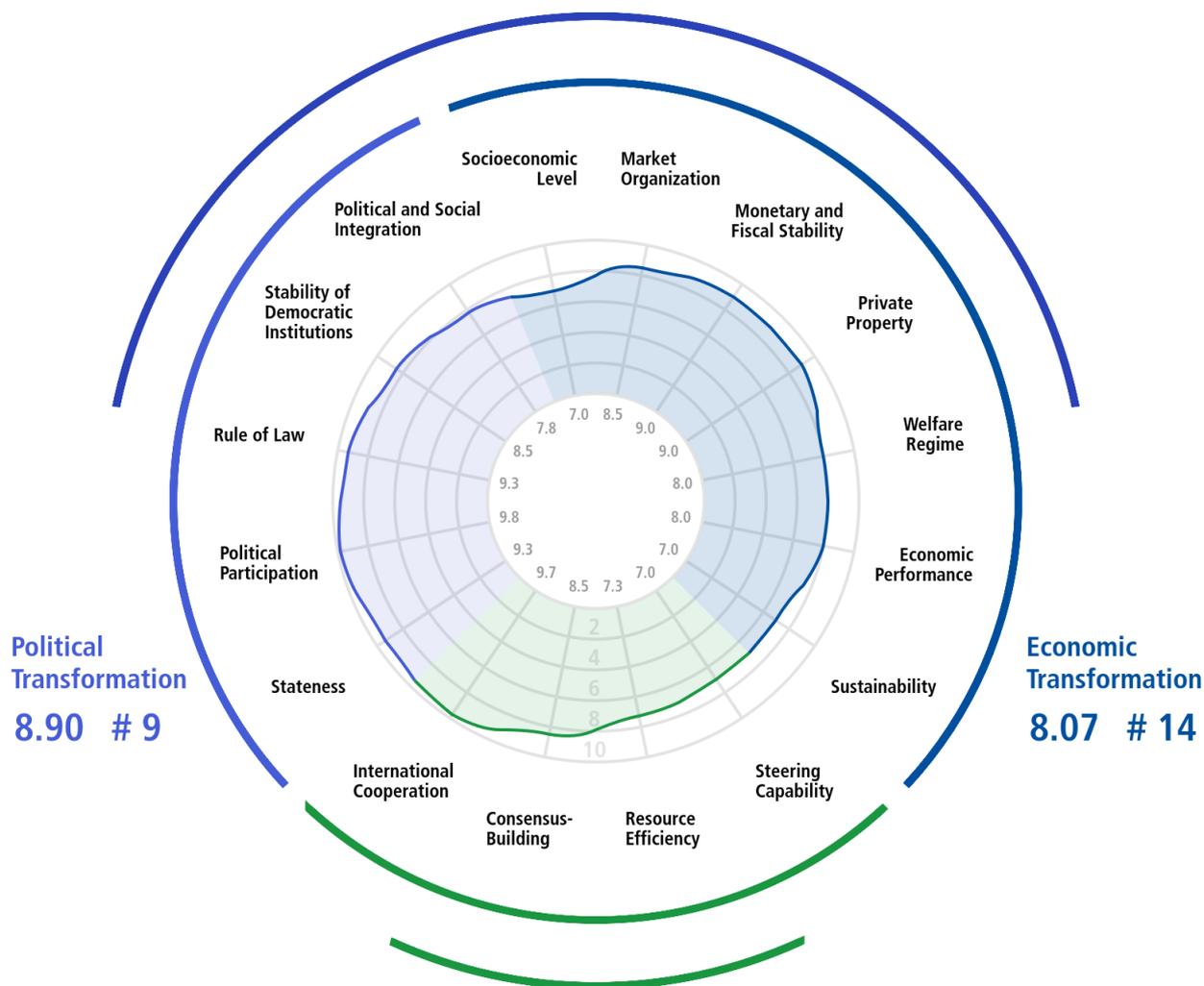


# Costa Rica

## Status Index

**8.49 # 11**

on 1-10 scale out of 137



**Political Transformation**  
**8.90 # 9**

**Economic Transformation**  
**8.07 # 14**

## Governance Index

**6.70 # 12**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>5.1</b>	HDI	<b>0.833</b>	GDP p.c., PPP \$	<b>30063</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.5</b>	HDI rank of 193	<b>62</b>	Gini Index	<b>45.8</b>
Life expectancy	years	<b>80.8</b>	UN Education Index	<b>0.749</b>	Poverty <sup>3</sup>	% <b>3.0</b>
Urban population	%	<b>83.2</b>	Gender inequality <sup>2</sup>	<b>0.217</b>	Aid per capita \$	<b>28.3</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

Political transformation in Costa Rica faces significant challenges. Concerns about democratic backsliding have risen as the executive has aggressively confronted the system of checks and balances, and as social and political polarization has intensified. President Rodrigo Chaves (2022 – 2026) has a populist style and readily employs confrontational rhetoric in response to critics, especially the press and traditional parties. The president often clashes with other branches of government and has suggested governing through executive actions rather than by seeking legislative support. Chaves' rhetoric and actions are perceived as a potential threat to Costa Rica's democracy. Despite this, Chaves continued to enjoy high levels of support among the citizenry during the period under review. As of January 2025, 71% of the population supported the president, according to a CID-Gallup poll.

Levels of public support for democracy remained low and variable, suggesting some ambivalence among citizens dissatisfied with the functioning of democracy. Contributing factors include an economic model that tends to benefit some groups over others, creating a divide between winners and losers. While the country has experienced poverty reduction and economic growth, income inequality persists, and certain industries and businesses benefit disproportionately from government policies. Other factors include a rise in crime and homicide rates, especially since 2023, primarily due to the country being used as a drug transshipment point. This surge has led to a decline in perceptions of public safety and in tourism. The lack of political consensus among legislators also presents a significant challenge. President Chaves's party, the Social Democratic Progress Party (PPSD), has a minority bloc in Congress, making alliance-building necessary for governance. The president's confrontational leadership style poses a further obstacle to policymaking. Public levels of trust in and identification with political elites also remain low. This, coupled with the trend of low voter participation rates, suggests potential vulnerability to democratic erosion.

Costa Rican society has continued to support the free market, and the country has made some progress toward fiscal stability. Nonetheless, socioeconomic inequalities have persisted. As the COVID-19 pandemic waned, the government implemented measures to increase revenues and control spending. While the country is on the path toward fiscal and economic stability, the IMF said in early 2025 that Costa Rica's task of rebuilding its fiscal space is not yet complete. Although market transformations in previous decades created a dynamic external sector, attracting considerable foreign direct investment (FDI), they also resulted in a two-tier labor market highly favorable to skilled workers. However, unskilled workers still constitute the majority of the labor force. Rural dwellers, ethnic minorities and women are particularly affected. Women earn less than men on average and have lower rates of labor market participation; young women suffer from higher rates of unemployment than young men. Turning to education, dropout rates at the secondary level are high, a fact that hinders upward social and economic advancement. Government cuts to social assistance and public education programs have further exacerbated social inequality. Experts have recommended that the government strike a better balance between seeking to consolidate the public finances and sustaining social opportunities. On the bright side, there was a notable dip in poverty and extreme poverty rates during the review period. This improvement was partly due to the gradual post-pandemic economic recovery. Income distribution remained highly concentrated in the highest quintile of households.

## History and Characteristics of Transformation

Costa Rica has sustained the longest continuous presidential democratic system in the Western Hemisphere after the United States. The adoption of the 1949 constitution and its subsequent reforms established the country's foundations for political and economic development. The state was transformed into a key player tasked with securing vital social, economic and, later, environmental rights – all while preserving important economic sectors such as banking, electricity and telecommunications as state monopolies. The state also took over the administration of health, education and housing and established a network of autonomous institutions. The constitution abolished the army and created a Supreme Electoral Tribunal (TSE) that functions as an autonomous fourth branch of government.

This constitutional model solidified democratic institutions by enabling and ensuring widespread participation and robust political party competition. It also fostered strong public investments in human capital, physical capital and the rule of law, which collectively served as the backbone of economic development. It further enabled high levels of human development. However, it also created a complex state structure in which the central government coexists with decentralized and autonomous institutions that administer the central state's goals.

A key moment was the 1989 creation of a constitutional chamber in the Supreme Court, Sala IV. The court protects individual rights, interprets the constitution and settles disputes among government branches. Access to the court is open and virtually without cost. The court has become an important arbiter of political clashes, particularly in the increasingly contentious disputes

between the executive and legislature, and also intervened in administrative decision-making processes when enforcing individual rights. Because lawmakers can submit bills to the court to determine their constitutionality, it has become a key veto player in the legislative process.

During the 1949 – 1978 period, a mixed economy model was implemented. State operations expanded, and the number of public employers multiplied, driven by the creation of several autonomous institutions. This created a complex state structure in which the central government coexisted with decentralized and autonomous entities. Because no major tax reform was passed during this period, all state institutions were funded by indirect taxes and a growing international debt, which increased dramatically between 1970 and 1978. In the 1980 – 1981 period, a severe economic crisis and recession forced structural reforms. Between the 1980s and 1990s, liberalization progressed, particularly in the trade sector, with reductions in tariffs and duties. State monopolies in utilities, banking and insurance gradually experienced liberalization, starting with the banking sector in the 1990s. Lucrative state enterprises had already been privatized. An export-promotion strategy successfully attracted foreign direct investment (FDI), enabling diversification in Costa Rica's production. This began with nontraditional agricultural exports and then expanded to high-tech industries in free-trade zones. International investments also spurred the development of a vibrant tourism industry, based on Costa Rica's ecological riches.

Another significant transformation followed the ratification of the Central American Free Trade Agreement in 2007. The agreement increased competition in the telecommunications and insurance sectors. As in banking, however, there was no privatization. While the state lost its monopolies, its firms now compete with private sector firms. Consequently, the change improved market competitiveness but did not fully level the playing field. The country's accession to the OECD in 2020 involved further reforms aimed at strengthening the regulatory framework for competition and improving conditions in the banking sector, including the establishment of a deposit insurance regime for all banks. The enactment of a fiscal rule in 2018 and a Public Employment Law in 2022 enhanced the country's prospects for placing public finances on a sustainable trajectory.

The first year of the COVID-19 pandemic caused an economic contraction, destroying employment and gutting fiscal revenue. The authorities preserved macroeconomic stability and helped mitigate the impact. However, both poverty and inequality worsened.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is secure nationwide. However, drug-trafficking gangs have contested some peripheral areas, particularly Limón (Caribbean coast) and Puntarenas (Pacific coast), and have clashed with police. The executive has been unable to apply policies to curb violence consistently. In mid-September 2024, the Public Opinion Survey conducted by the Center for Research in Political Studies at the University of Costa Rica (CIEP-UCR) found that Costa Ricans identified insecurity and crime as their primary concern. Since at least 2022, the country has been living through a security crisis. In 2023, the homicide rate reached 17.2 per 100,000 people, a 38% increase from 2022, marking the deadliest year on record. In 2024, the country reported 874 homicides, 31 fewer than in 2023 but still high for Costa Rica's predominantly nonviolent history. A significant portion of these deaths is attributable to local drug gangs, which are usually surrogates for international cartels.

The nation-state's legitimacy is broadly accepted by the population. Some social and political actors who seek to strengthen their influence engage in collective action, including acts of civil disobedience such as street blockages, but they do not question the nation-state's legitimacy. All individuals and groups enjoy the right to acquire citizenship without discrimination. Migrants and refugees make up 10% of Costa Rica's population, well above Latin America's average (2%). As of 2022, 59% of the country's non-native population required international protection, including 239,640 asylum-seekers, 14,088 refugees, 235 people at risk of statelessness and 16,598 others in need of protection. Nicaraguan migrants and refugees account for 82% of Costa Rica's foreign-born population.

Question  
Score

Monopoly on the  
use of force

9



1

State identity

10



1

The state's legal framework is secular, and positive law governs the application of law in Costa Rica. Article 75 of the constitution defines Catholicism as the country's state religion, but also recognizes the freedom of religion. Religious dogmas do not force the imposition of laws but have had some influence in recent public discussions about same-sex marriage, sex education and abortion, among other topics. The Catholic Church and evangelical Christians generally oppose abortion, yet therapeutic abortions are allowed by law in cases where the mother's life is threatened. In 2018, a neo-Pentecostal political movement led by the Nueva República Party received electoral support for adhering to a conservative discourse opposing sexual minorities' rights, ratifying censure of sex education in public schools and claiming the country for Christ. However, this movement failed to win the 2018 presidential election, garnering support from only 40% of Costa Ricans. In 2022, this conservative movement had no electoral opportunity to contest the presidential race, although it gained seven seats (of 57) in the Legislative Assembly.

State institutions administer public services, providing near-universal access to electricity (99.9% of the population), a basic water source (99.8%), education and health care throughout the national territory. Public schools in Costa Rica are easily accessible across the country. Nevertheless, according to the most recent World Bank figures, only about 80.5% of the population has access to safely managed water. Untreated wastewater contributes to surface-water pollution and contaminates groundwater sources. Prolonged water rationing and cuts occurred during the period under review.

The Costa Rican Social Security Fund (CCSS) is criticized due to long waits for health services, and access to specialist doctors has become a recent issue. Public hospitals have denounced a new public employment law, saying it lowers public hospital wages compared with wages in private hospitals. This has made it more difficult for public hospitals to appoint and retain specialists. By early 2025, more than 2,000 specialist doctors had resigned from the CCSS, causing the government to declare a health care emergency for public hospitals.

In 2022, the IMF reported that Costa Rica is among the countries with the slowest roads in the world (ranked 144th of 162 nations). This is due to a combination of a high volume of vehicles, inadequate public transportation and a lack of infrastructure projects. This situation did not improve during the period under review. While new infrastructure was built in the province of Cartago during 2023 – 2025, it does not effectively solve the larger traffic problem.

No interference of religious dogmas

9



1

Basic administration

9



1

## 2 | Political Participation

National elections are held every four years to elect the president and congressional deputies. There are no constraints on free and fair elections. The TSE excels at organization and management. Voter registration is automatic when citizens reach legal adulthood at age 18. Citizens living abroad can vote at consulates and embassies, and incarcerated individuals are also eligible to vote. Polling procedures, including vote counting, result verification and complaint resolution, are conducted transparently and impartially. In addition, political parties receive state funding based on their vote share.

General elections were held in February 2022 to elect the president, vice president and all 57 members of the National Assembly. Since no presidential nominee gained 40% of the vote, a run-off was held in early April 2022. The anti-establishment candidate, Rodrigo Chaves of the recently formed right-wing Social Democratic Progress Party (PPSD), won with 53% of the vote. His main rival, former President Jose Maria Figueres of the centrist National Liberation Party (PLN), won 47% of the vote. Despite accusations of sexual harassment against Chaves, he prevailed by positioning himself as a political outsider and focusing on job creation and the economy. The elections ran smoothly and were deemed free and fair. The voter turnout rate, however, was low. Regarding the legislative elections, no party won a majority of deputy seats. The PLN won the most seats (19), followed by the PPSD (10). Four other parties won between six and nine seats each.

Democratically elected political representatives have the effective power to govern, and no individual or group holds any de facto veto power. While there are powerful actors capable of influencing public affairs, notably business groups, public unions, the Catholic and Protestant clergy, and the press, among others, none of them can exercise an uncontested veto. No single group can stop the enactment of decrees or legislation without due process, and only the Constitutional Court may rule on the constitutionality of legislation and decrees.

Association and assembly rights are unrestricted for individuals and independent political or civic groups, and are guaranteed by the constitution and Labor Code. During the review period, various groups demonstrated against policies regarding the public education budget. Public unions in hospitals, as well as the police, also organized demonstrations against labor policies. The Pride Day march took place in the capital as it does every year. All demonstrations were peaceful and held without fear of retribution or interference. However, the frequency of social protests declined during the period under review. Compared with the past, interest groups today prefer to issue public statements rather than using demonstrations or street blockades to pressure the government. There were few strikes and work stoppages during the

Free and fair elections

10



1

Effective power to govern

10



1

Association / assembly rights

10



1

review period, a fact that union leaders publicly attributed in large part to more restrictive labor legislation approved by the legislature in 2020. In 2024, most street blockades were carried out by communities to protest the lack of water. Unionization in the private sector is limited, but many workers join solidarity associations, which provide low-interest loans, health and recreation services, and savings accounts, and which may additionally serve as a channel for labor relations demands. Whether these organizations serve as a mechanism to hinder unionization, as labor union leaders allege, is a point of contention.

Freedom of expression is guaranteed by Articles 26 – 29 of the constitution and is generally upheld. No journalists or media workers were killed or detained for reporting or expressing their ideas during the review period. However, the president openly attacks those who question or criticize his policies, including journalists and government officials. He often uses his weekly press conference, which airs every Wednesday on public Channel 13, for this purpose. Moreover, at the end of 2022, it was reported that the health minister hired a social media troll to discredit journalists who had criticized her and Chaves. In an interview, the so-called troll said he worked for Chaves during the presidential campaign using a network of fake social media accounts. Chaves held a press conference to defend his minister and accused the media of orchestrating a campaign against her in association with the National Liberation Party (PLN) and Broad Front (FA) opposition parties. The Sala IV chamber of the Supreme Court acknowledged the importance of a free press for democracy and condemned Chaves's confrontational language. Costa Rica fell three places to 26th in Reporters Without Borders' 2024 World Press Freedom Index.

In March 2024, Costa Rica became the first country in Latin America to have a national strategy against hate speech and discrimination. In early 2024, the U.N. office in Costa Rica reported that the incidence of hate speech on social media doubled during June 2023 – May 2024 compared with the same period in 2022 – 2023. Expressions of racism increased by 102%, hate speech against women rose by 67% and xenophobic comments rose by 65%, according to a U.N. report analyzing the period. Nearly 1.7 million messages and conversations linked to hate speech and discrimination were detected in Costa Rica during the period analyzed, compared with 1.5 million in the previous year, the study reported. Two out of three of those responsible for this hate speech were men.

Freedom of  
expression

9



1

### 3 | Rule of Law

There is a clear separation of powers with mutual checks and balances determined by the constitution. The TSE, which is in charge of elections, acts as a fourth branch of government. The application of the law is effective regardless of the political affiliation or position of the accused. Costa Rica continues to rank 29th out of 142 in the World Justice Project Rule of Law Index 2024, as it did in 2022. Despite attacks by President Chaves on the Legislative Assembly and the Supreme Court (CSJ), the separation of powers has proved effective. President Chaves often blames the president of the Legislative Assembly (Rodrigo Arias of the PLN) for not passing legislation implementing the administration's preferred security policies. In early 2025, in an attempt to provoke public indignation, the president challenged Arias and the president of the CSJ to a public debate to determine who was to blame for the country's problems. Arias and CSJ President Orlando Aguirre Gómez rejected the invitation, arguing that debates were for elections, not for the purposes of polarizing the country.

The judiciary is independent of other institutions and free from undue external influence. Article 2 of the Organic Law of the Judicial Branch states that the judiciary's authority is subject only to the constitution, the law and its own decisions in matters within its jurisdiction. A constitutional provision that grants it 6% of the state's expected revenues for its operating budget also guarantees judicial independence. Norms of autonomy are entrenched and zealously defended by all sectors, especially by court magistrates themselves. They have appealed to these norms to resist the executive's efforts to contain expenditures, even as the Constitutional Court has ruled that general state policies that set limits on spending do not necessarily violate the judiciary's independence.

The judicial system is generally not believed to be corrupt, but cases of corruption do emerge and are prosecuted. In June 2024, the Deputy Attorney General confirmed the detention of three public prosecutors and two judges accused of peddling, ideological falsehood, breach of duty, disclosure of secrets and bribery. In late 2024, the Judicial Research Department reported that, during 2024, six judges were arrested for corruption and others were under investigation for receiving money from drug dealers to influence their decisions in narcotics cases. In the same year, the Attorney General's Office ordered the arrest of the Costa Rican Social Security Fund (CCSS) president on corruption allegations. President Chaves has sought to undermine the credibility of the judicial system and has attacked the Supreme Court and the attorney general, as in the aforementioned corruption case.

Separation of powers

10



1

Independent judiciary

9



1

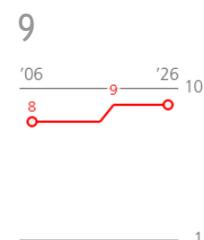
In Costa Rica, officeholders who break the law and engage in corruption are rigorously prosecuted under established law. In general, Costa Rica applies anti-corruption measures effectively. In April 2022, then-President Carlos Alvarado signed a law to prevent the indefinite re-election of municipal officials, such as mayors, by popular vote. This measure was implemented to ensure a rotation of power and deter corruption. While allegations of corruption, including high-level corruption, are thoroughly investigated and prosecuted, the legal process is often protracted and frequently fails to result in charges against the accused. According to data provided by the director-general of Costa Rica’s Judicial Investigation Department (OIJ), in 2023 investigators revealed 273 cases of corruption linking public employees to drug-trafficking. In total, authorities reported 3,117 corruption cases in 2023, most of them involving abuse of power or peculation.

Civil rights are codified by law and largely respected by all state institutions. Residents are effectively protected by mechanisms and institutions established to prosecute, punish and redress violations of their rights. The law prohibits discrimination against people with physical, sensory, intellectual or mental disabilities. The Sala IV chamber of the Supreme Court allows individuals to seek recourse (“Amparo”) for the violation of constitutional rights. Access to the court is open and accessible. Anyone (including noncitizens) can present a writ without a lawyer or the use of specialized language. The Sala’s decisions carry the force of law and cannot be appealed. The Ombudsman’s Office (Defensoría de los Habitantes) serves as an advocate for citizens’ rights and intervenes at the administrative and judicial levels to remedy rights violations, both for individuals and groups. Nonetheless, the LGBTQ+ community faces persistent discriminatory attitudes and practices by law enforcement officials. Indigenous people, who make up about 3% of the population, also face discrimination and are sometimes targets of violence.

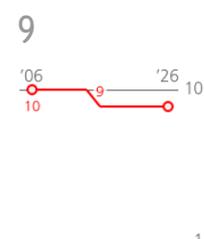
#### 4 | Stability of Democratic Institutions

The executive is relatively weak, with almost no decree powers and a limited veto power. Its ability to advance its agenda depends on its capacity to negotiate and forge political agreements, if not consensus. The shift from a two-party (1990 – 2002) to a multiparty system (2002 – 2018) with increasing party fragmentation has made this more difficult. The president is also subject to multiple constitutional and legal controls by the other branches and is constrained by rules preventing immediate re-election. Moreover, cooperative relationships among the branches of government are necessary to resolve problems. However, Chaves’ administration has demonstrated a reactive rather than a proactive attitude in interacting with the other branches of government. Of the six meetings held in 2023 – 2024, two were convened by the executive, two by the legislature and two by the judiciary.

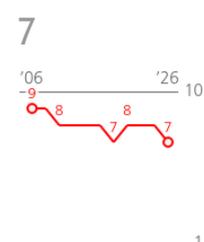
#### Prosecution of office abuse



#### Civil rights



#### Performance of democratic institutions



While the set of democratic institutions is effective, some changes have created problems in the legislative process that hinder performance. Since the president's party lacks a majority in Congress, alliance-building is necessary to pass legislation. However, Chaves has lacked the will to build consensus among political factions in Congress. Instead, he lashes out against his opponents, accuses lawmakers of sabotage and publicly complains that opposition parties fail to cooperate in implementing bills. According to the 2024 Informe Estado de la Nación (2024-IEN) report, the Chaves administration had created among the fewest coalitions of the administrations serving during the 1995 – 2022 period. A historic low in the number of coalitions was recorded in the 2023 – 24 legislative year. In addition, Chaves' deputies were the least successful faction in passing bills throughout the entire 1995 – 2022 period. From 2022 to 2024, the administration won approval for just three of the 70 bills it submitted.

At the legislative level, procedural rules allow minority groups to block substantive reforms. Legislators can also submit bills for constitutional review. At the administrative level, the Comptroller General exercises strict financial and administrative control over multiple organizations under its purview. While necessary, such oversight greatly reduces the executive's flexibility. At the citizen level, the Constitutional Court has empowered individuals to respond to administrative action (or inaction). These regime characteristics have diluted the effectiveness of democratic institutions and reduced accountability by allowing different actors to blame one another for stasis.

There have been considerable efforts to transfer more competencies and resources to municipal governments and to allow citizens to elect local representatives directly. Yet the effectiveness and political reach of these governments remain limited.

All relevant actors accept the legitimacy of democratic institutions. Democratic norms are well internalized and are part of the regular discourse among political actors. Despite Chaves' rhetorical attacks on critics, he has not taken concrete action against democratic institutions. The Supreme Court and especially its Sala IV have condemned the president when he attempts to delegitimize democratic actors and institutions. A number of associations work to publicly support democratic institutions even as Chaves has questioned political representatives. Political parties respect democracy and act in accordance with TSE rules.

Commitment to democratic institutions

10



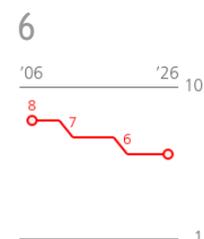
## 5 | Political and Social Integration

Although Costa Rica has institutionalized political parties, its party system has been relatively fluid since the end of two-party rule in 2001. This trend has been characterized by growing fragmentation and ideological polarization, along with notably tenuous and fluctuating voter affiliation with parties. This has corresponded with rising levels of voter abstention and a reduction in party loyalty and identification. According to the TSE database, the abstention rate rose to 30% in 1998, compared with rates under 20% for most of the 1953 – 1998 period. For the most part, this figure has steadily risen since, reaching 40% during the first round of the 2022 presidential elections.

Party discipline has also diminished, as evidenced by an increase in the frequency of elected legislators breaking with the parties under whose banner they were elected. During the Alvarado administration, 17.5% of all legislators (a fraction as large as the governing party’s group) did so. The effective number of parties has increased from an average of 2.3 during the two-party period to an average of 4.9 in the four elections since 2010. Between 2022 and 2025, six deputies (all women) declared themselves to be “independent,” breaking with their original political parties. Three of these lawmakers came from the right-wing Liberal Progressive Party (PLP).

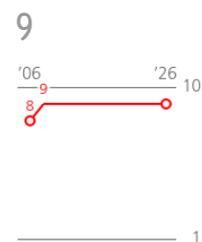
Several studies by Estado de la Nación have highlighted the fragility and volatility of electoral support for the party system since 2006. Setting aside a consistent level of PLN support among about 16% of the electorate, party loyalty tends to be short-lived and linked to the personalities of party leaders rather than associated with the organizations’ programmatic or ideological characteristics. The ongoing shifts in political identities and voter support were highlighted during the 2022 presidential elections when the Citizen Action Party (PAC), which won the 2014 and 2018 presidential elections, received only 0.66% of the vote and failed to elect a single deputy. Alvarado’s administration’s unpopular tax and public employment reforms were probably the main cause of PAC’s electoral decline. In the 2022 elections, nearly 65% of voters did not vote for the same party they had supported in 2018, the largest such change since 1958. Voters also tend to split their votes, supporting different parties for the presidency and the Legislative Assembly. This has tended to result in conditions of divided government in which the legislature is controlled by opposition parties. The governing party in the past and current administrations (2018 and 2022) has controlled a mere 18% of seats in the legislature.

Party system



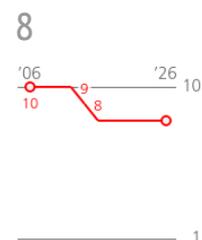
Costa Rica has a strong tradition of organized movements with political interests. At the local level, communities have formed Community Development Associations (ADESCOs), community-based organizations focused on promoting local development. Currently, over 3,000 ADESCOs are registered and protected by law. The universe of local groups also includes environmental activists who work to protect natural resources, rivers and animal species. These groups play a fundamental role in organizing local activities to raise environmental awareness. They have denounced some recent state actions that run counter to environmental concerns. Moreover, there are about 594 cooperatives in the country, whose membership accounts for about 20% of the population. Workers are organized in traditional unions and solidarist associations. As of mid-2024, there were 1,445 solidarist associations. Most organized unions represent state employees, and there are seven confederations that bring together workers from different sectors. The unionization rate in 2023 was 17%, a 2% increase from 2022. Other interest groups include the Costa Rican Exporters' Chamber (CADEXCO), the Costa Rican Union of Private Sector Enterprises (UCCAEP) and the National Association for Economic Development (ANFE). This broad network of associations and interest groups is an effective channel for mediating between society and the political system.

#### Interest groups



According to Latinobarómetro surveys, the share of people in Costa Rica stating that democracy was preferable to any other system dropped nine percentage points from 2022 to 63% in 2024, although this was an improvement from 56% in 2023. The degree of public support for democracy in Costa Rica is among the region's highest, just behind Argentina and Uruguay. Meanwhile, 45% of respondents in 2024 indicated that they were satisfied with the working of democracy in their country, the fourth-highest such figure in the region. These results indicate that, while Costa Rica is largely composed of convinced believers in democracy, there is some dissatisfaction with its functioning. According to the 2024 OECD Survey on Drivers of Trust in Public Institutions, 35% of Costa Ricans expressed "high or moderately high" confidence in the government. Moreover, citizens had more confidence in the police (48%), the courts and judicial system (44%) and their fellow citizens (43%) than in the government. In contrast, political parties (13%) and the Legislative Assembly (26%) were the least-trusted institutions in the country. According to these survey results, gender disparities were notable: While 40% of men expressed confidence in the government, only 30% of women did. In terms of day-to-day interactions with public institutions, Costa Ricans reported higher satisfaction than the OECD average in several areas: 64% said they were satisfied with the education system and 66% with administrative services. However, perceptions of the integrity of public employees were low: Only 29% believed that public employees would refuse bribes, below the OECD average of 36%.

#### Approval of democracy



Costa Rican society has historically prided itself on its culture of “compañerismo” (fellowship). According to the OECD Better Life Index, Costa Rica has a moderate sense of community and moderate levels of civic participation. In Costa Rica, 82% of people believe they know someone they could rely on in a time of need, which is lower than the OECD average of 91%. The 2024 OECD Survey on Drivers of Trust in Public Institutions shows a gap in trust in other people among Costa Ricans. About 48% of Costa Ricans who identified themselves as part of a group subject to discrimination showed trust in other people, compared with 35% of Costa Ricans who did not identify themselves as part of such a group.

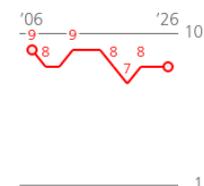
Levels of trust in immigrants, as well as the acceptance of them, are high. The 2023 Americas Barometer Report shows that more than 80% of Costa Ricans say they would not mind having a neighbor who was an immigrant, and 60% or more agree that the government should offer social services to immigrants. Most Costa Ricans support joint measures to help immigrants: 72% back local actions, 79% support actions taken jointly with the United States and 61% defend equal rights. In addition, 75% consider the arrival of Nicaraguans justifiable due to the political crisis in their country, and 73% consider it justifiable for economic reasons.

Regarding support for the LGBTQ+ community, Costa Rica is still a country in transition. In 2023, 36% of Costa Ricans supported same-sex marriage, above the regional average of 29%. Women, young people and the most educated were the strongest supporters.

Costa Ricans engage in voluntary, autonomous organization of cultural, environmental and social associations at the local and national levels, although the degree of individual engagement with those organizations does not appear to be high. According to 2024 data from the Universidad Nacional de Costa Rica (UNA), participation in religious associations is most pronounced, with 55% of the population affirming that they were engaged in at least one religious association.

#### Social capital

8



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Social inclusion policies have led to significant advances in human development. Although the poverty rate had remained largely unchanged at about 20% since 1994, along with the extreme poverty rate at about 6%, these levels improved during the review period. The 2024 National Household Survey (Enaho) showed that 18% of households were in poverty due to insufficient income. This marked a significant decrease of 3.8% from 2023. The extreme poverty rate also fell to 4.8%. Income inequality also decreased compared with the last review period, as measured by the Gini coefficient, which fell from 0.524 to 0.492 (2024). While this figure is close to the international threshold for a highly inequitable distribution, it marks the most equitable distribution of income among individuals or households since the 1990s (0.461). The 2024 Informe Estado de la Nación (IEN) report determined that traditional, industrial-based sectors provided fewer job opportunities than those generated by the knowledge- and technology-driven sectors.

Employment opportunities have not been inclusive for most of the population. Members of vulnerable groups are disproportionately engaged in low-paid activities and the informal sector. IEN researchers found that, during the 1990s, 47% of income differences were explained by existing wage gaps across economic activities; as of 2011, this proportion increased to 56% (the rest of income inequality is due to individual factors). Income inequality is highest in the service sector. In contrast, the lowest internal differences are found in the education, finance and public administration sectors. Furthermore, the IEN report showed that 54% of all remuneration is concentrated in the highest income quintile of households; this disparity is greater for capital income, as 84% of it is absorbed by the wealthiest families.

Question  
Score

Socioeconomic  
barriers

7



1

Economic indicators		2021	2022	2023	2024
GDP	\$ M	64960.7	69243.6	86497.9	<b>95350.4</b>
GDP growth	%	7.9	4.6	5.1	<b>4.3</b>
Inflation (CPI)	%	1.7	8.3	0.5	<b>-0.4</b>
Unemployment	%	15.1	11.3	8.3	<b>7.8</b>
Foreign direct investment	% of GDP	5.5	5.3	5.4	<b>5.5</b>
Export growth	%	15.9	18.5	10.0	<b>5.8</b>
Import growth	%	19.2	8.1	5.2	<b>6.0</b>
Current account balance	\$ M	-2063.1	-2272.2	-1239.2	<b>-1290.7</b>
Public debt	% of GDP	67.6	63.0	61.1	<b>59.8</b>
External debt	\$ M	33662.0	38682.6	39025.1	-
Total debt service	\$ M	2797.0	2599.1	5078.8	-
Net lending/borrowing	% of GDP	-2.8	-0.1	0.4	-
Tax revenue	% of GDP	14.0	14.4	13.9	-
Government consumption	% of GDP	16.5	15.4	14.9	<b>14.7</b>
Public education spending	% of GDP	6.2	-	-	-
Public health spending	% of GDP	5.4	5.0	-	-
R&D expenditure	% of GDP	0.3	0.3	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Market competition is consistently defined and implemented at both the macro and micro levels. Most prices are determined competitively, and currency is easily convertible. Entering into contracts, regardless of the currency used, is protected by law, and there are no restrictions on making or withdrawing investments. To ensure equal opportunities for all participants in the market, there are state-guaranteed rules for market competition (Law 7474). According to Article 19 of the constitution, foreigners are granted the same rights and responsibilities as citizens. However, the OECD has reported limitations on foreign acquisitions of land and real estate in coastal and frontier areas. Furthermore, there is a clear preference for local suppliers

Market organization

8



in public procurement processes. The main issues related to non-tariff trade barriers are found in the process of registering pharmaceutical and cosmetic products. The Costa Rican government requires a Good Manufacturing Practices Certificate, which is not issued in most U.S. states. Manufacturers need to invest time in finding the right entity that can include the information required by the Costa Rican government as part of the Free Sales Certificate. As of 2024, about 37.4% of the economically active population works within the informal sector. Informality rates for women are higher than for men.

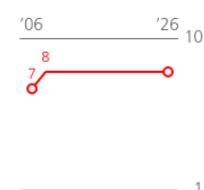
The Law for the Promotion of Competition and Effective Consumer Protection (1994) promotes market competition and protects the rights and interests of consumers. In addition to prohibiting monopolistic practices, the law imposes other restrictions that safeguard efficient market functioning and aim to eliminate unnecessary regulations for economic activities. The National Commission for the Promotion of Competition (COPROCOM) is responsible for investigating and penalizing monopolistic practices. COPROCOM is affiliated with the International Competition Network. In 2012, the Competition Promotion Act was introduced to control mergers. Merger control regulations were amended in 2019 through the Law for Strengthening of the Competition Authorities, which aimed to improve and strengthen the implementation of competition laws and policies by COPROCOM and SUTEL (Superintendency of Telecommunications). SUTEL is responsible for the defense and promotion of free competition in the telecommunications and networks sector.

Sector-specific laws and judicial decisions exempt several markets from competition regulations, facilitating monopolistic practices that limit competition and distort prices in markets for products and services such as ground and maritime transportation, sugar, and rice. Other exemptions include concessionaire services established by statute, monopolies awarded by the state and actions allowed by special law. In 2023, the OECD Economic Surveys found that most of these exemptions are not justified from a competition perspective. The OECD also found that COPROCOM remained severely under-resourced, understaffed and unable to buy equipment, which affected its performance.

Legally sanctioned monopolistic limitations still exist. In the electricity sector, transmission, distribution and export are state monopolies. While regulated by the Autoridad Reguladora de Servicios Públicos, the state-owned Instituto Costarricense de Electricidad (ICE) holds considerable sway over the direction of the sector. Reports by the Comptroller found that some of ICE's administrative and investment practices have unnecessarily inflated electricity prices. Private generators depend on ICE to set contracts on which they can bid for half the capacity they are entitled to generate. In 2022, the government presented a draft project for the Harmonization of the National Electricity System to open the energy market. In October 2023, a new draft proposed the creation of a National Electricity Market (NEM), in which

#### Competition policy

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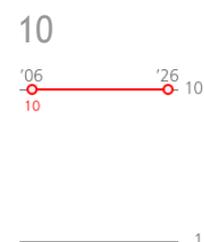
transactions for the purchase and sale of energy would take place among wholesale agents. However, as of the time of writing, no legislative steps had been taken to approve the project.

The state also retains monopolies in alcohol distillation; the importing, refining and distribution of petroleum and its derivatives; and the operation of railroads, ports and airports – although the latter have been offered as concessions to private entities. State companies maintain significant market shares in areas in which they previously held monopolies. The National Insurance Institute (INS) retains a monopoly on workplace risk insurance, with a dominant share of 69.9% of total premiums as of July 2024. However, private enterprises do offer alternatives; the top two competitors are Pan-American Life (PALIC) and ASSA Insurance. Nonetheless, private entities collect a much lower percentage of premiums; for instance, PALIC holds 11.4% and ASSA only 6.8%.

Costa Rica has continued to liberalize its foreign trade regime through participation in preferential trade agreements, both bilateral and multilateral, while maintaining a proactive strategy to attract FDI. According to the World Bank, the country is largely liberalized, with a 2023 trade-to-GDP ratio of 72.47%. The WTO's 2023 report stated that the simple average of the country's most-favored-nation applied tariff was 5.5%. There are no significant trade barriers to the entry of most goods and services, although the requirement for a Good Manufacturing Practices Certificate to register pharmaceutical and cosmetic products is considered the single remaining non-tariff barrier. To date, the country has signed 16 regional trade agreements, up from 15 during the previous review round, including agreements with the United States, the Dominican Republic and Central America, the Caribbean Community of Nations, Canada, Chile, Mexico, Panama, Ecuador, China, Singapore, and Colombia. Costa Rica is also a party to the association agreement signed between the European Union and Central America in 2012 and has been a member of the WTO since 1995. In May 2020, Costa Rica became the first Central American country and the fourth Latin American country to be admitted to the OECD. Additionally, it has observer status with the Asia-Pacific Economic Cooperation forum and the Pacific Alliance and has made efforts to join the Trans-Pacific Partnership.

In 2023, the government shifted responsibility for FDI promotion from the private non-profit Costa Rican Investment Promotion Agency (CINDE) to the state-run Foreign Trade & Investment Promotion Agency (PROCOMER). Some criticized the change, arguing that the transition disrupted established networks, while others praised it. Officially, the government justified the move by arguing that state institutions already exist to attract international investment, and it cited CINDE's focus on U.S. investments and the Greater Metropolitan Area (GAM) around Costa Rica's capital of San José. The Ministry of Foreign Trade, which governs foreign trade and investment policy, also plays a leading role in positioning the country as an attractive place to invest.

Liberalization of  
foreign trade



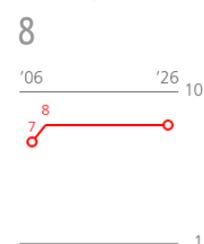
Despite the shift, 2023 was the strongest year for attracting FDI since 2017. However, the 64% growth in new investment projects that year reflects an uneven distribution, with CINDE managing 31 of the 59 projects, although PROCOMER is credited with managing or co-managing all projects. In the first half of 2024, PROCOMER managed only four new projects without the involvement of other entities, compared with an average of 29 in the same period the previous year.

The banking system is stable and regulated in accordance with international standards. The financial system is supervised by the General Superintendency of Financial Institutions (SUGEF), which reports to the National Council for Supervision of the Financial System (CONASSIF), a semiautonomous unit of the Central Bank of Costa Rica (BCCR). The provision of banking services is regulated, and a license must be obtained from the regulator before starting operations in the sector. The activities and services authorized under the banking license are restricted to “banking activities.” Commercial banks are prohibited from participating, directly or indirectly, in agricultural, commercial, industrial or other companies, and from purchasing products, goods or real estate that are not essential for their normal banking operations.

The banking system is concentrated, and the state plays a prominent role in providing financial services. The banking system comprises 15 banks (two state-owned commercial banks, two created by special laws and 11 private banks), 21 savings and loan cooperatives, five nonbank financial institutions, and three other specialized savings and loan organizations. Banks account for almost 60% of total financial sector assets. According to a World Bank country report released in June 2023, the five largest banks hold 79% of the banking system’s assets, and the four state-owned banks hold 46% of credit providers’ assets. This is one of the largest public ownership shares in Latin America. The consolidated total assets of state-owned banks amounted to \$34.7 billion, while the combined assets of the regulated financial sector overall (public banks, private banks, savings and loan entities and others) exceeded \$75 billion as of December 2023.

Costa Rica’s financial system has been stable and resilient, maintaining capitalization and liquidity levels above regulatory requirements. The latest stress tests conducted by the BCCR suggest that the banking system has sufficient capital buffers and liquidity to weather extreme economic events. In 2022, Costa Rica’s bank capital-to-assets ratio was 9.6904%. This was an increase from the previous year’s ratio of 7.433%. The average ratio throughout the 2008 – 2022 period was 8.075%. This means that Costa Rica’s banking system meets the minimum capital adequacy ratio, meaning that institutions likely have sufficient financial cushion to absorb a reasonable amount of losses before they become insolvent and consequently lose depositors’ funds. The sector’s ratio of non-performing loans to gross loans was 2.4299% in 2022. Households’ and firms’ overall indebtedness remains low from an international perspective. However, household indebtedness in Costa Rica has

Banking system



recently increased, more than doubling in the past two decades. Actual indebtedness is likely to be larger than reflected in this data, as loans by non-supervised creditors are not included in official statistics, and the share of households with excessive indebtedness has increased over time. This is primarily thanks to credit card debt, which currently amounts to 3.4% of GDP. The credit registry covers around 35% of the adult population.

## 8 | Monetary and fiscal stability

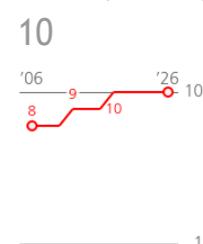
The central bank (BCCR) acts with a significant degree of autonomy, and pursues and communicates its plans to achieve monetary stability with consistency. It formulates a monetary program that is widely publicized and regularly adjusted to manage expectations. Its independence and use of an increasingly robust inflation-targeting framework have helped reduce inflation over the past 30 years. The IMF has acknowledged the BCCR's success in reducing inflation and lowering inflation expectations. A flexible, market-determined exchange rate with a managed band has helped buffer external shocks. The real effective exchange rate index (2010=100) shows an increase in 2023 to 115.0, compared with 99.8 in 2022. Data for the effective exchange rate index are updated yearly, with an average of 92.356 (2010=100) from December 1980 (median) to 2023. The BCCR acts jointly with the National Supervisory Council for the Financial System (CONASSIF), which establishes regulations and supervises the activities of other financial oversight bodies.

The BCCR adopted a restrictive monetary policy stance in an effort to return inflation to the 3% target. After 2022 ended with the highest annual inflation rate in more than a decade – 8.3% as measured by the consumer price index (CPI) – the BCCR's efforts proved successful, with the CPI inflation rate declining by 7.75 percentage points to an overall rate of 0.53% in 2023. Inflation even fell to a historic low of -3.3% in August 2023, the lowest level since the adoption of the inflation-targeting regime.

Internationally, inflation trended downward in 2024 due to commodity price declines and restrictive monetary policies. However, in the last three months of the year, some countries saw slight increases associated with higher service prices and weather events. In Costa Rica, after several months of negative rates, inflation turned positive by the end of 2024 mainly due to the slower pace of decline in external prices, an increase in maritime transportation costs and the effects of less restrictive monetary policies. At the end of the year, headline inflation, measured by the year-over-year variation of the Consumer Price Index, stood at 0.8%, with the core inflation rate at 0.9%. These levels remain below the lower limit of the range around the central bank's inflation target.

In 2023, Costa Rica's economic growth rate was 5.1%, above the long-term average. However, it fell to 4.3% in 2024. During this period, production growth was driven mainly by external demand, particularly focused on exports of special-regime goods

### Monetary stability



and services, as well as an acceleration in gross capital formation, mainly in transportation equipment in the private sector and deriving from road and electricity infrastructure projects in the public sector. The use of a flexible, market-determined exchange rate with a managed band system has helped mitigate the impact of external shocks.

The fiscal reform of 2018 and the passage of the Public Employment Law in 2022 marked a turning point in fiscal stability. The Public Employment Law orders and rationalizes public employee compensation, with more than half of the government's revenues used for this purpose. The recent reforms modified the salary supplements paid to public employees by subjecting them to performance reviews and preventing automatic growth. They also included a fiscal rule that limits growth in public expenditures, converted the sales tax to a value-added tax that broadened its base, and introduced a 15% tax on capital gains. The reforms also established two new income tax tranches for higher earners and increased the tax rate on earnings paid by cooperatives.

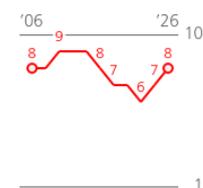
The government's fiscal balance improved significantly between 2020 and 2023, with the budget deficit improving from 8.3% to 3.3% of GDP. New revenue sources and expenditure controls allowed the treasury to slow the rapid growth of public debt. In 2024, total public debt reached 59.8% of GDP, slightly under the 61.1% level seen in 2023. The central bank's staff expects further fiscal consolidation and debt reductions in the future.

However, the fiscal reform has not solved the structural problems underlying the country's public finances. Costa Rica's public sector continues to spend much more than it takes in; its tax system has not been modernized; the expenditure structure remains unsustainable; and the productive sector faces increasing difficulties in growing and sustaining itself. At the end of 2024, the fiscal deficit increased by 0.5% relative to its 2023 level. The main reason for this increase was interest payments on debt, which amounted to 4.8% of GDP. In 2024, total government revenues amounted to 15.1% of GDP, while total expenditures represented 18.9% of GDP. For the third consecutive year, Costa Rica recorded a primary surplus (revenues minus expenditures excluding debt payments). In 2024, the surplus was 1.1% of GDP; in 2023, 1.6%; and in 2022, 2.1%.

Total state revenues reached CRC 4.8 trillion (about \$9.24 billion) as of August, a net increase of 0.2% of GDP in 2024 compared with the same period in 2023. The ratio of total state revenues to GDP decreased by 0.2 percentage points between 2023 and 2024. Total state expenditure reached nearly CRC 6.1 trillion (\$11.65 billion), a year-over-year growth of 7.2% compared with the same period in 2023. As a share of GDP, spending reached 12.3% of GDP, about 0.3 percentage points higher than in August 2023 (12.0% of GDP). Costa Rica posted a fiscal deficit of 3.3% of GDP in 2023, higher than in 2022, when it closed at 2.5%. As of November 2024, the fiscal deficit was 3.22%. The government attributed the increase in 2023 to higher interest payments on the debt. In 2024, tax revenues represented 11.87% of GDP, down from 12.13% in 2023.

#### Fiscal stability

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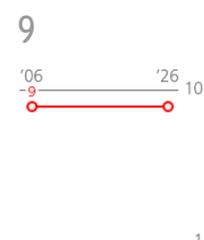
## 9 | Private Property

Property rights and regulations governing acquisition, benefits, use and sale are well defined, and contracts are generally enforced. In certain situations in which the public interest is at stake, these rights may be overridden but only through a proper legal process and with adequate compensation. In the event of war or internal disturbance, prior compensation is not required, but compensation must be paid no later than two years after the end of the state of emergency. Some critics argue that the state's power to impose limitations on the use of property constitutes an indirect form of expropriation without the need to indemnify property owners. For instance, the state may impose restrictions in the context of environmental-protection regulation, but does not provide compensation because it is not expropriating the property.

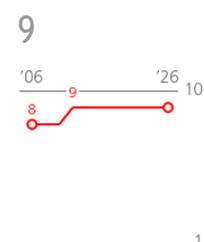
The National Registry of Property oversees the land registry. When a property is registered, it immediately acquires a stamp of legitimacy or approval. In some exceptional cases, unscrupulous individuals have been able to game the system and register properties illegally, harming buyers and investors. Foreigners seeking to acquire state-concession property may do so only by entering a minority partnership with a Costa Rican citizen, unless they have resided in Costa Rica for at least five years. While the rule of law guarantees these rights, the judicial system often experiences delays in resolving legal disputes that limit its overall effectiveness.

Private companies are the primary engines of economic production and have effective legal safeguards. However, state involvement in the economy has a long-established history that includes public monopolies in various sectors. Costa Rica does not have a privatization program, while a number of markets that have been opened to competition – such as banking, telecommunications, insurance and the operation of container ports on the Atlantic coast – continue to feature the presence of strong state-owned enterprises. Though the playing field is not entirely level and state enterprises enjoy certain advantages, the entry of private competitors has played a role in expanding the market, reducing prices and improving quality. In 2023, total domestic credit extended to the private sector in Costa Rica amounted to 51.12% of GDP. The Chaves administration has proposed privatizing the state-owned commercial bank Banco de Costa Rica (BCR), but this requires legislative approval.

Property rights



Private enterprise



## 10 | Welfare Regime

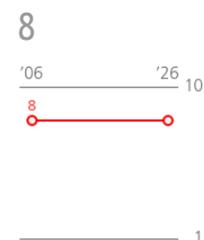
The social security system covers health care and pensions, and is managed by the Costa Rican Social Security Fund (CCSS). It is built on three principles: universal coverage, equal access and supportive financing. The state's social investments supports universal programs in the areas of health and education; contributory programs such as pensions are also in place, along with programs targeted at vulnerable segments of the population including conditional cash transfers and noncontributory pensions. Public social investment (PSI) per capita amounted to 37.7% of GDP in 2023 and 38.2% in 2024. During the review period, social programs focused on keeping children and youth in school, providing their families with money, providing childcare to single mothers, and opening “comedores escolares” (places where children can be provided with at least one meal per day), among other tasks.

As part of its fiscal austerity drive, Chaves' administration cut social spending in ways that affected some functions, for example with regard to investment in the education and health sectors. The CCSS covers 105 health services, organized into three care categories; most (69%) are basic type 1. In 2023, real per capita social investment was estimated at CRC 299,700, measured in constant 2000 colones. Life expectancy at birth is 80.8 years, and the infant mortality rate is 9.1 children per 1,000 live births. Noncitizens who hold residency status or work permits may access most social protection services, but undocumented migrants are excluded from such benefits. However, they may receive medical attention at primary health clinics, health centers or emergency rooms. It is estimated that up to 10% of the workforce is of Nicaraguan origin, and more than a third of this population is not enrolled with the CCSS.

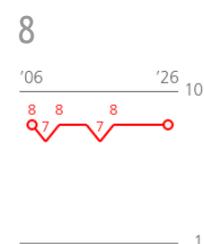
Costa Rican institutions strive to provide equality of opportunity, with varying levels of success. Access to health care is broad, with consistent quality of service across socioeconomic levels and, increasingly, across geographic areas. Women and members of minority groups have near-equal access to education, public office and employment. There are a number of legal provisions that guard against discrimination, yet disparities persist. For instance, regions with significant Indigenous or Afro-descendant populations, such as Brunca and Huetar Caribe, have lower levels of human development and higher poverty levels than the Central Valley region. Moreover, the country's schools continue to experience a high dropout rate, even with conditional monetary transfers intended to offset the opportunity cost of schooling for poor families. Within the OECD Costa Rica has the third-highest percentage of individuals ages 15 – 29 who are neither studying nor in work.

According to the OECD's Gender Equality in Costa Rica report, women have made particularly large gains in educational attainment in recent years and have begun to outperform men. In 2022, 35% of men and 37% of women between the ages of 55

Social safety nets



Equal opportunity



and 64 had an upper secondary or higher degree. Among adults aged 25 to 34, this share was 54% for men and 63% for women. In the same age group, 34% of women had completed tertiary education, about 6 percentage points more than men. However, only 13% of Indigenous girls had a secondary school degree. Moreover, women, especially those of Indigenous background, do not have equal employment opportunities. On average, the employment rate of women with tertiary education is 63%, compared to 34% for women with less than secondary education. Women are more likely than men to work in low-quality jobs and typically spend more hours than men providing unpaid care and domestic work. Of all employed women in rural areas, 52% worked in the informal sector, compared to 49% of men in rural areas and 35% of women in urban areas. Indigenous women, in particular, face compounded disadvantages tied to their identity, gender and socioeconomic conditions. In the eight territories where the bulk of Costa Rica's Indigenous population resides, the average employment rate for women (17%) was strikingly lower than that of men (56%) and lower than the employment rate of rural women more generally.

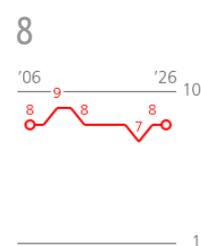
There is parity in cabinet-level representation in the Chaves administration, as there was in the previous administration. According to the IV Informe del Estado de la Justicia, a report on the performance of the country's justice system, in the five-year period 2016 – 2020, the Plenary Court appointed 257 judges to grade I level. In selection processes for grade I positions, when the shortlist included both genders, a woman was appointed in 65% of cases. In 30% of competitions, the shortlist did not include women, and only 6% did not include men. The share of women reaching the top of the judiciary is low. There is a gap of 31 percentage points between appointments of women in grade 1 and those appointed in grade 5.

## 11 | Economic Performance

Costa Rica is an upper-middle-income country. Its GDP per capita of \$17,860 as of 2024 ranked it 4th in Latin America and 58th worldwide on this measure. However, economic growth slowed to 4.3% in 2024 from 5.1% the previous year, mainly due to a decline in exports of goods and services. This was the weakest level of economic expansion since 2020. Household consumption and exports of goods were the main drivers of economic growth, each contributing about 45% to the increase in total demand during the period analyzed. Private investment grew by 10% in 2023, a rate three times higher than the medium term average, thanks to the construction of housing, industrial buildings, commercial premises and apartment buildings. Full-year GDP growth averaged 4.29% during the 1992 – 2024 period, reaching an all-time high of 9.20% in 1992 and a record low of -4.30% in 2020.

Creating dynamic job opportunities in non-export sectors has been among Costa Rica's most pressing challenges. As of the fourth quarter of 2024, Costa Rica's unemployment rate stood at 6.9%. The emphasis on foreign direct investment has favored skill-intensive jobs, which are well paid but not numerous, given the lack of

Output strength



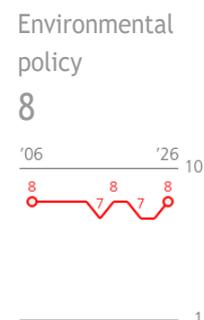
backward linkages in the export sector. The result is a dual labor market in which most of the workforce remains in low-productivity, low-paying jobs in the informal or service sectors.

The government has maintained fiscal control, while the central bank has preserved macroeconomic stability. As discussed in the “Monetary stability” section, inflation was kept in check thanks to the central bank’s actions, with the rate hovering well below the country’s inflation target of 3% during the period under review. Costa Rica’s public infrastructure investment has been the adjustment factor used to contain rising fiscal deficits and debt. In 2023, this investment represented 1.3% of GDP. Moreover, in recent years, the expansion of free-trade zones has been accompanied by a strong inflow of FDI. In 2023, FDI reached historic levels, exceeding \$4 billion. This was 3.7 times the current account balance, and was the highest value reported in the 21st century. This capital inflow also has implications for monetary aggregates, as the increased inflow of dollars may exert appreciation pressure on the local currency.

## 12 | Sustainability

Costa Rica has a strong tradition of environmental protection. In 2022, protected areas represented 26.59% of the national territory. In 2020, the country launched a large-scale emissions-reduction program with the World Bank’s Forest Carbon Partnership Facility (FCPF) Carbon Fund, which aimed to increase the nationwide impact of public policies. This included strengthening the governance of national protected areas and expanding national programs for sustainable forest management, fire management and landscape restoration. According to the World Bank, these policies have paid off: In August 2022, Costa Rica became the first Latin American country to receive a payment from the FCPF for reducing carbon emissions from deforestation and forest degradation (commonly referred to as the REDD+ framework). Costa Rica established a national REDD+ strategy paired with forest reference emission levels, systems for national forest monitoring and safeguards. A broad process of public consultation helped policymakers better understand the underlying drivers of deforestation and degradation both inside and outside forest jurisdictions.

In April 2023, the country presented the project “Aligning the Financial Flows of Costa Rican Financial Sector with the Climate Change Objectives of the Paris Agreement,” which aims to support the goal of achieving zero emissions by 2050. The 2024 Informe Estado de la Nación report indicates that even though the country is using less energy to generate wealth, its overall consumption continues to rise. Electricity demand increased from 38,540 terajoules in 2022 to 40,292 terajoules in 2023. The National Electricity Control Center reported that renewable energy generation in the country as a share of total energy use decreased from 98% in 2022 to between 92% and 95% in 2023. The decline is primarily attributed to drought, as



hydroelectric plants are the main source of renewable energy. According to the International Energy Agency, as of 2022, oil-fueled plants provided 5% of Costa Rica's generated electricity, hydropower produced almost 70%, and wind and geothermal sources each produced about 12%. Although production is mostly from renewable and domestic sources, the system remains highly dependent on hydroelectric power, which underscores the country's need to diversify energy production in the face of climate change. A significant drought in 2023 required the use of fossil fuels to power thermal plants, according to *El País*. Costa Rica's status as an environmental leader is further threatened by President Chaves' interest in exploring the country's natural gas reserves, which runs counter to decades of public policies. Since 2023, other official voices have also discussed fossil fuel exploration and the authorization of open-pit mining.

The constitution establishes preschool, basic general and diversified education as compulsory and free of charge, paid for by the state. Compulsory schooling starts at age 4. The Fundamental Law on Education (1957 and last amended in 2017) establishes a national education system that offers four levels of education: preschool, basic general education, diversified education and higher education. Technical and vocational education options are included. Higher education is offered at public and private universities. The Higher Education Council is the governing body of the national education system, and the Ministry of Public Education (MEP) develops and implements education policies and oversees public and private educational institutions. The MEP has faced criticism for failing to enact reforms necessary to improve access to quality education, including adequate training for teachers.

Education faces several challenges. According to the 2023 State of Education Report, access to education is unattainable for a broad segment of the population. Dropout rates also continue to be a concern. Young people aged 15 to 17 have the highest dropout rate; this increased by 142% in 2022 – 2023, from 337 to 817 individuals. The public budget for education is constitutionally mandated to be a minimum of 8% of GDP applied across all levels. However, Costa Rica spent around 6.5% of its GDP on education in 2023 and decreased this to about 5.2% in 2024. Since 2021, there has been a decline in per capita investment in education, which has pushed the country back to investment levels from a decade ago. The OECD Education at a Glance 2023 reported that Costa Rica is among the OECD member countries with the lowest levels of investment per student. During the period under review, teachers' salary levels declined, and the state substantially cut its investments in equity programs, the construction and maintenance of infrastructure, and teacher professional development. Student and union organizations demanded increased investment in public higher education and a halt to cuts. In an early January 2025 resolution, the Sala IV chamber of the Supreme Court ordered the executive to spend the mandated share of GDP on education. As of March 2025, the Ministry of Finance had not complied with this resolution.

Education policy /  
R&D

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Despite these shortcomings, UNESCO reports that Costa Rica has a high literacy rate (98.04%) and a high enrollment ratio at the primary level of education (93.6%). Moreover, according to the OECD Education at a Glance 2024 report, the share of 25- to 34-year-olds who had not completed upper secondary education decreased by 11 percentage points during the 2016 – 2023 period. In 2023, this figure was 38%, still well above the OECD average (24%). Moreover, in 2023, University of Costa Rica reported that 54% of its students were receiving some financial support to study, and 85% were receiving full financial support. There has also been an effort to increase the number of science, technology, engineering, and mathematics (STEM) graduates. According to data from CONARE's División de Planificación Interuniversitaria, the number of STEM degrees awarded by five state universities rose from 4,542 in 2014 to 6,191 in 2021. Still, more work is needed to prepare Costa Ricans for jobs in the new economy.

Investment in R&D remained low at 0.32% of GDP in 2021, the lowest such figure among OECD members. More than 60% of the country's research is conducted by public universities. The country is home to high-tech companies, many of which invest significantly in research facilities. Intel, Ad Astra Rocket Company, Microsoft and Baxter Medical are among the prominent investors. Yet the OECD has noted that collaboration between public universities and the business sector in Costa Rica is weak. In addition, contrary to OECD practices, there are no centralized, independent external evaluation mechanisms for publicly funded research.

## Governance

### I. Level of Difficulty

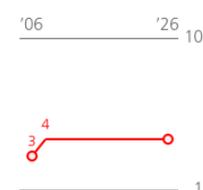
Poverty in Costa Rica has been steadily diminishing year over year, largely due to increased employment levels among residents. However, wage disparities across social groups are widening. In 2024, the poverty rate was 18.0%, down from 21.8% in 2023. However, poverty rates vary by region and have increased in some areas. For example, in rural areas, 22.1% of households live in poverty, while in urban areas the rate decreased to 4.9% in 2024. Increases in poverty have been most severe in Guanacaste, where the extreme poverty rate increased from 1.9% in 2021 to 3.9% in 2024, and in the Brunca and Caribbean Huetar region, where around 30% of the population lived in poverty as of 2024. A rigid spending structure constrained by constitutional mandates and the government's focus on paying off the debt have led to decreases in the budget for social policies.

The country also continues to struggle with high dropout rates among students and reduced funding for education and social policies. As of the close of the review period, the Chaves administration had failed to comply with the constitutional court's order to fulfill the constitutionally mandated budget allocation of 8% of GDP for the public education system. This is a core hindrance to producing an educated workforce equipped for the new economy. Economic growth depends mainly on the external sector's performance in association with international trade and FDI. This sector comprises activities with much higher economic productivity and greater dynamism than the rest of the economy. Meanwhile, the country still has not resolved the productive duality between these dynamic sectors and those mainly oriented toward the domestic market, the latter of which continue to provide most jobs.

Geographic isolation in some regions poses an obstacle to the central government's ability to deliver services consistently. Rural areas and regions with significant Afro-descendant and Indigenous populations are especially affected. This isolation can lead to disparities in access to health care and education, along with other essential services. The country's mountainous terrain and dense rainforests also make maintaining infrastructure, such as roads, difficult and costly. Rural areas are again particularly hard hit. The president's lack of majority support in Congress and inability to foster coalitions have undermined critical areas of governance, especially the development and execution of key infrastructure projects.

Structural  
constraints

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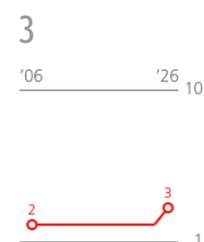
The country's geographic location also makes it susceptible to climate change. Rising sea levels threaten infrastructure and coastal communities, and extreme weather events such as droughts, floods and hurricanes are becoming more frequent. According to the 2024 Global Climate Action Survey, Costa Rica is among the countries most severely impacted by extreme weather events attributed to climate change. For example, 82% of Costa Ricans surveyed reported experiencing heat waves, while 66% faced heavy rain and 65% had been affected by storms. Additionally, 45% of respondents said they believed their communities were unprepared for future natural disasters. The Office of the Comptroller General estimates that repairing and rebuilding public infrastructure costs between 1.5% and 2.5% of GDP each year.

Civil society traditions are strong. A wide range of CSOs thrive in the country and work on diverse issues, including human rights, women's issues, LGBTQ+ activism, the environment and animal welfare. These traditions have been affected by a growing culture of individualism and the construction of enclosed neighborhoods, which impedes contact between residents and surrounding communities. The growing homicide rate and drug-trafficking have increased fears of personal and communal interaction in public spaces, affecting civic participation in public life and potentially influencing social trust. Levels of social trust in Costa Rica rank among the lowest in the region, along with Peru (10%), yet remain above those found in Ecuador (8%) and Brazil (5%). In the 2024 Latinobarómetro survey, only 10% of respondents said they believed that most people could be trusted, the same share as in 2020. This figure ranks below the regional average for interpersonal trust, which stands at 15%.

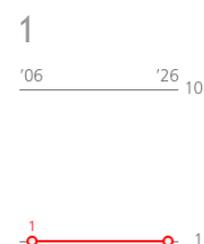
Conflict intensity is very low. Political, social, ethnic and religious differences are not pronounced. The 2024 Informe Estado de la Nación (IEN) report compiled a database containing 11,802 records of different types of citizen protests, 227 of which were from 2022, which was below the annual average of 369 (practically one collective action for every day of the year). These data show that the last series of collective mobilizations took place in 2020, while no others occurred during the period analyzed. The decline in popular mobilizations stems from several factors: a lack of social leadership, the passage of anti-strike legislation and the lack of charismatic union leaders.

Citizen protests have mainly been directed at the president of the republic or the executive branch. Data from 2022 and 2023 indicate that more than 50% of protests targeted the president of the republic. An analysis of social movements during June 2023 – June 2024 by the Instituto de Investigaciones Sociales of the University of Costa Rica shows a significant increase in protest events during the second year of Chaves' term. Unions protested the Public Employment Law, while parents mobilized to demand better facilities for public schools. Some segments of the private sector linked to the tourism and export industries protested to demand government intervention in the drop in the dollar's price.

#### Civil society traditions



#### Conflict intensity



The 2024 IEN additionally found that the judicialization of politics – that is, the reliance on courts and judicial means for addressing core moral predicaments, public policy questions and political controversies – has become a preferred tool for settling social conflict. The number of Constitutional Chamber decisions against the executive declared admissible on appeal is now nearly six times higher than it was 10 years ago. While judicialization has increased significantly, the number of organized social protests has continued to decline.

## II. Governance Performance

### 14 | Steering Capability

The Ministry of Economy and Planning (MIDEPLAN) defines the country’s development strategy, which includes medium- and long-term goals, in the National Development and Public Investment Plan (NDPP). The aim of the NDPP is to convert government goals into policies, programs and actions. In 2023, President Chaves outlined a list of main priorities for the next three years of his administration. These included: 1) addressing insecurity (including legal security for inhabitants of the border strips); 2) enhancing public services; 3) strengthening the CCSS; 4) reforming the state by reorganizing ministries such as Environment and Energy (MINAE) and Public Works and Transportation (MOPT); 5) enhancing the efficiency of the AyA (National Institute of Aqueducts and Sewerage); 6) reforming education; 7) finishing the road to San Carlos; 8) cleaning rivers and cities in collaboration with private companies; 9) eliminating “pensiones de lujo” (high-amount pensions charged to public finances); and 10) approving a four-day workweek.

The country has sufficient organizational resources and expertise to conduct evidence-based policymaking and regulatory impact assessments, as well as strategic planning. However, this does not translate into implementation in practice. Political, bureaucratic and financial barriers can derail the best-made plans. Chaves’ confrontational rhetoric has posed a significant obstacle to the government’s use of these resources. Moreover, the president has proved unable to reach across the aisle and overcome political deadlock in Congress to push through much of his agenda. Another issue in setting and maintaining strategic priorities is the large number of ministers who have left the cabinet since 2023. This impedes the continuity of policies and abruptly affects the leadership of relevant institutions as well as the state reform Chaves has proposed. Although the impact of this situation has not been quantified, the lack of leadership in the Ministry of Public Works has a direct effect on the development of important road projects, for example. The Chaves administration has only inaugurated public works that began during past administrations.

Question  
Score

Prioritization

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The main objectives of the Chaves administration fall into four priority areas: security, fiscal and economic stability, reform in health and public education, and improvement in public works. While the administration has made some progress, much of the president's agenda has been blocked because of his confrontational style, the divided Congress and his inability to work with relevant institutions. Chaves' insistence on attacking opponents instead of building bridges with them is hindering important policy projects.

The Chaves administration has made advances in maintaining fiscal stability and economic growth. The government achieved a primary fiscal surplus as part of this effort. Yet fiscal austerity has come at a cost, as it has involved reducing public social investment and cutting funding for infrastructure projects. State reform has not advanced as promised in May 2023. Chaves' representatives in the Ministry of Education and the Costa Rican Social Security Fund (CCSS), the primary body responsible for health care infrastructure, have failed to advance health care and education reform. Moreover, the country has experienced rising crime rates due to the actions of rival gangs competing for market share in the illegal drug market. In late April 2023, Chaves announced a security plan, the "Costa Rica Segura," aimed at restoring peace and safety to the country. In November 2023, in a fit of anger due to congressional critiques of Chaves' "passivity toward insecurity," the president removed all projects related to the new security policies from the legislative agenda. Moreover, Chaves aimed to pass a proposal to amend the 1943 Labor Code governing workers' rights to change private sector working hours to allow employees to work a four-days-on, three-days-off schedule. However, the president failed to consult with judicial and labor authorities before sending the bill to the Legislative Assembly, which led to its failure. Turning to public works, these have advanced particularly in the capital and Cartago. Nonetheless, the construction of the San Carlos Road continues to be delayed. Instead of lobbying to accelerate the execution of projects, Chaves made the decision to skip institutional controls. He has made efforts to circumvent the Comptroller's office, seeking instead to award contracts for public works directly to private sector actors.

In developing policies, the Costa Rican government has traditionally relied on best practices, international cooperation and expert advice. However, President Chaves has been reluctant to work with critical voices and experts. Although the public universities are staffed with academic experts available for consultation by the executive, Chaves has avoided collaboration with them.

President Chaves also failed to build channels of communication with the political opposition to advance his agenda. One primary consequence of the president's adversarial stance is that his agenda has been slow to progress. According to the Legislative Assembly's Department of Legislative Services, in the period May 2022 – January 2024, only 20 of the 167 bills approved by deputies had been introduced by the executive. Of those 20 proposals, 11 concerned public budgets and a loan.

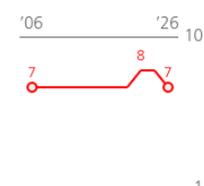
## Implementation

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## Policy learning

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Chaves failed twice to pass the so-called Jaguar Law to Boost Costa Rica's Development, which sought to reform several key government structures, including the Office of the Comptroller General. Although the administration claimed that the measure was meant to streamline processes and promote efficiency, it was ultimately ruled unconstitutional. While there were sufficient institutional mechanisms in place to allow the government to replace failed policies with innovative ones, Chaves seemed unwilling to make adjustments to existing proposals or to learn from his mistakes.

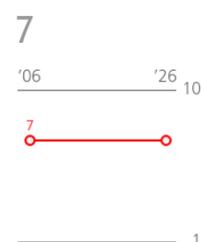
The state relies on a highly sophisticated apparatus for generating and tracking statistical information through the National Institute for Statistics and the Census (INEC), the central bank, the Planning Ministry and other bodies. The timely and highly reliable statistics generated by these entities provide the feedback necessary for policy learning and adjustment at all levels of the state. The government can also rely on scientific output and academic expertise from laboratories and research centers at public universities, as well as on the systematic analysis of the state of human development performed annually by Estado de la Nación. However, President Chaves has seemed reluctant to make effective use of these resources.

## 15 | Resource Efficiency

The government makes efficient use of most available human, financial and organizational resources. The OECD's Government at a Glance Latin America 2024 report noted that Costa Rica has one of the highest scores among countries in the Latin America and the Caribbean (LAC) region on the OECD's Regulatory Policy and Governance Index (iREG index) with regard to stakeholder engagement in developing subordinate regulations. Its overall score of 2.46, on a 0-4 scale, is higher than both the LAC (1.85) and OECD (2.14) averages. Costa Rica also performs well in the systematic adoption (0.8 out of a maximum of 1) and transparency (0.73) dimensions. However, there is room for improvement, particularly in the area of stakeholder engagement methodology (0.59) and the oversight and quality control dimension (0.34). Data from the report indicate that in 2022, public employment in Costa Rica constituted 12% of total employment, equal to the LAC average and lower than the OECD average of 21%. A recurring problem in public offices is the duplication of activities. However, the implementation of the Law on Public Employment has addressed most of the problems associated with labor disparities, efficiency and wage abuses.

Shortcomings have been noted in the administration of public security personnel. A 2022 report by the Contraloría General de la República (CGR) concluded that the Ministry of Security has not effectively promoted better organization, governance or results among its various offices. It also reported that departments lack clarity regarding their roles and responsibilities within the security system and that the existing mechanisms are insufficient to promote coordination, communication, information generation, follow-up and monitoring for decision-making.

Efficient use of assets



Constitutional and legal mandates make most public spending inflexible. During the 2023 – 2025 period, the government focused on meeting its financial and fiscal goals without creating new taxes, even as the economy experienced multiple shocks. Public finances showed results consistent with a trajectory toward public debt sustainability. As of December 2024, the central government’s cumulative fiscal deficit was 3.8% of GDP. The primary balance recorded a surplus of 1.1% of GDP. In 2024, total cumulative revenue increased 3.2% year over year (in 2023, it decreased 2.2%). Total expenditure increased by 6.3% in 2024, compared to 3.1% in 2023. Current expenditure increased 5.1% and capital expenditure rose 17.1%. In the same period in 2023, the changes were 3.2% and -0.2%, respectively. Interest expenditure increased 5.0% and represented 4.8% of GDP. In 2022 – 2023, Costa Rica’s public debt decreased from 63% of GDP to approximately 61%.

At the executive level, the government has the tools to coordinate conflicting objectives into a coherent scheme, but the state apparatus is too unwieldy to implement policy across all issue areas. Because the Legislative Assembly does not ratify the president’s ministers, the president commands his cabinet’s loyalty and is free to organize and coordinate it as he deems necessary. By the end of 2024, Chaves had asked for or received the resignations of 15 ministers, 31 vice ministers, 14 executive presidents and one unit director. This cabinet instability reveals a lack of leadership in the ministries and the presidency.

Mechanisms employed to ensure coordination include regular cabinet meetings, the designation of special ministers to coordinate policy across sectors, and the appointment of interministerial councils. However, the complex fragmentation of the public sector across organizations poses coordination challenges that sometimes threaten policy coherence. Although organizations are hierarchical in structure, coherent policy implementation relies heavily on “mandos medios” (middle managers) who are not appointed by the administration and whose loyalty does not depend on their political identity.

During the period under review, the government confronted several challenges to maintain coherent policies: changes in the heads of ministries, unconstitutional projects rejected by the Sala IV chamber of the Supreme Court, accusations of corruption regarding some members of the CCSS board of directors, and a fragmented Congress. A significant obstacle to policy coordination was a high degree of tension among branches of the state, which increased sociopolitical polarization. President Chaves’ aggressive rhetoric has generated political tension within the Legislative Assembly. For example, by the end of January 2025, the minister of the presidency resigned due to electoral interests. This ministry is in charge of coordinating relations between the presidency and the cabinet, as well as with the Legislative Assembly. Instead of appointing a new minister, President Chaves declared that he would not name anyone until Rodrigo Arias stepped down as president of the Legislative Assembly.

Policy  
coordination

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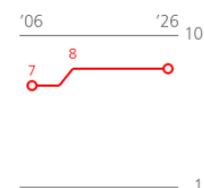
In June 2022, the president and the ministers of national planning and economic policy signed the Organic Regulation of the Executive Branch, which provides mechanisms for directing and supervising the implementation of public policies by all entities and bodies of the central and decentralized administration. This effort sought to harmonize and guide the work of all public institutions. All policies, programs and projects must be linked to the National Development Strategy, the National Development and Public Investment Plan, and the generation of public goods and services.

Costa Rica has laws and regulations against corruption and has ratified international treaties that commit the country to combating corruption, such as the Inter-American Convention Against Corruption and the U.N. Convention Against Corruption. In 2022, the government enacted the National Strategy for Integrity and Prevention of Corruption (ENIPC) to help coordinate the multiple laws and organizations that deal with public corruption and to define priorities for action. The ENIPC is the first national effort to articulate and strengthen initiatives carried out by different entities with competencies for promoting ethics, integrity and anti-corruption, and it includes short-, medium- and long-term actions. The OECD has pointed out that the ENIPC lacks clarity regarding the implementation, monitoring and evaluation of the activities it proposes. The OECD also noted that coherent implementation of integrity standards would be a significant challenge.

In 2024, the Comprehensive Anti-Corruption Law that Protects Witnesses (Law No. 10437) was passed. Law No. 10437 extends protection to those who report acts of corruption in both the public and private sectors, prohibiting any form of workplace retaliation against whistleblowers and witnesses, thus ensuring their safety. Furthermore, on November 1, 2024, the government enacted the Framework Law on Access to Public Information, which guarantees access to public information. Moreover, the Supreme Electoral Tribunal (TSE) has a Department of Political Party Financing that tracks all donations, fundraising campaigns and other fundraising mechanisms used by political parties. It looked into the possible existence of parallel financing structures used by the Social Democratic Progress Party (PPSD) during the 2022 electoral campaign. After sufficient information to cast doubt on the PPSD's legal financing structure was collected, the attorney general drew on the TSE findings to file a case against the PPSD for violating the electoral law. Furthermore, in July 2024, Costa Rican lawmakers introduced a proposed constitutional amendment to allow the extradition of Costa Rican drug traffickers and terrorists wanted by foreign authorities, revealing growing concern that criminal organizations are corrupting the domestic judiciary.

Anti-corruption  
policy

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## 16 | Consensus-Building

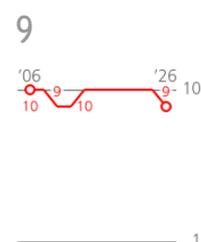
All major actors agree on the goal of consolidating democracy. The country has a long-standing democratic tradition that is a source of national pride. However, Costa Ricans show signs of dissatisfaction with the functioning of democracy and the performance of some political actors. Social and political polarization is also on the rise. Rodrigo Chaves took advantage of this widespread dissatisfaction to position himself against the establishment and win the presidency in 2022. The president’s confrontational approach in office has subsequently posed a significant challenge to effective governance, and his attempt to circumvent democratic institutions has raised alarms. President Chaves has attacked important state institutions such as the Comptroller General for impeding the development of his political project, and has accused the attorney general of representing the National Liberation Party (PLN), not national interests.

All major actors agree on the value of consolidating a market economy, although there is some disagreement over the appropriate extent of state involvement in economic activity. Public sector unions have traditionally contested market-based competition in certain sectors and continue to support state monopolies where they exist. The left-wing Broad Front party has publicly challenged the free-market economic model. The center-left PLN identifies with a neoliberal model but supports the retention of some important services in the hands of the state. Other parties demand further transformations to reduce the role of the state in the economy.

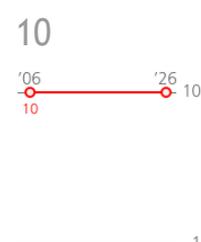
There are no significant veto actors, such as the military or influential economic groups, that hold anti-democratic interests that would obstruct reforms. President Chaves’ rhetoric has raised concerns about his respect for the separation of powers, and his statements targeting the press have also sparked concern. However, after three years in power, Chaves has failed to undermine the separation of powers because strong institutional responses have kept him in check. Despite the president’s rhetoric, he does not have the power to veto measures previously passed by reformers, nor does he identify himself as anti-democratic.

The political leadership depolarizes cleavage-based conflict. The current dominant cleavage is between those who benefit from the socioeconomic order and those who feel excluded and do not consider themselves adequately represented by existing political institutions, with which they are disillusioned. This cleavage played an important role in the 2022 national elections and will likely continue to do so in the 2026 elections. Political parties are no longer the sole channel for interest aggregation and political representation. They have been joined by social movements as citizens mobilize and engage in various forms of political expression to pursue specific causes and protest injustices. The state has respected democratic rights and has generally refrained from repression.

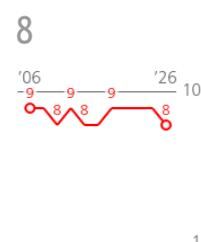
Consensus on goals



Anti-democratic actors



Cleavage / conflict management



There is ongoing confrontation among the state branches. The main cause is an antagonistic strategy promoted by President Chaves in an effort to expand his political and legal powers. This has generated conflicts with the legislative and judicial branches, as well as within the institutional system of control and oversight of public action. Opposition parties also use various venues and mechanisms to perpetuate this conflict. In this context, confrontation is prioritized as a strategy to secure political advantages. Although this approach has not yet produced serious consequences, the current prospects for political dialogue are almost nonexistent.

The political leadership often consults civil society actors and takes the interests of most into account. When new laws are enacted or existing laws are reformed, organized representatives of the sectors affected by the laws are typically given a hearing by legislative committees. While CSOs are free to participate in the policymaking process, the environment for CSOs has become more restrictive under Chaves's leadership. The 2024 Informe Estado de la Nación (IEN) report noted that Costa Rican society has seen a deepening deterioration in the use of cooperation mechanisms between political powers and CSOs. The result has been an even greater loss of the political system's capacity to generate results promoting human development. There are also signs of a crisis in social representation: CSOs have had major problems in channeling and representing the interests of various groups of the population.

Regarding electoral consultation, the country has the option to call a referendum. In 2024, Chaves confirmed his plan to call a referendum on several bills, including for a four-day workweek, an opening of the electricity market and a restructuring of government bodies. However, Chaves' Jaguar Law project, which grouped those reforms with the idea of eventually submitting them all to a referendum, has twice been found unconstitutional by Sala IV, the Supreme Court's constitutional chamber. After those failures, Chaves' administration seemed to shift its focus away from the use of referendums.

Since 1948, the country has not experienced major historical injustices of the type addressed in this question.

Public  
consultation

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Reconciliation

n/a



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## 17 | International Cooperation

The political leadership makes focused use of international assistance to implement its long-term development strategy aimed at generating inclusive economic growth. The government uses international assistance to further environmental protection, to prevent cyberattacks, to confront drug-trafficking, to respond to natural disasters and for social programs. As a middle-income country, Costa Rica has seen a considerable reduction in direct flows of international assistance, with the emphasis shifting away from concessionary aid to international loans. Traditionally, most cooperation has come from multilateral organizations, primarily the Inter-American Development Bank, the Central American Bank for Economic Integration, the IMF and the World Bank. As of early October 2024, the World Bank's active portfolio in Costa Rica included six operations totaling about \$1.2 billion in net commitments. It includes four investment projects (\$571.82 million) and two development policy loans for budgetary support (\$660 million). Since December 2020, Costa Rica has also benefited from the Emission Reductions Payment Agreements, with a commitment of up to \$60 million to purchase verified reductions of 12 million tons of CO<sub>2</sub> emissions through its emission reduction (ER) program. In April 2024, the World Bank board of directors approved a new Country Partnership Framework (CPF) for Costa Rica for the 2024 – 2028 period. This CPF will support the country's commitment to global challenges and knowledge sharing.

Bilateral cooperation within international assistance flows has increased, playing an important role in advancing Costa Rica's goals. The country has agreements with many Latin American countries, including Mexico, Colombia, Ecuador, Argentina, Chile and Uruguay. On November 27, 2024, the second phase of ADELANTE was launched. ADELANTE is the European Union's flagship program for Triangular Cooperation between the European Union and the Latin American and the Caribbean (LAC) region. Costa Rica's participation in the ADELANTE initiative has included projects related to climate change, the circular economy and digital literacy, with the country receiving total funding through the project of more than €826,000. Costa Rica also receives international donations. In 2023 – 2024, the United States was the main bilateral donor of resources to the country, while the Central American Bank for Economic Integration (BCIE) was Costa Rica's main multilateral partner.

Although Costa Rica is a small country with regard to territory, it exerts outsized international influence in the areas of defense, the promotion of human rights, multilateralism, climate action, ocean protection, the defense of sovereignty, disarmament and peace. The country complies with international agreements and is in good standing with international financial institutions.

Costa Rica has organized several international forums. It is serving as host and chair of the United Nations Committee on Tourism and Sustainability until 2027. It also holds a seat for 2023 – 2025 on the U.N. Human Rights Council in Geneva. In

Effective use of support

10



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Credibility

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February 2023, it hosted the Regional Conference on the Social and Humanitarian Impact of Autonomous Weapons, at which 33 LAC countries agreed on the urgent need to negotiate a legally binding instrument with prohibitions and regulations regarding autonomous weapons systems, thus ensuring meaningful human control. In association with France, Costa Rica was slated to co-host the next United Nations Ocean Summit, to be held in 2025.

Policymakers have actively and successfully established and expanded cooperative, neighborly and international relations. Costa Rica has deepened its implementation of South-South and triangular cooperation. Since the 2000s, Costa Rica has engaged in cooperation with all of Latin America (except Venezuela and Bolivia). The country is part of the Central American Integration System (SICA), the Central American Free Trade Agreement, and the Community of Latin American and Caribbean States. It has entered into a cross-border cooperation agreement with Panama to facilitate binational cooperation in multiple fields. The two countries worked closely during the reporting period to address the challenges posed by Venezuelan migration through their territories. Costa Rica also engages in regional cooperation on the issue of cybersecurity as part of the Global Forum for Cyber Expertise (GFCE) for the Americas and the Caribbean. The government does not participate in the Central American Parliament or the Central American Court. The country also has agreements with countries such as Spain, France, Japan and South Korea that relate to environmental protection, health and biodiversity.

In 2023 – 2024, Costa Rica continued to provide technical cooperation to countries such as Colombia, Chile, the Dominican Republic, El Salvador, Mexico, Uruguay and Nepal. Moreover, triangular cooperation increased significantly and is used to provide technical cooperation to countries such as Honduras, Nicaragua, Peru, Colombia, the Dominican Republic, Bolivia and El Salvador, with support from triangular cooperation funds and programs in collaboration with donor partners such as Spain, Germany, Japan and the International Development Bank.

The Chaves administration has maintained an ambiguous position toward Nicaragua. In 2023, the president called Daniel Ortega a dictator, yet in 2024 he said he preferred not to give an opinion on the Nicaraguan government. Chaves has not appointed a Costa Rican ambassador to Managua.

#### Regional cooperation

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## Strategic Outlook

Costa Rica will hold its next general elections in February 2026. This could mark a critical tipping point for the country's democratic future. The electorate will have the opportunity to choose a leader who rejects populist rhetoric, embraces the rule of law, builds political bridges and encourages dialogue. However, considering the persistence of socioeconomic inequalities, voters may also be swayed by the appeal of an anti-democratic actor who follows Chaves' lead and appeals to the "us vs. them" narrative. Chaves himself cannot run, since the constitution prohibits immediate presidential re-election. In June 2025, the Supreme Electoral Tribunal definitively prohibited Chaves from participating in the 2026 election campaign.

Beyond the sphere of elections, Costa Rica's transformation trajectory depends on how four main challenges are handled. The first is social inequality, which has consistently increased. This is partly due to the government's failure to produce a coherent educational system adapted to the development of dynamic economic activities. This failure has been aggravated by decreases in funding for social welfare and human development programs. At a minimum, public education should receive the share of funds guaranteed to the sector by constitutional mandate. In addition to allocating a larger budget to education, the government needs to pass significant reforms to provide equitable access to quality education and prepare its workforce for a changing global landscape. This should include efforts to curb student dropout rates through social programs that provide vulnerable families with supportive options. The Ministry of Education should seek to collaborate with public universities and other relevant actors to formulate concrete education policy proposals. The private sector could also get involved and establish collaborations with universities to prepare the workforce for jobs that fit the new economy. Educational reform would provide paths toward upward social mobility. In addition, public universities should increase their investment in STEM subjects. Ensuring that educators are adequately trained is also crucial to enhancing educational outcomes.

The government additionally needs to tackle the issues of crime and insecurity. Since 2023, Costa Rica has surpassed its previous record for homicides. While the government has made efforts to address the issue, for instance by increasing police presence, it must develop a comprehensive strategy to tackle the root causes of crime. Security policies also need to take precedence over personal electoral calculations if politicians are to combat drug-trafficking and violence effectively. The international community could play an important role in enhancing policing by sharing best practices, supporting institutional reforms and providing training to law enforcement officials.

Finally, if political divisions are to be overcome and gridlock reduced, respectful political debates must replace the confrontational rhetoric of the present administration. At the same time, the opposition must demonstrate a willingness to work with the incumbent government. Creating spaces for meaningful dialogue between political parties could help bridge divides and facilitate consensus. Reaching across the aisle must be part of the political program for candidates in the upcoming general elections.