



## **Meeting of Heads of State and Government**

### **Initiative Financing for Development in the Era of COVID-19 and Beyond**

**New York, 29<sup>th</sup> of September, 8 a.m. to 12 p.m. EST**

**Carlos Alvarado Quesada**

**President of the Republic of Costa Rica**

**3 min**

Excellencies,

When we last met at the end of May to discuss emergency measures to counter the devastating impacts of the COVID-19 pandemic, we knew that our countries would face a “moral dilemma”: to equip hospitals and medical staff, provide social support stimulus and continue investing in long-term development goals, such as our climate goals, or, to pay our debt and look after our debt profile. Most developing countries, including middle income countries, lack the domestic resources and fiscal space necessary for the health response and have even less for recovery.

Since then, as a co-lead in one of the six discussion groups, Global Liquidity and Financial Stability, Costa Rica facilitated the brainstorming and analysis of policy options to provide governments the funds necessary to respond quickly and sufficiently to emergency needs while avoiding unsustainable debt levels and crippling credit ratings. Dozens of proposals were received including existing and under-utilized policy options as well as new and innovative proposals such as special purpose vehicles, repo facilities and our own proposal, FACE, an extraordinary support Fund to Alleviate COVID-19 Economics, which our Minister of Finance highlighted in his statement during the September 8<sup>th</sup> Meeting.

The FACE fund would catalyze approximately 0.74% of the GDP of high income and liquidity rich countries, channeled through one or several multilateral development banks, which could blend concessional finance and investments to provide extraordinary financing to developing countries that have limited policy tools to respond to the crisis and to keep them on track to fulfilling 2030 Agenda and the SDGs.

Besides urgent resource mobilization, fixing market distortions and transforming stagnant conceptions such as income per capita classifications are also necessary to ensure that recovery actions consider countries' specific contexts, needs and vulnerabilities. No country should be excluded from fair finance for development. Engaging credit rating agencies and expanding the DSSI and other debt service initiatives to include middle-income countries are necessary to avoid unfair ratings and unsustainable debt levels. We note, however, that political will, speed and flexibility remain challenges to effective implementation.

Costa Rica also supports options to invest in resilience by “building back better” to make sure that our response to this crisis is aligned with our sustainable development goals and commitments. Blue or green bonds and debt swaps for nature and climate are creative and innovative mechanisms that support developing countries in the accelerated implementation of national and international development goals. We have had positive results with debt for nature swaps, in which creditors have forgiven millions of dollars in debt in return for redirecting debt payments into conservation of land and ocean, contributing to the expansion of protected areas and to achieving our long-term development objective of becoming an inclusive, resilient, decarbonized and energy decentralized economy by 2050.

Costa Rica continues to applaud the efforts of the Secretary General of the United Nations and of this Group of Friends of Financing the SDGs led by Canada and Jamaica for this platform in which to raise once more our common voice to reaffirm that through multilateralism, we achieve much more than by ourselves.

We will remain active towards the follow up meeting in December and look forward to the advancement of this collective effort. Let us all continue this urgent work; we will find a way as long as solidarity prevails.