1. The Government of Nicaragua has consulted the Fund under Article XIV Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

2. Notwithstanding a marked fall in export receipts in 1960, the balance of payments of Nicaragua was maintained in equilibrium by an inflow of official and private capital and by the pursuance of cautious monetary policies which helped to restrain imports. The Fund believes that Nicaragua should continue its efforts to strengthen its international reserves by firm credit and fiscal policies, and by those and other appropriate measures to attain an improvement in its export position.

3. A sizable government deficit appears to have been incurred again in fiscal year 1960-61. The Fund welcomes the Government's decision to seek basic solutions to its recurrent fiscal difficulties by a thorough study of the fiscal system with a view to early action on such reforms as may be needed. It also encourages Nicaragua to implement its intention to assure balance in the 1961-62 budget.

4. The Fund notes the intention of the Nicaraguan authorities to accomplish, as soon as balance of payments conditions permit, the complete unification of the exchange rate system, which has been considerably simplified in recent years. It urges Nicaragua to pursue policies directed to an early achievement of this objective.

5. In concluding the 1960 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Nicaragua.