

OECD ECONOMIC SURVEYS

COSTA RICA

ISSN 0376-6438, e-ISSN 1609-7513

July 2020

[Consulta en línea desde Intranet](#)

Executive summary	9
1 Key policy insights	14
The economy is contracting due to the coronavirus outbreak	21
Macroeconomic policies have improved but the fiscal framework should be reinforced	30
Social indicators have improved but Costa Rica remains a very unequal country	47
The demographic bonus is ending	51
Broadening growth sources and boosting productivity	57
Green growth	63
2 Enhancing business dynamism and consumer welfare with regulatory reform	70
Regulations are burdensome	71
Costa Rica is a dual economy	74
Low income households could benefit the most from enhanced regulations and competition	77
Reducing administrative barriers to firm entry	81
Strengthening competition	86
Improving the state involvement	90
Improving regulations in key sectors	95
References	101
3 Boosting access to credit and ensuring financial inclusion for all	106
Regional landscape and recent policy initiatives	107
Where does Costa Rica stand?	107
Boosting household financial inclusion	117
Boosting financial inclusion of SMEs	124
Embracing FinTech to boost financial inclusion	129
References	134

FIGURES

Figure 1. The budget deficit is large	11
Figure 2. Inequality is high	11
Figure 3. Regulations are burdensome	12
Figure 1.1. Prior to the pandemic, Costa Rica ranked highly in many dimensions of well-being	16
Figure 1.2. Forest cover has rebounded since 2000	17
Figure 1.3. The gap with advanced economies remains large	18
Figure 1.4. Inequality remains high	18
Figure 1.5. The economy is in recession	23
Figure 1.6. The current account deficit is financed by large direct investment flows	24

Figure 1.7. External debt has increased	24
Figure 1.8. The authorities consider banks to be well capitalised	27
Figure 1.9. Interest rate spreads are relatively high	28
Figure 1.10. Financial dollarisation remains large	29
Figure 1.11. The exchange rate has become more flexible over time	31
Figure 1.12. Monetary policy is appropriately accommodative	32
Figure 1.13. Fiscal deficits remain large	33
Figure 1.14. Current fiscal policies would halt the increase in public debt in the medium term	36
Figure 1.15. Sovereign risk premia remain high	37
Figure 1.16. Public spending remains inflexible	38
Figure 1.17. Public employment accounts for a large share of public revenues	39
Figure 1.18. The share of government spending subject to public procurement is low	40
Figure 1.19. There is room to improve the tax mix	42
Figure 1.20. Employer social charges are among the highest in the OECD	43
Figure 1.21. Interest expenditure is high	44
Figure 1.22. The cost of external financing is high in comparison with other countries	44
Figure 1.23. Costa Rica is not able to borrow internationally in domestic currency	45
Figure 1.24. Poverty rates have not fallen consistently over the last 25 years	48
Figure 1.25. Spending on education is high and PISA results are declining	50
Figure 1.26. STEM graduates as a share of total tertiary graduates	51
Figure 1.27. Life expectancy is higher and the fertility rate lower	52
Figure 1.28. The demographic dividend is ending	52
Figure 1.29. Female labour market participation is low	53
Figure 1.30. Informality is high	54
Figure 1.31. The pension system does not generate enough resources	55
Figure 1.32. Financing pension deficits can hamper public debt dynamics	56
Figure 1.33. The economy's growth potential has declined	57
Figure 1.34. Income gaps with the OECD are large due to low productivity	57
Figure 1.35. Labour productivity is relatively low	58
Figure 1.36. FDI has increased and the export basket has become increasingly diversified	59
Figure 1.37. The United States is the main export market	59
Figure 1.38. Costa Rica's infrastructure lags behind	60
Figure 1.39. Corruption perceptions are relatively low	62
Figure 1.40. Green growth indicators (selected)	63
Figure 2.1. Costa Rica has more stringent regulations than any OECD country	71
Figure 2.2. The regulatory burden is perceived to be very high	72
Figure 2.3. Administrative burdens on start-ups are high	73
Figure 2.4. Distortions induced by state involvement are large	73
Figure 2.5. Barriers to trade and investment are closer to the OECD average	74
Figure 2.6. Firms outside the free trade zone lag behind	74
Figure 2.7. A few firms dominate the markets	75
Figure 2.8. Prices are high	76
Figure 2.9. The average mark-up at sector level is relatively high	77
Figure 2.10. Most sectors have larger mark-ups than the OECD average	77
Figure 2.11. Opening the telecommunication sector to competition benefited particularly low-income households	78
Figure 2.12. Mobile penetration has increased	79
Figure 2.13. Opening the mobile market helped to close connectivity gaps	80
Figure 2.14. Boosting competition further would benefit low-income households	81
Figure 2.15. Complex requirements hamper firm creation	81
Figure 2.16. Establishing a company is relatively costly	82
Figure 2.17. Few OECD countries require a lawyer or notary to register a company	83
Figure 2.18. Establishing a company is burdensome	84
Figure 2.19. Costa Rica lags behind in digital governance	85
Figure 2.20. Few administrative transactions with government can be completed online	85
Figure 2.21. There is room to make courts more agile	89
Figure 2.22. Legal fees are relatively high	90
Figure 2.23. There is room to improve SOE governance	91
Figure 2.24. ICE is the worst performing SOE	92
Figure 2.25. Electricity prices are high	94

Figure 2.26. There is room to improve regulation in network sectors	96
Figure 2.27. Logistics operations in Costa Rica are perceived to be lacklustre	97
Figure 2.28. Time to import is lengthy	97
Figure 2.29. Lifting restrictions in services can boost logistic performance	98
Figure 2.30. Logistics performance has deteriorated	99
Figure 2.31. Real Costa Rican exports vs synthetic Costa Rican exports	99
Figure 2.32. Indicators on governance of sector regulators	100
Figure 3.1. Financial inclusion in Costa Rica lags behind the OECD	108
Figure 3.2. Insurance penetration is low	109
Figure 3.3. Mobile or internet-based financial services use is more frequent than the peers	109
Figure 3.4. Intermediation margins have historically been high	110
Figure 3.5. Costa Rica's Fintech firms lag behind their peers	111
Figure 3.6. Regional disparities in financial inclusion are large	111
Figure 3.7. Poor and less-developed countries have lower financial inclusion	113
Figure 3.8. Costa Rican consumers deem financial services to be expensive	114
Figure 3.9. The distribution of credit among households displays large inequality	115
Figure 3.10. Smaller SMEs face difficulties in having access to financial services	115
Figure 3.11. The interest premium paid by smaller SMEs is higher than in peer countries	116
Figure 3.12. Gender gaps in financial inclusion are large	118
Figure 3.13. Priority groups mainly rely on savings accounts	118
Figure 3.14. Indigenous populations suffer from severe financial exclusion	119
Figure 3.15. Household indebtedness has increased rapidly	121
Figure 3.16. Financial literacy outcomes are low	123
Figure 3.17. Financial inclusion of agricultural SMEs is low	125
Figure 3.18. Micro-entrepreneurs are discouraged from applying for loans	126
Figure 3.19. Smaller SMEs find it hard to borrow from private banks	127
Figure 3.20. Development banking credit is scarce	129
Figure 3.21. The payments system supports an increasing number of digital and mobile transactions	130

TABLES

Table 1. The recovery will be very gradual	10
Table 1.1. Costa Rica: Selected indicators in comparison with the OECD	17
Table 1.2. Ongoing structural reforms will boost growth	20
Table 1.3. Additional reform efforts would pay off	20
Table 1.4. Reforms would also help to reduce inequality	20
Table 1.5. Macroeconomic and financial projections	25
Table 1.6. Possible shocks to the Costa Rican economy	26
Table 1.7. Past OECD recommendations on financial stability	29
Table 1.8. Past OECD recommendations on macroeconomic policies	31
Table 1.9. Fiscal impact of the fiscal reform	34
Table 1.10. Main revenue and expenditure categories	35
Table 1.11. Fiscal quantification of some recommendations	43
Table 1.12. Past OECD recommendations on making growth more inclusive	49
Table 1.13. Past OECD recommendations on boosting productivity	61
Table 1.14. Past OECD recommendations on green growth	64
Table 2.1. Sectors exempted from competition	89
Table 3.1. Using credit card debt for commercial activities hurts smaller SMEs more	116

OECD ECONOMIC SURVEYS

SLOVENIA

ISSN 0376-6438, e-ISSN 1609-7513

July 2020

[Consulta en línea desde Intranet](#)

Executive summary	10
1 Key policy insights	15
The economy still needs policy support	18
Prospects and risks	25
Achievements in inclusiveness should be preserved	26
The environmental performance is mixed	29
Risks to financial stability are low, but capital markets remain underdeveloped	32
Fighting money laundering and corruption	35
A more competitive environment would help to accelerate the recovery	36
Fiscal policy faces long-term challenges	38
The fiscal impacts of ageing are projected to be larger than elsewhere	41
The pension system has a widening deficit and provides low benefits	43
The health and long-term care systems are poorly prepared for ageing	44
The dynamics of the labour market are changing	48
Improving labour reallocation to support the recovery and long-term growth	49
References	54
2 Public policy challenges of ageing	59
Ageing entails larger spending pressures than elsewhere	60
The sustainability of the pension system is challenged by ageing	61
The public pension system is complicated	64
The pension system is highly redistributive	66
Recent reform has increased pension generosity	67
The link between earnings and pension entitlements is relatively weak	68
Savings in the second pillar are low	72
The health and long-term care sectors are challenged by population ageing	76
Health care spending is high compared with peers	76
The primary care system could have a strong gatekeeper function	82
Preventive care could be strengthened	84
The hospital sector has scope to become more efficient	84
The remuneration of doctors is not competitive	87
Better planning, budgeting and payment systems could improve resource use	88
Better public procurement and information systems can lower costs	90
Long-term care is facing a demand surge	93
References	98
3 Labour market institutions for an ageing labour force	101
Population ageing poses key challenges to potential growth	102
Underutilised labour resources need to be mobilised to sustain economic growth	103

Social benefits encourage early exit from work before the retirement age	105
Harder-to-place unemployed workers are not receiving enough support	108
Unemployment, inactivity and low-wage traps are high	110
Maximising long-term potential growth requires a more efficient allocation of labour	114
The rigid wage-setting system contributes to lower labour market mobility	114
Skills demanded and skills supplied are often misaligned	117
Lack of spatial mobility hampers the optimal allocation of workers to jobs	122
SOEs retain workers that could be redirected to more productive activities	128
References	130

Tables

Table 1. The recovery will be slow	11
Table 1.1. Macroeconomic indicators and projections	20
Table 1.2. Potential vulnerabilities to the Slovenian economy	26
Table 1.3. Past recommendations for achieving green growth	30
Table 1.4. Past recommendations on financial stability	34
Table 1.5. Fiscal Indicators	38
Table 1.6. Past recommendations on fiscal policy	42
Table 1.7. Ageing-related expenditure projections	42
Table 1.8. Past recommendations on pension, health and long term care systems	46
Table 1.9. Illustrative fiscal impact of recommended reforms	47
Table 1.10. Illustrative impact on GDP per capita from structural reforms	47
Table 1.11. Past recommendations on labour market institutions	53
Table 1.12. KPI recommendations	53
Table 2.1. Main policy scenarios and projections	62
Table 2.2. The public pension system redistributes across generations, incomes and gender	67
Table 2.3. Main findings and recommendations for the pension and health systems	97
Table 3.1. Main Active Labour Market Programmes	109
Table 3.2. Main findings and recommendations on the labour market	129

Figures

Figure 1. Output is set to drop sharply	11
Figure 2. The net replacement rate is close to the OECD average	12
Figure 3. The employment rate of older workers is low	13
Figure 4. Older workers retire early	13
Figure 1.1. Income convergence is picking up	16
Figure 1.2. The population is ageing	17
Figure 1.3. The outbreak was quickly contained but led to a sharp contraction	19
Figure 1.4. The economic recovery was slowing before the pandemic	21
Figure 1.5. Consumer confidence and business sentiment collapsed	21
Figure 1.6. Slovenia mainly trades with European countries	22
Figure 1.7. Higher participation has so far offset the effect of ageing on the labour force	22
Figure 1.8. Productivity has failed to catch up	23
Figure 1.9. Wage levels in Slovenia are well above other CEEC countries	24
Figure 1.10. Inflationary pressures are easing	24
Figure 1.11. Employment rates of women, low-skilled and older workers have risen	27
Figure 1.12. Inequalities are low	27
Figure 1.13. Gender pay gaps are increasing with education and skills requirements	28
Figure 1.14. The majority of civil servants are women	29
Figure 1.15. Green growth indicators are mostly improving	31
Figure 1.16. Banks' credit portfolio quality has improved	32
Figure 1.17. Businesses are increasingly using foreign-finance sources	33
Figure 1.18. Financial development is lagging behind	33
Figure 1.19. Corruption indicators	35
Figure 1.20. Policy frameworks	36

Figure 1.21. There is scope to ease entry and strengthen competition	37
Figure 1.22. Slovenia has a low stock of inward FDI	37
Figure 1.23. Despite faster economic growth the public deficit will remain large in 2021	39
Figure 1.24. The tax system is reliant on labour taxes	40
Figure 1.25. The government debt-to-GDP ratio is relatively low	40
Figure 1.26. More fiscal consolidation effort is needed to reduce public debt	41
Figure 1.27. Old-age spending increases in European countries	42
Figure 1.28. The effective retirement ages are among the lowest in the OECD	43
Figure 1.29. Waiting lists lead to unmet needs	45
Figure 1.30. Public long-term care spending is relatively low	46
Figure 1.31. The number of older unemployed persons (+60) is increasing	48
Figure 1.32. Job polarisation is increasing	50
Figure 1.33. Adults' digital skills are low	50
Figure 1.34. Participation in life-long learning can be raised further	51
Figure 1.35. Digital government is less advanced in some respects	52
Figure 1.36. Labour market turnover is relatively low	52
Figure 2.1. A smaller active population will have to support larger numbers of pensioners	60
Figure 2.2. The old-age dependency ratio will increase until 2055	61
Figure 2.3. Public spending on pensions is projected to increase sharply	62
Figure 2.4. Ageing costs could easily increase more than projected	63
Figure 2.5. Poverty among pensioners is high in Slovenia	63
Figure 2.6. Most pensioners receive low public pensions	64
Figure 2.7. The effective retirement ages are among the lowest in the OECD	65
Figure 2.8. Time spend in retirement is longer than elsewhere	66
Figure 2.9. The pension gender gap is relatively low	68
Figure 2.10. Replacement rates are close to the OECD average	69
Figure 2.11. Unemployment leads to limited reductions in pension benefits	70
Figure 2.12. Pensioners seldom work after 65	71
Figure 2.13. Few older workers combine work and pension	72
Figure 2.14. Private pension savings are very low	73
Figure 2.15. Public pension benefits are the main income source for retirees	73
Figure 2.16. Tax advantages to occupational schemes are generous	75
Figure 2.17. Pension funds have very cautious investment strategies	75
Figure 2.18. Health care spending is high compared with peers	77
Figure 2.19. Life expectancy is relatively high, but health is poor for the older population	77
Figure 2.20. Better resource utilisation could boost life expectancy significantly	78
Figure 2.21. Cancer is a leading cause of death	79
Figure 2.22. In some areas, health care performance is poor	80
Figure 2.23. Out-of-pocket spending is low as most have complementary health insurance	81
Figure 2.24. The few health practitioners are unequally distributed	83
Figure 2.25. Lifestyle-related health risks are high	85
Figure 2.26. Health care provision is hospital-centred	86
Figure 2.27. Remuneration of health workers remains relatively low	87
Figure 2.28. Doctors retire early	88
Figure 2.29. Waiting times for treatment are long	90
Figure 2.30. Spending on pharmaceuticals is about average	91
Figure 2.31. The use of generics remains below average	92
Figure 2.32. Regulation is holding back competition in medicine sales	92
Figure 2.33. Long-term projections of public health and long-term care expenditures	93
Figure 2.34. Public long-term care spending is relatively low	94
Figure 2.35. The share of institutional long-term care is relatively high	94
Figure 2.36. A relatively high share of old-age people need assistance due to health problems	95
Figure 3.1. The working age population is declining and ageing	102
Figure 3.2. Some groups are under-utilised in the labour market	103
Figure 3.3. Bringing back to work some workers is challenging	104
Figure 3.4. Unemployment is more persistent for older workers	104
Figure 3.5. During the upswing, job creation benefitted foreigners	105
Figure 3.6. Older workers are increasingly seeking disability benefits	106
Figure 3.7. The disability insurance system is complex and admits preferential treatment for workers above 50	107
Figure 3.8. Few disability insurance beneficiaries enrol in occupational rehabilitation	107

Figure 3.9. Spending on labour market programmes could be more effective	108
Figure 3.10. Inactivity and low-income traps are high for second earners in Slovenia	110
Figure 3.11. Social security rates for employees are high in Slovenia	112
Figure 3.12. Slovenia is one of the countries with the highest top personal income tax rate	113
Figure 3.13. Revenue from property tax is low	113
Figure 3.14. The retention rate of older workers is low in Slovenia	115
Figure 3.15. The minimum wage is high relative to the median wage	115
Figure 3.16. There is a disconnect between wages and productivity	116
Figure 3.17. Older workers lack important skills	117
Figure 3.18. Younger cohorts are doing better with basic skills	118
Figure 3.19. Older workers are less likely to participate in adult education	119
Figure 3.20. Workers stay in the same job for long	120
Figure 3.21. The returns to tertiary education are falling	121
Figure 3.22. Unemployment is higher in Eastern Slovenia than Western Slovenia	122
Figure 3.23. Slovenia has a high home-ownership rate	123
Figure 3.24. It takes long time to get a construction permit	124
Figure 3.25. Public transport is little used in Slovenia	126
Figure 3.26. Regulation for rail and road transport is high in Slovenia	127
Figure 3.27. Slovenia's road traffic is a high CO ₂ emitter	127