by the Bank of America National Trust will loan \$70 million to the Costa Rican government. \$45.8 million of the total will be used in payment of previous loans. The remaining \$24.2 million are destined to finance the National Aqueduct Plan 1978-79, a project which has already received numerous loans. Furthermore, the Costa Rican Central Bank recently signed a \$100 million loan contract with a group of banks organized by the Deutsche Bank. The money will be used in projects for tourism, low-cost housing, and CODESA, the State Development Corporation. The loan will be payable in 10 years with a 4 year grace period at an annual interest rate of 3.40/o in the first five years, and of 7.80/o thereafter. The Central Bank also signed a contract with the Orion Bank of London for \$10 million, destined to the Agriculture Credit Bank of Cartago. On August 13, the Legislative Assembly approved a loan from the Interamerican Development Bank (IDB) for \$60.2 million, to be used by the Costa Rican Power Institute (ICE) in construction of the hydroelectric plant of Corobicí. Also approved was a \$6 million loan contract between the Venezuelan Investment Fund (FIV) and the government for further construction of the new Port of Caldera, for which another loan from FIV is pending approval.

And there are still numerous loans to be approved by the Legislative Assembly. Most of these are from the Central American Bank of Economic Integration (CABEI) and from the Venezuelan FIV, mainly for construction of highways as the following table shows.

### LOANS PENDING APPROVAL (In millions of dollars)

Source	Amount	Project
IDB	60.0	Hydroelectric plant Corobicí
CABEI	12.5	Highway Baru-Palmar Norte on the South Coast
CABEI	0.8	Highway Ciudad Colón-Puerto Caldera

CABEI	0.6	Highway Valle Central-Litoral Pacífico
CABEI	n.a.	Highway Tarcoles-Loma on the South Coast
FIV	6.1	Highway San José-Siquirres-Puerto Viejo
FIV	0.8	Fishing Development Program
FIV	n.a.	Fishing Development Program
FIV	n.a.	Construction of the Port of Caldera

**Paying Back?** The Central Bank's president indicates that up until June of this year, Costa Rica's foreign debt totals more than \$1.4 billion. The Power Institute owes \$363.6 million, more than a fourth of the total sum and not including the loans it plans to obtain during the remaining months of this year. According to the daily "La Nación", ICE's total budget for this year is \$229.2 million. Approximately 210/o of this is destined to pay debts, \$26.1 million in interest alone. Although many of the loans contracted by the government are for relatively small amounts, they add up to a serious financial strain on this and future governments.

### COSTA RICAN STRIKERS BACK TO WORK; MINISTER RESIGNS

After a hunger strike of almost two weeks, 15 former employees of the Pozuelo S.A. cookie factory evacuated the Cathedral they were occupying and thus ended a movement that began on July 5. The workers, members of the Pozuelo Worker's Union (SITRAPSA), demanded in May a 300/o salary raise, 4 months maternity leave, and legal recognition of the union (see CAR Vol. VI, No. 31). The labor court declared their strike illegal, and the Civil Guard forcibly evicted them from factory premises. Refusing to give in, the employees occupied the Cathedral on August 9, initiating a hunger strike. They invaded the Ministry of Labor on August 24. After 120 employees were fired, the Pozuelo workers asked President Carazo to mediate, but he turned them down, as did Archbishop Roman Arrieta Villalobos and the Minister of Labor. With no support, workers were forced to give up demands.

Yet unresolved is the FETRAL worker's strike in the Port of Limón, begun on August 14 (see CAR Vol. VI, No. 33). After violent clashes with the Civil Guard, and at least 50 people wounded, negotiations resumed mediated by a council of "notables". The strike threatened to spread and include various other labor unions that supported FETRAL. Although the dock and railroad employees of Limón have gone back to work, they threaten to strike again if negotiations do not conclude favourably.

The Minister of Labor, Estela Quezada, resigned her post as a result of mounting pressure from the various labor conflicts. Although the workers did not demand her resignation, a group of liberal politicians suggested it on grounds that she favoured employers and thus was responsible for the labor problems in the country.

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