



## Costa Rica Third Fiscal and Decarbonization Management DPL (P177029)

LATIN AMERICA AND CARIBBEAN | Costa Rica | IBRD/IDA | Development Policy Financing (DPF) | FY 2023 | Seq No: 1 |  
Archived on 10-Jun-2025 | ISR01767

**1. OBJECTIVE****1.1 Development Objective**

Original Development Objective (Approved as part of Approval package on 16-Jun-2023)

The Program Development Objective of this DPL is to support Costa Rica's program to: (i) protect people's income and jobs from the impact of COVID-19 and foster small and medium enterprise recovery; (ii) reinforce fiscal sustainability in the aftermath of COVID-19; and (iii) lay out the foundations for a strong post-COVID-19 recovery by promoting green growth and low-carbon development.

Has the Development Objective been changed since Board Approval of the Project Objective?

No

**2. OVERALL RATINGS**

Name	Current
Progress towards achievement of PDO	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory
Overall Risk Rating	● Substantial

Comments

No comment

**3. KEY ISSUES & STATUS****3.1 Implementation Status and Key Decisions**

The Bank is moderately satisfied with the Borrower's progress in executing the Program and remains confident in the adequacy of the Borrower's macroeconomic policy framework.

Since the Board's approval of the DPL3, Costa Rica has demonstrated strong commitment to achieving the Program Development Objective (PDO). The government has advanced its reform agenda and made significant progress on results.



Nearly all indicators under Pillar 1 have met or exceeded targets, except for temporary inflation crisis programs, which were reduced as the crisis resolved more quickly than anticipated. Pillar 2 has seen significant progress, with indicators related to fiscal spending and debt management surpassing expectations, although tax indicators remain slightly below target. The team has yet to validate all indicators under Pillar 3; among those validated, there has been significant progress in the rollout of electric vehicles and modest improvements in electricity efficiency.

Costa Rica's macroeconomic framework remains suitable for development policy lending. The economy grew at an average rate of 5.9 percent from 2021 to 2023, supported by a sophisticated and diversified export base, relatively low external debt, and stable reserves. In 2024, growth slightly decelerated to 4.3 percent due to weaker performance in the United States and other key trading partners. The government has made substantial progress in implementing its reform agenda, supported by recent World Bank DPLs, the International Monetary Fund (IMF), and its accession to the Organization for Economic Co-operation and Development (OECD). The monetary policy framework is credible, anchored by a floating exchange rate and an inflation-targeting regime, with an independent Central Bank. Inflation fully receded in 2023 and remained low and stable in 2024. Public finances have continued on a consolidation path, with the primary surplus narrowing from 1.6 percent of GDP in 2023 to 1.1 percent in 2024. Nominal spending growth (over 6 percent) outpaced revenue growth (over 3 percent), pressured by one-offs such as a record-high interest bill of nearly 5 percent of GDP, wage adjustments to compensate for accumulated inflation, and delayed payments of accrued revenues. However, the government's consistent implementation of fiscal consolidation measures, including key efficiency-promoting reforms, has led to a continuous decline in the debt-to-GDP ratio from its peak of 68 percent in 2021 to 59.9 percent in 2024. In 2024 and early 2025, all three major ratings agencies upgraded the sovereign credit rating, though it remains below investment grade.

#### 4. SYSTEMATIC OPERATIONS RISK-RATING TOOL

Risk Category	Rating at Approval Approval Package - 16 Jun 2023	Proposed Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Substantial	● Moderate
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Low	● Low
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Low	● Low
Environment and Social	● Low	● Low



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Stakeholders

● Substantial

● Substantial

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Overall

● Substantial

● Substantial

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## 5. RESULTS

### 5.1 Indicators by Pillars

Pillar A: Protecting people's income and jobs from the impact of COVID-19 and fostering SME recovery								
Indicator Name	Baseline		Actual (Previous)		Actual (Current)		Closing Period	
	Value	Month/Year	Value	Date	Value	Date	Value	Month/Year
Share of persons in households in the lowest quintile of the income distribution covered by social transfers. (Percentage)	40.80	Jan/2019	52.3 (2024)	30-Aug-2024	52.3 (2024)	30-Aug-2024		
	Comments on achieving targets		Significant progress, on track					
Number of household beneficiaries of "Beneficio por Inflación" (Number)	0	Jan/2021	83,971 (2023)	31-Dec-2024	83,971 (2023)	31-Dec-2024		
	Comments on achieving targets		The government distributed 104,374 benefits reaching approximately 84,000 households, prioritizing the most vulnerable. The delivery was below the initial target, in part due to the fact that inflation receded quicker than expected (original target: 125,000 by July 2023)					
Share of female-headed households among beneficiaries (Percentage)	0	Jan/2021	80.90	31-Dec-2024	80.90	31-Dec-2024		
	Comments on achieving targets		Target: >55 (by 2023)					
Share of firms in an insolvency process entering a reorganization proceeding (Percentage)	0	Jan/2019	17	31-Jul-2024	17	31-Jul-2024		
	Comments on achieving targets		Target: 12 (2024)					
	25	Jan/2019	42.30	31-Aug-2024	42.30	31-Aug-2024		



Share of individuals belonging to vulnerable groups (of which at least 60 percent is women by 2023) who after taking INA's training found jobs within 6 months (Percentage)	Comments on achieving targets		Target: 35 (2024)					
<b>Pillar B: Reinforcing fiscal sustainability in the aftermath of COVID-19</b>								
Indicator Name	Baseline		Actual (Previous)		Actual (Current)		Closing Period	
	Value	Month/Year	Value	Date	Value	Date	Value	Month/Year
Tax revenues from VAT and income taxes (percent of GDP) (Percentage)	10.60	Dec/2018	11.20	31-Dec-2024	11.20	31-Dec-2024		
	Comments on achieving targets		The baseline value was revised ex post to 10 percent. Revenues increased by 1.2p.p of GDP, less than the 1.6 contemplated originally (original target: 12.2 (2024), under revised figures: 11.6)					
"Brown" exemptions (percent of GDP) (Percentage)	0.25	Jan/2020	0.24 (2022)	31-Dec-2023	0.24 (2022)	31-Dec-2023		
	Comments on achieving targets		Not met, reforms for elimination of brown exemptions have been submitted to the national assembly, but not approved (Target:0.18 2024)					
Spending on goods and services and current transfers (percent of GDP) (Percentage)	8.50	Jan/2019	6.60	31-Dec-2024	6.60	31-Dec-2024		
	Comments on achieving targets		Nearly met (Target: 6.5 2024)					
Public wage bill in the Central Government (CG) and the Non-Financial Public Sector (NFPS) as a share of GDP (percent) (Percentage)	CG: 6.9 (2019), NFPS: 10.7 (2019)	Jan/2019	GC: 5.5% NFPS: 8.6% of GDP	31-Dec-2024	GC: 5.5% NFPS: 8.6% of GDP	31-Dec-2024		
	Comments on achieving targets		Target: CG: 5.5 (2024), NFPS: 8.5 (2024)					



Non-competitive issuances (balance of direct investments and "treasury direct") as of end of the year (billions of Costa Rican colones) (Number)	779	Jan/2019	506	31-Dec-2024	506	31-Dec-2024		
	Comments on achieving targets		Target: 565 (2024)					
<b>Pillar C: Laying the foundations for a strong post-COVID-19 recovery by promoting green growth and low-carbon development</b>								
Indicator Name	Baseline		Actual (Previous)		Actual (Current)		Closing Period	
	Value	Month/Year	Value	Date	Value	Date	Value	Month/Year
Agreements formalizing reporting to SINAMECC (number) (Number)	0	Jan/2019	Information not yet available.	31-Dec-2023	Information not yet available.	31-Dec-2023		
	Comments on achieving targets		Target: 5 (2024)					
Municipalities enrolled in Carbon Neutrality National Program (CNNP) and measuring emissions, which have taken further actions to reduce their GHG emissions (number) (Number)	0	Jan/2019	21 registered up to 2024, program is not active	31-Dec-2023	21 registered up to 2024, program is not active	31-Dec-2023		
	Comments on achieving targets		The program is not being revised and upgrade to address its low take up and increase its impact (Target: 47 2024)					
Electric vehicles as share of new private and institutional vehicles (percent) (Percentage)	0.70	Jan/2019	15.30	01-Aug-2024	15.30	01-Aug-2024		
	Comments on achieving targets		Target: 15 (2024)					
	0	Jan/2019	2	31-Dec-2024	2	31-Dec-2024		



Projects financed by the National Fund for Financing Ecosystem Services to new beneficiaries (number) (Number)	Comments on achieving targets		Target: 2 (2024)					
New thematic green/climate-related issuances, effectively adhering to the new standards for external verifiers (Number)	0	Jan/2019	8 (desk review to be validated)	31-Dec-2024	8 (desk review to be validated)	31-Dec-2024		
	Comments on achieving targets		Target: 6 (2024)					
Power system load factor (percent) (Percentage)	75.40	Jan/2019	75.5 (desk review to be validated)	31-Dec-2024	75.5 (desk review to be validated)	31-Dec-2024		
	Comments on achieving targets		Target: 77.3 (2024)					



## 6. DATA ON FINANCIAL PERFORMANCE

### 6.1 Disbursements (by loan)

Loan/Credit/TF	Status	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
IBRD-95460	Not Effective	500.00	500.00	0.00	0.00	500.00	0%

### 6.2 Key Dates (by loan)

Loan/Credit/TF	Status	Approval	Signing	Effectiveness	Orig. Closing	Rev. Closing
IBRD-95460	Not Effective	16-Jun-2023	16-May-2024		31-Dec-2024	30-Sep-2025

## 7. KEY DATES

Key Events	Planned	Actual
Approval	16-Jun-2023	16-Jun-2023
Effectiveness	15-Jun-2025	
Operation Closing/Cancellation	30-Sep-2025	

## 8. TRANCHES

No Tranches have been added

## 9. ASSOCIATED OPERATION(S)

There are no associated operations