

OECD ECONOMIC SURVEYS

COSTA RICA

ISSN 0376-6438, e-ISSN 1609-7513

April 2018

[Consulta en línea desde MEYSS](#)

Basic statistics of Costa Rica	7
Costa Rica at a glance	9
Executive summary	25
Key policy insights	31
Costa Rica has achieved strong socio-economic progress	32
Robust growth is set to continue	39
Strengthening the monetary policy framework and ensuring financial stability ..	43
Policies to restore fiscal sustainability	50
Structural policies to boost productivity and inclusion	60
Greening growth	74
References	77
Annex 1. Legislative initiatives	81

Thematic chapters

Chapter 1. Restoring fiscal sustainability and setting the basis for a more growth friendly and inclusive fiscal policy	87
Fiscal performance continues to deteriorate	88
A comprehensive package of fiscal reforms is needed to restore healthy public finances	95
Improving the efficiency and quality of public spending to better support growth and equity	101
Raising tax revenues and enhancing the redistributive power of tax policy	111
Modernising the fiscal framework	116
Notes	122
References	122
Chapter 2. Structural policies to boost productivity and inclusion	127
Making labour markets more inclusive	135
Enhancing the quality and efficiency of the education system	145
Strengthening competition	156
Promoting innovation, technological diffusion and integration into global value chains	163
Addressing transport infrastructure gaps	170
Note	175
References	175

Boxes

1. Costa Rica's accession to the OECD	39
2. Vulnerabilities and low probability events that could lead to major changes in the outlook	43
3. Simulations of the potential impact of structural reforms	62
1.1. Debt sustainability analysis	91
1.2. Measures enacted by the government to contain fiscal imbalances during 2016-18	92
1.3. Fiscal policy recommendations	121
2.1. The potential impact of structural reforms	133
2.2. Examples of policies to tackle informality	139
2.3. Minimum wage settings in OECD countries	141
2.4. Recommendations for structural policies to boost productivity and inclusion	174

Tables

1. Costa Rica's social achievements are impressive	33
2. Macroeconomic indicators and projections	42
3. Past OECD recommendations to enhance monetary credibility and strengthen financial stability	49
4. Fiscal consolidation package	54
5. Costa Rica's central government budget is excessively rigid	58
6. Past OECD recommendations to restore fiscal sustainability	60
7. Potential long-run impact of structural reforms on GDP per capita	63
8. Reforms used in the simulations	63
9. Past OECD recommendations to boost inclusion	70
10. Past OECD recommendations to boost productivity growth	73
11. Past OECD recommendations on green growth	75
A1. Recent and ongoing legislative initiatives of relevance to the 2018 Economic Survey of Costa Rica	82
1.1. Evolution of the public sector in Costa Rica	96
1.2. Costa Rica's budget is excessively rigid	98
1.3. Fiscal consolidation package	100
2.1. Potential impact of structural reforms	134
2.2. Labour market outcomes are below the OECD average	136
2.3. Costa Rica is reviewing sectors exempt from competition law	158

Figures

1. Costa Rica has converged towards higher income levels	32
2. Export destinations are increasingly diversified	34
3. Costa Rica is specialising in complex products	34
4. Strong FDI inflows helped Costa Rica weather the recession	35
5. Services account for an increasing share of value added	35
6. Labour market outcomes have deteriorated	36
7. Growth remains robust but has declined after the crisis	37
8. GDP per capita and labour productivity are converging, but remain at low levels	37
9. Recent macroeconomic developments	40

10. Monetary policy and inflation developments	41
11. Dollarization remains high	44
12. Selected banking sector indicators, 2016	46
13. State-owned enterprises are dominant in the banking sector	47
14. Budgetary imbalances are mounting	50
15. Public debt is growing rapidly	51
16. Fiscal performance has deteriorated.	51
17. Debt sustainability scenarios	52
18. There is room to further increase revenues, especially VAT and income taxes. . .	55
19. Compensation of public-sector employees accounts for an increasing share of spending.	56
20. Public employment is low but accounts for a large share of public expenditure. . .	57
21. The GDP per capita gap reflects low productivity and employment, but long working hours.	61
22. Inequality is high and increasing	61
23. Labour market outcomes are particularly poor among disadvantaged groups. . .	62
24. High non-wage labour costs discourage formality	65
25. Costa Rica's minimum wage is high	66
26. Low outcomes and inequities in education persist despite high levels of spending	67
27. Green growth indicators: Costa Rica	76
1.1. Budgetary imbalances are mounting	88
1.2. Public debt is rising fast	89
1.3. Costa Rica's public debt dynamics has deteriorated faster than those of peers . .	89
1.4. Debt sustainability scenarios	90
1.5. Social spending is relatively high in Costa Rica	94
1.6. Only half of the government budget is under the budgetary process headed by the Ministry of Finance	97
1.7. Compensation of public-sector employees accounts for an increasing share of spending.	101
1.8. Public employment is low but accounts for a large share of public expenditure. . .	103
1.9. General government expenditure by function.	105
1.10. Public expenditure on health	107
1.11. Educational spending is high but outcomes are low	109
1.12. There is room to further increase revenues, especially VAT and income taxes. . .	111
1.13. Costa Rica's tax structure relies heavily on social security contributions.	112
1.14. There is space to raise additional revenues from PIT	115
1.15. Low-income workers face a large tax wedge	116
2.1. GDP per capita and labour productivity are converging, but remain at low levels. .	128
2.2. Multi-factor productivity growth has picked up	129
2.3. The GDP per capita gap reflects low productivity and employment, but long working hours.	129
2.4. In-kind benefits moderate high market- and disposable-income inequality. .	130
2.5. Labour market conditions remain a concern.	131
2.6. Labour market outcomes are particularly poor among disadvantaged groups. . .	132
2.7. Female labour market participation lags behind most OECD and Latin American countries	137

2.8. Care responsibilities are a barrier to women's labour market participation. . .	137
2.9. High non-wage labour costs discourage formality	139
2.10. Costa Rica's minimum wage is high	142
2.11. Low outcomes and inequities in education persist despite high levels of spending	146
2.12. Socio-economic gaps in tertiary education enrolment are among the largest in Latin America	147
2.13. Product market regulations are stringent	156
2.14. State controls and barriers to entrepreneurship restrict competition.	157
2.15. Costa Rica is specialising in complex products	164
2.16. Knowledge-intensive services are an increasingly important part of the economy.	164
2.17. FDI restrictions are relatively low overall.	165
2.18. Services trade restrictions are high, particularly in transport and logistics . . .	165
2.19. Investment in knowledge-based capital is lagging.	166
2.20. A large and increasing share of R&D is financed by the government	167
2.21. Costa Rica is well integrated into GVCs from a backward participation perspective	169
2.22. Perceived quality of transport infrastructure is low	171

OECD ECONOMIC SURVEYS

GREECE

ISSN 0376-6438, e-ISSN 1609-7513

April 2018

[Consulta en línea desde MEYSS](#)

Basic statistics of Greece, 2016	9
Executive summary	11
Assessment and recommendations	15
The economy is finally growing again	20
Strengthening the banking sector	26
Higher growth, prudent fiscal policy and debt restructuring will reduce the public debt	30
Redressing public finance to bolster inclusive growth	33
Boosting employment, reducing poverty and improving skills	40
Greening the economy	54
Improving the business environment to raise investment	55
References	67
Annex. Progress in structural reforms	71

Thematic chapters

Chapter 1. Boosting investment	79
Easing product market regulation and enhancing regulatory quality	83
Boosting foreign direct investment and integration in global value chains	88
Streamlining insolvency procedures and strengthening contract enforcement	92
Building an innovation system	100
Reviving bank lending to firms	104
Enhancing public investment	114
Policy recommendations	121
References	122
Chapter 2. Generating employment, raising incomes and addressing poverty	131
Supporting employment growth through more effective social dialogue	137
Expanding opportunities through a stronger education system	149
Lowering poverty through more effective social protection	161
Active labour market programmes that assist the recovery in employment	175
Policy recommendations	179
References	180

Boxes

1. The National Anti-Corruption Action Plan and Greece-OECD project on anti-corruption	63
1.1. The OECD Competition Assessment Reviews for Greece	86
1.2. Identifying sectors with comparative advantage in the Greek economy	91
1.3. Main recent changes in Greece's insolvency framework	95
1.4. The OECD questionnaire on insolvency regimes	96
1.5. The distressed debt market in Japan	112
2.1. Reforms to Greece's labour market institutions	137
2.2. A dedicated commission to advise on minimum wage adjustments	149
2.3. Integrating early education with early childhood care	154
2.4. Measuring poverty	162
2.5. Simulating tax and benefit policies	170

Tables

1. Selected elements of the reform programme	19
2. Macroeconomic indicators and projections	25
3. Low probability events that could lead to major changes in the outlook	25
4. Share of non-performing exposures for different types of loans	28
5. Assumptions of different scenarios for debt sustainability analysis	31
6. Impact of structural reforms on GDP level	31
7. Selected examples of recent actions taken to reduce cash payments and tax evasion	37
8. Fiscal impacts of selected reforms	40
1.1. Main elements of Greece's insolvency framework	94
1.2. Share of NPEs for different types of loans	109
1.3. Operational targets to reduce non-performing exposures	111
2.1. The labour market has improved but remains less inclusive than elsewhere	133
2.2. Most countries that allow extensions of collective agreements impose significant conditions	143
2.3. Minimum wage levels, determination and differential across groups	148
2.4. Recent and legislated policy settings	170

Figures

1. Growth has resumed	16
2. The external and fiscal imbalances have closed	17
3. Transitions into employment improved following labour market reforms	17
4. Poverty rose sharply during the crisis, especially among children, and investment collapsed	18
5. Greece's well-being outcomes are low	18
6. Confidence is gradually increasing and the unemployment rate is declining	21
7. External competitiveness has improved but productivity continues to decline	21
8. Private consumption has stopped falling, investment is volatile, price and wage pressure remains moderate	22
9. The primary balance has improved	22
10. Bank lending rates in Greece have declined but remain higher than in other Eurozone countries	23

11. Bank deposits have levelled off and reliance on the central bank's funding is decreasing	24
12. Capital ratios exceed thresholds but return on assets remains negative	26
13. The stock of non-performing loans is large	28
14. Private sector debt and loans to non-financial corporations are lower than in other OECD countries	29
15. Locking-in lower interest rates and additional reforms will help reduce the public debt	32
16. Tax rates are high whereas tax revenues are low	34
17. Value-added tax collection is low	34
18. There is large scope to increase non-cash payments	37
19. Performance budgeting procedures can be used more extensively	39
20. Wages have moved more closely with employment and productivity since changes to the wage-setting framework	41
21. Many private-sector employees earn less than the poverty line	42
22. Years of schooling are above average	44
23. Adults' skills lag the OECD average	45
24. Adults' participation in life-long learning is low	45
25. Student performance at school is below the OECD average	47
26. Schools and teachers have limited influence over resource and curriculum management	47
27. Participation in active labour market programmes is limited	48
28. Poverty remains high despite extensive redistribution through taxes and benefits	50
29. Pensions dominate Greece's social spending	50
30. The social solidarity income, family benefit and housing allowance reforms support poor households' incomes but also raise participation tax rates	52
31. Greece's top green growth challenges are waste disposal and air pollution	55
32. Product market regulation has eased but remains above most OECD countries	56
33. Recent reforms have improved the business environment, which however remains poor	57
34. Implementation of OECD Competition Assessments' recommendations has progressed	57
35. Greece's inward FDI stocks are low but have improved recently	59
36. FDI regulatory restrictions are low compared to other OECD countries	61
37. Regulatory governance can be improved, especially by extending the use of ex post evaluations	62
38. Control of corruption is positively associated with capacity to innovate and retain talent	64
39. Large shares of employment and capital are trapped in zombie firms	65
40. Greece's insolvency framework has improved	66
41. Insolvency proceedings in Greece are slow and the asset recovery rate is low	66
42. Enforcement of contracts is weak	67
1.1. Low investment is dragging potential output and labour productivity growth	80
1.2. Investment dropped more than elsewhere	81
1.3. Business investment in fixed and knowledge-based capital (KBC) is low	82

1.4. Obstacles to investment reported by businesses are high.	83
1.5. Product market regulation has eased but remains above most OECD countries.	84
1.6. Service trade restrictions can be lowered further.	85
1.7. Implementation of OECD Competition Assessments' recommendations has progressed	86
1.8. Greece's inward FDI stocks are low but have improved recently	89
1.9. There is ample scope to deepen participation in global value chains	90
1.10. FDI regulatory restrictions are low compared to other OECD countries	90
1.11. Revealed comparative advantage in Greece.	91
1.12. Large shares of employment and capital are trapped in zombie firms	93
1.13. Components of the OECD insolvency index.	96
1.14. Greece's insolvency framework has improved.	97
1.15. Greece has improved across all areas of the OECD insolvency regime indicator . . .	98
1.16. Insolvency proceedings in Greece are slow and the asset recovery rate is low . . .	99
1.17. Enforcement of contracts is weak	99
1.18. Research and development expenditure is among the lowest in the OECD . . .	101
1.19. Research productivity is low.	102
1.20. Co-operation with higher education or research institutions in innovation is low	103
1.21. Bank lending rates in Greece have declined but remain higher than in other Eurozone countries	104
1.22. Bank credit's standards have yet to ease and demand for bank loans is still weak	105
1.23. Capital ratios exceed thresholds but return on assets remains negative	106
1.24. Bank deposits have levelled off and reliance on the central bank's funding is decreasing.	108
1.25. The stock of non-performing loans is large	108
1.26. Policy measures helped to create a distressed debt market and lower NPLs in Japan	113
1.27. Public investment has fallen	115
1.28. EU co-financing of public investment spending is sizeable.	115
1.29. The share of public investment in total budget expenditure remains stable . .	116
1.30. The perceived quality of infrastructure lags other countries	116
1.31. Greece's logistics lags OECD countries	117
1.32. Railways infrastructure spending was cut much more than spending on roads .	118
1.33. Disbursement of public investment funds is concentrated towards the end of the year	119
1.34. The central government accounts for most public investments spending. . . .	120
2.1. Employment in Greece fell further during the crisis and has recovered more slowly.	132
2.2. Real wages have stabilised	134
2.3. Poverty rates in Greece are high	134
2.4. The share of workers at risk of poverty is high and has increased	135
2.5. The incidence of long-term unemployment is very high.	135
2.6. Employment has shifted away from higher-skill jobs	136
2.7. Many workers are over-skilled for their job	136

2.8. Wages have moved more closely with employment and productivity since changes to the wage-setting framework	138
2.9. Collective agreements cover fewer Greek workers	139
2.10. Transitions into employment improved following labour market reforms. . . .	140
2.11. Many private-sector employees earn less than the poverty line	140
2.12. Unionisation and employer association membership rates are lower in smaller firms	142
2.13. Trust between social partners rebuilt after the changes to the wage-setting framework, but remains low	144
2.14. Greece's minimum wage is comparable to other OECD economies	146
2.15. More workers in small firms earn low wages	146
2.16. Labour force participation fell among those receiving the youth minimum wage relative to the cohort receiving the adult wage.	147
2.17. Greece's education input effort is in-line with other OECD countries	150
2.18. Years of schooling are above average	151
2.19. Student performance at school is below the OECD average	151
2.20. Adults' skills lag the OECD average	152
2.21. Enrolment in early childhood education and care below compulsory school age lags other OECD countries	153
2.22. Schools and teachers have limited influence over resource and curriculum management.	155
2.23. School evaluations are infrequent in Greece	157
2.24. Greece has few universities ranked among the world's best.	159
2.25. Few adults participate in professional training or life-long learning.	160
2.26. Poverty rates and the poverty gap rose in Greece over the crisis	161
2.27. The poverty gap has widened	162
2.28. Those in work are at lowest risk of poverty	164
2.29. Poverty has shifted from retirees to young households with children	164
2.30. Pensions dominate Greece's social spending.	165
2.31. Poverty and income inequality remain high even after extensive redistribution through taxes and benefits	166
2.32. The Social Solidarity Income, reformed family benefits, and proposed housing allowances raise poor households' incomes but also raise participation tax rates.	169
2.33. Hypothetical increases in the Social Solidarity Income and earnings disregards would further support poor households' incomes	172
2.34. Housing costs overburden most low income households, especially renters	174
2.35. Participation in active labour market programmes is limited.	176
2.36. Eligibility conditions for unemployment benefits are moderately strict.	178