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THEDIALOGUE

FEATURED Q&A

Will Funds From the IMF Spur Costa Rica's Economy?

The International Monetary Fund is planning to disburse more than half a billion dollars to Costa Rica, whose economy it estimates will grow by 4 percent this year. San José is pictured. // File Photo: Spicypepper999 via Creative Commons.

Q The International Monetary Fund announced on April 12 that it would disburse $510 million to Costa Rica following an IMF evaluation mission. The IMF, which estimates that Costa Rica's economy will grow by 4 percent this year, said it will make $270 million available to the country with another $240 million to be disbursed if it completes programmed reform measures under the Resilience and Sustainability arrangement with the IMF. How will these new funds from the IMF spur Costa Rica's economy, and what are the most important ways the government could use them? How important is the Resilience and Sustainability arrangement in terms of national efforts to address climate change, and what are the IMF's goals in urging reforms in Costa Rica?

A **Pablo Duncan, senior director of CLC Communications and Public Affairs:** "The available $270 million, strategically allocated to meet financing needs without crowding out private sector investment, reassures the government's fiscal responsibility. As a result, businesses will have access to more affordable credit, enabling them to invest in expansion and job creation. Lower interest rates will make it more attractive for households to borrow for consumption and investment, stimulating economic activity. Costa Rica has been at the forefront of promoting environmental and sustainability efforts for decades, and the Resilience and Sustainability Facility (RSF) stands as a recognition of the country's unwavering commitment to these principles. The additional $240 million attached to the RSF underscores the significance of addressing climate change, which is a critical issue.

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U.S. Air Force Flies Equipment, Contractors to Haiti for Mission

The U.S. Air Force has started to fly equipment and contractors to Haiti in anticipation of a multinational armed support mission, led by Kenya, to the Caribbean country.

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Strike at Brazil Agencies Delays Energy Projects

An ongoing strike by workers at Brazil's environmental enforcement agencies has led to delays in several energy projects. Dozens of electricity projects are stalled.

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POLITICAL

Authorities Arrest Brother of Peru's President

Peruvian authorities arrested Nicanor Boluarte, the brother of Peruvian President Dina Boluarte, in connection with a corruption probe. The president's lawyer was also arrested.

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Nicanor Boluarte // File Photo: TV Perú.

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POLITICAL NEWS

Peruvian Authorities Arrest President's Brother, Lawyer

Authorities in Peru arrested President Dina Boluarte's brother and her lawyer on Friday in connection with a corruption investigation, the Associated Press reported. The arrests of Nicanor Boluarte and Mateo Castañeda happened a day after the government dissolved a police unit that helped prosecutors to investigate people close to Boluarte, the wire service reported. The arrest warrant accuses Nicanor Boluarte of seeking appointments for government officials in exchange for money, the wire service reported. The president's brother is also accused of releasing government funds to mayors and regional leaders in exchange for bribes, BBC news reported. Nicanor Boluarte is also accused of gathering signatures to register a political party, Citizens for Peru, in exchange for bribes, the AP reported. He denies wrongdoing. "I am innocent," he told reporters as he left his house in handcuffs and wearing a face mask, sunglasses and a baseball cap, the wire service reported. Local television stations also showed the arrest of the president's lawyer, Mateo Castañeda, who is accused of interfering with authorities' investigation of Nicanor Boluarte by allegedly offering benefits to members of the now-defunct police unit, the AP reported. Before his arrest, Castañeda had advised the president in connection with an investigation into her use of Rolex watches and expensive jewelry that she did not list on a declaration of assets. It was unclear whether Castañeda or Nicanor Boluarte had attorneys who could comment for them, the AP reported. The arrest warrant alleges the two men were involved in a conspiracy to set up the Citizens of Peru political party in order to us it "as a platform to maintain power in the state apparatus and, thereby, obtain illicit profits," the AP reported. After the arrests, Attorney General Juan Villena said in a posting on social media that he is looking into the government's move to dissolve the police unit, a decision that Interior Minister Walter Ortiz had authorized, the wire service reported. Villena called for re-establishing the police unit "immediately." [Editor's note: See related **Q&A** in the April 4 issue of the Advisor.]

U.S. Flies Equipment, Contractors to Haiti in Hopes of Mission

The U.S. Air Force has started to fly equipment and contractors to Haiti in hopes that an international force, which Kenya is to lead, will be deployed to help the embattled Caribbean nation fight the gangs that assert broad control, the Financial Times reported Sunday. Several U.S. military aircraft have arrived in recent days at the Port-au-Prince airport, the newspaper reported, citing the U.S. Southern Command. The planes were transporting contractors to "set up the temporary living area" for the U.N.-authorized security force, the U.S. Southern Command said in a statement. "This mission is made possible due to the continued coordination and support with the Haitian stakeholders who are working to keep the airport open and operations continuing," it added. The mission is to be led by 1,000 Haitian police officers, and the multinational mission would include about 2,500 officers in total, the Financial Times reported. Among the countries that have vowed to supply personnel for the mission are the Bahamas, Jamaica, Chad and Bangladesh. The United States has ruled out sending troops, but it has said that it would provide some $300 million in funding. "We continue to work with international partners to expedite the MSS [Multinational Security Support] mission deployment to support the Haitian National Police in restoring security so that Haitians have the ability to go about their daily lives," said an unnamed State Department official, the Financial Times reported. "Base preparation is under way and the MSS mission is expected to deploy soon, the official added. Last week, Kenyan security officials met with their counterparts in Washington ahead of a scheduled meeting on May 23 between U.S. President Joe Biden and Kenyan President William Ruto, the newspaper reported. "Our security men are upbeat, I have

NEWS BRIEFS

Death Toll Rises to 143 in Brazil Floods

The death toll from the devastating floods in Brazil's Rio Grande do Sul state rose Sunday to 143, according to the local civil defense agency, Reuters reported. Another 125 people remain unaccounted for in the southern state, which was hit by more heavy rain over the weekend. Late Saturday, Brazil's government announced an additional 12.1 billion reais ($2.34 billion) in emergency funding. Last week, the government said it would provide $9.9 billion in aid, including subsidized credit for rebuilding.

Eight People Killed in Shooting at Ecuador Bar

A shooting on Saturday in the Ecuadorean town of Chanduy in the Santa Elena region left eight people dead, stoking fears of escalating gang-linked violence, the Associated Press reported. The attackers rode in motorcycles and a taxi to a bar where the patrons were celebrating a birthday party, killing five men and three women, none of whom had criminal records. The Santa Elena region has become a hot spot for violent crime in Ecuador, likely due to the region's ports, which are involved in drug smuggling.

Enel Generación Sweeps Chile Power Tender

Enel Generación, Chile's largest electric utility, won the entire volume of Chile's power tender last Thursday, Renewables Now reported. The firm secured 20-year power purchase agreements for supplying 3,600 gigawatt hours per year. Enel Generación will begin supplying electricity to distribution companies for the blocks it won in 2027 and 2028. According to a report from Energia Estratégica, the electricity offered by Enel will come from gas-fired power plants, wind farms and hydro, Renewables Now reported.

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talked to them," Ruto told the Financial Times recently in an interview. "They are ready, they are willing, they are available and as soon as the issues are sorted out, we will deploy," he added. Gangs in Haiti are continuing attacks, including at a police station that they seized on Saturday, the Associated Press reported. A week earlier, gang attacks in central Port-au-Prince forced more than 3,700 people to flee from their homes, the wire service reported. The attacks have led to calls for the resignation of Frantz Elbé, director of Haiti's National Police. Garry Jean-Baptiste, a spokesman for the SPNH-17 police union, accused Elbé of being complicit with gangs, the AP reported. Elbé did not immediately return a message from the wire service seeking comment. [Editor's note: See related **Q&A** in the May 8 issue of the Advisor.]

ECONOMIC NEWS

Strike at Brazil Agencies Delays Energy Projects

A ongoing strike by workers at Brazil's environmental enforcement agencies is increasingly disrupting Brazil's economy, the Financial Times reported Saturday. Workers at the agencies are protesting low wages, insufficient staffing and the absence of bonuses for the potentially dangerous work of intervening against environmental crimes. The strike began at the start of the year and now, in its fifth month, the impact on numerous sectors has become clear: environmental infringement fines are down nearly 90 percent, as workers stop tackling illegal deforestation; oil and gas licenses have stopped bring issued; and infrastructure projects are stalled, unable to receive the permits needed from environmental agencies to legally advance. The power sector has been particularly affected, with dozens of electricity projects stalled waiting for approval from the regulatory bodies, and just three licenses were issued so far this year for gas and oil exploration, according to Ascema, an environmental workers association, the Financial Times reported. The Brazilian Oil and Gas Institute estimated that just the first 90 days of the strike cost the nation around 20,000 barrels of oil per day, a loss of 3.4 billion reais, or $680 million, in potential revenue, Bloomberg News reported last month. "The delays to start operations could lead to contracts being revised and companies going to court to obtain licenses by judicial means, like an injunction, for instance," Claudio Frischtak, a managing partner for the infrastructure consultancy Inter.B, told Bloomberg News. Roughly 47,000 foreign-made vehicles are sitting in Brazilian ports, unable to be imported without approval from the Environmental Ministry, according to estimates from the National Association of Motor Vehicle Manufacturers, the Financial Times reported. "For an economy that is no longer [robust], the scenario is very problematic," Juliana Inhasz, an economics professor at Insper in São Paulo, told the Financial Times.

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By complying with these reforms, Costa Rica can enhance its fiscal sustainability, reduce the risk premium associated with our debt, improve our credit rating, contribute to lower interest rates and increase investor confidence, attracting domestic and foreign investment. The RSF is a shining example of how the steadfast commitment to environmental preservation and sustainability, nurtured over decades, has yielded tangible. The eventual decrease in interest payments presents an opportunity to invest in the well-being of its citizens and to redirect all potential savings toward critical public services, paving the way for a brighter future for all. The IMF's disbursement will complement the virtuous cycle of lower interest rates created by the fiscal consolidation road map. By reducing the pressure on the domestic funding market and implementing the necessary reforms, Costa Rica can lay the foundation for a more prosperous and sustainable future."

Ottón Solís, adjunct professor at IE University in Spain and founding member of the Citizen's Action Party (PAC): "Given that the real exchange rate has strongly appreciated in the last 18 months, thereby undermining the competitiveness of what it is a very open economy—and the unwillingness of the central bank to significantly lower its policy rate—these funds might trigger a further unwanted overvaluation of the colón. While their approval by the IMF sends a strong positive signal to the capital markets regarding sound fiscal management, they should not be disbursed. It is not wise to acquire more foreign debt, especially when it might lead to more currency appreciation. The Resilience and Sustainability Facility would have been nothing more than an IMF expression of support for Costa Rica's own historically chosen path regarding the fight against climate change. The current government seems not to have a strong commitment toward that path. Therefore, the oversight of the specialized international community is currently relevant as a way of making sure that Costa Rica materializes all the components of the National Decarbonization Plan launched by the Carlos Alvarado administration and keeps on track sustainable electricity and the extension of national parks and protected areas. However, the IMF might be biting off more than it can chew. Its original brief was primarily world monetary stability. From there, several decades ago, through cross conditionality with other Paris Club players, it moved into broader development policies. Lately, the IMF seems to have

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> **— Ottón Solís**

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become an expert in climate change and sustainability issues. Becoming a 'man for all seasons' might be an effective PR strategy, but there are already plenty of global organizations specialized in the field. Given scant funding for the challenges facing emerging and poor economies, duplicating budgets by an institution that constantly preaches sound government spending policies might send a confusing message."

Roberto J. Gallardo N., senior analyst at Analítica Consultores: "The IMF announcement is a recognition of the efforts that Costa Rica has been making, both in the cleanup of public finances and in the realm of sustainability, in a country that periodically suffers the impact of natural phenomena exacerbated by climate change. But there are additional elements that must be considered within the framework of these announcements. IMF support has been crucial in stabilizing public finances. The objectives defined in the agreement signed under the Extended Fund Facility have been met even before the established deadlines, largely as a result of the approval of a fiscal reform and regulation of public employment, approved during President Carlos Alvarado's administration. Unfortunately, this fiscal effort has resorted to reducing social investment, which fell to its lowest level in a decade in 2023 and is expected to decrease even further in 2024. Support of resilience and sustainability is essential for a country facing a true infrastructure crisis, especially in transportation, as a result of the impact of natural phenomena. IMF assistance is also supplemented by what the country will receive from the World Bank, but the frequency and intensity of these events should prompt a global discussion on the responsibility of the developed world in exacerbating the conditions generated by climate change, and the definition of sustained compensation mechanisms for countries like Costa Rica that regularly bear the cost of rebuilding infrastructure."

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> **— Roberto J. Gallardo N.**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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