

Costa Rica

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// Overview

Costa Rica has a relatively high standard of living. It is politically stable and committed to non-involvement in armed conflicts (the country dissolved its military forces in 1949) as well as to nature conservation (around 25% of the territory is protected area). Its prospering economy is closely linked to the US economy in terms of exports and tourism. Although Costa Rica is considered to be a middle-income country, it still struggles with high levels of inequality and poverty. 18.9% of the population is considered to be poor. Extreme poverty accounts for 6.9% of the population. Poverty rates are higher in suburbs and rural areas. Many immigrants are affected by poverty: An estimated 0.5m immigrants from Nicaragua and many Colombian refugees offer unskilled labour in low-paid sectors like agriculture.

Basic infrastructure is relatively good in Costa Rica. Almost the whole population has access to electricity, improved sources of potable water and improved sanitation facilities. Health and education score high in the Global Competitiveness Ranking of the WEF. However, the inadequate supply of other types of infrastructure (e.g. roads), inefficient government, bureaucracy and the limited access to financial services are seen as one of the main obstacles to doing business in the country.

Costa Rica's main sources of national revenue are agriculture (e.g. export of bananas, coffee, pineapples, sugar, beef), technology

exports (e.g., microchips, medical components) and tourism, especially ecotourism. Each of these sectors account for about a third of Costa Rica's GDP.

President Laura Chinchilla continues the political direction initiated by former president and Nobel Peace Prize winner Oscar Arias. The US-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) entered into force in 2009 and a trade agreement with the EU became effective in January 2011. In 2011, an agreement with China was ratified. These will likely lead to increased foreign direct investment and more trade. The insurance and telecommunications sectors have been opened to competition. There are plans to further invest in security and education.

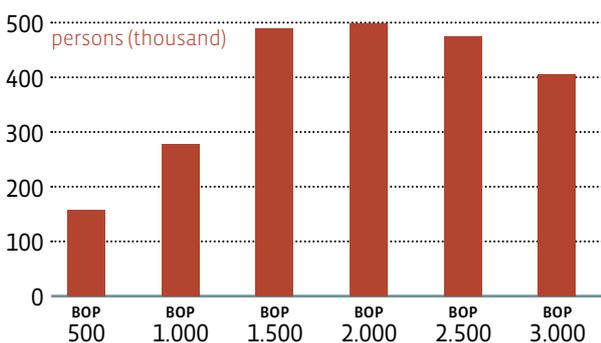
For all these reasons, Costa Rica offers vast opportunities in the area of inclusive business. Producer-led ventures that increase the productivity and diversification of small-scale farmers lead to higher incomes. With increasing prosperity, the population becomes an attractive consumer market. In combination with the ambitious environmental goals of the government e.g. to be the first country to become CO₂ neutral by 2021, it delivers a fertile ground for disruptive and environmental friendly innovation. The central location between North and South America can be seen as an important hub for multinational enterprises.

// Market Data //

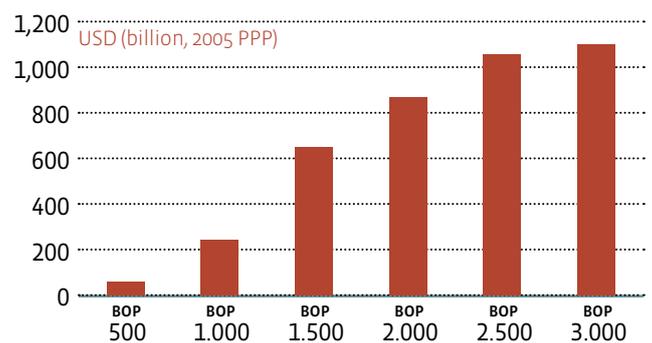
Population (2011)	4.6 million
Population living in extreme poverty (<\$1.25/day/2006)	6.9%
Population living at the BoP (<\$3,000/year/2006)	50.78%
GDP (nominal)	\$35.8 billion
GDP growth (2010)	3.5%
GDP / per capita	\$11,300
Unemployment rate	7.3%
Gini ranking (2006)	28 / 136
HDI ranking (2011)	64 / 172
CPI ranking (2010)	41 / 178

(All data for 2009 unless otherwise noted / all \$ in purchasing power parity)

Population in different BoP segments



Total income in different BoP segments



BOP500 = below USD 500 per year; 2004 data; Population data taken from / total income data estimated based on World Bank's PovcalNet.

// Examples

BAC Credomatic & FINCA In partnership with the Fundación Integral Campesina (FINCA) and American Express, BAC COM Costa Rica has developed a project that aims to facilitate access to financial services, promote entrepreneurship, foster community development and encourage environmental sensibility among micro-entrepreneurs and youth in Costa Rica. FINCA utilizes a proven methodology through which community groups create cooperatives to save money, manage their savings and access loans for group members' income generating activities.

Pali supermarkets operate with relatively low margins and large sales volumes. They feature simple, efficient, and cost-saving operations, with a limited assortment that includes leading national and private brands to cater low-income families' basic needs.

Café Britt works closely with small and medium-sized coffee growers to improve the quality of coffee. The "High Quality Program" fosters best practices in coffee production, social and environmental responsibility. Technical support and alternative financing options support the farmers and ensure high quality supply for the company.

Walmart Tierra Fértil is a program that started in 1973, offering support and assistance to small horticulturists, who are suppliers to Walmart. The program offers capacity building for technical skills and access to finance. Thus productivity and competitiveness are improved which leads to higher income and the chance to compete in other markets as well.

// Trends

How will the society continue to develop?

Economic growth is positive and stable. In recent years, Costa Rica has grown a strong middle class compared to other countries in Latin America, but lately also tended towards higher inequality. Accordingly, poverty and unemployment rates are not decreasing. Combined with other factors, this leads to increasing violence and insecurity.

Which sectors currently offer the greatest opportunities?

Tourism, agriculture, technology (microchips, medical), manufacturing and retail.

The focus on new technologies (e.g. biotech, aerospace) is a priority of President Laura Chinchilla's administration.

Is the support by the government likely to change?

So far, there is no public support for inclusive business initiatives; the development of such business models is currently driven by the private sector.

What are future risks?

- Bureaucracy, difficulty of enforcing contracts and slow political change
- Lack of access to finance and weak investor protection
- Inadequate infrastructure
- Increasing violence and insecurity

// Directory

Literature & web sites

- Márquez, Patricia C., Ezequiel Reficco, and Gabriel Berger (ed.) 2010: Socially Inclusive Business. Engaging the poor through market initiatives in Iberoamerica, Harvard University Press, Cambridge MA

Contacts & support

- AAED Costa Rica-business association for development | www.aedcr.com
- ALIARSE promotes public-private partnerships for sustainable development | www.aliarse.org
- AVINA promotes sustainability in Latin America among them inclusive business | www.avina.net
- CATIE -CeCoEco Centre for the competitiveness for eco-enterprises | www.catie.ac.cr/cecoeco
- CEGESTI- consulting and capacity building to drive the productive sector towards sustainable development | www.cegesti.org
- Central American Bank for Economic Integration | www.bcie.org
- CIMS- The Sustainable Markets Intelligence Center | www.cims-la.com
- FUNDES strengthens small and medium enterprises in an environmentally friendly and social way | www.fundes.org
- INCAE Business School | www.incae.edu

Fact sheet editor



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