



COSTA RICA

TECHNICAL ASSISTANCE REPORT—THE COORDINATED DIRECT INVESTMENT SURVEY AND COORDINATED PORTFOLIO INVESTMENT SURVEY (MARCH 6–14, 2014)

February 2018

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COSTA RICA

REPORT OF THE TECHNICAL ASSISTANCE MISSION ON THE COORDINATED DIRECT INVESTMENT SURVEY AND COORDINATED PORTFOLIO INVESTMENT SURVEY

(March 6–14, 2014)

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February 2015

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ACRONYMS

AEE	Economic Statistics Area
AESE	External Sector Statistics Area
BCCR	Central Bank of Costa Rica
BIS	Bank for International Settlements
<i>BPM6</i>	Sixth edition of the <i>Balance of Payments and International Investment Position Manual</i>
BPS	Balance of payments survey
CDIS	Coordinated Direct Investment Survey
CPIS	Coordinated Portfolio Investment Survey
EEE	Economic study of businesses
FDI	Foreign direct investment
FISIM	Financial intermediation service charges indirectly measured
ICT	Costa Rican Tourism Institute
IIP	International Investment Position
ISIN	International Securities Identification Number
PROCOMER	Costa Rican Export Promotion Agency
SDDS	IMF Special Data Dissemination Standards
SIGADE	Integrated Debt Management System
SUGEF	Superintendency of Financial Institutions
SUGESE	Superintendency of Insurance
SUGEVAL	Superintendency of Securities
SUPEN	Superintendency of Pensions
SUTEL	Superintendency of Telecommunications

EXECUTIVE SUMMARY

As part of the regional Central America-Panama-Dominican Republic Regional Technical Assistance Center (CAPTAC-DR) project to harmonize external sector statistics, a technical assistance mission on the Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS) visited San Jose, Costa Rica, during March 6–14, 2014.

The mission's main objective was to support the Central Bank of Costa Rica (BCCR) in continuing to improve the compilation and dissemination of balance of payments statistics, with emphasis on coverage, identification and responses from diverse sources of information, and to review the data collection instruments currently in use. The context of those efforts was the adoption of methodological guidelines set out in the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*.

During its visit, the mission observed that the practices followed to prepare external statistics employed adequate data collection instruments and appropriate methodologies. The review also identified areas for improvement. Some of the most important improvements depend on expanding the coverage of the “Balance of Payments Survey and Coordinated Direct Investment Survey” (BPS) to capture information from additional nonfinancial private sector firms. The units involved in this effort are the External Sector Statistics Area (AESE) and the Economic Statistics Area (AEE), which is the administrative unit responsible for management of economic information.

Coverage of the BPS is relatively broad in comparison with similar surveys conducted in other countries of the region, despite the fact that the BCCR has no specific legal mandate to collect macroeconomic information. This is due not to a combination of the BCCR's own regulatory and supervisory authorities and its close institutional ties with other public entities and the different superintendencies responsible for the regulation and supervision of specific sectors, providing the BCCR with the support needed to compile the information required for external sector statistics. In contrast, obtaining information on the nonfinancial private sector depends on the respondents' willingness to provide it.

One key issue addressed during the mission is the fact that the BCCR by end-June will report balance of payments statistics and international investment position (IIP) statistics in a format that complies with the recommendations of *BPM6*. The format already makes provision for the breakdown of goods for processing into their components of goods and services. Also, the new presentation includes adjustments to insurance on imports to account for supplemental premiums and payment of claims, as well as a new category of financial services representing financial intermediation service charges indirectly measured (FISIM). With respect to foreign direct investment (FDI), the available information is already adequate to present figures in accordance with *BPM6*, with separate categories for fellow enterprises. In addition, the AESE is already working on the methodological notes and documents to accompany the new forms.

In its interviews with AESE staff, the mission determined that the most important tasks to address in the near future include: (i) continuing work on dissemination of statistics in accordance with *BPM6* and producing the corresponding methodological documents; (ii) evaluating changes to several sections of the BPS form in accordance with the recommendations discussed below; and (iii) reviewing, with the AEE, the directory of firms that responded to the full survey conducted in the context of changing the base year of the national accounts, to expand coverage of the BPS.

The mission stresses the importance of defining and implementing, in the short term, a work program to convert the complete balance of payments and IIP historical series using the *BPM6* presentation. The conversion of time series to *BPM6* should be accompanied by a methodological note explaining the characteristics of the new series and specifying which data were estimated in accordance with the new classification. Users and staff of the IMF Western Hemisphere department applaud the BCCR's decision to continue national publication of external sector statistical series based on both versions of the Balance of Payments Manual for the time being.

ACTION PLAN

To achieve the objectives of the regional program to harmonize external sector statistics of the CAPTAC-DR member countries, and to improve practices for the compilation and dissemination of balance of payments and IIP statistics, the following action plan was developed jointly with the BCCR. It provides for three reference actions, which will be subject to special monitoring during implementation.

Action	Recommendation	Para- graphs	Verifiable indicator	Completion date
1	Continue efforts toward disseminating balance of payments and IIP statistics in accordance with BPM6 guidelines.	3.7	Publication on the BCCR website	June 2014
2	Finalize the methodological documents that will accompany the dissemination of statistics in BPM6-compliant formats.	3	Publication on the BCCR website	Reference action June 2014
3	Approach senior authorities of the BCCR and the national statistics institute (INEC) to promote the promulgation of legal provisions authorizing the BCCR and the other public entities involved to obtain information from the various economic actors required to compile Costa Rica's macroeconomic statistics.	51 and 52	Promulgation of corresponding legal provision	Indefinite
4	Include firms with outward FDI operations identified by the Costa Rican Export Promotion Agency (PROCOMER) in the Balance of Payments and Coordinated Direct Investment Survey (BPS). The largest 10 firms represent 93.2 percent of outward FDI reported by PROCOMER. At least five of those firms should be visited to improve coverage.	14	Directory of BPS firms	June 2014
5	Revise the BPS questionnaire to require the names of firms with outward FDI operations in the section on general firm data, in order to facilitate the identification of fellow enterprises that could not otherwise be identified.	14	Changes in questionnaire form.	Reference action September 2014
6	Add new sections to the BPS questionnaire to capture assets and liabilities among fellow enterprises for those cases where the common parent company is a resident firm.	14	Changes in questionnaire form.	June 2015
7	In the column of the CDIS report for nonfinancial firms, separate the item on insurers' net position (inward and outward) in debt instruments, which are currently indistinguishable from other firms.	14	Semiannual CDIS reports to the IMF	September 2014
8	For purposes of quality control, compare the responses of firms surveyed in the economic study of businesses (EEE)—conducted by the AEE in the context of changing the base year for the national accounts—with the responses received through the BPS. The comparison should focus on the largest 130 firms surveyed for the EEE, which are the firms	56-59	Records or log of revisions to figures resulting from this exercise	September 2014

Action	Recommendation	Para- graphs	Verifiable indicator	Completion date
	for which a questionnaire similar to the BPS was used.			
9	Review the directory of EEE firms to expand the BPS directory through the inclusion of firms that show foreign operations but did not respond to the most recent BPS.	56-59	Directory contents reflect the addition of new businesses	Reference action September 2014
10	Review responses to the memorandum items at the end of the BPS questionnaire (information on external liabilities of the nonfinancial private sector according to the residual maturity criterion) and the data available from the Integrated Data Management System (SIGADE) in order to include the corresponding data for both sectors in Table 3 of the Quarterly External Debt Statistics database.	32	Publication of Table 3 in the Quarterly External Debt Statistics system	September 2014
11	In cooperation with the Superintendency of Securities (SUGEVAL) and/or national institutions serving as securities custodians, determine whether any nonresidents purchase securities issued in Costa Rica by residents (primarily the central government) in local currency and, if so, determine the amounts of and availability of information on such purchases. To the extent the purchases occur, the corresponding flows and positions are not currently reflected in the external debt.	35	Report of investigation.	September 2014
12	As part of the quarterly training, instruct BPS interviewers to advise firms responding to the BPS of the importance of reporting trade credit and advances in the items provided specifically for this purpose, not in other sections.	38	Increased response to BPS questionnaire categories designed specifically to capture this data	June 2014

I. INTRODUCTION

1. As part of the regional project to harmonize external sector statistics, a CAPTAC-DR technical assistance mission on the Coordinated Direct Investment Survey (CDIS) and the Coordinated Portfolio Investment Survey (CPIS) visited San Jose, Costa Rica during March 6–14, 2014.
2. The objectives of the harmonization project are to compile comprehensive, consistent external sector statistics for the entire region in accordance with the basic principles, standards, and internationally accepted practices for compilation and dissemination set out in the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*.
3. The mission's principal findings were as follows:
 - a. The External Sector Statistics Area (AESE) has conducted the IMF Coordinated Direct Investment Survey (CDIS) since it was instituted in 2010, with the report of data for 2009. Costa Rica's CDIS covers positions in foreign direct investment (FDI) received (inward) as well as residents' investments abroad (outward). While aspects of the survey warranting the improvement were identified throughout the mission, it concluded that in general, Costa Rica complies satisfactorily with the requirements for the exercise. It should be noted that the information to comply with CDIS guidelines originates with the information compiled in the Balance of Payments Survey and CDIS (BPS) mentioned above.
 - b. The Coordinated Portfolio Investment Survey (CPIS) has been conducted since 2002. Before the recent changes proposed by the IMF to increase the frequency of reporting and improve the timeliness of the figures and details of the information, the BCCR adjusted its procedures and delivered the results for the close of the first half of 2013 to the IMF in January 2014.
 - c. Progress was observed in the various efforts to ensure that for the next dissemination of figures for first quarter 2014, which will take place at end-June, the statistics will be presented according to the *BPM6* guidelines. In addition, the AESE is already working on preparing the methodological notes and documents to accompany dissemination of the new presentation formats.
 - d. The AESE staff agreed with the mission that it would be advantageous to make use of the current BCCR exercise of updating the base year for the national accounts, which involves conducting a broad survey operation in the country. The exercise could be useful in revising the directory of firms to include those not considered in the BPS, as well as to compare the responses obtained with those reported in the normal BPS operation.

4. The mission worked with AESE analysts to revise the details of practices used in compiling, processing, and disseminating balance of payments and international investment position (IIP) statistics.

5. At the close of its visit to the BCCR, the mission met with Mr. Henry Vargas, Director of Macroeconomic Statistics, and Mr. Rigoberto Torres, AESE Chief, to present the mission's principal findings and recommendations based on those findings.

II. BACKGROUND

6. Costa Rica's balance of payments statistics, IIP statistics, CDIS, and CPIS are prepared by the BCCR. The responsible unit is the AESE, a unit of the Macroeconomic Statistics Department. It is worth noting in respect of the effort to capture information from external sources that the BCCR lacks the legal authority to require the data; instead, the general request is based on customary practice and the BCCR's good reputation.

7. Costa Rica is a subscriber of the Special Data Dissemination Standards (SDDS). Up to the date of the mission, external sector statistics had been prepared in accordance with the fifth edition of the IMF *Balance of Payments and International Investment Position Manual*. However, as noted above, the AESE is in the process of implementing the necessary changes to adapt to the requirements of *BPM6*. Costa Rica's balance of payments and IIP are reported 90 days after the end of the quarter reported. The mission reviewed the practices employed in producing those statistics and identified a number of areas of potential improvement.

8. According to the BCCR's institutional practice, economic information from the nonfinancial private sector required to produce macroeconomic statistics must be requested and obtained by a unit specifically dedicated to this function, which then delivers the data to the units that process the data and prepare statistics. The specialized data collection unit is the Economic [Statistics] Area (AEE).

9. The BCCR is currently working on two major institutional projects to improve and update the process of preparing macroeconomic statistics: (i) the change of base year for the national accounts; and (ii) automation of the processes of requesting, receiving, and processing economic information received from external sources. Because both projects have positive implications for the production of external sector statistics, the AESE is actively participating in them.

III. COMPILATION PRACTICES

A. Coordinated Direct Investment Survey (CDIS)

10. Costa Rica has participated in the CDIS since it was developed by the IMF, to be applied in 2010 with figures as at end-2009. The information collected by the BCCR covers both inward and outward direct investment positions.

11. The base information for compilation of the CDIS originates from the same sources that have traditionally been used to produce FDI statistics for the balance of payments and IIP. Those sources consist of:
- a. BPS: this is the principal source, since it is conducted among all nonfinancial private sector firms that are known to participate in operations with residents of other economies and consent to provide the information. The questionnaire includes detailed information on the transactions and positions prescribed by the *BPM6*; accordingly, it requests not only the components of FDI but also the type of relationship established between firms of the same group (direct investment and fellow enterprises). The only firms exempted from the BPS are those required to provide detailed information to other public agencies pursuant to specific regulations and for official programs.
 - b. PROCOMER registry: this registry contains accounting information from firms that are beneficiaries under the free trade zone and inward processing area regimes. Because the firms are required to report information in order to continue receiving benefits under the programs, the PROCOMER registry not only includes all the relevant companies but also provides quality data.
 - c. Costa Rican Tourism Institute (ICT): The ICT provides the AESE with timely information on the establishment of new FDI firms in the tourist services sector and reports the amount of investments involved. The AESE then transfers the reference data for the new firm to the AEE and adds the firm to the FDI directory. Obtaining a timeline from this source is currently pending since the AESE, in cooperation with the ICT, is forced to estimate the distribution of the programmed flows over time.
 - d. National Property Registry (RNP): The RNP reports to the AESE on the value of nonresidents' purchases and sales of real property located in Costa Rica.
 - e. Costa Rican Coalition for Development Initiatives: The Coalition informs the BCCR of foreign investments it has secured for the country in its capacity as investment promotion agency. The information includes the initial amount of the investment and general data on the firm, which the AEE includes in the BPS.
 - f. Superintendency of Telecommunications (SUTEL): Telecommunications sector firms are required to report information specific to their activity to SUTEL for regulatory and supervisory purposes, which is why these firms do not provide data to the BCCR. However, the information collected by SUTEL does not meet the requirements for external sector statistics. In view of this limitation, the BCCR has proposed that a questionnaire similar to the questionnaire used in the BPS be sent to telecommunications firms and processed by SUTEL. In response, SUTEL has agreed to consider the application of such a questionnaire beginning with the annual figures for 2014. For the present, however, only a timeline of investments to which sector firms have committed is available.

- g. Other superintendencies: Information that other superintendencies request from firms they regulate and supervise generally provides the breakdown required for inclusion in the external accounts. The superintendencies in question are SUGEVAL, for information from companies listed on the national stock exchange (only two significant firms) and investment funds; Superintendency of Insurance (SUGESE) for information on insurers; and the Superintendency of Financial Institutions (SUGEF) for various intermediaries. In all cases, the information provided makes the application of the BPS unnecessary.
- h. National Concessions Board: This board provides annual data on cash flows relating to public sector concessions awarded to nonresident companies.

12. With respect to specific coverage of the BPS for outward FDI, the AESE compared its directory of firms and corresponding figures with those from a PROCOMER survey conducted once, in 2013. The AESE found that while the stock of FDI was similar in both questionnaires, the directory of firms was not. PROCOMER included 135 firms (of which 10 firms accounted for 93.2 percent of FDI) in its exercise, but the BPS included responses from only 20 firms. This indicates that each source omits a number of firms that are included in the other, and that while the BPS omitted more firms, PROCOMER omitted larger firms. The comparison was useful to AESE because the compilation staff used it to identify firms not being captured by the BPS.

13. As noted above, the BPS form has been adapted to the *BPM6* requirements and requires the respondent firms to provide data relating not only to transactions and positions arising from direct investment relationships but also to those arising in its relationships with fellow enterprises.

14. However, the survey operation is faced with the problem of identifying resident firms that are fellow enterprises of nonresident firms, for investments received (inward) as well as investments made (outward).

- a. Inward investment: The compilation staff investigate firms in which parent companies located abroad have made investments. The firm that should be surveyed is the subsidiary or related firm present in Costa Rica that may not be aware of all the parent company's holdings in other countries.
- b. Outward investment: In this case, modifications to the questionnaire could be useful in compiling the relevant information. In particular, the names of the relevant nonresident firms could be added to items VIII and IX of the BPS general data section, which asks resident firms to identify the countries in which they hold investments and the respective percentage holdings. It would also be useful to request the names of subsidiaries and related companies resident in Costa Rica.
- c. Based on the foregoing, three types of highly useful information could be obtained:
 - i. Identify new resident firms for the survey.

- ii. Identify foreign fellow enterprises of resident firms.
 - iii. Properly classify as FDI transactions and positions which might currently—if they are in fact captured—be recorded as portfolio investments or other investments (depending on the nature of the financial instruments involved).
- d. To facilitate completion of the questionnaire, in addition to the corresponding instructions, the BPS form presents the categories relating to outward FDI in blue and those relating to inward FDI in green. This is to ensure that the information is correctly entered in the respective asset and liability items. In other words, the form is based on the principle of the direction of FDI, which might be more intuitive for respondents and conducive to later adoption of the principle of classification according to the assets and liabilities used in the *BPM6*.
- e. However, as shown in the following table, the form does not provide for operations between resident firms and nonresident fellow enterprises whose relationship arises from a parent company resident in Costa Rica (outward investment). In other words, if a local subsidiary of a local parent company received a loan from a foreign subsidiary of the same parent company, without the existence of a direct investment relationship between the two subsidiaries, there is no category on the form in which to record the transaction. Accordingly, the mission suggests that the fields highlighted in Table 1 be added to the survey form to remedy this deficiency.
- f. The information Costa Rica reports to the IMF in connection with the CDIS shows the disaggregation for equity and debt, with debt broken down by assets and liabilities. In the columns corresponding to net debt, the entire amount is shown in the column for resident firms other than financial intermediaries. However, part of that amount represents positions of residence insurers reported by SUGESE to the AESE, which should instead be shown in the financial intermediaries' column. For pension and investment funds, the AESE is taking steps to access the necessary information from the Superintendency of Pensions (SUPEN) and SUGEVAL, respectively.

Table 1: Items to be Added to the BPS Survey Form

	BPS Questionnaire	Proposed Form
Asset in respect of nonresidents		
Resident direct investor in nonresident firms Stock and other equity investments Loans and other receivables	Outward	Outward
Resident FDI firm in nonresident direct investor Stock and other equity investments Loans and other receivables	Inward	Inward
Between fellow enterprises Stock and other equity investments Loans and other receivables	Inward	Inward
Between fellow enterprises Stock and other equity investments Loans and other receivables	Not captured	Outward
Liabilities in respect of nonresidents		
Nonresident direct investor in resident firm Stock and other equity investments Loans and other receivables	Inward	Inward
Between fellow enterprises Stock and other equity investments Loans and other receivables	Inward	Inward
Nonresident FDI firm in resident direct investor Stock and other equity investments Loans and other receivables	Outward	Outward
Between fellow enterprises Stock and other equity investments Loans and other receivables	Not captured	Outward

B. Coordinated Portfolio Investment Survey

15. The BCCR has participated in the IMF Coordinated Portfolio Investment Survey (CPIS) since 2002. To obtain the information needed to make the survey requirements, AESE staff have established contact with a variety of sources from which it requests data. The AESE does not have a standard form for respondents to use in providing the data; instead, once it informed them of the need for information related to the CPIS, the sources designed their own forms. Note that the information requested of the sources to complete the survey is not limited to the information strictly required for the CPIS, but also considers the information requirements for the balance of payments and the IIP.

16. The information sources for the CPIS are the following:

- a. SUGEVAL: SUGEVAL provides information relating to brokerage firms' own investments, third-party investments not supervised by any other superintendency,

and investment funds' purchases of foreign instruments. Under current legal provisions, any purchase of foreign negotiable securities must be channeled through a brokerage firm, which is required to report the acquisition to SUGEVAL. However, for economic actors subject to supervision by a superintendency other than SUGEVAL (i.e., banks and pension funds), the AESE asks SUGEVAL not to include the information in the report, since it is obtained directly from the corresponding superintendency. The sole exception relates to insurers regulated by SUGESE, for which the BCCR continues to handle access to the information. For each instrument, the data collected include the International Securities Identification Number (ISIN), the closing balance for the quarter expressed in number of shares, the issuer country, the nominal value, the market value (for reference only), and the currency in which the instrument is denominated. The information also considers the holder's residency, which complies with the expanded CPIS requirements discussed further below.

- b. SUPEN: As the regulatory and supervisory authority for pension funds, SUPEN provides data relating to the funds' investments abroad. In this case, the investments relate to debt instruments, since no investments in equity instruments have been made to date (article 33 of the SUPEN permits investments in investment fund shares but prohibits direct investment in other types of shares).
- c. SUGEF: As regulator and supervisor of the national financial system, SUGEF provides data on banks' investment for their own account.
- d. Bloomberg database: Based on the detailed information provided by the different superintendencies, which includes the ISIN code, the details on the instrument in question are retrieved from this database. Of particular importance is the price per share.

17. The AESE makes a number of adjustments to the information received from the above sources to ensure that the positions reported in the CPIS in fact correspond to asset positions between residents and nonresidents. The compilation staff verify that none of the ISIN codes reported correspond to securities issued by Costa Rican residents. Information on nonresidents' investment in local investment funds is obtained from the information reported by SUGEVAL to the Monetary and Financial Statistics Area.

18. For investments by private third parties, whose holdings are reported by brokerage firms, it is not entirely certain that all the data refers to resident investors, but this is presumed to be the case since it is unlikely that a nonresident would transfer funds to Costa Rica to purchase an instrument issued in a third country from Costa Rica when the instrument is traded internationally and can therefore be purchased from the investor's country of residence.

19. Costa Rica was asked to participate in the improved CPIS developed recently by the IMF at the request of the G20, to which Costa Rica agreed. The improved CPIS requires participating countries to report data semiannually (instead of annually, as before), reduces

the reporting lag to six and one-half months (a three-month reduction), and expands classifications that were not previously considered.

20. Prior to the recent improvements, Costa Rica's CPIS included, in addition to the mandatory reports, recommended or encouraged reports consisting of:

- a. Currency details for investment portfolio assets.
- b. Sector of resident holder of assets.
- c. Liabilities for portfolio investment.

21. The new elements proposed under the improved CPIS include:

- a. Sector of nonresident issuer of assets.
- b. Sector of resident holder and sector of nonresident issuer for selected economies.
- c. Negative asset positions.

22. Under the new framework, the BCCR has already timely sent the IMF figures for the first half of 2013, including the new dimensions mentioned in the preceding paragraph. No modification of the information system was required to meet the new requirements, since the additional information was already being systematically requested. The only additional task performed by AESE staff was to assign a sector (monetary authorities, banks, insurers, investment funds, other intermediaries, central government, nonfinancial corporations, households, and other nonfinancial entities) to the issuer identified by each instrument's ISIN code.

23. As noted above, the information reporting system used to capture the data required for the CPIS was designed to meet the requirements of balance of payments and IIP statistics as well. For those purposes, the available information includes the value of transactions and facilitates the estimation of changes relating to prices and exchange rates.

24. For equity instruments, information is available on quarterly positions in terms of volume (number of shares) and daily prices (from Bloomberg). This information can be used to explain changes in balances by identifying the transaction effect separately from the price effect. Because purchases and sales of stock may be executed in dollars independent of the currency in which they were originally denominated, and the original currency is the currency in which price information is available, it is not possible to separate the price effect from the exchange effect.

25. For debt instruments, the price effect can be identified separately from the exchange rate effect since the information from the sources now indicates the original currency of issue. This represents progress since the previous mission, when information on the currency of issue was not being requested and it was therefore not possible to distinguish the exchange rate effect.

C. Financial Derivatives

26. While the BPS questionnaire includes the request for information on financial derivatives, the external sector statistics still do not report positions or transactions in financial derivatives. This is because only one firm has reported such instruments to date, and one other indicated that it uses derivatives but does not report the data. The AESE is investigating the reports from the firms in question. However, if no additional firms are identified that trade in derivatives, the figures currently reported cannot be classified in the functional category of financial derivatives because the National Statistics System Law requires a minimum of three respondents to form a statistical category. In light of this restriction, the corresponding positions and transactions should be recorded in the functional category of portfolio investments. We note that the BCCR reports forwards and futures positions using the International Reserves and Foreign Currency Liquidity data template.

27. During the mission, an issue relating to the preceding point that had caused confusion between the AESE and the IMF Statistics Department (STA) was clarified. Specifically, Costa Rica's International Reserves and Foreign Currency Liquidity report showed an amount in Section I, as part of official reserve assets, that reflected a position in financial derivatives. However, in Section II on pre-determined short-term drains on foreign currency assets represented by forwards and futures, the cells are left blank. STA observed this and concluded that the derivatives reported in Section I represented instruments that entailed positions in local currency versus foreign currency, which would mean the respective underlying flows would be recorded. However, the mission clarified that the financial derivatives positions reported in Section I concerned forwards and futures between foreign currencies, which would not be recorded as possible drains in Section II. During the mission the AESE provided STA with the relevant explanation, and the observation was resolved. Lastly, the other pending part of the observation concerned the requirement to present, in Section IV, the details of the position reported in Section I by type of derivative. This requirement was fulfilled with the report of figures for the close of 2013.

D. External Debt

28. During the mission, a working meeting was held with staff from the AEE and the Index Numbers Area (ANI) to address the problem of the representativeness of the BPS in the particular case of external liabilities of the nonfinancial private sector. Because firms with FDI are given priority in compiling the various business directories used by the AEE, it is possible that the BPS is omitting medium-size and small businesses that could be receiving financing from foreign banks. In view of this it is reasonable to assume, at least in principle, that the figure for external liabilities unrelated to affiliated firms (FDI and fellow enterprises) is probably understated. Accordingly, the AESE has begun to evaluate the quality and scope of information provided by foreign banking institutions to the BCCR on loans to resident firms, in order to determine whether this figure could replace the figure based on the BPS or at least serve as a basis for supplementing and/or making inferences as to the external

liabilities of firms not surveyed. The data in question are provided to the BCCR as part of the information the BCCR requests of the banks with which Costa Rica's international reserves are invested, which are well-known leading banks.

29. Following the review, it was observed that the nonresident lending banks mentioned above reported an amount that tends to be larger than the amount based on the BPS. However, a number of inconsistencies in the information were observed. In particular, certain banks report assets in the form of credits with the public sector for amounts that differ significantly from the amount reported for the same bank in the External Debt Management System (SIGADE). Although the data from the lending banks was evaluated for the purpose of considering an alternative information source for nonfinancial private sector debt (and not for public sector debt), inconsistencies of this kind diminish the reliability of the data. Consideration should also be given to the fact that a portion of external bank credits could come from foreign banks in which the BCCR does not usually invest its reserve assets, which would therefore not report information to the BCCR.

30. Accordingly, we conclude that the figure based on the information from lending banks presents deficiencies. At the same time, the information from the two sources compared with data disseminated by the Bank for International Settlements (BIS) on external debt for the nonbank private sector shows that the BPS figures are closer to those of the BIS than those based on information from the leading banks. This, coupled with the possible deficiencies in the data from foreign lending banks, suggests that at this point in time the BPS provides the best data available. The comparison of data from the three sources is presented in the following table. As shown in Table 2, the BIS figures for 2012 are significantly lower than the data from the two domestic sources, which may reflect the fact that BIS coverage is limited to the beginning of the period and is being gradually expanded thereafter.

**Table 2. External Nonbank Private Sector Debt
Comparison of Figures from Different Sources (US\$ millions)**

Fuentes	2009	2010	2011	2012	2013
EBP	2,794.7	2,817.4	3,807.2	4,995.8	4,869.9
Bcos. Primer Orden	2,915.0	2,925.6	3,864.3	5,090.0	6,671.3
BIS	2,512.6	2,609.2	3,681.0	2,826.0	
Diferencias %					
EBP/BIS	11.2	8.0	3.4	76.8	
Bcos. Primer Orden/BIS	16.0	12.1	5.0	80.1	

31. Costa Rica reports information to the World Bank for the Quarterly External Debt Statistics database. Costa Rica currently disseminates information for Tables 1 and 2 (gross position by sector and foreign and domestic currency). The BCCR transmits the information to the World Bank.

32. With respect to the table showing short- and long-term positions by residual maturity, the mission observed that information for the public sector is available from SIGADE, since it captures maturities. For the nonfinancial private sector, the BPS requests positions by residual maturity as a memorandum item (1 to 12 months, 13 to 24 months, and more than 24 months), so that the only remaining task is for AESE technical staff to conduct a thorough review of the responses to determine whether they comply with the requirements in terms of both coverage and quality of response.

33. For the financial sector, the available information consists of financial institutions' balance sheets, prepared according to the chart of accounts they are required to report to SUGEF. While the framework provides an adequate breakdown, it includes only the original terms, not future maturities in residual terms. As part of a more ambitious project to automate the sources of information, negotiations are under way with SUGEF to provide additional information in annexes that would cover those requirements.

34. For the table on publicly guaranteed debt (guaranteed by the central government), SIGADE provides this information for the various public entities that are not part of the central government. It is not known whether this also applies to private firms.

35. In the context of the CPIS, the BCCR asks SUGEVAL for information on debt instruments issued abroad by residents (essentially the central government) and acquired by other residents; this enables exclusion of this component from the gross external debt position for the IIP as well as the Quarterly External Debt Statistics. However, it is not possible to identify debt instruments issued in Costa Rica and purchased by nonresident investors in order to add them. Accordingly, they are excluded from the external debt

balances reported, although the AESE technical staff believe that if such a situation does in fact occur, it is not significant.

36. An investigation was conducted in recent months to determine the coverage of statistics on trade credits and advances with nonresidents. The main concern in this area is the fact that the BPS reflects a small amount (and few responses) in items IV.D.2, 3, and 4 (assets) and XV.D.2, 3, and 4 (liabilities, which were specifically included to capture this type of transaction).

37. The investigation consisted of identifying firms representing 60 percent of exports and firms representing 60 percent of imports. It was found that of the 80 firms accounting for this percentage of exports (of which 15 eligible for special regimes), the BPS responses accounted for 73 percent of the total. On the import side, of the 119 firms accounting for this percentage of the total (of which 17 eligible for special regimes), the BPS captured responses representing 77.5 percent of the total.

38. Inquiries were then conducted directly with those firms to determine how they responded to the specific trade credits and advances items in the BPS. The principal findings confirmed the assumption of the AESE compilation staff that the firms tend to report these items in two forms, as a credit with the parent company (most of which are FDI firms) or as a trade credit (Costa Rican firms). In the specific case of firms that are part of an FDI relationship or fellow enterprises with a nonresident entity, the items in question are reported in the sections on FDI under the category “short-term accounts, loans, and other assets/liabilities receivable/payable.” In short, it was concluded that while there may be problems in separately identifying and presenting the trade credits and advances categories, there is every indication that most of the respective positions and flows are being captured by the BPS. As an action to be undertaken to adequately separate the statistics for trade credits and advances, the AESE compilation staff will train the AEE technical staff to enable them to identify firms that are not part of an FDI relationship or are not fellow enterprises with a nonresident entity and in which section of the BPS they should report those operations. There is no correction to be made for FDI, since the *BPM6* does not require that it be separately identified.

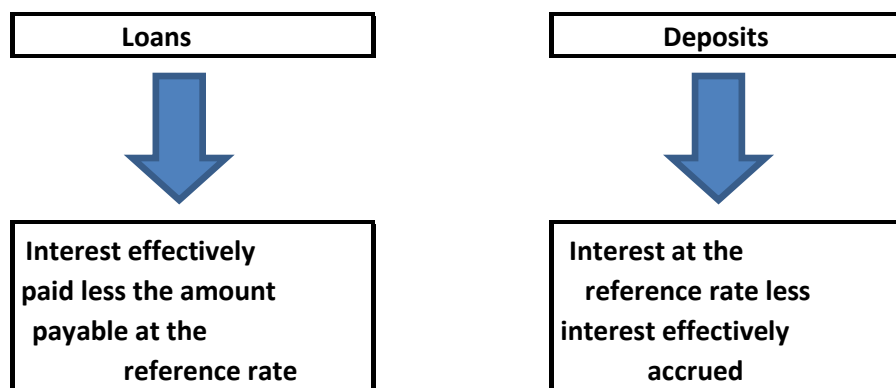
E. Financial Intermediation Service Charges Indirectly Measured (FISIM)

39. The mission reviewed the procedures used to calculate FISIM. The estimates cover exported and imported FISIM, asset and liability items, and loans and deposits. The sector coverage includes the financial sector, the public sector, and the nonfinancial private sector.

40. Calculations for the financial sector are based on information provided by SUGEF to the BCCR, which includes categories for operations with nonresidents, interest accrued (income and expense), asset balances (loans and deposits made) and liabilities (loans and deposits received). The reference rate is calculated as the ratio of total interest (income and

expense) to the sum of assets and liabilities with nonresidents. The following diagram illustrates the calculation of the FISIM component:

Figure 1. FISIM Component



41. The decision to use the reference rate described above instead of a rate observable in the financial markets of the home market of the currency, as recommended by *BPM6* paragraph 10.130, is based on practical considerations: the use of the principal market rates as a reference may produce negative FISIM when positive FISIM is expected in some cases, or too high an amount in others. The practice adopted is common in several countries and is consistent with the approach used in the national accounts.

42. Interest received on nonbank private sector deposits with nonresident banks is estimated based on a combination of the balances that BIS statistics show as cash for this sector in respondent banks and a market interest rate for current account deposits in the United States, obtained as the simple average of the rates offered by the major banks. The six-month LIBOR rate is used as the reference rate to calculate the imputed imported FISIM.

43. For loans received by the nonfinancial private sector, the corresponding interest is taken from the BPS expense column of line XII.8 (accrued interest on loans with financial entities), and to obtain the implicit rate, that interest is combined with the balances reported in lines XV.D.5 and SV.3.6. The reference rate in this case is the United States prime rate.

44. For the public sector, SIGADE provides detailed information on amounts, terms, disposals, amortization, interest rates, and interest paid and accrued, in addition to the identity of the debtor and creditor entities. SIGADE permits accrued interest to be estimated, and contrasted with the reference rates that result from use of the United States prime rate.

45. FISIM paid by the public sector on public entities' deposits with nonresident financial institutions is estimated from the balances of those deposits reported by the principal entities to the AESE on specific forms designed to obtain external sector information. The same market rate for U.S. deposits used for the nonbank private sector is also applied to the balances in question. The reference rate in this case is the six-month LIBOR.

F. Merchandise Trade Without Change of Ownership

46. To comply with the *BPM6* requirement of separating exports and imports according to the principle of whether there is a transfer of ownership of foreign inputs used in the production of exported goods, an investigation was conducted among 80 firms representing about 85 percent of total exports and imports of firms operating under special regimes (free trade zones and inward processing areas). The purpose of the investigation was to gain an understanding of the firms' operations in order to determine which of their transactions in goods involve a change in ownership.

47. The investigation found that 14 of the firms' operations did not involve a transfer of ownership. Accordingly, in future presentations of figures in *BPM6* format, those firms will be excluded from the customs information that serves as the source of statistics on goods, and the remaining firms will continue to be processed as before.

48. Beginning with the dissemination of data for first quarter 2014—when the balance of payments is presented in *BPM6* format, which will decrease the exports and imports of goods due to reclassification of operations without change of ownership in the services balance—the BCCR will post a notice on its website explaining the methodological nature of the adjustment and the relationship between the traditional figure for exported goods, which continues to be reported in statistics for goods, and the figures for exports and imports of goods and manufacturing services shown in the balance of payments.

49. Concerning the preceding points, the mission had access to a preliminary exercise conducted according to the format of *BPM6* Table 10.2, which shows the specific adjustments made to customs figures to arrive at the data for exports and imports of goods to be reported in the current account. The most important adjustment presented in the table relates to goods that cross the customs border without change of ownership. This table will be made public once the balance of payments and IIP are officially disseminated in accordance with the *BPM6*.

G. Services

50. Another issue addressed during the mission was the lease of aircraft by the national airline LACSA. Before the airline became part of the Avianca-Taca group, the AESE had received timely information in accordance with its requirements. However, once the transaction was closed and LACSA became part of the present group, the information from LACSA no longer included data on the aircraft leases (operational or financial). It is not clear whether this is because the aircraft are now controlled by Avianca-Taca instead of LACSA and there are no expenditures for operational or financial leases, or because the information is no longer being provided as a matter of the group's policies. At any rate, communication with the firm is no longer as simple and expeditious as it was under the former ownership structure.

H. Coverage

51. As a general issue relating to the compilation of statistics covering information from the nonfinancial private sector, we note that because the BPS is the principal source of information, it is essential to ensure a good response rate. Throughout 2012, the response rate remained close to 70 percent for firms in which nonresidents hold an equity interest, despite the fact that the BCCR has no legal means to compel firms of the nonfinancial private sector to provide economic information.

52. Accordingly, to increase the response rate cited in the preceding paragraph, senior authorities of the BCCR and the INEC should be made aware of the advantages of issuing a legal provision requiring resident economic actors to provide the information required to compile macroeconomic statistics. Such a provision should contemplate sanctions for noncompliance. Nevertheless, we note that the BCCR is conducting ongoing outreach efforts among current and potential respondents to increase the response to the BPS and other data collection exercises.

53. The BCCR is currently updating the base year for the national accounts to change it to 2012. Once this effort is completed, which is expected to occur in 2015, responsibility for preparing the account for the rest of the world will be transferred to the AESE. In preparation for the transition, some of the AESE staff have established contacts with national accounts specialists to facilitate and optimize the change.

54. BCCR institutional arrangements established that economic surveys of the nonfinancial private sector are conducted by a specialized unit, the AEE, which then transmits the information to the technical units that produce the statistics, which perform the technical validation of the information.

55. For the external sector, the BPS is applied to a sample of about 137 firms every quarter and another 300 firms every year. This does not include firms participating in free trade zone and inward processing area programs that are required to report information to PROCOMER—in sufficient detail to satisfy the AESE’s statistical requirements—as a requirement of their continued participation in those programs.

56. The directory of firms used in conducting the BPS originates from the Registry of Economic Variables, which includes about 143,000 firms. That registry was compiled from records of companies registered with the Costa Rican social security administration, with the addition of non-registered firms. The directory was originally compiled in 1998 and is continuously updated.

57. Because of the change of base year for Costa Rica’s national accounts, a survey known as the Economic Study of Businesses (EEE) was conducted throughout 2013 to capture annual information for 2012. This exercise was financed by the BCCR and implemented by the Ministry of Finance in view of the latter’s stronger means to induce

firms to respond. The exercise was applied to 1,803 firms selected from 98 branches of economic activity. The sample includes firms from each branch based on the criteria that the largest firms would be self-represented and the other firms selected at random. Note that firms participating in free trade zone and inward processing area programs were not included in the EEE because they are required to report detailed information as part of those programs.

58. Of the 1,803 firms, the 130 largest taxpayers were then selected to complete a questionnaire calling for detailed information from the financial statements, net earnings, and accounting balance. The remaining 1,673 responded to a shorter questionnaire. In the future, the EEE survey will be repeated annually for 600 firms, which will include the 130 largest taxpayers.

59. For the purpose of the external sector statistics, only the full EEE questionnaire contains relevant information. However, since that questionnaire is applied to the largest firms, it could be useful to the AESE. In particular, it could be used to evaluate the quality of responses to both surveys by comparing the data. The EEE responses could also be used to cover omissions in case of non-response to the BPS. Both tasks are awaiting implementation at this time.

I. Information Management System

60. As part of an ambitious project to improve the macroeconomic statistics produced by the BCCR, the units responsible for systematization and processing in connection with statistical generation are working to automate the relevant information more extensively and efficiently. The project covers not only the information received by the BCCR but also internal information flows.

61. To this end, the AESE is holding periodic meetings with the staff of systems units and other units that maintain the information relevant to the production of external sector statistics, in order to establish mechanisms to automate the receipt of data and internal data flows. This phase of the project, which aims to develop a BCCR platform to facilitate the receipt of information from external sources and ensure the streamlined, efficient internal flow of information, is expected to be completed by the end of this year. In the next project phase, the relevant BCCR units will communicate with the entities that supply information to agree on the terms and conditions under which they will supply the information. This second phase is expected to begin with the superintendencies that regulate various economic activities. Thereafter, the project should continue with the automation of information available from the private sector, which will modify the mechanisms for conducting and responding to the BPS.