IMPORTANT NOTICE

You must read the following before continuing. The following applies to the Offering Circular following this page (the "**Offering Circular**"), and you are therefore required to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" ("QIBs") AS DEFINED IN AND PURSUANT TO RULE 144A UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") ("RULE 144A"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY NOTES IN ANY JURISDICTION. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

IN THE EUROPEAN ECONOMIC AREA, THE OFFERING CIRCULAR AND THE OFFER OF THE NOTES HAVE BEEN PREPARED ON THE BASIS THAT ANY OFFER OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF NOTES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THE EUROPEAN ECONOMIC AREA OF NOTES WHICH ARE THE SUBJECT OF THE OFFERING CONTEMPLATED IN THIS OFFERING CIRCULAR MAY ONLY DO SO TO LEGAL ENTITIES WHICH ARE QUALIFIED INVESTORS AS DEFINED IN ARTICLE 2 OF THE PROSPECTUS REGULATION, PROVIDED THAT NO SUCH OFFER OF NOTES SHALL REQUIRE THE ISSUER OR ANY OF THE MANAGERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION IN RELATION TO SUCH OFFER. NEITHER THE ISSUER NOR THE MANAGERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF NOTES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE MANAGERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE NOTES CONTEMPLATED IN THE OFFERING CIRCULAR. THE EXPRESSION "PROSPECTUS REGULATION" MEANS REGULATION (EU) 2017/1129 (AS AMENDED OR SUPERSEDED). THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA. FOR THE PURPOSES OF THIS PROVISION, (A) A "RETAIL INVESTOR" MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED OR SUPERSEDED, THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; AND (B) THE EXPRESSION "OFFER" INCLUDES THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION AND THE TERMS OF THE OFFER AND THE NOTES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE FOR THE NOTES. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED OR SUPERSEDED, THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EUROPEAN ECONOMIC AREA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

EACH PERSON IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHO RECEIVES ANY COMMUNICATION IN RESPECT OF, OR WHO ACQUIRES ANY NOTES UNDER, THE OFFERS

CONTEMPLATED IN OFFERING CIRCULAR, OR TO WHOM THE NOTES ARE OTHERWISE MADE AVAILABLE, WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED, ACKNOWLEDGED AND AGREED TO AND WITH EACH MANAGER AND THE ISSUER THAT IT AND ANY PERSON ON WHOSE BEHALF IT ACQUIRES NOTES IS: (1) A "QUALIFIED INVESTOR" AS DEFINED IN THE PROSPECTUS REGULATION; AND (2) NOT A "RETAIL INVESTOR" (AS DEFINED ABOVE). FOR THE PURPOSES OF THIS REPRESENTATION, AN "OFFER TO THE PUBLIC" IN RELATION TO ANY NOTES IN ANY MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND ANY NOTES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE FOR THE NOTES.

IN THE UNITED KINGDOM, THE OFFERING CIRCULAR HAVE BEEN PREPARED ON THE BASIS THAT ANY OFFER OF NOTES IN THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE UK PROSPECTUS REGULATION AND SECTION 85 OF THE FINANCIAL SERVICES AND MARKET ACT ("FSMA") FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF NOTES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THE UNITED KINGDOM OF NOTES WHICH ARE THE SUBJECT OF THE OFFERING CONTEMPLATED IN THE OFFERING CIRCULAR MAY ONLY DO SO TO LEGAL ENTITIES WHICH ARE QUALIFIED INVESTORS AS DEFINED IN ARTICLE 2 OF THE UK PROSPECTUS REGULATION, PROVIDED THAT NO SUCH OFFER OF NOTES SHALL REQUIRE ANY OF THE MANAGERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE UK PROSPECTUS REGULATION OF SECTION 85 OF THE FSMA IN RELATION TO SUCH OFFER. NEITHER THE ISSUER, NOR THE MANAGERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF NOTES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE MANAGERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE NOTES CONTEMPLATED IN THE OFFERING CIRCULAR. THE EXPRESSION "UK PROSPECTUS REGULATION" MEANS REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE "EUWA").

THE NOTES ARE NOT INTENDED TO BE SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM. FOR THESE PURPOSES, (A) A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FSMA AND ANY OTHER RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT THE INSURANCE DISTRIBUTION DIRECTIVE, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; AND (B) THE EXPRESSION "OFFER" INCLUDES THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION AND THE TERMS OF THE OFFER AND THE NOTES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE FOR THE NOTES. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY THE PRIIPS REGULATION AS IT FORMS PART OF UK LAW BY VIRTUE OF THE EUWA (THE "UK PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

EACH PERSON IN THE UNITED KINGDOM WHO RECEIVES ANY COMMUNICATION IN RESPECT OF, OR WHO ACQUIRES ANY NOTES UNDER, THE OFFERS CONTEMPLATED IN THE OFFERING CIRCULAR, OR TO WHOM THE NOTES ARE OTHERWISE MADE AVAILABLE, WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED, ACKNOWLEDGED AND AGREED TO AND WITH EACH MANAGER AND THE ISSUER THAT IT AND ANY PERSON ON WHOSE BEHALF IT ACQUIRES NOTES IS: (1) A "QUALIFIED INVESTOR" WITHIN THE MEANING OF ARTICLE 2(E) OF THE UK PROSPECTUS REGULATION; AND (2) NOT A "RETAIL INVESTOR" (AS DEFINED ABOVE).

Confirmation of your representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to any securities, you must be either (1) QIBs or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) . By accepting the email and accessing this Offering Circular, you shall be deemed to have represented to the Initial Purchasers named herein that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act); and (2) that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person.

Any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Book Running Managers named herein, any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

OFFERING CIRCULAR **CONFIDENTIAL**

The Republic of Costa Rica

U.S.$1,500,000,000 7.300% Notes due 2054

The Republic of Costa Rica (the "Republic" or "Costa Rica") is offering U.S.$1,500,000,000 aggregate principal amount of 7.300% Notes due 2054 (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on May 13 and November 13 of each year, commencing on May 13, 2024. The Notes will mature on November 13, 2054. Principal on the Notes will be paid in three installments on November 13, 2052, November 13, 2053 and on the maturity date. The Republic may, at its option, redeem the Notes, in whole or in part, before maturity on the terms described under "Terms and Conditions of the Notes – Optional Redemption."

The Notes will constitute general, direct, unsecured and unconditional Public External Indebtedness of the Republic. The Notes will rank without any preference among themselves and equally with all other unsecured and unsubordinated Public External Indebtedness (as defined under "Terms and Conditions of the Notes—Definitions") of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness. The Republic has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the Notes.

The Notes will contain "collective action clauses." Under these provisions, which differ from the terms of the Republic's Public External Indebtedness issued prior to March 12, 2015, the Republic may amend the payment provisions of the Notes and other reserved matters listed in the indenture dated March 12, 2015, as amended (the "Indenture") with the consent of the holders of: (1) with respect to a single series of notes, more than 75% of the aggregate principal amount of the outstanding notes of such series; (2) with respect to two or more series of notes issued under the Indenture, if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding notes of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of notes issued under the Indenture, more than $66\frac{2}{3}$% of the aggregate principal amount of the outstanding notes of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the notes of each series affected by the proposed modification, taken individually.

Except as described herein, payments on the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic to the extent set forth under "Terms and Conditions of the Notes—Additional Amounts." Application will be made to the London Stock Exchange (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's International Securities Market (the "ISM").

See "Risk Factors" beginning on page 19 regarding certain risk factors you should consider before investing in the Notes.

Issue Price for the Notes: 94.788% of principal amount plus accrued interest, if any, from November 13, 2023

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered or sold within the United States or to U.S. persons except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

Delivery of the Notes will be made on or about November 13, 2023 only in book-entry form through the facilities of The Depository Trust Company ("DTC") and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System plc ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), against payment in New York, New York.

Joint Book-Running Managers

BofA Securities **J.P. Morgan**

Development Finance Structuring Agent

J.P. Morgan

The date of this Offering Circular is November 6, 2023

Costa Rica

Costa Rica
International Boundary
Road
Highway
River
National Capital
Province Capital
City or Town
0 25 50 KM
0 25 50 Miles
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NICARAGUA
COSTA RICA
PANAMA
Caribbean Sea
NORTH PACIFIC OCEAN
Lago de Nicaragua
San Juan del Sur
Colon
San Carlos
La Cruz
Los Chiles
Medio Queso
San Juan de Nicaragua
Hacienda Murcielago
Upala
Golfo de Papagayo
Liberia
Nuevo Arenal
Lago Arenal
Coco
Guardia
Canas
Pital
Puerto Viejo de Sarapiqui
Tamarindo
Santa Cruz
Quesada
Parismina
Guacimo
Puerto Jesus
Nicoya
Grecia
Matina
Siquirres
Puerto Limon
Moin
Puntarenas
Alajuela
Heredia
Liverpool
Nosara
Barranca
Turrialba
Samara
Lepanto
Santiago
San Jose
Cartago
San Ignacio
Montezuma
Golfo de Nicoya
Jaco
San Marcos
Puerto Viejo de Talamanca
Bribri
Katsi
Quepos
San Isidro de El General
Almirante
Dominical
Buenos Aires
Bahia de Coronado
Palmar Sur
San Vito
Boquete
Drake
Rincon
Golfito
Golfo Dulce
Corredor
La Concepcion
Puerto Jimenez
Puerto Armuelles
Bahia de Charco Azul
Indio
San Juan
Frio
San Carlos
Sarapiqui
Sucio
Reventazon
Tempisque
Chira
Estrella
Telire
Pirris
Lari
Teribe
General
Terraba

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REPUBLIC AND THE TERMS AND CONDITIONS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

The Republic is responsible only for the information contained in this document or to which it has referred you. The Republic has not, and BofA Securities, Inc. and J.P. Morgan Securities LLC (the "Initial Purchasers") have not, authorized anyone to provide you with information that is different from the information contained in this document. The Republic is offering to sell the Notes only in jurisdictions where offers and sales are permitted. The offer and sale of the Notes in certain jurisdictions is subject to restrictions described herein under "Plan of Distribution." The information contained in this document, or to which the Republic has referred you, is accurate only as of the date of such documents, regardless of the time of delivery of such documents or any sales of Notes.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive 2016/97/EU, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Circular is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); or (iii) high net worth entities, or other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

This Offering Circular may only be used for the purposes for which it has been published.

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NOTICE TO INVESTORS

The Notes will be issued in registered form only. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by one or more permanent global notes in fully registered form without interest coupons (the "Regulation S Global Note") deposited with a custodian for, and registered in the name of a nominee of, DTC for the respective accounts at DTC as such subscribers may direct. Notes sold in the United States to qualified institutional buyers (each a "qualified institutional buyer") as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A") will be represented by one or more permanent global notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "Global Notes") deposited with a custodian for, and registered in the name of a nominee of, DTC for the respective accounts at DTC as such subscribers may direct. Beneficial interests of DTC participants (as defined under "Book-Entry Settlement and Clearance") in the Global Notes will be shown on, and transfers thereof between DTC participants will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, if applicable. See "Book-Entry Settlement and Clearance." Except as described herein, definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. See "Terms and Conditions of the Notes—Form, Denomination and Title." For restrictions on transfer applicable to the Notes, see "Transfer Restrictions" and "Plan of Distribution."

The Republic has taken reasonable care to ensure that the information contained in this Offering Circular is true and correct in all material respects and not misleading as of the date hereof, and that, to the best of the knowledge and belief of the Republic, there has been no omission of information which, in the context of the issue of the Notes, would make this document as a whole or any such information misleading in any material respect. The Republic accepts responsibility accordingly.

This Offering Circular does not constitute an offer by, or an invitation by or on behalf of, the Republic, or the Initial Purchasers to subscribe to or purchase any of the Notes in a jurisdiction where it is illegal to do so. Each recipient of this Offering Circular shall be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Offering Circular or any part of it and the offering, possession, sale and delivery of the Notes in certain jurisdictions may be restricted by law. People in possession of this Offering Circular are required by the Republic and the Initial Purchasers to inform themselves about and to observe any such restrictions. See "Plan of Distribution" and "Transfer Restrictions" for a description of further restrictions on the offer, sale and delivery of Notes and on distribution of this Offering Circular and other offering material relating to the Notes.

Each person purchasing Notes pursuant to Rule 144A will be deemed to have:

- represented that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a qualified institutional buyer (as defined in Rule 144A); and
- acknowledged that the Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be reoffered, resold, pledged or otherwise transferred except as described under "Transfer Restrictions."

Each purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing Notes with a view to distribution thereof in the United States.

Each person purchasing Notes also acknowledges that:

- it has been afforded an opportunity to request from the Republic and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein;
- it has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision; and

- no person has been authorized to give any information or to make any representation concerning the Republic or the Notes other than those contained in this Offering Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Republic or the Initial Purchasers.

IN CONNECTION WITH THIS ISSUE OF NOTES, EACH JOINT BOOK-RUNNING MANAGER MAY, ITSELF OR THROUGH ITS AFFILIATES, OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET, TO THE EXTENT PERMITTED BY APPLICABLE LAWS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No assurance is given by the Republic, J.P. Morgan Securities LLC (the "Development Finance Structuring Agent") or the Initial Purchasers that investing in the Notes or the use of proceeds by the Issuer will satisfy, in whole or in part, any present or future expectations or requirements of a holder of the Notes with respect to development impact financing, including related sustainability criteria or goals. See "Development Impact." No independent verification as to the accuracy or completeness or lack thereof of the Development Impact section of this Offering Circular has been done by J.P. Morgan Securities LLC in its role as the Development Finance Structuring Agent or otherwise or by the Initial Purchasers. The information contained in "Development Impact" (a) is not a substitute for an investor's independent evaluation and analysis and (b) should not be considered as a recommendation by the Development Finance Structuring Agent or the Initial Purchasers that any transactions or related projects described therein achieve any particular development finance criteria or requirement to which it may be subject. The disclosure under "Development Impact" herein has been prepared, in part, based on certain forward-looking statements and projections provided by the Republic. Any such statements and projections reflect various estimates and assumptions prepared by the Republic concerning anticipated results. No representations or warranties are made by the Development Finance Structuring Agent or the Initial Purchasers as to the accuracy of any such statements or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events some of which may not be within the control of the Republic. See "Forward-Looking Statements." Accordingly, actual results may vary from the projected results and such variations may be material. No fiduciary duties are owed to any party by the Development Finance Structuring Agent or the Initial Purchasers.

DEFINED TERMS AND CONVENTIONS

All references in this Offering Circular to "Costa Rica" or the "Republic" are to the Republic of Costa Rica and all references to the "Government" are to the Central Government of Costa Rica.

References to "Central America" and "Central American countries" are to Belize, Honduras, Costa Rica, Guatemala, El Salvador, Panama and Nicaragua.

References to "billions" are to thousands of millions. Certain amounts included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede or follow them.

- "Consolidated public sector deficit" means the aggregate of the Government fiscal deficit, the deficit of the Central Bank of Costa Rica (*Banco Central de Costa Rica*) (the "Central Bank"), and the financial results of other non-financial public sector institutions.
- "Government fiscal deficit" means the positive difference between the total expenses incurred by the Government and the total revenues received by the Government.
- "Value added" with respect to exports means the difference between the value of final goods exported and the value of the raw materials and intermediate goods used to produce the final goods exported.
- "Non-traditional products" are products other than coffee, bananas, sugar and beef, and include non-traditional agricultural products such as vegetables, fruits, roots, medicinal and decorative plants as well as manufacturing, including light manufacturing and textiles.
- Measures of distance in this Offering Circular are stated in miles (mi^2), each of which is equal to approximately 1.609 kilometers (km). Measures of area in this Offering Circular are stated in square miles (square miles), each of which is equal to approximately 2.59 square kilometers (km^2), or in hectares (ha), each of which is equal to approximately 2.47 acres (ac).

Presentation of Financial and Economic Information

The fiscal year of the Government commences on January 1 and ends on December 31 of each year.

The Republic's official financial and economic statistics are subject to a three-year review process by the Central Bank and the Ministry of Finance (*Ministerio de Hacienda*) (the "Ministry of Finance"), during which time such information may be adjusted or revised. As a result, the information available and data contained in this Offering Circular for the years ended December 31, 2020, 2021, 2022 and 2023 (or any other interim period, as applicable), must be considered preliminary and subject to further revision. The Government believes that this process is substantially similar to that undertaken by industrialized nations. The Government does not expect revisions to be material, although there is no assurance that material changes to the Republic's official financial and economic statistics will not be made.

Certain statistical information reported herein has been derived from official publications of, and information supplied by, among others, the Central Bank, the Ministry of Finance, the National Institute of Statistics (*Instituto Nacional de Estadística y Censos*) (the "National Institute of Statistics"), the General Superintendency of Financial Institutions (*Superintendencia General de Entidades Financieras*) ("SUGEF") and the Superintendency of Securities (*Superintendencia General de Valores*) ("SUGEVAL").

In January 2022, the base year for all economic data in Costa Rica was updated to 2021 (from 2017), following recommendations from the Organization for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF). This change seeks to produce a more accurate picture of the national accounts and to consider the changing structure of the economy and, in particular, to capture a more accurate measurement of electronic commerce, global value chains, and financial services. Information included in this Offering Circular is based on the updated economic data with 2021 as a base year.

Amounts in certain tables in this Offering Circular may differ from the sum of the respective individual items in such tables due to rounding.

Currency of Presentation and Exchange Rate

Unless otherwise specified or the context requires, references to "U.S. dollars" and "U.S.$" are to the lawful currency of the United States. References to "colones" and "₡" in this Offering Circular are to the lawful currency of Costa Rica. References to "euros" and "€" are to the lawful currency of the European countries members of the Eurozone. References to "yen" or "¥" are to the lawful currency of Japan. Translations of colones, euros and yen to U.S. dollars have been made only for the convenience of the reader at various exchange rates and should not be construed as a representation that the amounts in question have been, could have been or could be converted into U.S. dollars at any particular rate or at all. Historical amounts translated into U.S. dollars or colones have been converted at historical average rates of exchange for the periods indicated, unless otherwise stated. References in this Offering Circular to "real GDP" are to the chained volume of production calculated at prices prevalent in the previous calendar year, taking 2017 as the reference year. The reference interbank rate for the sale of U.S. dollars for colones at the close of business on November 3, 2023 was ₡534.24 in average per U.S.$1.00, as reported by the Central Bank.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements (as such term is defined in the Securities Act) concerning the Republic. These statements are based upon beliefs of certain government officials and others as well as a number of assumptions and estimates, which are inherently subject to significant uncertainties, many of which are beyond the control of the Republic. Future events may differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are principally contained in the sections "Summary," "Impact Development," "Republic of Costa Rica," "The Costa Rican Economy," "Balance of Payments and Foreign Trade," "Monetary System," "Public Sector Finances" and "Public Sector Debt," and include, but are not limited to, statements related to the expected fiscal impact of the implementation of the Public Finance Strengthening Law No. 9,635 (*Ley de Fortalecimiento de las Finanzas Públicas*) (the "Public Finance Strengthening Law") enacted by the Legislative Assembly on December 3, 2018. In addition, in those and other portions of this Offering Circular, the words "anticipates," "believes," "contemplates," "estimates," "expects," "plans," "intends," "projections" and similar expressions, as they relate to the Republic, are intended to identify forward-looking statements. Such statements reflect the current views of the Republic with respect to future events and are subject to certain risks, uncertainties and assumptions. The Republic undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurances that the events described or implied in the forward-looking statements contained in this Offering Circular will in fact occur.

ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize judgments against the Republic in the United States or elsewhere. To the fullest extent permitted by applicable law, the Republic will irrevocably submit to the non-exclusive jurisdiction of any New York State or United States federal court sitting in the City of New York, and any appellate court thereof, in any suit, action or proceeding arising out of or relating to the Notes or the Republic's failure or alleged failure to perform any obligations under the Notes (a "Related Proceeding," which term shall exclude claims or causes of action arising under the federal securities laws of the United States or any state securities laws), and the Republic will irrevocably agree that all claims in respect of any such Related Proceeding may be heard and determined in such New York State or United States federal court. The Republic will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any Related Proceeding and any objection to any Related Proceeding whether on the grounds of venue, residence or domicile. To the extent that the Republic has or hereafter may acquire any sovereign or other immunity from jurisdiction of such courts with respect to a Related Proceeding (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Republic has, to the fullest extent permitted under applicable law, including the United States Foreign Sovereign Immunities Act of 1976, as amended (the "Immunities Act") irrevocably waived such immunity in respect of any such Related Proceedings; *provided, however*, that all claims against the Republic made in Costa Rica must be submitted to the administrative courts of Costa Rica and subject to the laws of the Republic that establish that the property and revenues of the

Republic are exempt from attachment or other form of execution before or after judgment. See "Terms and Conditions of the Notes—Governing Law and Jurisdiction."

Notwithstanding the preceding paragraph, the Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the United States federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it would not be possible to obtain a judgment in such an action brought in a United States court against the Republic unless such court were to determine that the Republic is not entitled under the Immunities Act to sovereign immunity with respect to such action. Further, even if a United States judgment could be obtained in any such action under the Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a United States judgment. Execution upon property of the Republic located in the United States to enforce a United States judgment may not be possible except under the limited circumstances specified in the Immunities Act.

SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Offering Circular. Investors should read the entire Offering Circular carefully before making an investment decision.

General

Costa Rica is located in Central America, bordered by Nicaragua to the north, Panama to the southeast, the Pacific Ocean to the west, and the Caribbean Sea to the east. As of June 30, 2022, Costa Rica had an estimated population of approximately 5.22 million.

Having maintained uninterrupted, democratically elected governments since 1949, Costa Rica is recognized for having a highly stable constitutional democracy and one of the highest standards of living in Latin America.

Costa Rica's nominal gross domestic product (GDP) for 2022 was U.S.$68.8 billion and its per capita GDP was U.S.$13,281.9. In 2021, 2020, 2019 and 2018, Costa Rica's GDP was U.S.$65.8 billion, U.S.$61.0 billion, U.S.$63.7 billion and U.S.$62.2, billion, respectively, and its per capita GDP was U.S.$12,581.9, U.S.$12,207.5, U.S.$12,735.8 and U.S.$12,475.5, respectively. The Central Bank's *Informe de Política Monetaria* (Monetary Policy Report), published in July 2023, which is subject to periodic revisions (the "Central Bank 2023-2024 Projections"), estimates that GDP will be U.S.$71.3 billion (4.2% growth in real terms) for 2023. See "Risk Factors—Risk Factors Related to Costa Rica—There can be no assurance that the events described or implied in the forward-looking statements, estimates and projections included in this Offering Circular will in fact occur."

Costa Rica's Historical and Current Highlights

- *Political, economic and social stability*. Costa Rica has had uninterrupted democratically elected governments since 1949 and is one of the oldest and most stable democratic regimes in Central America. The Government has continued to implement policies designed to maintain political stability, promote economic growth and advance social development. As a result of these policies and the implementation of a strategy based on the diversification of exports, openness to foreign investment and free market, Costa Rica has maintained sustained economic growth in the last 25 years.

  In 2020, the COVID-19–pandemic had a significant impact on the growth of the Costa Rican economy. During such year, GDP contracted by 4.3%, mainly due to the enactment of physical distancing measures and mobility restrictions to combat the health crisis, as well as a drop in trade. In 2021, there was a rebound with a GDP growth of 7.9%, the highest observed in decades. In 2022 and despite the adverse international environment, the recovery of Costa Rica's economic activity has been maintained. This growth has allowed a reduction in the unemployment rate to a value similar to that before the pandemic. Costa Rica has experienced one of the strongest recoveries in Latin America, as measured by economic activity increase from January 2020 to January 2023.

  The 2023 national budget approved by the Costa Rican Legislative Assembly (*Asamblea Legislativa de la República de Costa Rica*) (the "Legislative Assembly") allocates approximately 40.1% of public expenditures to fund social sectors such as education, social protection, the environment, health, housing, transport, recreation and cultural services. See "Public Sector Finances—2023 National Budget."

- *Leadership in Environmental, Social and Governance*. According to the United Nations (UN) Development Program's 2021-2022 Human Development Report, the Republic is in the group of countries with "very high human development." It is ranked fourth in Latin America and Caribbean on the Human Development Index (HDI), a composite index focusing on three dimensions of human development: (i) long and healthy life measured by life expectancy at birth; (ii) ability to acquire education measured by average years of schooling; and (iii) ability to achieve a decent standard of living measured by gross national income per capita.

The new Human Development Index adjusted for planetary pressures (HDI-P) for the year 2021 takes into account carbon dioxide emissions and the material footprint of countries. Under this new metric, Costa Rica ranks 58th in the HDI-P among 191 countries, confirming the result of the efforts that have been made to make economic development and environmental protection synergistic.

In 2022, Costa Rica ranked the highest in Central America and among the highest in Latin America and the Caribbean in the World Bank's worldwide governance indicators for six spheres of good governance. More than a dozen emerging countries, including Costa Rica, have received higher scores on the main dimensions of governance than other industrialized countries; in many cases, these differences are statistically significant. In addition, Costa Rica had the second highest per capita income of Central America in 2022 and the highest life expectancy of Latin America in 2021, according to the World Bank, as a result of the Republic's investment in healthcare, safety and education. However, the Republic, like other countries in Latin America, has experienced allegations and/or cases of corruption involving public officials. See "Republic of Costa Rica—Government and Political Parties—Cochinilla and Diamante Cases."

Costa Rica has one of the lowest poverty rates of Latin America. See "The Costa Rican Economy—Poverty." However, poverty levels increased by 5.2% in 2020 to 26.2% of the population, remaining stable in 2021 at 26.2% and followed by a slight improvement in 2022 at 25.5% of the population (data as of July 2022).

Further, Costa Rica is also a global leader for its environmental policies and accomplishments, which have helped the country build its Green Trademark. Costa Rica is highly committed to sustainable development. Since 1997, Costa Rica has been pioneering a green economy through its Payment of Environmental Services (PES) program, which compensates landowners for environmental services they have provided using their forest lands. The PES program has been successful in promoting forest and biodiversity conservation, making Costa Rica the only tropical country in the world to have reversed deforestation.

Costa Rica keeps track of the National Inventory of Greenhouse Gases (INGEI), through the central tool for monitoring progress towards country goals on climate change mitigation issues. These tools work to improve decision making and are part of the country's reporting commitments to the UNFCCC. According to this monitoring, from 1990 to 2017, total emissions increased by 76.6% without counting forestry (or 69.1% when counting forestry). Costa Rica has committed to reducing its absolute maximum greenhouse gas net emissions to 9,110 Gg of CO2 equivalent from all sectors by 2030. For this purpose, Costa Rica launched a Decarbonization Plan in February 2019. See "Republic of Costa Rica—2018-2050 National Decarbonization Plan."

In addition, Costa Rica has maintained an active role in the High Ambition Coalition for Nature and People program, launched in 2019 together with France and the United Kingdom, with the aim of ensuring that 30% of the terrestrial and maritime territories of the planet are protected for by 2030, as a nature-based solution to the climate crisis. Within the context of this program, the country achieved the goal of protecting 30% of its maritime territories in 2021.

Since 2015, Costa Rica has exceeded 98% of renewable generation each year, according to data from the National Energy Control Center (CENCE). The five renewable sources that comprise the Costa Rican matrix (water, geothermal, wind, biomass and solar) accounted for 99.3% of national generation (December 2022).

In September 2019, Costa Rica was awarded the UN "Champions of the Earth" award in recognition of its environmental protection policies and its commitment to the implementation of programs to reduce greenhouse gas emissions and combat climate change.

In October 2021, Costa Rica was awarded the Earthshot Prize in the Protect and Restore Nature category for its successful conservation model. This award was granted by the Royal Foundation to encourage change and help repair the planet over the next ten years.

- *Commitment to fiscal discipline, as evidenced by the passage of the 2018 Public Finance Strengthening Law and the Primary Surplus in 2022, which has enabled Costa Rica to meet or exceed the IMF agreed targets*. Costa Rica had a severe fiscal problem for more than two decades, a situation that is being addressed by recent administrations. The gradual and constant deterioration of public finances was explained by a few but distinctive factors: a disconnection between economic activity and tax collection, poor fiscal governance, losses of resources due to tax evasion and tax expenditure, and the absence of political agreement. Fiscal solutions were "patches" or temporary actions, not a structural and comprehensive response.

  The situation began to be reversed in 2018 when a reform was approved aimed at providing a sustainable, comprehensive, and definitive solution to these fiscal issues. On December 3, 2018, the Legislative Assembly enacted Law No. 9,635, the Public Finance Strengthening Law, which includes several objectives: first, to increase tax revenue while addressing various recommendations related to local and international tax legislation through changes in the income tax scheme and sales tax laws (now VAT); second, strengthening fiscal governance by repealing several articles that tied resources to specific purposes (earmarks) while creating mechanisms to control Government wages; and third, the implementation of a Fiscal Rule (as defined herein) and an independent fiscal council (the "Fiscal Council").

  The Fiscal Rule applies to the Government and the non-financial public sector, imposing a ceiling on expenditures. An unjustified breach of the Fiscal Rule and its control constitutes a grave offense against the Public Treasury and may result in the dismissal or removal of the officials responsible. The Fiscal Council supervises and controls compliance with the Fiscal Rule. This council comprises three independent specialists from the private sector or academia who have recognized ethical and professional reputations, solid academic credentials, and experience in macroeconomics and public finance. The Minister of Finance appoints two members and selects the third member from a list of candidates prepared by the Legislative Assembly. If the Legislative Assembly does not submit its list within the required period, the Ministry of Finance will appoint a third candidate.

  Further, the Comptroller General of the Republic (*Contraloría General de la República*) must monitor compliance with the Fiscal Rule and enforce the relevant consequences. Failure to comply with the Fiscal Rule constitutes a serious offense and may result in sanctions.

  The value added tax (VAT) regime introduced by the Public Finance Strengthening Law increased the tax base by adding several goods and services. The replacement of the previous sales tax, which applied only to the sale of goods and specific services, with a broader VAT that will levy taxes on the sale of goods and most services rendered, is expected to help reduce tax evasion. Before the Public Finance Strengthening Law was enacted, services were generally not subject to any tax. Therefore, given that VAT applies to most services, it is expected to capture economic activity that had avoided taxation under the previous sales tax regime. In addition, the new VAT regime allows VAT to be collected in domestic and international transactions. To reduce tax evasion, the Ministry of Finance has also modernized its tax management and information systems to facilitate monitoring and enforcement and simplify the tax filing process.

  In 2022, Costa Rica's fiscal deficit reached 2.5% of GDP (U.S.$1,882.6 million). This is a positive contrast compared to 2021, when Costa Rica's fiscal deficit reached 5.0% of GDP (U.S.$3,156 million) down from 8.0% of GDP (U.S.$4,794 million) in 2020. This reduction in fiscal deficit was mainly due to an increase in income tax collection, in part driven by efforts to reduce tax evasion, an increase in VAT revenues associated with a rebound in economic activity and controlled spending in line with the Public Finance Strengthening Law.

  In 2022, Costa Rica's primary balance was U.S.$1.5 billion (or 2.1% of GDP) the highest among its peers in the region. In the nine-month period ended September 30, 2023, Costa Rica's primary balance was U.S.$1.5 billion (or 1.7% of GDP), compared to a primary surplus of U.S.$1.6 billion (or 2.3% of GDP) in the same period of 2022 and a primary deficit of U.S.$0.9 billion (or 1.4% of GDP) in the same period of 2019.

- *Costa Rica has close relations and enjoys the support of the leading multilateral agencies*. President Chaves Robles has established strong relationships with those agencies, having been himself a World Bank officer for several years. In 2020, the strong impact of the COVID-19 pandemic led the country to request IMF targeted assistance oriented to the fulfilment of an economic program that focuses on implementing equitable fiscal reforms to ensure debt sustainability, while protecting the most vulnerable populations. The policies and reforms contemplated in such economic program are based on three main pillars: (i) gradually implementing equitable fiscal reforms to ensure debt sustainability, while protecting the most vulnerable; (ii) maintaining monetary and financial stability, while strengthening the autonomy and governance of the Central Bank and addressing structural financial vulnerabilities; and (iii) advancing key structural reforms to promote inclusive, green and sustainable growth.

  On March 1, 2021, the IMF Executive Board approved a 36-month, SDR 1.2 billion (equivalent to U.S.$1.8 billion) arrangement under the Extended Facility Fund (EFF) to support Costa Rica's economic program. As of the date of this Offering Circular, a total of SDR 825.0 million (approximately U.S.$1.1 billion) had been disbursed under such facility. In addition, the IMF team and the Costa Rican authorities have reached a staff-level agreement on the request for access to the newly created Resilience and Sustainability Fund (RSF) for an amount of approximately U.S.$710 million, which will support its pioneering and ambitious agenda to build resilience to climate change and transition to a zero-carbon economy, as well as help catalyze financing from other official and private sector partners to address climate change. In June 2023, the IMF concluded the first review of Costa Rica under the RSF, which resulted in a disbursement of approximately U.S.$246 million to support Costa Rica's climate change agenda. In October 2023, the IMF concluded its fifth review under the EFF and its second review under the RSF. Subject to approval by the IMF Executive Board, the completion of the fifth review under the EFF is expected to make available about SDR 206 (U.S.$ 271 million), while the expected completion of programmed reform measures under the first and second RSF assessments is expected to make available about SDR 369 million (U.S.$ 485 million). See "Republic of Costa Rica—Costa Rica's Agreements with the IMF."

  Costa Rica also has strong relations with and support from the Inter-American Development Bank (IADB), the Central American Bank for Economic Integration (CABEI), and the World Bank. In 2021, the World Bank disbursed U.S.$300 million as budget support and the IADB disbursed U.S.$250 million. In addition, as budgetary support, the World Bank granted a disbursement of U.S.$300 million, the IADB U.S.$250.0 million and CABEI U.S.$250.0 million. Further, on March 23, 2023 the World Bank approved a U.S.$160 million loan to strengthen Costa Rica's ability to manage risks related to natural and pandemic hazards, including adverse effects related to climate change and disease outbreaks. The loan facility must still be approved by Costa Rica's Legislative Assembly.

- *OECD Membership as evidence of Costa Rica's commitment to sound policies*. In 2021, Costa Rica became the 38th member of the OECD and the fourth Latin American country to become part of this Organization. As a member, Costa Rica engages with OECD experts, uses its data to inform policy decisions, and is subject to OECD country reviews.

  Costa Rica's accession to the OECD is the culmination of a rigorous technical process of evaluation, improvement and adaptation of national public policies to the highest international standards. The process implied an important agenda of reforms in areas such as competition, the fight against corruption, waste management, statistics, good governance of its state companies and the strengthening of the financial system, among others. See "Republic of Costa Rica—Accession to the OECD."

- *Deep, developed and expanding local capital markets*. Local capital markets provide a deep and active source of funding for the Republic. Between January 2018 and September 2023, public sector entities raised over U.S.$39.0 billion equivalent in long term debt from the local market. On December 13, 2022, Costa Rica enacted Law No. 10,335, which seeks to eliminate the obstacles that hinder offshore investors' access to the local public debt markets, attracting foreign savings resources and encouraging foreign portfolio investment in securities issued under Costa Rican law. The promotion and opening of the public debt market will allow offshore investors to decide by portfolio management criteria their participation in the local public debt market, and allow the Ministry of Finance to increase the participation of investors in the placement mechanisms of its securities.

- *Modification of plenary rules increase governability by expediting the legislative process*. Before the 2018 Election, Costa Rica's opposition parties took advantage of inefficiencies in the rules governing legislative procedures in the Legislative Assembly (*Reglamento de la Asamblea Legislativa*) (the "Legislative Assembly Rules") to limit the ruling party's ability to approve legislation and implement reforms. On March 4, 2019, the Legislative Assembly amended the Legislative Assembly Rules, including by: (i) imposing time limits for the discussion of proposed bills in each legislative commission and the issuance of recommendations; (ii) limiting the number of motions that can be filed in connection with a proposed bill; and (iii) reducing time allotted to debating proposed bills.

  During 2020 and in response to the pandemic, the Legislative Assembly Rules were further amended to incorporate special procedures in the event of internal commotion, public calamity or national emergency, as well as virtual sessions of the plenary.

  These modifications limited the use of delay tactics, making the Legislative Assembly a more agile and efficient body. For more information see "Republic of Costa Rica—Legislative Assembly Rules Reform."

- *Proven monetary policy*. Since the mid-1980s, Costa Rica has continued to liberalize its economy. Beginning in 2006, the Central Bank transitioned from a crawling peg exchange regime, prevalent between 1992 to 2006, to a crawling band. This transition was part of Costa Rica's move toward an inflation-targeting regime. In 2015, the Central Bank transitioned from the crawling band regime to a managed floating regime. Under this regime, the Central Bank allows the value of the exchange rate to be determined by the supply and demand in the local market, although the Central Bank can intervene in the exchange rate market for stabilization purposes. According to the Foreign Currency Market (*Mercado de Monedas Extranjeras*) (MONEX), since the elimination of the exchange rate band in 2015 until August 2019, the colón to U.S. dollar exchange rate has fluctuated between ₡531.81 per U.S.$1.00 and ₡628.85 per U.S.$1.00. In contrast, when the crawling band was in place between 2006 and 2015, the colón to U.S. dollar exchange rate fluctuated between ₡497.71 per U.S.$1.00 and ₡503.17 per U.S.$1.00.

  In 2019, the Central Bank lowered the monetary policy rate (MPR) a total of 250 basis points and also lowered by 3.0% the legal minimum reserve requirement and the liquidity reserve in local currency (from 15.0% to 12.0%).

  In 2020, when the COVID-19 pandemic severely affected Costa Rica's economic activity, as in the rest of the world, the Central Bank deepened its expansive monetary policy with additional MPR cuts totaling 200 basis points, expanding liquidity in the markets and introducing a special and temporary medium-term financing facility (ODP, for its acronym in Spanish) for financial intermediaries, regulated by SUGEF. Such facility helped support the stability of the financial system, even with the imbalances caused by the public health crisis, and reduced the burden on vulnerable groups.

  During 2021, the macroeconomic conditions of the country improved with respect to the previous year, but high unemployment and a negative output gap prevailed. Within this context, the Central Bank kept an expansive monetary policy in hopes of contributing to economic recovery.

  The Central Bank's expansive monetary policy was reflected in the MPR, which stood at 0.75%, its lowest historical value, during most of 2021. In December 2021, in a context of inflationary pressures, the Central Bank began increasing the MPR, reaching 9.0% as of December 31, 2022, an increase of 775 basis points from December 15, 2021. This increase was motivated by increasing domestic inflation related to external inflationary pressures and the reduction of disinflationary forces within the country. During the first half of 2023, the monetary policy rate was reduced in several occasions. At the end of July 2023, the Central Bank further reduced the monetary policy rate by 50 basis points, resulting in a monetary policy rate of 6.5%.

During 2021 and 2022, the Central Bank authorized the Liquidity Integrated Market (*Mercado Integrado de Liquidez,* or MIL, for its acronym in Spanish) to accept short-term deposits in U.S. dollars given the lack of financial instruments in foreign currency in the domestic market, and also to increase Central Bank reserves. The change provides the financial intermediaries the possibility to have remunerated term deposits in foreign currency at the Central Bank.

The MIL is the market where the Central Bank operationalizes its monetary policy, granting loans or taking deposits at an interest rate benchmarked to the MPR. Financial institutions can also make transactions among them and any supervised financial institution can participate in the MIL. Most operations are overnight.

As a result of these efforts, Costa Rica has generally enjoyed a reduction in inflation that exceeds that of its regional peers. The inflation target range from 2018 to 2022 was 2% to 4%. Inflation for 2019 and 2020 was below the target, at 1.52% and 0.89%, respectively. Inflation for 2021 was within the target range (3.30%). Inflation for 2022 was above the target range (7.88%). During the nine-month period ended September 30, 2023, inflation was below the target range (-1.75%).

- *Commitment to foreign trade and foreign investment.* After the debt crisis in the early 1980s, Costa Rica transitioned from an import-substitution growth model to an export-led development model based on international economic integration, export diversification and foreign direct investment. In recent years, Costa Rica's foreign trade has gained importance. Changes in Costa Rica's export model and the increased aggregate value of Costa Rica's national production have resulted in export growth, on average, of 7.6% annually from 2017 to 2022.

  Costa Rica has also increased its market diversification during the past decade. It currently exports to approximately 150 countries around the world. As of December 31, 2022, approximately 42.5% of Costa Rica's exports were to the United States, 20.4% to the European Union, 15.1% to countries in Central America, 11.7% to countries in South America and the Caribbean, and 6.3% to countries in Asia.

  Costa Rica has established a special export regime to boost the country's exports and to attract foreign companies. The special export regime applies to companies operated by foreign or domestic investors (i) within a Free Trade Zone (FTZ) or (ii) under the Active Finishing Regime (AFR). This and other government policies have enabled Costa Rica to diversify its trade portfolio by destination and by product. Today, Costa Rica hosts a number of large international companies that have established business operations in the country, including Procter & Gamble, UPS, Thermo Fisher Scientific, DHL, Roche, Brightstar Corp., MCM, NTT Data–IBM and INTEL, some of which have recently announced new job opportunities in the service sector. Costa Rica's literacy rate (the highest in Central America), strong educational system, strategic geographic location and social, economic and political stability contribute to its global competitiveness.

  For more than 20 years, Costa Rica has been building a solid foreign trade platform, which has served as a competitiveness tool for the country. This platform includes, in addition to the agreements of the World Trade Organization (WTO) and Central American Integration, 13 Free Trade Agreements (FTAs), which cover about 80% of the country's international trade. The nations with which Costa Rica has trade agreements and, therefore, tariff preferences for exports are responsible for 66.6% of global Gross Domestic Product (GDP) and 35.5% of the world's population.

  Currently, Costa Rica has bilateral trade agreements with Germany, Argentina, Canada, Chile, Taiwan, Korea, Spain, France, the Netherlands, Paraguay, the Czech Republic, Switzerland, Venezuela and Qatar. The Pacific Alliance, the Trade in Environmental Goods Agreement (EGA) and the Trade in Services Agreement (TiSA) are also in process of being negotiated.

Costa Rica has no material trade relations with Ukraine or Russia.

- *Commitment to education.* Since the 19th century, elementary education in Costa Rica has been mandatory and publicly funded. The 2011 amendment to the Constitution of the Republic of Costa Rica (*Constitución Política de la República de Costa Rica*), dated November 7, 1949 (the "Constitution"), required that Costa Rica invest a minimum of 8% of its GDP in its elementary and higher education system since 2014. The Public Finance Strengthening Law expanded the definition of "elementary and higher education system" for purposes of determining compliance with this requirement, allowing the Republic to take into account a broader range of educational services.

  The Government is also focused on improving secondary and higher education in order to enhance the technical skills of the population and meet the demand for workers in the science, technology, services and manufacturing industries.

  In August 2018, the Government introduced a bilingual education initiative aimed at enabling every student to learn to write and speak English proficiently. This initiative is intended to encourage representatives from the private sector, non-profit organizations and international organizations to contribute resources and knowledge to the development of English-language learning initiatives. In addition, it aims to expand and improve the public offering of academic programs and technical assistance in English learning, promote public-private partnerships for English teaching and promote the development of qualified bilingual professionals in Costa Rica, which in turn is expected to foster tourism, job creation and foreign investment.

  On September 12, 2019, the Legislative Assembly enacted legislation establishing a framework that permits students to obtain higher education degrees through a combination of coursework and on-the-job training, providing students with academic knowledge and practical skills to help them succeed in the workforce.

  In 2020, COVID-19 had a significant negative impact on the student population at all levels in Costa Rica, due to the convergence of prolonged closures of educational centers with confinement measures and the loss of economic security at home. The changes made to the educational process, the lessons and the school calendar due to the health emergency left a significant gap in terms of evaluation of student learning. As of July 2022, a total of 284,457 Costa Ricans or 5.7% of the total population above the age of five reported not having any kind of education.

  In 2020, Costa Rica was accepted as a pioneer country by Alliance 8.7, an inclusive global partnership committed to achieving target 8.7 of the 2030 Sustainable Development Goals (SDGs), which calls to end child labor in all its forms by 2025. The latest data from the National Household Survey, for the year 2021 shows that approximately 6,091 children and adolescents between the ages of 12 and 17 work, which means a reduction in the child employment rate from 1.4% in 2020 to 1.3% in 2021. These data place Costa Rica with the lowest child employment rate in Latin America.

  For more information see "Republic of Costa Rica—Education."

- *Favorable business environment*. In the 2020 edition of the World Bank's "Doing Business" report, Costa Rica ranked 4th among the other countries in the region (after Chile, Mexico and Colombia) in terms of the ease of doing business for investors.

  On September 18, 2019, the Legislative Assembly enacted Law No. 9,738 to Regulate Remote Working (*Ley para Regular el Teletrabajo*), which aims to promote, regulate and implement remote working to generate employment and modernize public and private organizations through the use of information and communication technologies. As a consequence of the COVID-19 pandemic, telework increased significantly in the administrative offices of the public sector. The measures adopted by the Government to ensure the continuity of services and provide protection to users and civil servants, promoted its expansion and thus enabled, in an extraordinary context, the use of the benefits granted by this modality of work.

In 2020 and 2021, the Ministry of Economy, Industry and Commerce worked on the development of the "Strategy for Regulatory Improvement and Simplification of Procedures", which is made up of five important axes for regulatory improvement and simplification of procedures, such as (i) regulatory improvement tools, (ii) simplification of critical procedures, (iii) regional support, (iv) citizen participation and (v) communication and transversal projects. These changes have a great impact on the country's competitiveness, showing Costa Rica's commitment to continue making progress in reducing the regulatory burden and providing legal certainty to domestic and international investors.

The National Institute of Statistics and Census (INEC, for its acronym in Spanish) included a telework module within the Continuous Employment Survey (ECE, for its acronym in Spanish). The research found that for the third quarter of 2020, of the total number of wage earners, 275,000, or 21.2%, teleworked. In 2021, the number of people who continued working remotely was 209,000, or 7.6% decreae when compared to the third quarter of 2020.

Political and Economic Context

2022 Presidential Elections

Costa Rica held presidential elections on February 6, 2022 (the "2022 Election"). José María Figueres Olsenz, from the National Liberation Party (*Partido Liberación Nacional*) (the PLN, for its acronym in Spanish) and Rodrigo Chaves Robles, from the Social Democratic Progress Party (*Partido Progreso Social Democrático*) (the PSD, for its acronym in Spanish) received the most votes, with 27.26% and 16.70% of the vote, respectively.

Pursuant to the Constitution, because neither candidate obtained at least 40% of the vote, a run-off election was held on April 3, 2022, which Rodrigo Chaves Robles won with 52.84% of the vote. President Chaves Robles began his four-year term on May 8, 2022.

President Chaves Robles is a former career official of the World Bank and was Minister of Finance during the government of Carlos Alvarado Quesada between 2019 and 2020.

The President's platform consists of accelerating the economy to generate jobs, attract investment, consolidate new companies and strengthening exports, encourage a sustained increase in quality jobs, improve the administration of public spending, curbing corruption, improving education, healthcare, and the Costa Rican judicial and pension systems, reducing poverty, and attacking organized crime and citizen insecurity. President Chaves Robles also proposes to fight for a fair government and to promote state-of-the-art technology, support culture and sports, continue to promote the protection of natural resources and reduce gas emissions, and provide the country with sufficient high-quality infrastructure.

National Development Plan and Progress

The National Development Plan adopted by the Chaves Robles administration in 2022 for the period 2023-2026 (*Plan Nacional de Desarrollo e Inversión Pública* (PNIDP, for its acronym in Spanish, 2023-2026)) sets forth 13 pillars with the following objectives:

1. Environment and Energy;
2. Welfare and Social Work;
3. Science, Technology and Telecomunications;
4. Education;
5. Culture;
6. Finance;
7. Production and Regional Development;
8. Agriculture and Livestock;
9. Health;
10. Public Safety and Justice;
11. Public Works and Transports;
12. External Action; and
13. Housing, Habitation and Territorial administration.

In summary, the PNDIP 2023-2026 has a total of 287 goals at the sectoral level, including 132 public policies, where 68.6% of its goals are aligned with the National Strategic Plan 2050 described below, seeking a path to being a socially, economically and environmentally more prosperous and sustainable country, with equity and equal opportunities for all residents.

National Strategic Plan

In April 2022, the Government published the National Strategic Plan 2050 (PEN 50, for its acronym in Spanish). It is the main long-term planning instrument aimed at achieving a change in the paradigm on which national planning efforts and tasks are to be based and which, for the first time in history, was built from a comprehensive, structured and prospective set of compiled information. PEN 50 is the key instrument for charting the path to economic and social progress, which will require the construction of broad political and social agreements based on a common good and a common vision.

The Costa Rican Economy

Over the past 25 years, Costa Rica has diversified its economy as strong growth in service sectors, such as tourism (mainly based on the preservation of nature and biodiversity of the country) and business and computer services, while also supplementing its historical production of manufacturing and agricultural goods. Costa Rica has diversified its exports, attracting investments in manufacturing services and medical devices with high added value, as well as professional, scientific, technical, administrative activities and support services, and the production of software.

According to the estimates of the Monetary Policy Report of the Central Bank for July 2023, GDP is estimated to grow approximately 4.2% in 2023, reflecting a slightly slower growth pace than in 2022. The labor market has recovered, with unemployment rates similar to those before the COVID-19 pandemic started. However, the percentage of the population seeking employment and those actually employed are still below pre-pandemic levels. This performance is consistent with the moderation in the growth of the country's trading partners observed during such year, as well as with lower domestic demand. The latter is the result of several factors, including lower real household disposable income, higher interest rates, a slowdown in private investment, and lower public works execution.

2022 was characterized by a marked contrast between the high dynamism recorded in the first half of the year and the slowdown observed during the second half. This behavior is the result, among other causes, of a less favorable external environment, due to both international price shocks and the effects of the conflict between Russia and Ukraine on the growth of trading partners and merchandise trade volumes.

The slowdown in private consumption and the contraction in capital formation stand out. In the case of private consumption, the behavior of this variable is coherent with the deterioration in consumer confidence. The increases in the exchange rate in the first half of the year and in interest rates, the inflationary process that the country has experienced, and the deterioration in the terms of trade, have reduced household disposable income. In 2022, capital formation practically stagnated, after the dynamism registered during 2021, due to lower private investment in new construction (office buildings, housing, industrial buildings and commercial premises), as well as the drop in the execution of public projects related to the construction of highways, roads and bridges, electricity generation works, and aqueducts and sewers.

In 2022, manufacturing, education, and professional and technical services were the largest industries in the economy, accounting for 14.1%, 13.3% and 12.9% of GDP, respectively, compared to 13.7%, 14.0%, and 12.5% of GDP, respectively, in the previous year.

Balance of Payments

During the six-month period ended June 30, 2023, the current account registered a deficit of U.S.$110 million (0.3% of GDP), which represented a decrease of 3.5 percentage points of GDP compared to the same period in 2022. This reduction in the current account deficit is explained by the following factors: (i) Costa Rica's transactions with the rest of the world benefited from an improvement in the international terms of trade, (ii) the dynamism of inbound tourism, and (iii) a remarkable performance of exports of companies under the free trade zone regime. During the six-month period ended June 30, 2023, the financial account registered a net inflow of US$163 million (0.4% of GDP), with net external financing decreasing by 6.5% during the six-month period ended June 30, 2023 compared to the same period of the previous year. These inflows financed the current account deficit and led to an accumulation of reserve assets equivalent to 6.1% of GDP.

In 2022, Costa Rica's current account deficit was U.S.$2,469 million (3.6% of GDP), which represented an increase of 1.1 percentage points of GDP with respect to 2021 (U.S.$1,604.5 million). The financial account registered, in 2022, net inflows of U.S.$4,015 million, an increase of U.S.$3,473 compared to the previous year (U.S.$542 million). The Central Bank reserve assets increased by U.S.$1,802.6 million in 2022, mainly due to increased external financing to the public sector, to a greater extent due to disbursements to the General Government, and the support loan from the Latin American Reserve Fund (FLAR for its acronym in Spanish), which granted the Central Bank with a U.S.$1.1 billion balance of payments support facility. In 2022, the balance of reserve assets was U.S.$8,550 million, equivalent to approximately 12.3% of GDP and 3.9 months of imports.

In 2021, Costa Rica's current account deficit amounted to U.S.$1,604.5 million (2.5% of GDP), an increase of 1.5% percentage points of GDP compared to the previous year. This deficit was mainly due to an increase in imports that exceeded the increase in exports, given the economic recovery process after the public health closures of 2020. Meanwhile, the financial account recorded net inflows of U.S.$542 million (0.8% of GDP) in 2021, compared to net outflows of U.S.$1,483 million in 2020. In 2021, a reduction in net international reserves of the Central Bank of U.S.$307 million was observed, reaching U.S.$6,918 million as of December 31, 2021. This is equivalent to 10.6% of GDP.

Monetary System

Monetary Policy

In 2020, when the COVID-19 pandemic severely affected Costa Rica's economic activity, the Central Bank deepened its expansive monetary policy with MPR cuts totaling 200 basis points, expanding liquidity in the markets, and introducing a credit facility in domestic currency for financial intermediaries with very favourable rates and term conditions. Additionally, the financial system supervisors worked closely to flexibilize regulations with the goal of improving credit conditions. These policies allowed the financial system to maintain stability even with the imbalances caused by the public health crisis, and reduced the burden in vulnerable groups.

In 2021, the macroeconomic conditions of the country improved with respect to the previous year, but high unemployment and a negative output gap prevailed after the downturn of 2020. Within this context, the Central Bank kept an expansive monetary policy in hopes of contributing to economic recovery. The MPR stood at 0.75%, its lowest historical value, during most of 2021.

In 2021, the inflation rate as measured by the consumer price index (CPI) was 3.3%, within the Central Bank's target range. However, starting in February 2022, inflation rose above the target range and remained so for the rest of the year, reaching an annual rate of 7.9% in December 2022. The persistent increase in inflation was driven by external costs due to commodities price increases (especially food and oil) and tensions in the supply chains across the globe, which were exarcebated by Russia's invasion of Ukraine, as well as a reduction in disinflationary forces within the country.

Given this increase in inflation, on December 15, 2021, the Central Bank increased the MPR seven times for an accumulated 775 basis points, reaching 9.0% as of September 15, 2022.

During the first half of 2023, the monetary policy rate was reduced in several occasions. At the end of July 2023, the Central Bank further reduced the monetary policy rate by 50 basis points, resulting in a monetary policy rate of 6.5%.

In 2021 and 2022, the Central Bank authorized the Liquidity Integrated Market (*Mercado Integrado de Liquidez* – MIL, its acronym in Spanish) to accept short-term deposits in U.S. dollars given the lack of financial instruments in foreign currency in the domestic market, and also to increase Central Bank reserves.

Foreign Exchange

From 1984 to 2006, Costa Rica had a crawling peg exchange regime, which aimed to adjust nominal exchange rates in accordance with the inflation rate differentials between Costa Rica and its main trading partners in order to maintain the competitiveness of Costa Rican exports. Beginning in 2006, the Central Bank transitioned from a crawling peg exchange regime, prevalent between 1992 to 2006, to a crawling band. This transition was part of Costa Rica's move toward an inflation-targeting regime. The crawling band regime lasted from 2006 to 2015. In 2015, the Central Bank transitioned from the crawling band regime to a managed floating regime. Under this new policy, the Central Bank allows the value of the exchange rate to be determined by supply and demand in the local market, although the Central Bank may intervene in the exchange rate market for stabilization purposes. According to historical data from MONEX (the currency market operated by the Central Bank), since the elimination of the exchange rate band in 2015 until December 2022, the colón to U.S. dollar exchange rate has fluctuated between ₡37.28 per U.S.$1.00 and ₡698,44 per U.S.$1.00. In contrast, when the crawling band was in place between 2006 and 2015, the colón to U.S. dollar exchange rate fluctuated between ₡497.71 per U.S.$1.00 and ₡503.17 per U.S.$1.00.

Public Sector Finances

Fiscal Policy

Although the approval of the Public Finance Strengthening Law in December 2018 constituted a fundamental advance to restore the sustainability of the Government's finances, its effects had just begun when the country was hit by the pandemic. The impact of COVID-19 on public finances was strong and rapid: tax revenues fell due to the contraction of the GDP and the expenses associated with the health crisis increased. This situation implied the need for a fiscal adjustment in addition to the one already introduced by the Public Finance Strengthening Law, for which the Republic sought support from the IMF for the country's macroeconomic policy framework, not only with regard to fiscal, but also monetary, financial and structural policies.

In 2022, higher revenue collection and primary expenditure containment, particularly due to the continued application of the Fiscal Rule, allowed for a significant improvement in fiscal results compared to 2021. For both 2021 and 2022 fiscal year-end, the indicative primary balance and debt balance targets established in the Memorandum of Economic and Financial Policies agreed between the Government of the Republic and the IMF, under the EFF arrangement, were met and exceeded.

Total revenues increased from U.S.$9,917 million (15.8% of GDP) in 2021 to U.S.$12,376 million (16.6% of GDP) in 2022. The implementation of the Public Finance Strengthening Law continued generating yields, thanks to the scheduled VAT increases related to construction and tourism services, as well as the capital income tax. Government expenditure decreased from U.S.$13,072 million (20.8% of GDP) in 2021 to U.S.$14,258 million (19.1% of GDP) in 2022.

In 2022, Costa Rica's fiscal deficit totaled U.S.$1,883 million or 2.5% of GDP, compared to U.S.$3,156 million or 5.0% of GDP in 2021. The fiscal deficit reduction is explained due to a better-than-expected revenue performance. Despite the challenges caused by a cyberattack in 2022 that forced the Ministry of Finance to shut down the main tax collection systems, tax revenues behavior continued to have a strong performance, especially for income tax. For additional information on this cyberattack, see "Public Sector Finances—2022 Cyberattack."

For additional information on the Public Finance Strengthening Law, see "Public Sector Finances—Recent Legal Reforms Affecting Public Sector Finances—Public Finance Strengthening Law," and for additional information on Costa Rica's fiscal policy in previous years, see "Public Sector Finances—Government Finances."

Non-Financial Public Sector

Between 2006 and 2021, the Non-Financial Public Sector (NFPS) total revenues represented, on average, 25.2% of GDP. Of these, 56.2% are derived from taxes (income tax, property tax, tax on goods and services, and others), followed by social contributions with an average weight of 27.3%. After a drop in total revenues of 0.9 percentage points of GDP in 2020 compared to 2019 due to the impact of the COVID-19 pandemic, the NFPS total revenues increased 1.9 percentage points of GDP compared to 2020.

NFPS total expenditures between 2006 and 2021 was, on average, 28.8% of GDP. Current expenditures (wages, transfers, interest payments, and goods and services) represented, on average, 84.6% of the total expenditures during such years, followed by capital spending with an average weight of 15.1%. The COVID-19 pandemic contributed to an increase in public expenditure by 1.4 percentage points of GDP in 2020 compared to 2019, mainly due to increases in interest payments, wages, and current transfers. However, in 2021, NFPS total expenditures reflected no significant variation, as a percentage of GDP, compared to 2019.

The NFPS's total employment reached 260,928 public employees in 2022. Of these, 146,133 belonged to the Government (56.0% of the total). In 2022, the Ministry of Public Education was the largest employer in the Government, with 85,877 positions out of 147,521. Decentralized non-business institutions accounted for 76,343 employees (29.3% of the total); public companies accounted for 22,465 employees (8.6% of the total), and local governments accounted for 15,987 employees (6.1% of the total).

In 2009, as a result of the international economic crisis, the NFPS reported a primary deficit of 1.8% of GDP and a fiscal deficit of 4.4% of GDP. From 2009 to 2021, the primary deficit of NFPS represented, on average, 0.5% of GDP, and the fiscal deficit represented, on average, 4.8% of GDP. In 2020, the NFPS suffered the most significant deterioration for both primary and fiscal deficit, reaching 4.7% and 7.6% of GDP, respectively. In 2021, the NFPS reached a primary surplus and fiscal deficit of 1.3% and 3.9% of GDP, respectively. The institutional sectors that contributed the most to 2021 fiscal deficit were decentralized non-business institutions, followed by the Government.

2023 National Budget

On November 28, 2022, the Legislative Assembly approved the budget for the year 2023. The 2023 national budget provides for government expenditures totaling ₡12.3 billion (25.8% of GDP), representing a 6.5% increase compared to the 2022 national budget. See "Public Sector Finances—2023 National Budget."

2024 National Budget

In September 2023, the Ministry of Finance submitted to the Legislative Assembly the bill National Budget Law 2024, which provides for government expenditures totaling ₡12.635 billion (25.4% of GDP), representing an increase of 3.0% compared to the 2022 national budget. See "Public Sector Finances—2024 National Budget."

Public Debt

As of December 31, 2022, Government Debt amounted to U.S.$47.6 billion (64.3% of GDP), 4.2 percentage points of GDP below that reported as of December 31, 2021. The higher fiscal performance in 2022 led to a decrease in debt, primarily influenced by the Government and the NFPS, offset by a slight increase in Central Bank debt in connection with a loan by the FLAR.

As of December 31, 2021, total Government debt totaled U.S.$42.8 billion (68.5% of GDP), a 1.1% increase from U.S.$39.9 billion as of December 31, 2020 (67.4% of GDP).

As a consequence of the fall in revenues and the increase in expenditures to address the COVID-19 pandemic, Government debt increased by 10.8 % of GDP from 2019 to 2020.

Government debt in the last six years contributed the largest share to total public sector debt, averaging 80.7% of the total for the period from 2017 to 2022. Government debt due to mature in the next five years amounts to U.S.$25.0 billion, or 47.5% of total Government debt as of August 2023.

SELECTED ECONOMIC INDICATORS

	As of and for the Year Ended December 31,					As of and for the Six-Month Period Ended June 30,	
	2018	2019	2020	2021[4]	2022[4]	2022[4]	2023[4]
	(in millions of U.S. dollars, except where noted)						
Economic Data							
GDP							
Real GDP % change from prior year	2.6%	2.4%	(4.3%)	7.9%	4.6%	5.6%	5.1%
Nominal GDP (U.S. dollars)	62,420.2	64,417.7	62,395.6	64,959.1	69,243.6	32,758.9	41,556.8
Nominal GDP (colones)[1]	35,242,044	36,094,025	34,551,599	37,293,532	38,990,944	19,098,147	20,065,060
Consumer Price Index (% change)							
End of period	2.03%	1.52%	0.89%	3.30%	7. 88%	7.35%	(1.52%)
Industrial production price index (% change)							
End of period	4.28%	(0.26%)	2.67%	13.94%	8.07%	10.09%	(3.02%)
Unemployment Rate [2]	10.3%	11.8%	19.5%	16.4%	12.2%	--	--
Balance of Payments Data							
Current account balance	(1,867)	(825)	(632)	(1,605)	(2,469)	(1,231.1)	(109.7)
Current account balance (% GDP)	(2.99%)	(1.28%)	(1.01%)	(2.47%)	(3.57%)	(3.76%)	(0.26%)
Merchandise trade balance	(4,620)	(3,868)	(2,018)	(2,798)	(4,597)	(1,926)	(1,693)
Exports (f.o.b.)	11,730	11,831	12,067	14,873	16,706	8,054.2	9,474.9
Imports (f.o.b.)	16,350	15,700	14,085	17,671	21,303	9,980	11,168
Service trade balance, net	5,539	6,292	4,495	4,895	6,687	3,043	4,485
Primary income	(3,344)	(3,830)	(3,634)	(4,251)	(5,129)	(2,630)	(3176)
Secondary income	558	581	526	550	570	282	274
Capital Account Balance	28	32	18	19	20	11	10
Financial Account Balance	(2,593)	(2,660)	1,483	(542)	(4,015)	162	(163)
Change in Central Bank's international reserves [3]	390	1,393	(1,755)	(263)	(1,803)	(582)	2,580
Net international reserves of the banking system	7,385	9,515	9,320	9,070	11,264	9,282	13,884
Import coverage reserves (months of imports)	4.4	5.3	4.9	3.8	3.9	2.9	4.9
Net international reserves of the Central Bank	7,495	8,912	7,225	6,918	8,550	6,197	11,139
Public Finance							
Government							
Total Revenue	8,246	9,434	7,879	9,917	12,376	5,924	6,728
Total Expenditure	11,637	13,863	12,673	13,072	14,258	6,654	7,505
Primary balance	(1,347)	(1,759)	(2,020)	(175)	1,563	963	1,182
% of GDP	(2.2%)	(2.6%)	(3.4%)	(0.3%)	2.1%	1.3%	1.4%
Fiscal balance	(3,391.2)	(4,428.6)	(4,793.7)	(3,155.6)	(1,882.6)	(730)	(749)
% of GDP	(5.7%)	(6.7%)	(8.0%)	(5.0%)	(2.5%)	(1.0%)	(0.9%)
Consolidated Public Sector balance							
% of GDP	67.9%	70.8%	81.6%	81.6%	76.7%	77.5%	73.3%
Public Debt	40,088.8	46,686.5	48,381.5	50,935.4	56,799.9	49,561.2	62,601.4
Government Debt	30,462.1	36,993.8	39,658.8	42,436.1	47,225.0	41,767.0	52,264.0
External debt	6,142.5	8,083.1	9,578.4	10,548.1	12,063.7	11,320.0	12,584.0
% of GDP	9.8%	12.5%	15.4%	16.2%	17.7%	0.4%	0.3%
Domestic debt	24,319.6	28,910.7	30,080.4	31,888.0	35,161.3	30,447.0	39,680.0[5]
% of GDP	39.0%	44.9%	48.2%	49.1%	50.8%	0.9%	1.0%
Total Public Sector							
External debt	9,772.7	11,511.4	12,335.5	13,475.7	15,931.2	14,153.7	16,417.1
% of GDP	16.5%	17.5%	20.8%	21.6%	21.5%	22.1	19.2
Domestic debt	30,316.1	35,175.2	36,045.9	37,459.7	40,868.8	35,407.5	4,6184.4

	As of and for the Year Ended December 31,					As of and for the Six-Month Period Ended June 30,	
	2018	**2019**	**2020**	**2021(4)**	**2022(4)**	**2022(4)**	**2023(4)**
	(in millions of U.S. dollars, except where noted)						
% of GDP..........................	51.3%	53.3%	60.8%	60.0%	55.2%	55.4%	54.1%

(1) Chained volume at previous year prices, reference 2017 millions of chained colones.
(2) Information as of June of each year.
(3) A positive number represents a decrease in international reserves and a negative number represents an increase in international reserves.
(4) Preliminary figures 2021-2023, as reported in the October 2023 Monetary Policy Report Published by the Central Bank.
(5) As of September 30, 2023, the Central Government's domestic debt totaled U.S.$39,333 million.

THE OFFERING

Issuer	The Republic of Costa Rica.
Notes	U.S.$1,500,000,000 aggregate principal amount
Issue Price	94.788% of the principal amount of the Notes, plus accrued interest, if any, from November 13, 2023.
Issue Date	November 13, 2023.
Maturity Date	November 13, 2054.
Interest	The Notes will bear interest from November 13, 2023 at the rate of 7.300% per annum payable semi-annually in arrears on May 13 and November 13 of each year, commencing on May 13, 2024.
Principal Payments	Principal on the Notes will be repaid in three installments on November 13, 2052, November 13, 2053 and at maturity. Principal payments shall be calculated as follows: the aggregate amount of each principal payment on the Notes shall equal the principal amount outstanding as of any principal payment date, divided by the number of remaining principal installments from and including such principal payment date to and including the maturity of the Notes. To the extent necessary, principal payments may be rounded down to the nearest whole number, with any difference being paid at maturity.
Redemption	The Republic may, at its option, redeem the Notes, in whole or in part, before maturity on the terms described under “Terms and Conditions of the Notes—Optional Redemption.”
Withholding Tax; Additional Amounts	Principal of and interest on the Notes are payable by the Republic without withholding or deduction for or on account of taxes imposed by Costa Rica to the extent described herein. In the event that the Republic is required by law to deduct or withhold taxes, duties, assessments or governmental charges, the Republic will pay additional amounts as necessary to enable holders of Notes to receive such amounts after such deduction or withholding as they would have received absent such deduction or withholding, subject to certain exceptions.

	See "Terms and Conditions of the Notes—Additional Amounts."
Status	The Notes will constitute general, direct, unconditional and unsecured Public External Indebtedness (as defined herein) of the Republic for which the full faith and credit of the Republic is pledged. The Notes rank and will rank without any preference among themselves and equally with all other unsecured and unsubordinated Public External Indebtedness of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness.
Negative Pledge and Certain Covenants	The Terms and Conditions of the Notes contain certain covenants and restrictions on the creation or subsistence of any Security (as defined herein) securing Public External Indebtedness, with certain exceptions. See "Terms and Conditions of the Notes—Negative Pledge" and "—Covenants."
Use of Proceeds	The proceeds from the issuance and sale of the Notes (net of the commissions payable by the Republic to the Initial Purchasers and the estimated expenses payable by the Republic) will be approximately U.S.$1,421,255,625. The proceeds from the issuance and sale of the Notes will be used by the Republic for approved budgetary needs, including the refinancing of domestic and external indebtedness of Costa Rica.
Collective Action Clauses	The Notes will contain "collective action clauses". Under these provisions, which differ from the terms of the Republic's Public External Indebtedness issued prior to March 12, 2015, the Republic may amend the payment provisions of the Notes and other reserved matters listed in the Indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than $66^2/_3$% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the debt securities of each series affected by the proposed modification, taken individually. "Debt Securities" are defined under the Indenture for all purposes (including for the purpose of changes to a reserved matter) to include only debt securities that are issued under this Indentures and not other or future indentures.

Form of Notes	The Notes will be issued in the form of global notes without coupons, registered in the name of a nominee of The Depository Trust Company and for the accounts of its direct and indirect participants, including Euroclear and Clearstream.
Denominations	The Notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Further Issues	The Republic may, without the consent of the holders of the Notes, create and issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Notes (or the same except for the amount of the first interest payment and the issue price), provided, however, that any additional notes shall be issued with a different CUSIP number unless such additional notes are issued pursuant to a "qualified reopening" of the original series, are otherwise treated as part of the same "issue" of debt instruments as the original series or are issued with less than a de minimis amount of original discount, in each case for U.S. federal income tax purposes.
Listing	Application will be made to the London Stock Exchange for the Notes to be admitted to trading on its ISM. The ISM is not a regulated market for the purposes of MiFID II or UK MiFIR.
Governing Law	The Notes shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, except that all matters concerning authorization and execution by the Republic will be governed by the laws of the Republic.
Trustee, Principal Paying Agent, Registrar and Transfer Agent	The Bank of New York Mellon.

RISK FACTORS

An investment in the Notes involves a significant degree of risk. Investors are urged to read carefully the entirety of this Offering Circular and to note, in particular, the risks associated with investing in the Notes described in this section. You should consult your financial and legal advisors about the risk of investing in the Notes. Costa Rica disclaims any responsibility for advising you on these matters.

Risk Factors Relating to Costa Rica

Certain economic risks are inherent in any investment in an emerging market country such as Costa Rica.

Investing in an emerging market country such as Costa Rica carries economic risks. These risks include many different factors that may affect Costa Rica's economic results, including, but not limited to, the following:

- interest rate fluctuations domestically and in the United States and other global financial markets;
- changes in economic, fiscal or tax policies (see for example, "Monetary System—Monetary and Financial Policy—Recent Financial Policy"), including implementation of the new policies established in the Public Finance Strengthening Law;
- changes in general economic and business conditions in Costa Rica, in any of its major trading partners and/or in the global economy, including recessionary environments;
- high levels of inflation or deflation;
- wage and price controls;
- changes in currency values;
- a decline in foreign direct or portfolio investment that could lead to lower growth or lower international reserves;
- the decisions of international financial institutions regarding the terms of their financial transactions with Costa Rica;
- the ability of Costa Rica to effect key economic reforms;
- adverse climatic changes;
- the impact on the Costa Rican economy of migratory movements in the region;
- the impact of hostilities or political or social unrest in other countries that may affect international trade, commodity prices and the regional and global economy, such as the current Israel-Palestine and Russia-Ukraine conflicts; and
- the public health crisis and economic shutdowns caused by the COVID-19 pandemic, any subsequent wave or resurgence and/or a new pandemic.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the liquidity of, and trading markets for, the Notes. See "Forward-looking Statements" in this Offering Circular.

Costa Rica's economy remains vulnerable to external shocks, including current global economic conditions and those that could be caused by future significant economic difficulties of its major regional trading partners or by

more general "contagion" effects, which could have a material adverse effect on Costa Rica's economic growth and its ability to service its public debt.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

A significant decline in the economic growth of any of Costa Rica's major trading partners, including the United States and the European Union, could adversely affect Costa Rica's balance of trade and economic growth and the ability of the Republic to source its public debt, including the Notes. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Costa Rica could be adversely affected by negative economic or financial developments in other emerging market countries. For example, if interest rates increase significantly in developed economies, including the United States and Europe, the Republic and its Central American neighbors and Mexico, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth and the ability of the Republic to service its public debt, including the Notes.

Decreased growth on the part of Costa Rica's trading partners could have a material adverse effect on the markets for Costa Rica's exports and, in turn, adversely affect economic growth in Costa Rica. Decreased growth on the part of the Republic's trading partners could have a material adverse effect on the Republic's ability to service its public debt generally, including the Notes.

Costa Rica's main trading partner is the United States and, therefore, the Costa Rican economy is vulnerable to changes in prices or quantities of imports or exports to and from the United States. Ongoing geopolitical tensions between the United States and China has reduced and could continue to reduce the volume of trade worldwide and has harmed and could continue to harm global economic growth.

There can be no assurance that any crises and/or trade disputes such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Costa Rica. In addition, there can be no assurance that these events will not adversely affect Costa Rica's economy, its ability to raise capital in the external debt markets in the future or its ability to service its public debt, including the Notes.

Any attempt by the United States to withdraw from or materially modify DR-CAFTA and certain other international trade agreements could adversely affect Costa Rica's economy.

The United States has renegotiated NAFTA, imposed steel tariffs, imposed tariffs on China and threatened tariffs on the European Union, Mexico and other trading partners. At this time, it remains unclear what the United States would or would not do with respect to other such international trade agreements. If the United States takes action to withdraw from or materially modify DR-CAFTA or certain other international trade agreements, Costa Rica's economy could be adversely affected, which could, in turn, adversely affect Costa Rica's ability to service its debt, including the Notes.

The ratings of Costa Rica may be lowered or withdrawn, and credit ratings may not reflect all risks of investment in the Notes.

On November 3, 2023, Moody's Investors Service ("Moody's") upgraded Costa Rica's rating from B2 to B1 with a positive outlook. Moody's stated that the upgrade to B1 was based on the consolidation of good results at a macroeconomic level, especially in public finance.

On December 13, 2022, Moody's Investors Service ("Moody's") downgraded Costa Rica's rating to B2 with a stable outlook. Moody's stated that the downgrade to B2 was based on the continued and projected worsening of debt metrics due to large deficits, despite fiscal consolidation efforts, and on the significant funding challenges emerging for the country as rising debt, deficits and interest costs lead to rapidly rising borrowing requirements.

On October 27, 2023, Standard & Poor's Global Ratings ("Standard & Poor's") upgraded Costa Rica's foreign currency rating to BB- from B+ with a stable outlook based on improved fiscal execution based on stronger financial performance amid continued growth.

On March 3, 2023, Fitch Ratings Investors Service ("Fitch") upgraded Costa Rica's long-term foreign currency rating to BB- with a stable outlook. In its rating report, Fitch cited the Republic's structural improvement of its fiscal position and easing of government constraints to finance its budget.

Any future downgrade or withdrawal of Costa Rica's credit ratings could have a material adverse effect on the market value and trading price of the Notes.

Credit ratings are an assessment by rating agencies of Costa Rica's ability to pay its debt when due. Consequently, real or anticipated changes in Costa Rica's credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Severe weather, natural disasters and climate change may materially and adversely affect Costa Rica and its economy.

Costa Rica is located on the Caribbean Sea and on the Pacific Coast of Central America, which may be affected by meteorological events and extreme weather conditions from time to time. The location of Costa Rica often puts the country in the path of tropical storms that hit the region, typically between the months of May and November, and have the potential to cause extensive physical and economic damage. Costa Rica is also located in a geographical area that has experienced earthquakes and currently has five active volcanoes.

Meteorological catastrophes, other extreme weather events and natural disasters could, among other things, limit access to, damage or destroy one or more of Costa Rica's infrastructure, including roads and bridges. Such conditions and/or events may also result in disruption to the local economy, and may cause labor, fuel and other resource shortages. For example, the Government estimated that Tropical Storms Otto and Nate and other low-pressure systems or earthquakes in the 2017 and 2019 caused approximately U.S.$576.8 million (1.0% of GDP), and U.S.$171.3 million (0.3% of GDP) respectively, in damages and losses in the affected areas in sectors such as agriculture, education, infrastructure, housing and health.

Similarly, in 2020, Hurricane Eta caused damages estimated at U.S.$266.71 million (0.43% of GDP), in 2021, storm in the Caribbean watershed caused damages for U.S.$343.22 million (0.53% of GDP) and, in the second half of 2022, anomalies in the average rainfall (hurricane Bonnie) caused damages in an amount equal to U.S.$80.88 million (0.12% of GDP).

Furthermore, Costa Rica's economy is reliant on agriculture, hunting, forestry and fishing, which accounted for 4.1% of Costa Rica's GDP in 2022. Costa Rica's economy is therefore very susceptible to severe weather conditions, such as droughts and floods, which can significantly affect crop production. Low agricultural production would significantly adversely affect Costa Rica's economy, as agricultural exports represented 45.3% of total exports in the period 2018-2022, and, as a result, could have an adverse effect on Costa Rica's ability to perform its obligations under the Notes. Recently, Costa Rica experienced severe drought, which was exacerbated by the "*El Niño"* weather phenomenon. These adverse weather conditions had a negative impact on Costa Rica's agriculture, hunting, forestry and fishing sector, registering a 4.2% contraction in 2022.

The energy sector has also been affected by climate change, particularly because Costa Rica's energy grid is highly dependent on hydroelectric power. Despite the effects of the *El Niño* weather phenomenon, electricity production by hydroelectric source increased from 74.0% in 2021 to 75.0% in 2022.

Since 2020 and up to the beginning of 2021, there was an excess of rainfall in the North Pacific while the North Caribbean remained in rain deficit, this was due to the influence of the *"La Niña"* weather phenomenon present since June 2020 until the second half of 2022.

While Costa Rica's tourism sector has continued to experience growth despite periods of severe weather, natural disasters and climate change, there can be no assurance that the tourism sector will not be adversely impacted in the future by severe weather, natural disasters or climate change.

Costa Rica's failure to implement and/or maintain fiscal consolidation may lead to increased debt management and refinancing risks.

Despite the implementation of the Public Finance Strengthening Law in 2018, Costa Rica's fiscal deficit was U.S.$1.9 billion in 2022, U.S.$3.2 billion in 2021, U.S.$4.8 billion in 2020 and U.S.$4.4 billion in 2019.

Failure to achieve fiscal consolidation, including consolidating debt management into one single unit to reduce fragmentation and promote effective risk management, may result in increased debt management risks and affect Costa Rica's debt sustainability. Fiscal consolidation efforts present significant implementation risks, which could increase fiscal deficits and exacerbate Costa Rica's debt challenges. The absence of fiscal consolidation could increase refinancing risk and negatively affect the ability of Costa Rica to access financing sources and/or manage its indebtedness, including by obtaining financing at a reasonable and sustainable cost.

The Costa Rican economy may contract in the future, which could have a material adverse effect on public finances and on the market price of the Notes.

The Costa Rican economy experienced real GDP growth of 2.4% in 2019, followed by a 4.3% contraction in 2020, 7.9% growth in 2021, and 4.6% growth in 2022.

Costa Rica's economic growth depends on a variety of factors, including, among others, international demand and prices for Costa Rican exports, economic conditions in the countries that serve as Costa Rica's most important trading partners, climatic factors affecting Costa Rica's agricultural sector, fiscal and monetary policies including the implementation and sustainability of the new policies established in the Public Finance Strengthening Law, confidence among Costa Rican consumers and foreign and domestic investors and their rates of investment in Costa Rica, the willingness and ability of businesses to engage in new capital spending, the exchange rate and the rate of inflation. Some of these factors are outside of the Republic's control.

Despite the economic growth that Costa Rica experienced in 2021 and 2022, the Republic cannot assure investors that its economy will continue growing in the future, that levels of confidence, economic activity and consumption will increase and/or that the implementation of the Public Finance Strengthening Law will result in sustained economic growth.

A sustained recession and/or prolonged levels of low economic activity and consumption could result in a material decrease in Costa Rica's fiscal revenues, or a significant depreciation of the colón over an extended period of time, either of which in turn would materially and adversely affect the ability of the Republic to service its public debt, particularly its debt obligations denominated in foreign currencies, including the Notes.

The Government may be unable to obtain financing on satisfactory terms in the future, which could have a material adverse effect on Costa Rica's ability to make payments on its outstanding public debt, including the Notes.

In recent years, Costa Rica has increased borrowing with multilateral lenders for budget support (as well as the financing of certain projects), including with the IADB, the CAF - Development Bank of Latin America (*Corporación Andina de Fomento – Banco de Desarrollo de América Latina*) (CAF), the World Bank and the IMF.

Costa Rica's failure to comply with the terms of any of its debt agreements with multilateral lenders may result in the suspension of disbursements under any existing or future similar arrangements. In particular, the access of Costa Rica to the IMF's financial assistance through the EFF and the Resilience and Sustainability Facility includes some conditions related to structural reforms. Significant delays in the implementation of the policies committed to by the Government in such agreements could lead to an interruption of financial support from the IMF. This may increase uncertainty, and have adverse effects on local interest rates, consumer and business confidence, and on economic growth more generally.

Costa Rica may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations, including its obligations under the Notes. Equity and credit markets have experienced significant price volatility, dislocations, and liquidity disruptions. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. These events may make it less likely that the Republic will be able to obtain additional financing.

As a result, the Republic's ability to service its outstanding public debt, including the Notes, could be adversely affected.

Fluctuations in exchange rates between the colón and the U.S. dollar may adversely affect Costa Rica's ability to perform its obligations under the Notes.

From time to time, the Central Bank intervenes in the foreign exchange market in the event of sharp exchange rate fluctuations in order to avoid abrupt movements in prices, costs and revenues, and to limit uncertainty. Despite these interventions, the colón has depreciated in the past and may in the future depreciate significantly. Should the colón depreciate significantly against the U.S. dollar over an extended period of time, economic growth in Costa Rica could be adversely affected or even reversed, and it could be more difficult for the Republic to repay debt obligations denominated in foreign currency, such as the Notes. As of August 2023, 37.1% of Costa Rica's public debt is denominated in foreign currency, of which 59.0% are loans with multilateral and bilateral organizations and 40.8% correspond to the issuance of debt securities in the international capital markets. Therefore, a depreciation of the colón against the U.S. dollar would also impact the ability of Costa Rican entities, individuals and financial institutions to satisfy their payment obligations under their U.S. dollar-denominated debt.

Alternatively, should the colón appreciate significantly, Costa Rica's exports may be affected, which would adversely affect Costa Rica's economy and Costa Rica's ability to perform its obligations under the Notes. According to MONEX, during 2022, the average exchange rate of the colón appreciated by approximately 7.1% against the U.S. dollar. In the ten-month period ended October 31, 2023, the exchange rate showed an accumulated appreciation of 10.5% compared to December 2022. When comparing December 2021 with December 2022, the colón appreciated by 7.0%. In this period, the country was still experiencing the economic effects of the pandemic and demand for foreign currency increased, originating from higher prices of raw materials and international costs for the transport of goods, as well as a greater demand for foreign currency by the pension fund operators. The net international reserves of the National Banking System amounted to U.S.$9,069.9 million as of December 31, 2021. As of December 31, 2022, the net international reserves of the National Banking System increased to U.S.$11,264.1 million.

A significant depreciation of the currencies of Costa Rica's trading partners or trade competitors may adversely affect the competitiveness of Costa Rican exports and cause an increase in Costa Rica's imports, thus adversely affecting Costa Rica's economy.

The depreciation of the currencies of one or more of Costa Rica's trade partners (including, in particular, the United States) or trade competitors relative to the colón may result in Costa Rican exports becoming more expensive and less competitive. It may also cause an increase in imports. A decrease in exports and an increase in imports may have a material adverse effect on Costa Rica's trade balance, economic growth, financial condition and ability to service its public debt, including the Notes.

Costa Rica's dollarization level is high, which could limit the effectiveness of monetary policy.

Costa Rica experienced a gradual decline in dollarization over the last decade, given the improved monetary policy framework and greater exchange rate volatility due to Costa Rica's floating exchange rate regimes. However, high dollarization is still one of the primary characteristics and risks of the Costa Rican financial system. In December 2022, the relative share of the credit balance in foreign currency in total credit stood at 33.7%.

High dollarization generates systemic risks and liquidity risks in the financial system, which stem from the Central Bank's limited capacity to be a lender of last resort in providing dollar liquidity, as well as solvency risks linked to U.S. dollar credits held by unhedged borrowers who do not earn their income in U.S. dollars and who may be unable to refinance their debt in case of a sudden depreciation of the colón. This could, in turn, significantly undermine the quality of the banking sector's credit portfolio and, in turn, the Costa Rican economy and Costa Rica's ability to service its public debt, including the Notes. See "Monetary System—Dollarization."

An increase in inflation and Government measures to curb inflation may adversely affect the Costa Rican economy.

Costa Rica's economy has experienced high levels of inflation in the past and may experience high levels in the future. Periods of rapid economic expansion and contraction in Costa Rica have resulted in volatile rates of inflation. In 2022, Costa Rica experienced a significant inflationary shock related to the ongoing war in Ukraine, as well as increased costs of transport and raw materials.

In response, the Central Bank has implemented and may continue to implement measures to stabilize inflation rates, including increases in the Monetary Policy Rate. See "Monetary System—Inflation and Interest Rates."

Inflation can result in greater market volatility by causing economic uncertainties and reduced consumption, GDP growth and consumer confidence. Inflation, measures to combat inflation and public speculation about possible additional actions have also contributed to economic uncertainty in Costa Rica in the past and could produce uncertainty in the future. Any of these factors can have a material adverse effect on Costa Rica's results of operations and financial condition.

The worldwide economic effects of the pandemics, such as COVID-19, may adversely affected Costa Rica's economy, and the impact could be material.

The outbreak of the coronavirus pandemic has had an adverse impact on the world economy. Many of our trading partners, undertook various public health measures to control the spread of COVID-19, including mandatory quarantines, vaccination plans, forced economic shutdowns and travel restrictions as well as economic measures to mitigate the impacts of such public health policies on their respective national economy.

During 2020, tourism decreased by 67.8% compared to 2019, mainly due to the COVID-19 pandemic and related global shutdowns. During 2020, unemployment increased to 19.5% compared to 11.8% in 2019. During 2020, GDP decreased by 4.3% mainly due to the COVID-19 pandemic and related global shutdowns.

Any subsequent wave or resurgence of COVID-19 and/or new pandemic may require the Republic to enact additional changes to existing regulations or implement more stringent regulations, which may adversely impact Costa Rica's economy, the prices of, and Costa Rica's ability to make payments on, its outstanding securities or other indebtedness and may also have the effect of heightening the other risks described herein.

The political and economic situation in Nicaragua and Venezuela may have a material adverse effect on the Costa Rican economy.

Costa Rica is geographically located in Central America, bordered by Nicaragua to the north. The political and economic situation of Nicaragua has historically had an impact on the Costa Rican economy. Political and/or economic problems in Nicaragua could intensify the migratory flows from Nicaragua to Costa Rica, increasing unemployment levels and public expenditures on healthcare, security and education.

In addition, as a result of the international crisis, many people (mainly Venezuelans) have had to leave their countries in search of better conditions, for which they have decided to cross the continent and go to the United States. According to the Institute of Social Research, School of Sociology and data from the National Migration Service of the Government of Panama, between January and September 2022, a total of 107,692 Venezuelan migrants crossed the Darién Gap in order to eventually reach the United States. Comparatively, in 2021, this figure represented 2,819

Venezuelan migrants, 2.7% of the 2022 number. Within this context, Costa Rica adopted measures to guarantee that these people can move through the country in a controlled, safe and orderly manner.

Refugee applications in Costa Rica have increased drastically, from 12,680 applications in 2020 to 86,788 in 2022, which suggests a 584% increase in refugee populations. When data was disaggregated by nationality it shows that Nicaraguans are leading the surge of migrants into the country. For example, in 2020 there was a total of 9,409 applicants of Nicaraguan nationality. In 2022, the number of Nicaraguans applying for refuge in Costa Rica was 80,028. This amounts to a 751% increase in applications compared to 2020. Colombian applicants follow with a growth rate of 299% (with a total of 1,492 applying for refuge in 2022), and Venezuelans with a growth of 209% (with a total of 2,286 applying for refuge in 2022). When considering per-capita applications, Costa Rica was the fourth country in the world to receive refugee applications per capita during the last five years, according to the United Nations. In the five-month period ended May 31, 2023, Costa Rica received 17,637 refugee applications, with Nicaraguans being the main applicants (84.4%), followed by Cubans and Venezuelans (6.7% and 5.0%, respectively). Of the total number of the total number of refugee applications received during such period, 1,354 were approved as of May 31, 2023.

A continued increase in immigration may adversely affect the Costa Rican economy and its ability to service its public debt generally, including the Notes.

Costa Rica's addition to the EU Blacklist may adversely affect Costa Rica's access to European markets.

In February 2023, Costa Rica was added to the EU's black list of non-cooperative countries and territories in tax matters. This decision was made based on a recommendation made by the EU Code of Conduct Group, due to Costa Rica's non-compliance with its commitment to reform the tax system to include extraterritorial passive income before December 31, 2022.

According to the guidelines of the EU, the passive income that a person or company generates abroad should be taxed in Costa Rica in order to avoid (1) "unfair competition" between different tax regimes, (2) and tax-free incomes.

Since August 2022, Costa Rica has been requesting to renegotiate the commitment and extend the compliance deadlines; however all requests were rejected arguing that as long as the regime of extraterritorial passive income is not amended by law, Costa Rica will remain on the blacklist.

On September 7, 2023, the Legislative Assembly approved Law No. 23,581 introducing amendments to the Income Tax Law necessary to remove Costa Rica from the EU's black list of non-cooperative countries and territories in tax matters. Costa Rica was removed from such list on October 18, 2023.

Costa Rica is an independent sovereign state and accordingly it may be difficult to obtain or enforce judgments against it.

Costa Rica is an independent sovereign state. As a result, it may be difficult for investors to obtain or enforce judgments against Costa Rica. See "Enforcement of Civil Liabilities."

The Government's activities are highly dependent on proper functioning of information technology systems, and any cybersecurity incidents could disrupt operations and result in the loss of critical and confidential information.

The Government's ability to collect taxes and provide services to Costa Ricans is highly dependent on the proper functioning of information technology systems. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures directed at the Republic.

On April 18, 2022, the Ministry of Finance and certain other areas of the Government were the target of a cyberattack which forced the Ministry of Finance to temporarily shut down the main tax collection systems. See "Public Sector Finances—2022 Cyberattack."

Although the Government employs measures to prevent, detect, address and mitigate these threats, the Government may remain vulnerable to intentional or accidental compromise, unauthorized access, or damage from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyberattacks or cyber-intrusions over the Internet and attachments to emails. The risk of a security breach or disruption, particularly through cyberattacks or cyber intrusion, including by computer hackers, "phishing" attacks, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. These risks, as well as the number and frequency of cybersecurity events globally, may also be heightened during times of geopolitical tension or instability between countries.

The Government cannot assure you that its security measures will prevent significant breakdowns, data leakages or breaches in its systems. Any additional cybersecurity incidents, depending on their nature and scope, could result in the misappropriation, destruction, corruption or unavailability of critical data and confidential information as well as the disruption of the collection of taxes and provision of services, any of which could have a material adverse effect on the Republic, including its tax revenues, which in turn could adversely affect Costa Rica's ability to service its debt, including the Notes.

Any revision to Costa Rica's official financial or economic data resulting from any subsequent review of such data by the Central Bank or other Government entities could have a material adverse effect on Costa Rica's ability to make payments on its outstanding public debt, including the Notes.

Certain financial and other information presented in this Offering Circular may subsequently be materially adjusted or revised to reflect new or more accurate data as a result of the periodic review of Costa Rica's official financial and economic statistics. Such revisions could reveal that Costa Rica's economic and financial conditions as of any particular date are materially different from those described in this Offering Circular. The Republic can give no assurance that such adjustments or revisions will not have a material adverse effect on the interests of Costa Rica's creditors, including any purchasers of the Notes.

There can be no assurance that the events described or implied in the forward-looking statements, estimates and projections included in this Offering Circular will in fact occur.

This Offering Circular contains forward-looking statements, estimates and projections of the Central Bank that have been published publicly related to the implementation of the Public Finance Strengthening Law. These forward-looking statements, estimates and projections reflect current expectations and projections about future events based on current knowledge of present facts and circumstances and assumptions about future events. These forward-looking statements are being included within this Offering Circular in order to describe the measures taken by the Republic to implement the Public Finance Strengthening Law and should not be used to measure actual changes from past periods. These statements, estimates and projections necessarily involve risks and uncertainties that could cause actual results and/or facts to differ materially from our expectations. Some of the risks, uncertainties and other important factors that could cause actual results and/or facts to differ, or that otherwise could have an adverse effect on current expectations, include those described under this "Risk Factors" section of the Offering Circular. The estimates and projections included in this Offering Circular are based on numerous assumptions relating to factors that are outside of the Republic's control, that may or may not be realized, and that have not been subject to independent review or verification. For the foregoing reasons, investors should not rely on the forward-looking information as an estimate or prediction of future results, including with respect to the expected benefits from the implementation of the Public Finance Strengthening Law. Actual results may differ from those reflected in the forward-looking information, and the differences could be substantial and could have a material impact on the value of the Notes.

Risk Factors Relating to the Notes

An active trading market may not develop for the Notes, which may hinder the Notes' liquidity, and the price at which the Notes will trade in a secondary market is uncertain.

The Notes will be a new issue of securities with no established trading market. We intend to apply to the London Stock Exchange for the Notes to be admitted to trading on its ISM. Certain of the Initial Purchasers may make a market in the Notes after the completion of this offering. However, the Initial Purchasers are not obligated to do so and may cease their market-making at any time. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for fixed income securities, changes in prevailing interest rates, changes in Costa Rica's financial performance or prospects and general economic conditions in Costa Rica and elsewhere. As a result, Costa Rica cannot assure you that an active trading market will develop or be sustained for the Notes, or how liquid such a market may become. If no active trading market develops, it may not be able to resell the Notes at their fair market value or at all.

The Notes are subject to transfer restrictions.

The Notes have not been registered under the Securities Act, any state securities laws or the securities laws of any jurisdictions. As a result, holders of Notes may reoffer or resell Notes only if there is an applicable exemption from the registration requirements of the Securities Act and applicable state or foreign laws that apply to the circumstances of such offer and sale. Offers and sales of the Notes may also be subject to transfer restrictions in other jurisdictions. Prospective holders of the Notes should consult their financial or legal advisors for advice concerning applicable transfer restrictions with respect to the Notes.

The Notes will contain provisions that permit Costa Rica to amend the payment terms without the consent of all holders.

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to the Republic's outstanding Public External Indebtedness (as defined herein) issued prior to March 12, 2015. Under these provisions, Costa Rica is entitled to amend certain key terms of the Notes, including the maturity date, interest rate and other payment terms without the consent of all holders. See "Terms and Conditions of the Notes—Modifications, Amendments and Waivers—Collective Action."

Credit ratings may not reflect all risks of investment in the Notes.

Credit ratings are an assessment by rating agencies of Costa Rica's ability to pay its debt when due. Consequently, real or anticipated changes in Costa Rica's credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

The Notes may not be a suitable investment for all investors seeking exposure to "development finance" assets, and the Notes are not intended for investors seeking to invest in traditional "green" or "sustainable bonds" because the Republic is not committing to use the proceeds of the Notes for eligible sustainable or green projects.

There is currently no market consensus on what precise attributes are required for a particular project or financing to be defined as "development," and therefore no assurance can be provided to investors that the Notes and the use of proceeds by the Republic or any development impact projects, will satisfy, whether in whole or in part, any expectations or requirements of any investor or any present or future expectations or requirements with respect to development finance. Neither the Republic nor the Development Finance Structuring Agent or Initial Purchasers make any representations or assurances as to whether (and are not responsible for ensuring that) the characterization of the Notes as development finance or the level of its expected development intensity rating impact will (i) comport with any investor's definition of green, sustainable or development finance, (ii) meet any investor's criteria and expectations with regard to developmental impact, or (iii) comport with the characterization or definitions used by any other development finance institution in the public or private sectors. The Republic may change or reduce its development impact reporting in the future and has no legal obligation to continue to report on the metrics included under the heading "Development Impact" or any other metrics.

In addition, the Notes are not intended for investors seeking to invest in traditional "green" or "sustainable" bonds because (i) the Republic is not committing to use the proceeds of the Notes to fund eligible green or sustainable projects, (ii) the development impact metrics below do not align with the International Capital Market Association's, or ICMA, Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines, (iii) the Republic is not committing to manage the proceeds or report on the use of proceeds in line with ICMA's Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines and (iv) the Republic is not requesting a second-party opinion related to the Notes.

USE OF PROCEEDS

The proceeds from the issuance and sale of the Notes (net of the commissions payable by the Republic to the Initial Purchasers and the estimated expenses payable by the Republic) will be approximately U.S.$1,421,255,625. The Republic expects to use the net proceeds from the issuance and sale of the Notes to satisfy its approved budgetary needs, including the refinancing of domestic and external indebtedness of Costa Rica.

DEVELOPMENT IMPACT

Introduction

Costa Rica is a middle-income country in Central America with a population of over 5 million people. It has a stable political environment and a strong commitment to democracy and human rights. The country has made significant progress in social and economic development in recent decades with a high Human Development Index (HDI) ranking and low levels of poverty and inequality compared to other countries in Latin America. However, Costa Rica faces significant challenges related to environmental resilience, infrastructure, and economic diversification. The current development priorities of Costa Rica include promoting sustainable economic growth, reducing poverty and inequality, strengthening social services, and enhancing environmental protection and resilience. To address these challenges, Costa Rica has developed four comprehensive plans: the "Plan Nacional de Desarrollo e Inversión Pública 2023-2026," the "Plan Nacional de Descarbonizacion 2018-2050," the "Plan Nacional de Adaptación al Cambio Climático 2022-2026," and the “Política Nacional de Gestión del Riesgo 2016-2030.”

The **"Plan Nacional de Desarrollo e Inversión Pública 2023-2026" (“PNDIP")** is a comprehensive national development plan that outlines the government's priorities and objectives in 13 strategic sectors, including environment and energy, social inclusion and welfare, science and technology, education, culture, public finance, regional development, agriculture, healthcare, public safety and justice, transportation, international cooperation and housing. To achieve these goals, the PNDIP includes a set of specific targets and indicators for each of the 13 strategic sectors, as well as a series of cross-cutting themes such as gender equality, youth empowerment, and innovation.

The PNDIP incorporates inputs from a wide range of stakeholders, including government agencies, civil society organizations, private sector representatives, and academic experts. It considers the country's social, economic, and environmental challenges and opportunities, as well as its commitments to international agreements such as the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. The PNDIP also includes a detailed implementation strategy with a budget framework with estimated financial cost for several of the forward-looking targets described in the PNDIP and mapped to funding source, monitoring and evaluation mechanisms, and a system for ensuring transparency and accountability in the use of public resources.

The "**Plan Nacional de Descarbonizacion 2018-2050"(“PND”)** is Costa Rica's plan to achieve net-zero greenhouse gas emissions by 2050. The PND sets out a roadmap for transforming the country into a decarbonized and climate resilient society, and encompasses all sectors of the economy, including energy, transportation, agriculture, waste management, and land use. The PND includes a series of specific measurements and targets to be implemented in each sector. For example, in the energy sector, the PND aims to increase the share of renewable energy sources to 100% by 2030, through the development of solar, wind, hydro, and geothermal power. In the transportation sector, the PND strives for 85% of Costa Rica’s public transportation fleet to reach net zero emissions by 2050 and promotes the use of electric vehicles and alternative modes of transportation. In the farming sector, the PND has set forth a target for 60% of the land dedicated towards farming to implement low-carbon technologies by 2030. The PND also aims to promote sustainable land use practices that conserve biodiversity and soil fertility.

The "**Plan Nacional de Adaptación al Cambio Climático 2022-2026**" **(“PNACC”)** addresses the impacts of climate change. The PNACC scope is comprehensive and covers six priority sectors: water resources, agriculture, biodiversity, health, infrastructure, and coastal zones. The PNACC recognizes that these sectors are already being affected by climate change, and that adaptation efforts need to be integrated into broader development planning.

The objectives of the PNACC are to increase the resilience of vulnerable communities and ecosystems to climate-related risks, and to reduce the social, economic, and environmental costs of climate change. The PNACC recognizes the importance of collaboration and coordination between different sectors and stakeholders and aims to ensure that adaptation measures are implemented in an equitable and participatory manner. The PNACC emphasizes the need for ongoing monitoring and evaluation of adaptation efforts and recognizes the importance of continued learning and innovation in the face of evolving climate risks.

The **"Política Nacional de Gestión del Riesgo 2016-2030" ("PNGR")** is a planning instrument to guide actions by the Costa Rican government, the private sector and civil society that establishes conceptual bases, general guidelines, and execution plans to ensure disaster risk management across all sectors and populations in Costa Rica. The thematic axes of the PNGR are (i) resilience planning and social inclusion, (ii) participation and decentralization of risk management, (iii) education, knowledge management and innovation, (iv) sustainable financial investments, infrastructure and services, and (v) planning, mechanisms and regulatory instruments for risk reduction. The PNGR has identified numerous indicators for each axis to measure its progress in terms of implementation and outcomes, such as percentage of slums with improved risk profile or relocated to safe settlements, number of social organizations participating in disaster risk management commitments, risk-related research and modelling documented in Costa Rica, and proportion of institutional budget allocated towards disaster risk management and climate change.

Development Outputs and Outcomes

By extending the budgetary capacity of the Costa Rican government, the issuance may support development outputs and outcomes consistent with the four aforementioned national plans, including:

- Advocating for climate change adaptation, risk mitigation and sustainable energy sources by:

  - Increasing the share of renewable energy in the energy mix with a focus on improving its energy efficiency and developing large solar energy projects in remote areas of the country such as the Chorotega Region, with a 25 MW solar energy project to be completed by 2026;
  - Reducing GHG emissions and other air contaminants such as ozone depleting substances as well as implementing policies like biological corridors to mitigate CO2 emissions further;
  - Advancing climate change adaptation and risk mitigation awareness through training more than 2,000 public officers by 2026 as well as communities, and promoting environmentally sound practices through public recognitions, alongside evaluating climate-related risks of public projects with an emphasis on large infrastructure projects; and
  - Improving quality and control of water and reduction of wastewater residues with a focus on water supply projects such as the Water Supply Project for the Middle Account of the Tempisque River and Coastal Communities ("PAACUME").

- Advancing social development including healthcare and alleviating poverty by:

  - Increasing subsidies and programs directed towards vulnerable populations with a special emphasis on households in extreme poverty, in situation of dependency, people with disabilities, female workers from low-income households and minors suffering from abuse;
  - Supporting affordable housing for all by developing and promoting affordable housing residential projects for low- and middle-income individuals with a special emphasis on supporting female-led households; and
  - Improving healthcare services provided by the government with a focus on decreasing average wait times for healthcare procedures such as ambulatory and cataract surgeries, ultrasound imaging and upper endoscopy.

- Promoting economic development and full employment by:

  - Supporting small and medium-enterprises and public employers by providing entrepreneurship and financial training with a special emphasis on promoting vulnerable populations;
  - Promoting sustainable economic productivity and diversification with a focus on promoting foreign direct investments, formal employment and agricultural productivity; and
  - Advancing necessary infrastructure for economic development such as high-quality internet connectivity.

- Advancing education and knowledge development, including relevant infrastructure by:
  - Promoting education and knowledge development alongside necessary infrastructure with a focus on technical education directed towards active employment, including providing 300 scholarships per year from 2023 to 2026 for technical and secondary studies; and
  - Fostering peace and integral development through civic centers offering programs targeted to vulnerable youth populations, with a focus on individuals from low-income households residing in areas with elevated prevalence of violence.

Development Impact Reporting

Positive Impacts: Costa Rica is committed to promoting transparency on their initiatives from their national development plans and intends to monitor and report on the following indicators:

Indicator	**Base Year**	Base Year Value	**Target Year**	Target Value
Advocating for climate change adaptation, risk mitigation and sustainable energy sources				
Increasing the share of renewable energy in the energy mix				
Energy intensity *(megajoules / USD)*	**2021**	2.56	**2026**	2.42
Renewable energy utilization *(terajoules / year)*	**2021**	50.69	**2026**	59.41
Mitigating and reducing GHG emissions and other air contaminants				
CO2 mitigated from agricultural production activities *(metric tons per year)*	**N/A**	**N/A**	**2023-2026**	39,265
Improving quality and control of water and reduction of wastewater residues				
Decrease in drinking water losses in supply systems *(in percentage)*	**N/A**	**N/A**	**2026**	17
Advancing social development including healthcare and alleviating poverty				
Households in extreme poverty receiving state-sponsored money transfers *(percentage of total)*	**2020**	9.93	**2026**	12.03
Average wait time, ambulatory surgery in hospitals from the Costa Rican Social Security Fund *(number of days)*	**2021**	531	**2026**	365

Indicator	**Base Year**	Base Year Value	**Target Year**	Target Value
Promoting economic development and full employment				
Supporting small and medium-enterprises, entrepreneurship and public employers				
Beneficiaries *(18-35 years old)*, entrepreneurship state-sponsored programs *(average number per year)*	**N/A**	**N/A**	**2023-2026**	100
Beneficiaries, Program EMPLEATE *(number per year)*	**N/A**	**N/A**	**2023-2026**	5,000
Advancing necessary infrastructure for economic development				
Households with access to internet *(percentage of total)*	**2021**	81.3	**2026**	92.7
Advancing education and culture protection and promotion, including relevant infrastructure				
Promoting education and knowledge development alongside necessary infrastructure				
Infrastructure projects in educational centers executed *(by number)*	**2021**	102	**2026**	280
Stimulating culture-related economic activities and culture awareness				
Beneficiaries *(12-35 years old)*, civic centers fostering peace and integral development *(by number)*	**2021**	1,025	**2026**	1,904

N/A = not available

Mitigating Negative Impacts: Costa Rica has set a target and commitment to monitoring and reporting on one sovereign Principal Adverse Impact ("PAI") Indicator as shown in the table below:

Mitigating Negative Impacts:				
Indicator	**Base Year**	Base Year Value	**Target Year**	Target Value
Climate and Other Environment-Related Indicators				
Ozone depleting substances consumption *(kilograms)*	**2021**	65,026	**2026**	46,892

UN SDG Contribution and Addressing Existing Country Development Gaps

The anticipated impact of the development outputs above are expected to contribute to the following UN SDGs, both directly and indirectly:

- **SDG 1: End poverty in all its forms everywhere.** 25.5% of the population in Costa Rica was living below the national poverty level as of 2022, which is in line with the median of emerging market economies (25.1%). Costa Rica intends to provide financial support to households in extreme poverty and contribute to *SDG Target 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day.*

- **SDG 3: Ensure healthy lives and promote well-being for all at all ages.** In Costa Rica, 81% of the population had universal health coverage as of 2021. Costa Rica expects to monitor and report on reducing the average wait time for ambulatory surgery in hospitals from the Costa Rican Social Security Fund, which is expected to support the quality of public healthcare services in the country and contribute to *SDG Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.*

- **SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.** In 2020, 21.5% of the government's total expenditures were spent on education. Costa Rica expects to report on the number of infrastructure projects completed in educational centers along with the number of beneficiaries of civic centers focused on fostering peace in Costa Rica to support *SDG Target 4.a: Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.*

- **SDG 6: Ensure availability and sustainable management of water and sanitation for all.** In 2020, industrial water use efficiency was 44.2 United States dollars per cubic meter in Costa Rica. This is lower than the median among peer countries of 53.3. Costa Rica intends to improve the country's water infrastructure and monitor and report the decrease in drinking water losses in water supply systems. This is anticipated to contribute to SDG *Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.*

- **SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all.** 36.4% of the total energy consumed in Costa Rica was renewable energy as of 2020. Additionally, the energy intensity level of primary energy in Costa Rica was 1.9 megajoules (MJ) per constant 2017 PPP GDP. Costa Rica expects to monitor and report on the country's levels of renewable energy utilization and energy intensity, which is expected to contribute to *SDG Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix and SDG Target 7.3: By 2030, double the global rate of improvement in energy efficiency.*

- **SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.** 62.08% of the population in Costa Rica was informally employed in 2021. Costa Rica expects to promote formal employment in the country by supporting state-sponsored entrepreneurship programs and reporting on the programs annually. Costa Rica has also committed to report on the number of individuals who receive support from the Program EMPLEATE (the "Program") on an annual basis. The Program is intended to support individuals between the ages of 17 and 24 who are either living in poverty or are unemployed or underemployed. The Program provides these individuals with technical training scholarships to support integration into the formal labor market. These initiatives are expected to support *SDG Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.*

- **SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.** 82.6% of people in Costa Rica had access to the internet as of 2022. Costa Rica expects to report on the number of households with access to internet and contribute to *Target 9.c: Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2030*.

- **SDG 13: Take urgent action to combat climate change and its impacts.** CO_2 emissions in Costa Rica amounted to 1.4 metric tons per capita in 2020**.** Costa Rica expects to monitor and report on CO_2 emissions from agricultural production activities and contribute to *SDG Target 13.2: Integrate climate change measures into national policies, strategies and planning.* Costa Rica will also report on the country's overall consumption of ozone depleting substances on an annual basis to promote transparency around how it is mitigating negative impacts.

REPUBLIC OF COSTA RICA

Costa Rica is located in Central America, bordered by Nicaragua to the north, Panama to the southeast, the Pacific Ocean to the west, and the Caribbean Sea to the east. As of June 30, 2022, Costa Rica had an estimated population of approximately 5.22 million according to the National Institute of Statistics and Censuses.

Having maintained uninterrupted, democratically elected governments since 1949, Costa Rica is recognized for having a highly stable constitutional democracy and one of the highest standards of living in Latin America.

Costa Rica's nominal GDP for 2022 was U.S.$68.8 billion and its per capita GDP was U.S.$13,281.9. In 2021, 2020, 2019 and 2018, Costa Rica's nominal GDP was U.S.$65.8 billion, U.S.$61.0 billion, U.S.$63.7 billion and U.S.$62.2 billion, respectively. Costa Rica's per capita GDP was U.S.$12,581.9 in 2021, U.S.$12,207.5 in 2020, U.S.$12,735.8 in 2019 and U.S.$12,475.5 in 2018. Costa Rica, as most countries in the world, suffered the effects of the COVID-19 pandemic in 2020, with negative consequences to its economy.

According to the UN Development Program's 2021-2022 Human Development Report, the Republic is ranked first in Central America and third in Latin America on the Human Development Index, a composite index focusing on three dimensions of human development: (i) long and healthy life measured by life expectancy at birth; (ii) ability to acquire education measured by average years of schooling; and (iii) ability to achieve a decent standard of living measured by gross national income per capita. On a global scale, Costa Rica occupied the 58th place pursuant to such report.

Costa Rica hosts a large diversity of animal and plant species, and approximately one quarter of its territory consists of public or private reserves dedicated to environmental conservation and preservation of this biological diversity. This diversity, in conjunction with the Government's investment in environmental conservation, has led to the development of a significant tourism industry, which is protected and regulated under Costa Rica's environmental policies.

Territory and Population

The Costa Rican territory consists of approximately 19,700 square miles, with a length of 290 miles and a width of 162 miles, largely covered by high, rugged mountains and hills, and drained by numerous streams and rivers. A volcanic mountain system composed of three ranges extends throughout the length of the country, with elevations in the Southern Talamanca range reaching approximately 13,000 feet above sea level. The Central Volcanic Range in the north is an extension of the North American Rocky Mountains and the Southern Talamanca range in the south is an extension of the South American Andes Mountains. A relatively wide coastal plain is found in the east and northeast and a narrower plain is found along the Pacific coast. The climate varies according to topography, from semi-tropical in the mountains to tropical on the coastal plains. Costa Rica has coastlines on both the Caribbean Sea and the Pacific Ocean. At the country's narrowest point, the coastlines are 74 miles apart. The northern border with Nicaragua is 186 miles long and the southeastern border with Panama is 225 miles long.

According to the National Institute of Statistics and Censuses, Costa Rica had a population of approximately 5.21 million people in June 2022. Population growth increased at an annual rate of 1.01% between 2021 and 2022. The majority of the country's population lives in an area commonly referred to as the "Central Valley" where, in addition to the capital city, San José, the principal cities of the provinces of Alajuela, Heredia and Cartago are located. As of June 30, 2022, the provinces with the highest population in Costa Rica were San José with 1.69 million people and Alajuela with 1.06 million. In addition, 28.4% of Costa Rica's population was under the age of 19, approximately 33.3% was between the ages of 20 and 39, 28.7% was between the ages of 40 and 64, and approximately 9.7% was over 65 years old.

According to the UN Development Program, Costa Rica is classified as a country of high human development. In 2021, it had a very high human development index of 0.809 and an adult literacy rate of 97.9%. In addition, the Republic ranked 58th in the Human Development Index.

The following table sets out estimated scores obtained by certain Latin American countries on certain of the World Bank's worldwide governance indicators.

Selected Comparative Governance Indicators

	Government effectiveness Rank(1)(2)	Political stability Rank(1)(3)	Voice and accountability Rank(1)(3)
Argentina	(0.28)	(0.01)	0.54
Colombia	0.01	(0.64)	0.17
Costa Rica	0.05	0.95	1.07
El Salvador	(0.32)	(0.15)	(0.37)
Guatemala	(0.91)	(0.30)	(0.52)
Honduras	(0.87)	(0.55)	(0.49)
Mexico	(0.28)	(0.69)	(0.12)
Nicaragua	(1.04)	(0.35)	(1.35)
Panama	(0.13)	0.30	0.54
Peru	(0.40)	(0.45)	0.05
Uruguay	0.85	1.10	1.28

Source: World Bank.
(1) 2022 data. Governance score is measured on a scale from -2.5 (lowest rank) to 2.5 (highest rank).
(2) Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the Government's commitment to such policies.
(3) Political stability and absence of violence/terrorism measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.
(4) Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media.

Social Indicators

Historically, Costa Rica has invested a significant portion of its public sector budget in social services, such as education, healthcare, social assistance and housing.

In 2011, the Constitution was amended to require the investment of not less than 8.0% of GDP in education annually, compared to the previous requirement of 6.0% of GDP that had been effective since 1997. As a result of this investment, Costa Rica has one of the highest levels of schooling in Latin America. However, Costa Rica's budget for the 2023 fiscal year provides for an investment of 5.3% of GDP in education, 2.7% short of the 8.0% requirement (without taking into account the broader definition of "education" introduced under the Public Finance Strengthening Law), as a result of the reductions in Government spending imposed to address the fiscal deficit.

In 2023, approximately 40.1% of the total approved national budget was allocated to investment in social sectors such as education, social protection, the environment, health, housing, transport, recreation and cultural services. Compared with 2022, this represents a decrease from an approximate 1.0% budgeted. See "Public Sector Finances—2023 National Budget."

According to INEC, for the year 2022, the Gini coefficient stood at 0.503 points at the national level, showing an improvement with respect to the year 2021, when it stood at 0.517 points.

As of July 2023, 21.8% of Costa Rican households (corresponding to 1,281,052 people and 390,509 households) had incomes below the poverty line, which represents a 1.2 percentage point decrease compared to 2022. As of July 2023, the percentage of households in extreme poverty stood at 6.3% (corresponding to 394,445 people), a 0.1 percentage point increase compared to 2022. See "The Costa Rican Economy—Poverty."

The following table sets forth selected comparative social statistics for per capita GDP, life expectancy, and adult literacy, in each case, using the most recent available reported in the World Bank Statistics.

Selected Comparative Social Statistics

	Per capita GDP[(1)]	**Life expectancy[(2)]**	**Adult Literacy rate**
	(in U.S.$)[(1)]	*(in years)[(2)]*	*(as a percentage of total population)*
Costa Rica	13,198.8	77.0	98.0[(2)]
Panama	17,357.6	76.2	95.7[(4)]
Argentina	13,686.0	75.4	99.0[(5)]
Mexico	11,091.3	70.2	95.2[(3)]
Peru	7,125.8	72.4	94.5[(3)]
Colombia	6,630.3	72.8	95.6[(3)]
Guatemala	5,473.2	69.2	83.3[(2)]
El Salvador	5,127.3	70.7	90.0[(3)]
Honduras	3,040.2	70.1	88.5[(4)]
Nicaragua	2,255.4	73.8	82.6[(6)]

Source: World Bank.
(1) 2022 data.
(2) 2021 data.
(3) 2020 data.
(4) 2019 data.
(5) 2018 data.
(6) 2015 data.

Education

Since the 19th century, elementary education in Costa Rica has been mandatory and publicly funded. The 2011 amendment to the Constitution, required that Costa Rica invest a minimum of 8% of its GDP in its elementary and higher education system since 2014. The Public Finance Strengthening Law expanded the definition of "elementary and higher education system" for purposes of determining compliance with this requirement, allowing the Republic to take into account a broader range of educational services.

The Government is also focused on improving secondary and higher education in order to enhance the technical skills of the population and meet the demand for workers in the science, technology, services and manufacturing industries.

In August 2018, the Government introduced a bilingual education initiative aimed at enabling every student to learn to write and speak English proficiently. As part of this initiative, non-governmental organizations, the ALIARSE foundation and the National Learning Institute (*Instituto Nacional del Aprendizaje* or INA, for its acronym in Spanish) entered into an inter-institutional agreement with the Ministry of Labor and Social Security (*Ministerio de Trabajo y Seguridad Social*), Ministry of Education (*Ministerio de Educación Pública*), the Costa Rican Development Unit (*Coalición Costarricense de Iniciativas de Desarrollo*), and the Ministry of Science, Technology and Telecommunications (*Ministerio de Ciencia, Tecnología y Telecomunicaciones*) "Ministry of Science, Tech and Telecommunications"). This inter-institutional agreement is intended to serve as the framework for increasing the coverage of English teaching in Costa Rica, encouraging representatives from the private sector, non-profit organizations and international organizations to contribute resources and knowledge to the development of English-language learning initiatives. In addition, it aims to expand and improve the public offering of academic programs and technical assistance in English learning, promote public-private partnerships for English teaching and promote the development of qualified bilingual professionals in Costa Rica, which in turn is expected to foster tourism, job creation and foreign investment.

On September 12, 2019, the Legislative Assembly approved Law No. 9,728 for the Regulation of Dual Professional and Technical Education (*Ley para la Regulación de la Educación o Formación Profesional-Técnica en la Modalidad Dual*), establishing a framework that permits students to obtain higher education degrees through a combination of coursework and on-the-job training, providing students with academic knowledge and practical skills to help them succeed in the workforce.

In 2020, the pandemic in Costa Rica had a significant negative impact on the student population at all levels, due to the convergence of prolonged closures of educational centers with confinement measures and the loss of economic security at home. The changes made to the educational process, the lessons and the school calendar due to the health emergency left a significant gap in terms of evaluation of student learning. Micro-assessment of students was neither systematized nor monitored; and macro-assessment through the "*Pruebas Nacionales para el Fortalecimiento de Aprendizajes para la Renovación de Oportunidades*" (FARO, for its acronym in Spanish) test was eliminated in 2022. In 2022 and as of March 2023, the application of the Comprehensive Tests for the Recovery of Learning began, which is applied by the teacher in the classroom and their qualification is not taken into account to pass the school year. During the pandemic, the Ministry of Education (*Ministerio de Educación Pública*) generated a wide range of educational resources, which were made available to students, teachers and families on the Ministry of Education's website called "Toolbox." As of July 2023, a total of 281,347 Costa Ricans or 5.6% of the total population above the age of five reported not having any kind of education. Of these, around 48.8% are men and 51.2% are women. Out of the total population above the age of five, 1,070,297 people or 21.3% reported having attended elementary school only, 842,737 people or 16.8% reported having attended both elementary and high school and 939,996 or 18.7% people reported having attended technical college or university education.

In 2020, Costa Rica was accepted as a pioneer country by Alliance 8.7, an inclusive global partnership committed to achieving target 8.7 of the 2030 Sustainable Development Goals (SDGs), which calls to end child labor in all its forms by 2025. Alliance 8.7 recognized the efforts that the country has been making to reduce child and hazardous adolescent labor. Costa Rica is a founding country of the Regional Initiative Latin America and the Caribbean Free of Child Labor, an intergovernmental and tripartite action platform in which 30 governments, employers' organizations and workers' organizations actively articulate efforts to move together towards the achievement of target 8.7 of the SDGs.

The latest data from the National Household Survey, for the year 2021 shows that approximately 6,091 children and adolescents between the ages of 12 and 17 work, which means a reduction in the child employment rate from 1.4% in 2020 to 1.3% in 2021. These data place Costa Rica with the lowest child employment rate in Latin America. In order to reduce the socioeconomic effects associated with the COVID-19 pandemic, the country has developed a strategy (the "Roadmap to make Costa Rica a Country Free of Child Labor and its Worst Forms 2021-2025 and Its Action Plan") promoting the educational, physical and mental development of these children and adolescents.

Government and Political Parties

The Republic achieved independence from Spain in 1821 and has had uninterrupted democratically elected governments since 1949. The Constitution, drafted in 1949, established the current form of Government. Among the most important reforms enacted by the Constitution were: the ratification of the abolition of the army; the institution of a national program of social services, including healthcare and a pension system, mainly by the Caja Costarricense de Seguro Social; and guarantees of Government support for primary, secondary and higher education. In addition, the Constitution established the base for strong institutions with a variety of mandates, including ensuring the rule of law, safeguarding the relationship between Government and citizens, and strengthening the welfare state. Since 1949, the Constitution has been reformed more than 25 times.

Pursuant to the Constitution, Costa Rica is a democratic republic, with separate executive, judicial and legislative branches. The President and the members of the unicameral Legislative Assembly are elected by direct popular vote. Under Costa Rica's electoral system, voters elect a presidential ballot of a political party, including one presidential and two vice-presidential candidates, and vote for a political party to appoint municipal representatives and Legislative Assembly Deputies. Following the 2016 Municipal Code reforms, municipal elections have been held two years after the presidential elections. Organization and supervision of the electoral process is the responsibility of the Supreme Electoral Tribunal (*Tribunal Supremo de Elecciones*), which is composed of three permanent members and six alternate members who are granted functional, political and administrative independence. All members are appointed by the Supreme Court of Justice (*Corte Suprema de Justicia*), by the votes of not less than two-thirds of their total members. In addition, one year before and up to six months after a Presidential election, the Supreme Court elects two of the temporary members to form, together with the three permanent members, a five-member Court. The Supreme Electoral Tribunal has the same degree of independence as the three branches of Government.

Executive authority is vested in the President and the two Vice Presidents, who are directly elected for concurrent four-year terms. The current President is Mr. Rodrigo Chaves Robles of the PPSD. President Chaves Robles' term ends on May 8, 2026. The Constitution provides that a President cannot serve two consecutive terms, but may serve again at least eight years after leaving office. The President has the power to appoint cabinet ministers, and together the President and the ministers make up the Government Council (*Consejo de Gobierno*).

Legislative authority is vested in the Legislative Assembly, comprised of 57 Deputies. Deputies serve four-year terms and cannot serve consecutive terms, but may serve again at least four years after leaving office. The election of Deputies for the Legislative Assembly is held concurrently with presidential elections.

National judicial authority is vested in the Supreme Court, which is comprised of four specialized divisions (one of which is the constitutional chamber), as well as criminal courts, civil courts and other specialized courts. The Supreme Court has 22 magistrates, elected by the Legislative Assembly for eight-year terms. The term of each magistrate is renewed automatically unless two-thirds or more of the Legislative Assembly vote against reappointment. The Constitution grants budgetary independence to the judicial branch by guaranteeing that a minimum of 9.8% of the Government's current revenues be allocated to it.

For administrative purposes, the national territory is divided into seven provinces (San José, Alajuela, Cartago, Heredia, Guanacaste, Limón and Puntarenas), which are subdivided into 82 cantons (*cantones*) and 487 districts (*distritos*). Each canton is presided over by elected officials in the form of municipal governments. The next municipal election is scheduled to be held in February 2024.

Costa Rica had a traditional bipartisan political system dominated by the National Liberation Party (*Partido Liberación Nacional*) (PLN, for its acronym in Spanish) and the Social Christian Unity Party (*Partido Unidad Social Cristiana*) (PUSC, for its acronym in Spanish) for 32 years.

The PLN, founded in 1951, was the political and ideological heir to social democratic traditions. The party has moved to the center of the political spectrum, favoring a market-oriented economy while preserving access to social services. The PLN is considered to be center-right politically, as it favors active participation of the private sector in the economy and a narrow role for the Government, primarily focused on improving social welfare. In 2000, the Citizen Action Party (PAC for its acronym in Spanish) split from the PLN with the goal of providing broader representation of social organizations. The PAC won the presidency for 2014-2018 and 2018-2022 terms.

The PUSC, founded in 1983 as a result of the unification of other political parties, has been traditionally associated with slightly more liberal sectors than the PLN (liberalisms in Costa Rica refers to ideological commitment to individual freedom, restricted state intervention in social, economic and cultural life of citizens and promotion of private initiative as a means of economic growth).

From 2000 to 2018, the Legislative Assembly was politically dominated by the PLN, PUSC and PAC. Members of PLN and PUSC or their predecessors won the presidential elections and controlled the Legislative Assembly, either directly or indirectly through political alliances, since 1949.

The Social Democratic Progress Party (*Partido Progreso Social Democrático*, or PPSD for its acronym in Spanish) was founded in 2018. The PPSD is led by former Minister of Finance and current President of Costa Rica, Rodrigo Chaves Robles, with the journalist and deputy for San José, Pilar Cisneros Gallo, known for her posture against corruption. Cisneros was nominated by this party as congresswoman for the City of San José and later she was elected congresswoman for that province of San José. The PPSD won the 2022 elections.

The table below sets out the composition of the 2022-2026 Legislative Assembly.

Legislative Assembly Composition, Term 2022-2026

	Number of Delegates
PLN	19
PPSD	10
PUSC	9
National Restoration Party[(1)]	7
Progressive Liberal Party[(2)]	6
Borad Front Party[(3)]	6

Source: Asamblea Legislativa República de Costa Rica.
(1) The National Restoration Party (*Partido Restoracion Nacional*) is an evangelical party.
(2) The Progressive Liberal Party (*Partido Liberal Progresista)* is a party with a liberal ideology in economic and social matters.
(3) The Broad Front Party (*Partido Frente Amplio*) is party on the left of the political spectrum.

2022 Presidential Elections

Costa Rica held elections on February 6, 2022. José María Figueres Olsen, from the Partido Liberación Nacional (PLN), and Rodrigo Chaves Robles, from the Partido Progreso Social Democrático (PPSD), received the most votes, with 27.26% and 16.70% of the vote, respectively. Pursuant to the Constitution, because neither candidate obtained at least 40% of the vote, a run-off election was held on April 3, 2022, which Rodrigo Chaves Robles won with 52.84% of the vote. President Chaves Robles began his four-year term on May 8, 2022.

President Chaves's work plan consists of accelerating the economy to generate jobs, attract investment, consolidate new companies and strengthen exports, create a sustained increase in quality jobs, improve the administration of public spending, curb corruption, improve education, healthcare, and the Costa Rican judicial and pension systems, reduce poverty, and attack organized crime and citizen insecurity. President Chaves Robles also proposes to fight for a fair and impulsive government as well as to promote state-of-the-art technology; support culture and sports; continue to promote the protection of natural resources and reduce gas emissions; and provide the country with sufficient and quality infrastructure.

Legislative Assembly Rules Reform

Before the 2018 Election, Costa Rica's opposition parties took advantage of inefficiencies in the Legislative Assembly Rules to limit the ruling party's ability to approve legislation and implement reforms. Legislative Assembly Deputies (*Diputados*) ("Deputies") would, among other tactics, engage in protracted debates and file numerous motions to delay the approval of bills and adoption of legislation.

On March 4, 2019, the Legislative Assembly amended the Legislative Assembly Rules, including by: (i) imposing time limits for the discussion of proposed bills in each legislative commission and the issuance of recommendations; (ii) limiting the number of motions that can be filed in connection with a proposed bill; and (iii) reducing time allotted to debating proposed bills.

During 2020 and in response to the pandemic, the Legislative Assembly Rules were further amended to incorporate special procedures in the event of internal commotion, public calamity or national emergency, as well as virtual sessions of the plenary.

These modifications limited the use of delay tactics, making the Legislative Assembly a more agile and efficient body. Beginning in 2020 and through August 2023, a total of 558 laws were enacted. Among the laws approved, the most relevant from a fiscal perspective, are Law No. 10,002, which approves the Extended Facility Fund (EFF) with the IMF, and Law No. 10,159, the Public Employment Framework Law, which establishes a more efficient and transparent modernization of public management, and seeks to consolidate the path towards the sustainability of public finances and macroeconomic stability in Costa Rica.

Among the laws recently approved by the Legislative Assembly is Law No. 10,332 on the Authorization to Issue Securities in the International Market (*Autorización para Emitir Títulos Valores en el Mercado Internacional*) enacted on December 1, 2022 (the "Note Issuance Law"), which approved the issuance of up to U.S.$5.0 billion (including the Notes) in the international capital markets prior to December 2025. In April 2023, Costa Rica issued U.S.$1.5 billion pursuant to the Note Issance Law.

Foreign Affairs and Membership in International and Regional Organizations

Costa Rica maintains diplomatic relations with approximately 160 countries. It is a member of the UN (and certain of its specialized agencies such as the Food and Agriculture Organization, the International Labor Organization and the UN Education, Scientific and Cultural Organization), the Organization of American States (OAS), the IMF, the World Bank, the IADB, CAF, CABEI, FLAR and the WTO, among others.

Over the last 20 years, Costa Rica has followed a trade policy aimed at integrating Costa Rica into the global economy. This trade policy is demonstrated by Costa Rica's participation in multilateral negotiations in the WTO and Costa Rica's negotiations of bilateral trade agreements and free trade agreements with strategic trade partners. Costa Rica has used free trade agreements to increase market access for Costa Rican exports and enhance trade policy certainty. Currently, Costa Rica has 15 free trade agreements in force with more than 15 countries, including the United States, Canada, Mexico, Chile, Panama, Peru, Singapore, members of the CARICOM and China. Free trade agreements with South Korea and the Pacific Alliance are currently under negotiation. In addition, Costa Rica also has agreements with the WTO and the Central American Integration System (SICA).

Since the free trade agreement between Costa Rica and Mexico entered into force in January 1995, Costa Rican exports of integrated circuits, prostheses for medical use, electrical cables and materials and auto parts to Mexico have increased, while Mexican exports to Costa Rica have tripled. Beginning in 1998, Costa Rica replaced Guatemala as the main Central American supplier to the Mexican market. Similarly, Mexico has become the third largest exporter of goods to Costa Rica, after the United States and China.

The free trade agreement between Costa Rica and Canada, which became effective in November 2002, was the first free trade agreement signed between Costa Rica and a G-7 country. Market access provisions in that agreement granted certain Costa Rican products, most notably refined sugar and textiles, preferential access to the Canadian market. Total trade in goods between the two countries grew 21.3% in 2019. Costa Rican exports increased on average by 6.6% per year and imports from Canada increased on average by 11.4% per year in the period 2018-2022. The foregoing results represent a significant turnaround from the period between 1998 and 2003, when trade with Canada decreased by an average of 20%.

On May 28, 2004, the United States signed a free trade agreement with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Subsequently, on August 5, 2004, the Dominican Republic also became a part to this free trade agreement, now referred to as the DR-CAFTA. In an October 7, 2007 referendum, Costa Rican voters approved the DR-CAFTA, and it became effective between the United States and Costa Rica on January 1, 2009.

The United States is Costa Rica's main trading partner, representing 40.2% of our total trade flows with the world in 2022. At the level of foreign direct investment, the United States is also the main supplier of our country.

Beginning in 2018, geopolitical tensions between the United States and China has reduced and could continue to reduce the volume of trade worldwide. Because the United States is Costa Rica's largest export destination and the largest proportion of tourists to Costa Rica hail from the United States, exports and tourism expectations were negatively affected as a result of trade negotiations between United States and China.

Accession to the OECD

In 2021, Costa Rica became the 38th member of the OECD and the fourth Latin American country to become part of this Organization. The OECD is tasked with the mission of promoting policies that improve economic and social well-being, offering a forum where governments can work together, share experiences and find solutions to their common problems in different areas of sustainable development. Costa Rica seeks to strengthen an economy strongly incorporated with international markets, efficient, productive, competitive, innovative, diversified, and progressively more grounded in knowledge, that provides well-being to its citizens and that can successfully cope with and benefit favorably from the fourth industrial revolution.

Costa Rica's accession to the OECD is the culmination of a rigorous technical process of evaluation, improvement and adaptation of national public policies to the highest international standards. The process implied an important agenda of reforms in areas such as competition, the fight against corruption, waste management, statistics, good governance of its state companies and the strengthening of the financial system, among others.

The OECD's membership aims to raise the quality of public management and establish a culture of continuous improvement in Costa Rican institutions and in higher-quality public services through recommendations based on evidence and in accordance with international best practices.

Costa Rica is continuously evaluated by the OECD and these evaluations form part of its accountability to citizens regarding the commitments made and the pending tasks. According to the Accession Agreement, the six areas in which the country must submit formal reports to the organization (areas with transitional post-accession evaluations) are chemicals, competition, corporate governance of state-owned enterprises, fisheries, environment and public governance.

In addition, Costa Rica is required to submit regular progress reports in other areas assessed during the accession process, such as financial markets, investment, science and technology, fiscal matters, health, education policy, employment, labor and social affairs, regulatory policy, consumer policy, insurance and private pensions, and statistics. These progress reports will be made as part of its regular participation in OECD committees and will cover Costa Rica's implementation of OECD legal instruments and specific recommendations made by the organization as part of the accession process.

Further, Costa Rica also participates in ongoing periodic evaluations by (i) the Economic and Development Review Committee, which performs evaluations every two years, and (ii) the Working Group on Bribery, which monitors compliance with the OECD Anti-Bribery Convention.

Costa Rica's Agreements with the IMF

The COVID-19 pandemic had a material adverse effect on the Costa Rican economy. As a result, on April 22, 2020, the country requested emergency assistance from the IMF under the Rapid Financing Instrument complementing the proactive measures that the Government had taken to protect the health of the population and support the economy, such as strict spending containment, a tax moratorium and targeted subsidies for people in vulnerable conditions. Rapid support from the IMF, for SDR 369.4 million, was approved on April 29, 2020, providing emergency relief to the Costa Rican population.

However, the adverse impact of the pandemic led the country to request IMF targeted assistance oriented to the fulfilment of an economic program that focuses on implementing equitable fiscal reforms to ensure debt sustainability, while protecting the most vulnerable populations. The policies and reforms contemplated in such economic program are based on three main pillars: (i) gradually implementing equitable fiscal reforms to ensure debt sustainability, while protecting the most vulnerable; (ii) maintaining monetary and financial stability, while strengthening the autonomy and governance of the Central Bank and addressing structural financial vulnerabilities; and (iii) advancing key structural reforms to promote inclusive, green and sustainable growth.

To support this economic program, on March 1, 2021, the IMF Executive Board approved a 36-month, SDR 1.2 billion (equivalent to U.S.$1.8 billion) arrangement through an EFF to help support Costa Rica's recovery and stabilize its economy. The IMF Board's approval allowed an immediate disbursement equivalent to U.S.$296.5 million.

As of December 2021, the country exceeded the fiscal targets agreed between the Government and the IMF under such EFF. Revenues reached ₡6,326.2 billion (16.3% of GDP) and total non-interest expenditures were ₡6,433.8 billion (16.6% of GDP), for a primary deficit of ₡107.6 billion (0.3% of GDP), an amount lower than the target agreed with the IMF (₡640.0 billion). This was the lowest primary deficit recorded since 2009. In addition, as of December 2021, the Government debt amounted to ₡27,272.0 billion (70.4% of GDP) or U.S.$42.4 billion; 75.1% of which corresponded to domestic debt and the remaining 24.9% to external debt. For purposes of the agreement with the IMF, a formula is used to adjust the dollar exchange rate, which when applied, Government debt totals ₡26,813.2 billion, lower than the indicative target of ₡27,100.0 billion established in the EFF.

As of March 25, 2022, the IMF Executive Board concluded the combined first and second reviews under the EFF, allowing for an immediate disbursement equivalent to approximately U.S.$284 million, bringing total disbursements under the arrangement to SDR 412.6 million (about U.S.$569 million).

Pursuant to the third review under the EFF conducted between September 20 and October 3, 2022, the IMF indicated that the fiscal targets envisaged in the program were comfortably met, despite disruptions caused by the 2022 cyberattack. See "Public Sector Finances—2022 Cyberattack." The IMF also welcomed the Central Bank's breakthrough in tightening the monetary policy stance and noted that the Costa Rican authorities are committed to strengthening social protection and promoting a more dynamic and equitable economy. The mission also recognized the ongoing efforts to boost female participation in the labor force. As a result of the fulfilment of the targets established in the EFF, the IMF made a third disbursement of SDR 206.2 million (approximately U.S.$269 million) to Costa Rica on November 17, 2022.

In June 2023, in the context of the IMF's fourth review of the EFF, the IMF made a disbursement equivalent to approximately U.S.$275 million.

In addition, to further Costa Rica's pioneering efforts to adapt to climate change and transition to a low-carbon economy, while generating new jobs and growth opportunities, the IMF team and the Costa Rican authorities have reached a staff-level agreement on the request for access to the newly created Resilience and Sustainability Facility (RSF) for an amount of approximately U.S.$710 million. Costa Rica is one of the first countries to apply for financing under this facility, which would support its pioneering and ambitious agenda to build resilience to climate change and transition to a zero-carbon economy, as well as help catalyze financing from other official and private sector partners to address climate change. In June 2023, the IMF concluded the first review under Costa Rica's RSF, which resulted in a disbursement of approximately U.S.$246 million to support Costa Rica's climate change agenda.

In October 2023, the IMF concluded its fifth review under the EFF and its second review under the RSF. Subject to approval by the IMF Executive Board, the completion of the fifth review under the EFF is expected make available about SDR 206 (U.S.$ 271 million), while the expected completion of programmed reform measures under the first and second RSF assessments is expected to make available about SDR 369 million (U.S.$ 485 million). In its concluding statement, the IMF staff made the following observations:

- Despite strong growth momentum, inflation has declined sharply: headline inflation has been negative over the past four months due to a strong currency and decreasing commodity prices.
- The banking system appears resilient to adverse shocks and planned reforms will improve financial oversight: capital and liquidity metrics are comfortable, planned amendments to the bank resolution and deposit insurance law will clarify the government's role.
- Continued spending restraint in compliance with the fiscal rule is critical to reduce debt, ongoing reforms plan to make public investment more efficient and climate resilient.
- The Central Bank appropriately raised interest rates to 9% in 2022 to counter the global inflation shock and anchor inflation expectations. As inflation receded, the Central Bank appropriately lowered the policy rate to ensure convergence to its target.
- The 2018 tax reform and spending restraint have been successful: the cumulative primary surplus to September was 1.7% of GDP as authorities are on track to exceed that target. The debt to GDP ratio has continued to decline despite the increase in liquidity buffers.

- The public employment bill modernizes the wage structure and improves performance incentives.

Trade and Political Continuity Agreement with the United Kingdom

On July 18, 2019, Costa Rica, along with El Salvador, Guatemala, Honduras, Nicaragua and Panama signed a Trade and Political Continuity Agreement with the United Kingdom (UK) in light of the UK's decision to leave the European Union. This agreement maintains preferential trade terms by retaining existing export and import tariffs.

The Association Agreement between Central America and the UK, effective since January 1, 2021, regulates relations between Central America and the United Kingdom in three areas: political dialogue, cooperation, and the creation of a free trade area between the UK and Central American countries. It also provides continuity to the preferential access conditions that previously applied to trade between Costa Rica and the UK under the Central America-European Union Association Agreement.

Trade Relations with the European Union

In line with the framework of their Memorandum of Understanding (MoU), Costa Rica and the European Union (EU) held their sixth round of joint meetings in December of 2022, in which bilateral, multilateral, and regional issues of mutual interest were addressed. In particular, Costa Rica and the EU discussed and appraised the EU's multi-annual programming, including investment opportunities under the "Global Gateway" framework, as well as regional cooperation within the framework of the Alliance for Development in Democracy. Among other issues discussed were climate change, the preservation of biodiversity, ocean governance, migration and security issues, and the signing of a MoU on cybersecurity.

Trade Relations Between Costa Rica and Saudi Arabia

Saudi Arabia is the main trading partner of Costa Rica in the Middle East, with exports from Costa Rica to Saudi Arabia reaching approximately U.S.$100 million annually. In June 2022, the countries established a business council in Riyadh to encourage exchanges and investments. In addition, Costa Rica and Saudi Arabia signed a MoU for the Promotion of Trade. A memorandum on tourism is under analysis at the Costa Rican Tourism Institute (ICT, its acronym in Spanish).

In September 2022, the two countries maintained a bilateral meeting with the goal of strengthening their relationship and future joint collaboration; to create space for trade cooperation and to expand Costa Rica's export opportunities, including the areas of renewable energies and academic exchanges. In the meeting, the countries discussed issues of common interest, such as investment in tourism, trade, renewable energy capacities, economic and sustainable digital reactivation, and cooperation through the Saudi Fund for Development.

Relationship with Nicaragua and Nicaragua's Immigration

Costa Rica maintains friendly relations with the majority of its major trading partners and neighboring countries. However, until 2018, Costa Rica and Nicaragua were parties to a dispute before the ICJ relating to the proper location of the border between Costa Rica and Nicaragua along the San Juan River. In February 2018, the ICJ ruled that Costa Rica has "sovereignty over the whole northern part of Isla Portillos, including its coast (with the exception of Harbor Head Lagoon and the sandbar separating it from the Caribbean Sea), and that Nicaragua must remove its military camp from Costa Rican territory." After the ICJ ruling, Costa Rica recovered 9,980 square miles of Pacific Ocean and 4,200 square miles of Caribbean Sea territory from Nicaragua.

Furthermore, the political and economic situation of Nicaragua has historically impacted the Costa Rican economy, including affecting export levels to Nicaragua and other Central American countries and the level of migration of Nicaraguan nationals into Costa Rica.

As a result of the 2018 Nicaraguan socio-political crisis, an extraordinary large number of Nicaraguans fled the country to avoid violence and human rights violations. The number of Nicaraguans that entered Costa Rica as refugees in 2019 and 2020 is estimated at 31,604 and 9,409, respectively. In 2022, the number of Nicaraguans applying for refuge in Costa Rica was 80,028, a 751% increase in applications compared to 2020. This increased influx of immigrants created a number of challenges for the Government. Although some of these refugees contributed to domestic production by entering the agricultural workforce, the majority entered the informal economy, which resulted in increased unemployment and an increased social security, housing, healthcare and education burden on the Republic without a corresponding increase in tax revenue.

Costa Rica is implementing a non-refundable U.S.$650,000 OAS-contributed program aimed at improving the care, protection, inclusion and social and economic integration of Nicaraguan immigrants and refugees in Costa Rica.

In 2021, due to the elections in Nicaragua, Costa Rica called on the international community to promote, among all parties, spaces for dialogue and negotiation that would allow the reestablishment of democracy for the benefit of the Nicaraguan people. Further, in February 2023, before the UN, Costa Rica reaffirmed its commitment to the defense and promotion of human rights for all people, equally, and expressed its concern about the situation of basic guarantees in Nicaragua.

Environmental Policy

According to the World Bank's country overview, Costa Rica is a world leader with respect to environmental policies. During the years ended December 31, 2022 and 2021, 99.3% of the energy generated in Costa Rica was produced by renewable sources, with hydroelectric being the largest source of generation with 75.0%, followed by geothermal with 12.9%. Costa Rica has surpassed for the eight consecutive year the 98% target of generation produced with clean resources such as water, wind, geothermal energy, biomass and solar.

In 2021, approximately 74.0% of the electricity consumed in the country was produced by hydroelectric power plants, 12.5% by wind power and 12.8% by geothermal in 2021. In addition, in the late 1980s, Costa Rica became the first tropical country to reverse the deforestation process through aggressive public policies for environment protection, including the Plan for Payment for Environmental Services, the establishment of forest reserves and national parks and incentives for ecotourism, among other measures. As of December 31, 2020, 28.4% of the Costa Rican territory was designated as environmentally protected land, part of 149 protected wilderness areas.

Over the past decade, Costa Rica has developed legal and institutional regimes for the sustainable and non-destructive use of natural resources in its pursuit of economic and social development as a carbon-neutral country. In August 2023, Costa Rica has created a national park system consisting of 152 protected wilderness areas, covering approximately 29.9% of the total area of the Costa Rican territory, out of which 138 are either state-owned or under mixed administration, and 11 are privately managed. Out of the 29.9% total environmentally protected areas, 2.2% are located on the mainland, while the remaining 27.7% are located in Costa Rica's exclusive marine economic zone. As Costa Rica has engaged in efforts to protect its rainforests, including the creation of the national park system and reserves, eco-tourism has emerged as an important contributor to Costa Rica's GDP.

Costa Rica has been an advocate of the UN Framework Convention on Climate Change and its Kyoto Protocol, as well as the Paris Agreement on climate change, and is involved in the development of market-oriented instruments to reduce emissions of greenhouse gases in an effort to mitigate global warming. Costa Rica is actively participating in the emerging carbon trading market and is implementing the Clean Development Mechanism (CDM) of the Kyoto Protocol. Costa Rica has led on a number of CDM project activities and has signed Memoranda of Understanding with several developed countries, including the Netherlands, Norway, Switzerland, Canada and Finland, pursuant to which it has agreed to promote investment in Certified Emission Reduction (CERs). The Government believes that proceeds from the CERs are a potential sources of funding for the reforestation project activities within the Payment of Environmental Services Program and for the promotion of the local generation of electricity from renewable sources.

Costa Rica's Payment of Environmental Services Program compensates landowners for environmental services they have provided using their forest lands, such as carbon fixation, watershed protection and biodiversity, among others. As a result of this continuing commitment to the environment, each year since 1997, the area reforested in Costa Rica has exceeded the area deforested. Currently, more than 52% of the national territory is occupied by forests.

On February 9, 2019, Costa Rica announced its National Decarbonization Plan. In line with the Paris Agreement on Climate Change, the National Decarbonization Plan aims to eliminate the use of fossil fuels in the Costa Rican economy by 2050. The National Decarbonization Plan sets medium- and long-term goals for transportation reform, energy production, land use and residual waste management, to reach zero net greenhouse gas emissions by 2050. The National Decarbonization Plan is intended to serve as a roadmap to support the Government's commitment to decarbonize the Costa Rican economy and transform it into a bio economy focused on green growth.

The National Decarbonization Plan is grounded on 10 focus areas to minimize greenhouse gas emissions: (i) development of a mobility system based on safe, efficient and renewable public transport and active mobility schemes; (ii) transformation of the fleet of light vehicles to zero emissions, powered by renewable energy; (iii) zero emission freight and transportation logistics; (iv) consolidate the national electricity system with the capacity, flexibility, intelligence, and resilience necessary to supply and manage renewable energy at a competitive cost; (v) development of buildings for various uses (commercial, residential, institutional) under high-efficiency standards and low-emission processes; (vi) transformation of the industrial sector through processes and technologies that use energy from renewable or other sources, efficient and sustainable with low and zero emissions; (vii) development of a comprehensive waste management system based on separation, reuse, revaluation and final disposal with maximum efficiency and low greenhouse gas emissions; (viii) promotion of efficient agri-food systems that generate export goods and low-carbon local consumption; (ix) consolidation of the eco-competitive livestock model based on productive efficiency and reduction of greenhouse gases; and (x) management of the rural, urban and coastal territory based on solutions based on nature. The National Decarbonization Plan's policy packages are divided into three periods: beginning (2018-2022), inflection (2023-2030) and massive deployment (2031-2050). The National Decarbonization Plan considers eight strategies to catalyze change, which range from education, the promotion of human rights and gender equality to a green tax reform.

In particular, the National Decarbonization Plan includes: (i) reduction of the carbon footprint of agriculture and increase forest areas to 60% by 2030; (ii) conversion of 70% of all buses and taxis to electric-powered vehicles by 2035, and 100% by 2050; (iii) gradually exchange fossil-fueled cars for zero-emission vehicles and promote car-sharing; (iv) reach 100% electricity production derived from renewable resources by 2030; and (v) promote electricity as the main energy source for transportation, residential, commercial and industrial usages by 2050.

In early 2022, Costa Rica published a report indicating that, as of December 31, 2021, it had completed 61% of the goals set for in the 2018-2022 period of the National Decarbonization Plan, 22% of the goals were underway and expected to be completed in 2022 and 17% were categorized as having a risk of non-compliance. Costa Rica managed to achieve this high percentage of compliance and progress in the implementation of the National Decarbonization Plan despite significant barriers, such as the COVID-19 pandemic and a strong commitment to fiscal consolidation. Some of the most important results achieved under the National Decarbonization Plan under its ten focus areas include:

- *Development of a mobility system based on safe, efficient and renewable public transport and active mobility schemes*. In this area, 62% of the goals are complete. Some of the main achievements include: (i) electric buses have been successfully piloted on two urban public transport routes, generating valuable data for technical purposes on their operation under Costa Rican conditions; (2) nine sections of trunk routes have been intervened and sections of exclusive lanes are operating, adding to a total of 68 km of routes prioritized for buses, (3) The MOPT led the design of the Integrated Public Transport System for the Great Metropolitan Area, which is key to improving the service and quality of public transport, and (4) thirty-seven public institutions have advanced in the inclusion of sustainable criteria for the acquisition of vehicles, with a total of 373 electric units acquired.

- *Transformation of the fleet of light vehicles to zero emissions, powered by renewable energy*. In this area, 33% of the goals are complete. Some of the main achievements include: (i) an electric light-duty pilot project for commercial use is in operation and includes the use of electric vehicles in three Costa

Rican companies. The companies CEMEX and FIFCO-FEMSA are implementing a project to make cargo transportation for both companies between the Great Metropolitan Area and Guanacaste more efficient, sharing trucks between the companies to move materials and products, reducing empty trips.

- *Zero emission freight and transportation logistics.* In this area, 33% of the goals are complete. Some of the main achievements include (i) a draft roadmap to update standards for heavy vehicles at the national level, as well as a proposal with new standards for the technical review of all types of road control vehicles and procedures, (ii) the design of an eco-driving program for trucks, identifying best practices.

- *Consolidate the national electricity system with the capacity, flexibility, intelligence, and resilience necessary to supply and manage renewable energy at a competitive cost.* In this area, 67% of the goals are complete. Some of the main achievements include (i) since 2018, more than 98% of the electricity at the national level has been generated with renewable electrical sources, reaching 99.9% as of October 2021, (ii) by June 2021, 608,583 smart meters had been installed, moving closer to the digitalization of Costa Rica's electricity networks, (iii) a model for the country's energy system was completed, making it possible to create scenarios and analyses to estimate energy policy, greenhouse gas emissions, investments and costs in the infrastructure of the energy system, and (iv) 127 new buildings are implementing voluntary environmental standards, integrating the development of sustainable construction practices and reducing their impact.

- *Development of buildings for various uses (commercial, residential, institutional) under high-efficiency standards and low-emission processes.* In this area, 100% of the goals are complete, and efforts will continue to be made to ensure the sustainability of these good results.

- *Transformation of the industrial sector through processes and technologies that use energy from renewable or other sources, efficient and sustainable with low and zero emissions.* In this area, 60% of the goals are complete. Some of the main achievements include (i) the implementation of the 2020-2050 National Composting Plan, which seeks to reduce the sending of organic matter to landfills, and (ii) the development of systems for the use of organic waste with on-site treatment, community systems or centralized systems, as well as the capture and burning of the gases generated in the final disposal sites.

- *Development of a comprehensive waste management system based on separation, reuse, revaluation and final disposal with maximum efficiency and low greenhouse gas emissions.* In this area, 87% of the goals are complete. Some of the main achievements include (i) at the municipal level, the Municipality of Turrialba, as well as the Municipalities of Desamparados, Curridabat, La Unión, Montes de Oca and San José, through the *composteros* (composters) project, seek to manage their waste through a circular economy, (ii) progress has been made in the implementation of National Appropriate Mitigation Actions for coffee, rice and sugar cane, (iii) an Agro-Environment Agenda was developed, which has a climate change pillar that supports emissions reductions, (iv) the National Strategy for Low-Emissions and Climate-Resilient Coffee was approved and action plans for its implementation are currently being worked on, (v) 1,652 farms are applying the National Appropriate Mitigation Actions for livestock model.

- *Promotion of efficient agri-food systems that generate export goods and low-carbon local consumption.* In this area, 50% of the goals are complete.

- *Consolidation of the eco-competitive livestock model based on productive efficiency and reduction of greenhouse gases.* In this area, 42% of the goals are complete. Some of the main achievements are highlighted as follows. The Sustainable Livestock Policy is being developed, which will have two low-carbon strategies, one for dairy livestock and the other for meat livestock. Work is being carried out on a pilot project for the production of pellets from coffee pulp, tests are still being carried out to improve the caloric content of the pellets so that the system can be more efficient and can be recommended to the coffee sector. At least 100 coffee mills that are part of the NAMA Café process the pulp to generate compost and are developing projects to make organic fertilizer from coffee pulp, which could later be incorporated into the farms. Costa Rica accessed U.S.$54.1 million in non-reimbursable funds under the modality of payment for results of the forestry sector by the Green Climate Fund, in addition, an emission reduction purchase agreement was signed with the Carbon Fund for U.S.$60 million. Executive Decree No. 42.742-MINAE was published, creating the Urban Natural Parks (PANU) and the Atlas of Ecosystem Services for the Great Metropolitan Area, the Guide to Ecosystem Services opportunities for Urban Planning, and the Guide and Catalog Nature-based Solutions as part of the tools to improve the management of Great Metropolitan Areas' green areas. 205 hectares of mangroves are in the process of rehabilitation in Térraba-Sierpe, Cuajiniquil and Estero Puntarenas Wetlands and Associated Mangroves. The Pilot for Ecological Restoration and Carbon Capture and Methane Emission from Mangroves is underway in the Térraba Sierpe National Wetlands area. The proposal for the ecological restoration in sites with mangrove loss and high level of sedimentation within the Estero Puntarenas Wetland and Associated Mangroves is being prepared. Progress is being made in improving enabling conditions in degraded mangrove areas with the aim of helping the ecological process for ecosystem restoration.

- *Management of the rural, urban and coastal territory based on solutions based on nature*. In this area, 67% of the goals are complete. Some of the main achievements include the expansion of the Cocos Island National Park and the Bicentennial Marine Management Area, to cover 54,844 km2 and 106,285.56 km2, respectively.

As a result of its international environmental policy, including the implementation of the National Decarbonization Plan, in September 2019, Costa Rica received the 2019 Earth Champions Award, the UN's highest environmental award. In addition, in September 2019, Costa Rica, together with Iceland, Norway, New Zealand and Fiji, launched negotiations on a new Agreement on Climate Change, Trade and Sustainability. In addition to being the first international trade agreement solely focused on climate change and sustainable development, the initiative aims to remove barriers for trade in environmental goods and services and eliminate fossil fuel subsidies. This agreement remains open so that other countries aligned with the scope of the proposed objectives can join.

In September 2019, Costa Rica was awarded the UN "Champions of the Earth" award in recognition of its environmental protection policies and its commitment to the implementation of programs to reduce carbon emissions and combat climate change.

Costa Rica had an outstanding participation in the United Nations Climate Change Conference (COP26), held in Glasgow (Scotland) from October 31 to November 12, 2021, and gained international recognition for its protection, conservation and safeguarding policies for the environment and the granting of important cooperation funds, Costa Rica consolidated its global environmental leadership in 2021. With its own proposals, and others in collaboration with other countries, Costa Rica participated in the scope of the following achievements:

- Costa Rica, France and Great Britain led the High Ambition Coalition for Nature and People to protect 30% of the planet by 2030, which received the support of 78 countries;

- Costa Rica and Denmark led the launch of the Alliance to Go Beyond Oil and Gas and signed a historic declaration of marine preservation together with Panama, Colombia and Ecuador;

- In recognition of its work to protect nature, Costa Rica was awarded the prestigious Earthshot Prize, awarded by the Royal Foundation with an endowment of nearly $1.3 million; and

At the World Summit on Climate Change (COP26), held in Scotland in November 2021, Ecuador, Costa Rica, Panama and Colombia announced a historic agreement for the protection and management of the Cocos, Galapagos, Malpelo and Coiba islands, as well as of the unique ecosystem between the islands that make up the Marine Corridor of the Eastern Tropical Pacific. In December 2021, Costa Rica expanded the Cocos Island National Park and the Bicentennial Marine Area, with which the country now protects about 30% of its seas.

In September 2022, the Government launched the National Strategy for Financial Management of Disaster Risk of Costa Rica to establish a strategic guiding framework for the financial management of disaster risk. This strategy is particularly relevant given that disasters generated by the occurrence of natural phenomena and their economic and fiscal impacts represent an important challenge for social inclusion, the sustainability of public finances and the administration of Costa Rica's public debt and assets.

Cochinilla and Diamante Cases

The Republic, like other countries in Latin America, has experienced allegations and/or cases of corruption involving public officials.

In particular, in June 2021, the *Organismo de Investigación Judicial* (Judicial Investigation Police) raided houses, private construction companies and the *Casa Presidencial* (Presidential House) as part of an investigation into an alleged bribery network (the "*Cochinilla Case*") that also developed into a new parallel investigation that open an additional bribery network (the "Diamante Case"). The Judicial Investigation Police alleged that private construction companies offered bribes to the *Consejo Nacional de Vialidad* (National Highway Council) and several municipalities in exchange for preferential treatment in obtaining government infrastructure contracts, for which the Republic is estimated to have paid more than ₡78.0 billion. As part of the investigation, the Judicial Investigation Police arrested more than 30 individuals, including employees of the National Highway Council and majors from different municipalities.

The Republic cannot predict for how long the *Cochinilla Case* and *Diamante Case* investigation or other corruption investigations may continue, the outcome of such investigations, or any other potential high-profile corruption proceeding, and the potential adverse impact on the government and/or the ability of the relevant companies involved to comply with their obligations to the Republic.

THE COSTA RICAN ECONOMY

Overview

The Costa Rican economy has become more resilient since the beginning of the 21st century, expanding the scope of its economic activity from its historical dependence on the production of agricultural goods for export in the years 1960 to 2000. Costa Rica attracts investment in high value-added manufacturing and promotes tourism based primarily on the country's environmental preservation and diversity.

In recent years, Costa Rica has experienced a process of economic transformation by replacing its previous reliance on trade and manufacturing with a renewed reliance on education, healthcare, social services, and professional, technical, scientific and administrative services. According to the Central Bank, the services industry went from representing 10% of the country's production in 1966 to 28% in 1991 and became the most important activity in the economy as of 2012, representing 40% of the country's production. In contrast, agriculture and manufacturing reduced their participation in the Costa Rican economy. Services include 70 activities, including telecommunications, business support (such as call centers), education, food and entertainment, among others.

During 2022, the activity with the greatest development was services, mainly those whose sales were directed to the foreign market. Relocation of companies into the country and the activity of hotels and restaurants stands out, which has been stimulated both by the greater influx of non-resident tourists as well as local tourists. Likewise, the information and communication activities have showed a relevant development due to the export of services in this industry.

Developments from 2018 to 2023

Six-Month Period Ended June 30, 2023

During the six-month period ended June 30, 2023, GDP increased 26.9%. This increase was mainly driven by external demand, household consumption and the acceleration in gross capital formation. Inflation reached -1.52% during the six-month period ended June 30, 2023. This period was characterized by greater dynamism of economic activity, the reduction in unemployment and the significant moderation of inflationary pressures.

According to the Central Bank, the following sectors contributed the most to Costa Rica's GDP for the six-month period ended June 30, 2023: (i) manufacturing (13.5% of GDP); (ii) professional, scientific, technical, administrative and support services (13.6% of GDP); (iii) education, human health and social work activities (13.2% of GDP); (iv) wholesale and retail trade and vehicle repairs (9.9% of GDP); and (v) real estate (7.5% of GDP).

Year 2022

In 2022, GDP grew 4.6%. Although it decreased compared to 2021, it exceeded the average growth registered in the 2010-2019 period (3.8%). This growth was mainly driven by external demand associated with the recovery of tourism and exports of services. Inflation reached 7.9% in 2022, the highest in the last decade. 2022 was characterized by a marked contrast between the high dynamism registered in the first half of the year and the slowdown observed during the second half. This behavior is the result, among other causes, of a less favorable external environment, both due to international price shocks and to the effects that the conflict between Russia and Ukraine had on the growth of our trading partners and merchandise trade volumes.

According to the Central Bank, the following sectors contributed the most to Costa Rica's GDP as of December 31, 2022: (i) manufacturing (14.1% of GDP); (ii) professional, scientific, technical, administrative and support services (12.5% of GDP); (iii) education, human health and social work activities (13.3% of GDP); (iv) wholesale and retail trade and vehicle repairs (9.8% of GDP); and (v) real estate (7.3% of GDP).

Year 2021

The Costa Rican economy recovered significantly during 2021, growing by 7.9% after the 4.3% contraction observed in 2020. The labor market kept recovering towards pre-pandemic levels, but at a slower pace than the general economy growth. At the end of December 2021, unemployment reached 16.4% of the workforce, 1.5% higher than in February 2020, before the COVID-19 outbreak or 3.1% less than in December 2020. The combination of greater economic activity and slower employment recovery has resulted in increased productivity.

In 2021, the main sectors of the Costa Rican economy were manufacturing, education, human health and social work activities, professional, scientific technical, administrative and support service activities, and wholesale and retail trade, repair of motor vehicles and motorcycles. The fastest growing sectors of the Costa Rican economy during such year were transportation and storage, accommodation and food service activities, manufacturing, mining and quarrying, and professional, scientific technical, administrative and support service activities.

Year 2020

Costa Rica experienced a strong negative impact on production and employment in 2020 as a consequence of the public health restrictions applied to try to stop the spread of COVID-19. This impact was greater in the first half of the year, when public health measures were more restrictive. In the second half of 2020, a gradual reopening contributed to a better performance in production, particularly in manufacturing, tourism and trade. Overall, GDP contracted by 4.3% in 2020.

The most affected economic sector was accommodation and food service activities, with a 31.9% drop driven by the impact of border closures, physical distancing measures and restrictions on vehicular mobility. The transportation and storage sector decreased by 14.0% in 2020; consistent with a decrease in tourism and a lower demand for passenger transport services. On the other hand, manufacturing grew by 6.2%, which was explained by the production of companies in special export regimes that more than offset a drop in the external sales of the companies of the definitive export regime.

The increased deficit caused by higher expenditure from the health emergency triggered by the COVID-19 pandemic and lower tax income driven by lower economic activity during 2020 caused a major setback in the long term-debt trajectory that was expected to follow the passing of the Public Finance Strengthening Law. However, the new Fiscal Rule (embedded into such law) has limited public expenditure growth in the following years.

Year 2019

In 2019, Costa Rica's real GDP grew at a rate of 2.4%, compared to a growth rate of 2.6% in 2018. The international scenario caused mixed results in the Costa Rican economy during such year. First, the deceleration of world economic activity, in particular that of trading partners, caused external demand (especially for goods) to be muffled. Trade tensions between China and the United States were a main culprit, causing lower trade and lower confidence from economic agents. Second, the lower international interest rates and the downward trend of international commodity prices lowered pressure towards local interest rates and had a positive impact on terms of trade. Also, some exported agricultural goods experienced favorable prices, further improving terms of trade.

The Public Finance Strengthening Law, enacted at the end of 2018, promoted a gradual recovery in economic agents' confidence in the sustainability of Costa Rica's public finances. This increase in confidence helped reverse the deceleration of economic activity during the second half of 2019, although unemployment remained high. In addition, international markets reacted with lower interest rates for Costa Rican bonds, and both the exchange rate markets and consumer and business surveys reflected a better outlook at the end of the year. Lower Government expenditure because of lower interest rates, as well as a bond issuance of U.S.$1,500 million in the international capital markets improved fiscal results towards the end of the year.

In 2019, inflation fluctuated within or below the target range set by the Central Bank. During the second half of the year, the coming into effect of VAT, among other factors, put pressure on domestic prices. However, the downward inflation trend was strong and kept the growth of prices to a 1.5% annual growth. These disinflationary forces were aided by low commodities prices and inflation expectations within the target of the Central Bank.

All of this conditions allowed for a countercyclical expansionary monetary policy aimed towards stimulating credit conditions and improved economic performance. In 2019, the Central Bank reduced the policy rate a total of 250 basis points, reaching 2.75% as of December 31, 2019. Also, the Central Bank's Board of Directors approved lowering the minimum legal reserve requirement to 12% from 15%.

Year 2018

In 2018, Costa Rica's real GDP grew at a rate of 2.6%, compared to a 4.2% growth rate in 2017. This decrease was caused primarily by a reduction in internal demand, evidenced by a decrease in both household consumption and Government spending. Reduced household consumption was primarily attributable to decreased consumer confidence, less bank lending and a decrease in trade. The reduction in Government spending was due to the austerity measures imposed by the Public Finance Strengthening Law and the effects of a public sector strike that began in late September 2018 and extended until December 2018. This strike affected production in the agriculture, hunting, forestry and fishing sectors, which resulted in an estimated decrease of 4.6% in GDP growth for this sector.

The sectors that contributed the most to real GDP growth were manufacturing, which accounted for 11.9%; professional, scientific, technical, administrative and support services, which accounted for 11.7%; education, human health and social work activities, which accounted for 13.8%; and wholesale and retail trade, which accounted for 9.2%.

The construction sector stagnated during 2018, after experiencing a 4.2% decline in 2017. In addition, in 2018, real estate activity grew by 2.3%. The information and telecommunications services sector also experienced a contraction of 0.3% in 2018 compared to a significant increase of 15.5% in 2017.

The professional, scientific, technical and administrative services sector grew by 5.6% in 2018, mainly due to the higher demand for financial management consulting services, human resources and marketing, business support and security services. The manufacturing sector grew by 4.2% in 2018, mainly due to the increased activity of FTZ companies dedicated to the production of medical devices, fruits and vegetables (including canned vegetables).

The agricultural sector grew by 4.0%, compared to 3.7% in 2017. The agricultural sector grew mainly due to the increased international demand for pineapples as an effect of Costa Rica's implementation of pest and disease control best practices that led to increased productivity and quality.

Principal Sectors of the Economy

The following tables set forth the distribution of GDP in the Costa Rican economy, indicating for each sector its percentage contribution to GDP and its annual growth rate for the years indicated.

GDP by Industry
(as a percentage of total GDP, at current prices)

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021(	2022(1)	2022(1)	2023(1)
Taxes on products and imports (net of subsidies)	7.3	7.4	7.1	7.9	7.9	7.6	7.6
Agriculture, hunting, forestry and fishing...........	4.5	4.2	4.3	4.4	4.1	4.4	3.9
Mining and quarrying.......................................	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Manufacturing...	11.9	12.0	12.8	13.7	14.1	13.7	13.5
Electricity, water supply, waste management and remediation activities......................................	2.7	2.8	3.1	2.6	2.5	2.8	2.6
Construction..	4.6	4.1	4.2	4.0	3.7	3.8	4.0
Wholesale and retail trade................................	9.2	9.1	8.8	9.4	9.8	9.8	9.9
Transportation and storage................................	4.6	4.4	3.8	3.9	4.2	4.2	4.4
Accommodation and food service activities........	3.3	3.4	2.3	2.4	2.6	2.6	2.7
Information and communication	4.4	4.4	4.6	4.6	5.1	5.1	5.2
Financial and insurance activities......................	5.5	5.5	5.7	5.4	5.3	5.4	5.2
Real estate activities	8.1	7.9	8.1	7.6	7.3	7.3	7.5
Professional, scientific technical, administrative and support service activities...........................	11.7	12.4	12.6	12.5	12.9	12.7	13.6
Public administration and compulsory social security	4.3	4.2	4.4	4.1	3.7	3.8	3.6
Education, human health and social work activities..	13.8	14.3	14.8	14.0	13.3	13.4	13.2
Other service activities	3.6	3.6	3.1	3.1	3.2	3.0	3.0
Gross domestic product at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) Preliminary figures 2022, used in Monetary Policy Report October 2023
Source: Central Bank

GDP by Industry
(percentage change from previous year, at chain linked volume)

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021	2022(1)	2022(1)	2023(1)
Taxes on products and imports (net of subsidies)..	(0.3)	0.4	(11.2)	17.2	6.2	6.5	4.1
Agriculture, hunting, forestry and fishing.....	4.0	(1.5)	(1.4)	2.2	(2.3)	(5.5)	4.4
Mining..	13.4	(12.7)	2.1	(0.7)	(0.5)	(7.4)	4.1
Manufacturing...	4.2	3.0	2.1	18.0	3.4	4.1	9.8
Electricity and water....................................	(0.9)	1.5	6.7	1.1	6.0	5.3	2.7
Construction..	0.0	(8.9)	(0.9)	3.1	(4.9)	(0.2)	9.0
Wholesale and retail trade...........................	2.2	0.4	(7.8)	8.1	3.3	4.3	1.9
Transportation and storage..........................	5.9	(1.1)	(16.8)	11.1	8.3	9.9	2.6

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021	2022(1)	2022(1)	2023(1)
Accommodation and food service activities..	1.3	3.8	(36.3)	18.2	13.7	22.9	5.2
Information and communication	(0.3)	3.5	1.8	7.7	14.0	13.1	7.3
Financial and insurance activities.................	2.0	3.4	5.6	6.5	3.4	5.3	0.1
Real estate activities	2.3	1.9	(2.3)	3.5	1.8	1.8	1.4
Professional, scientific technical, administrative and support service activities	5.6	9.9	(3.2)	4.7	7.6	6.2	12.5
Public administration and compulsory social security	1.0	0.8	(0.4)	(0.2)	0.3	0.5	(1.5)
Education, healthcare and social services	0.8	4.4	(1.8)	4.9	5.2	9.7	1.8
Other service activities	10.2	2.7	(18.1)	8.8	4.1	4.4	3.7

Source: Central Bank.
(1) Preliminary figures 2022, used in Monetary Policy Report October 2023

Manufacturing

Costa Rica has established a "special export regime" to boost the country's exports and to attract foreign companies. The special export regime applies to companies operated by foreign or domestic investors (i) within a Free Trade Zone (FTZ) or (ii) under the Active Finishing Regime (AFR).

The FTZ regime grants a set of incentives and benefits. FTZ incentives include the exemption from payment of all taxes and consular duties on the importation of raw materials, processed or semi-processed products, parts and components, packaging materials, and other goods required for a company's business operations. Costa Rica also intends to use the FTZ regime to attract foreign investment, given that this regime offers benefits such as tax exemptions for certain companies on, among other things, imports necessary for the operation of companies in Costa Rica, local purchases of goods or services and exports.

Under the AFR, duties on imports are suspended for materials, components, equipment, tools, and parts on the condition that they are processed and used on goods that are subsequently exported. Companies must pay the relevant import duties on goods that are not incorporated or are not consumed in the production process and are used by the AFR company (such as machinery, equipment, accessory parts and spare parts).

In the six-month period ended June 30, 2023, the manufacturing sector grew by 9.8% year-on-year, due to a better performance in production by the companies subject to the special regime, which more than offset a contraction in the definitive regime driven by a contraction in local demand for rubber and paper.

In 2022, the manufacturing sector grew by 3.4%, mainly due to the good performance of companies under the special exports regime and especially companies dedicated to the production of medical devices.

In 2021, the manufacturing sector grew by 18.0%, mainly driven by increases in external demand, serviced by firms operating in and outside the FTZ regime. Internal demand also contributed to this growth, but to a lesser extent.

In 2020, the manufacturing sector grew by 2.1%, mainly due to the good performance of companies under the special exports regime and especially companies dedicated to the production of medical devices, while firms outside this regime showed a sharp contraction. Exports by companies in the definitive export regime decreased driven by a reduction in the exportable supply of agricultural products (bananas and pineapple) and a lower demand for manufactured products (food, iron, coffee, sugar and electrical materials).

In 2019, the manufacturing sector grew by 3.0%, mainly due to the good performance of firms in the FTZ regime, driven mostly by medical devices and food products. Firms outside the FTZ experienced a contraction driven by internal factors, including the negative outlook and uncertainty associated with the Public Finance Strengthening Law.

In 2018, the manufacturing sector grew by 4.2%, mainly due to the increased activity of companies operating under the FTZ regime during the first half of the year. Increased production destined for the external market, in particular medical devices, compensated for the decline in production of companies outside the special export regime.

Education, Health and Social Services

The education, healthcare and social services sector accounted for 5.2% of GDP as of December 31, 2022 and for 4.9% as of December 31, 2021.

In the six-month period ended June 30, 2023, this sector grew by 1.8% driven by an increase in consumption of food, beverage, rental housing, entertainment and health services.

In 2022, this sector grew by 5.2% driven by the lifting of the temporary suspension of the school year implemted in 2021, which impacted education, as well as the relaxation of the hiring policy for new positions in education and health.

In 2021, this sector grew by 4.9% driven by an expansion in both public and private health centers and an increase in the hiring of new professionals in the healthcare and education services.

In 2020, this sector (with exception of the health subsector) contracted by 1.8%, mainly as a result of the measures implemented by the Government to stop the spread of COVID-19.

In 2019, the education, healthcare and social services sector increased by 4.4%, reflecting a rebound after the relative low growth rate observed in this sector in the prior year due to the a public sector strike in 2018 (the "2018 Public Sector Strike"). The increase in the sector observed in 2019 was also driven by an increase in the hiring of new professionals in the healthcare and education services.

In 2018, the sector reflected a 0.8% growth, a deceleration compared to the 1.1% growth observed in 2017. This relatively low growth rate was mainly due to the 2018 Public Sector Strike.

Professional, scientific, technical, administrative and support services

The professional, scientific, technical, administrative and support service sector was the third largest sector of Costa Rica's economy in 2021 and 2022, accounting for 12.5% and 12.9% of real GDP, respectively. Several multinational companies have settled in the country to provide this type of services. Among the factors that stand out is the quality of the workforce, with professionals who speak two or three languages. The coincidence of the time zone with some cities in the United States also benefitted the development of this sector.

In the six-month period ended June 30, 2023, this sector grew by 12.5% driven by a higher external demand for services provided by companies of the special regime and an improvement in advertising and accounting services of the definitive regime and travel agencies.

In 2022, this sector grew by 7.6% driven by the production of tourism-related activities (travel agencies and car rental) and financial consulting and business support activities, due to higher external demand.

In 2021, this sector grew by 4.7%, mainly due to activities under special export regimes, such as research and development, and consulting. Other services related to tourism also grew, such as travel agencies, tourism operators and car rentals.

In 2020, this sector contracted by 3.2%. During the first six months, support services grew more than the contraction suffered by the rest of the activities. However, during the second half of 2020, the contraction in such other activities was severe enough to drive the offset the growth during the first half of the year.

In 2019, professional, scientific, technical, administrative and support service grew at a rate of 9.9%, mainly driven by growth in activities such as support services, security, and research and development, and to a lesser extent, marketing and technical design specialized for dental treatments.

In 2018, this sector grew at a rate of 5.6%, mainly driven by financial management, human resources, sales consulting, support services and security companies.

Wholesale and Retail Trade

In the six-month period ended June 30, 2023, the wholesale and retail trade sector grew by 1.9% driven by increased sales of vehicles and textile products, as well as increased demand for vehicle repair and maintenance services.

In 2022, this grew 3.3%, mainly due to vehicle, food products and hardware sales.

In 2021, this sector grew at a rate of 8.1%, the highest growth rate in this sector in recent history, and was mainly driven by the relaxation of COVID-19 related restrictions. Household consumption, construction materials, and automobiles are among the leading items behind this result.

In 2020, this sector contracted by 7.8%. This result is due to the travel restrictions implemented by the Government to stop the spread of COVID-19. The sharpest drop was in items that do not satisfy basic needs, such as automobiles, household appliances, construction materials and fuel, which was partially offset by increases in food and pharmaceutical products.

In 2019, this sector grew at a moderate rate of 0.4%, manly driven by a slowdown in vehicle and construction materials sales, which is consistent with the contraction in the construction sector and a moderation in domestic consumption.

In 2018, this sector grew by 2.2%, compared to 6.9% growth in 2017. The decline in growth is mainly due to lower electrical appliances and vehicle sales driven by an increase in interest rates and exchange rate of the U.S. dollar; given that most vehicle sales are priced in U.S. dollars. Moreover, the uncertainty caused by the 2018 elections and the discussions regarding the Public Finance Strengthening Law also contributed to the decline.

Financial and Insurance Activities

Until 2008, the National Insurance Institute (*Instituto Nacional de Seguros*) (INS) was the only insurance company authorized to operate in Costa Rica. INS is an autonomous entity, owned by the Costa Rican Government, and was established in 1924 to offer insurance and reinsurance services. INS offers a wide range of products and services, and is the only entity that operates the mandatory insurance programs as of the date of this Offering Circular. As of December 31, 2022, INS remained as the main operator of these activities, offering 66% and 65% of the total policies. For more information, see "—Government Participation in the Economy; Concessions—Insurance."

In the six-month period ended June 30, 2023, financial and insurance activities increased by 0.1% year-on-year, mainly explained by an increase of 5.5% year-on-year in the amount of accumulated premiums in the Costa Rican insurance market. In addition, premiums in the voluntary personal insurance category increased by 6.3% in July 2023 year-on-year.

In 2022, financial and insurance activities increased by 3.4%, mainly due to a 13.0% growth in total premium revenue from the insurance market, which stood at ₡1017.8 billion and represented 2.6% of GDP as of December 2022. This growth in total premium revenue reflects a gradual return to the dynamics of such the insurance market prior to the COVID-19 outbreak. Per capita premiums (insurance density) increased 12.0% in 2022, totaling U.S.$324 per capita at the end of 2022.

In 2021, financial and insurance activities increased by 6.5%. Insurance premiums from mandatory programs (workers' compensation and motor vehicle) represented 55.7% of total gross premiums in January 2022. Insurers offered mainly life, health, property and casualty insurance, with gross voluntary premiums representing 77% of total premiums in 2021.

In 2019, 2018 and 2017, financial and insurance activities increased by 5.6%, 3.4% and 2.0%, respectively.

Information and Communications Sector

Telecommunications are an important factor for Costa Ricans coexistence and competitiveness, for generating opportunities for social, economic, labor and educational development, as well as for the country's position in an increasingly integrated and communicated world. Telecommunications' role and dynamism in national development is widely recognized; its contribution to economic development, GDP, innovation, research, science and technology, education, healthcare, art, labor and social development are all proof of this. In particular, connectivity has proven to be an essential element for linking citizens since the pandemic caused by COVID-19.

In the six-month period ended June 30, 2023, the information and communication sector increased by 7.3%. This increase was partially driven by increased investment in machinery and equipment, mainly in transportation and telecommunications.

In 2022, the information and communication sector increased by 14.0%. This increase was partly driven by the implementation of a third National Telecommunications Development Plan 2022-2027 (PNDT, for its acronym in Spanish), which defines goals, objectives and priorities of this sector for the next five years. In particular, this plan seeks to promote the availability of affordable, quality and innovative telecommunications services at the national level, through the timely deployment of secure, robust, scalable, resilient and sustainable telecommunications networks, in order to develop digital skills that allow reduce the digital divide in all its components and dimensions.

In 2021, the information and communications sectors increased by 7.7%. During such year, 187 telecommunications operators and service providers were registered with the Costa Rican Telecommunications Superintendence (*Superintendencia de Telecomunicaciones*) (SUTEL), an increase of 29 registered operators and service providers compared to 2020. In this sense, it is important to highlight that although the year 2020–2021 had specific events that affected the market and the economy in general, more companies sought to venture into the commercialization of telecommunications services.

In 2020 and 2019, the information and communications sector increased by 1.8% and 3.5%, respectively, compared to a 0.3% contraction in 2018.

Landline telephone services. The national landline telephone network controlled, owned and operated exclusively by the *Instituto Costarricense de Electricidad* (the Costa Rica Electricity Institute, or ICE), which includes a high-capacity transport network that connects the different exchanges within the country. The access network connects customers to the exchanges. Costa Rica's national landline telephone network decreased from 763,254 landlines as of December 31, 2018 to 488,930 landlines as of December 31, 2022.

The following table sets forth certain basic indicators of the Costa Rican fixed telephone service at the dates indicated.

Landline Telephone Service

	2018	**2019**	**2020**	**2021**	**2022**
Landlines in service	763,254	636,504	556,617	500,550	488,930
Landlines in service per 100 inhabitants	15	13	11	10	9
Number of public telephones	4,581	3,798	3,265	2,905	2,683

Source: SUTEL.

Wireless telephone services. In November 2011, ICE stopped being the only wireless telephone service provider in Costa Rica, following the opening of the market to private operators such as Claro and Movistar. Costa

Rica currently has a mature market for wireless telephone services, which has allowed almost all of its inhabitants to own a mobile telephone device with wireless telephone service. As of December 31, 2022, cellular subscriptions were 7,876,163 compared to 7,834,435 in 2021, 7,512,370 in 2020, 7,309,970 in 2019 and 6,920,090 in 2018.

The following table sets forth the number of wireless telephone subscribers and total revenue in the information and telecommunications services sector in the periods indicated.

Wireless Telephone Revenues

Year	Cellular Subscriptions	Cellular Subscribers (per 100 inhabitants)	Cellular Revenue (in millions of colones)
2018	6,920,090	138	257,275
2019	7,309,970	145	225,872
2020	7,512,370	147	204,662
2021	7,834,435	152	189,790
2022	7,876,163	151	181,327

Source: SUTEL.

The Transportation and Storage Sector

In recent years, the transportation and storage sector has focused on infrastructure investment to transition from fossil fuel vehicles to a zero-emission fleet, as well as improving freight logistics and the quality and service of public transportation.

In the six-month period ended June 30, 2023, the transportation and storage sector increased by 2.6%. This increase was mainly driven by the normalization of the mobility of people favored by tourism and the transport of products related to foreign trade.

In 2022, this sector grew by 8.3%, mainly due to the inflow of tourists to the country.

In 2021, this sector grew at a rate of 11.1%, recovering from the sharp contraction observed in 2020. This increase was mainly due to an increase in demand for support services and cargo transportation driven by a rebound in foreign trade, as well as the easing of mobility restrictions and of tourism inflows.

In 2020, this sector contracted by 16.8% due to the mobility restrictions imposed as a result of the COVID-19 pandemic. As tourism inflows halted, activities related to it did as well. This was slightly compensated by increases in delivery services, as electronic commerce increased.

In 2019, this sector contracted by 1.1%.

In 2018, the transportation sector grew at a rate of 5.9%, 1.9 percentage points lower than in 2017, primarily as a result of the 2018 Public Sector Strike.

The Government recognizes the complementary effect of transport on economic growth. The current main components of the Costa Rican transport system include the following:

Airports. Costa Rica has four international airports: (i) Juan Santamaría International Airport in the city of Alajuela; (ii) Daniel Oduber Quirós International Airport in the city of Liberia; (iii) Tobias Bolaños International Airport in the city of San José; and (iv) Limón International Airport in the city of Limón. The two main international airports are the Juan Santamaría International Airport and the Daniel Oduber Quirós International Airport.

As COVID-19 pandemic entry restrictions to Costa Rica were eased mid-2021, airline activity in Liberia recovered rapidly. In May 2021, air operations exceeded pre-pandemic levels and, in June 2021, passenger traffic surpassed that of 2019.

In 2018, a state-of-the-art cargo center (*Centro de Carga*) was opened in Daniel Oduber Quirós International Airport with a fully operating staff and environmentally-certified machinery. The cargo center obtained a five-star ecological blue flag and it is the first carbon-neutral terminal in the entire Central America region.

Roads. The development of road infrastructure is extremely important for Costa Rica to increase its levels of productivity and competitiveness, promote economic growth and improve the living conditions of Costa Ricans.

Given the above, the Government is currently designing a road infrastructure program to be executed by the Ministry of Public Works and Transportation (MOPT), with investments amounting to U.S.$225 million. The program is expected to finish the central section of the road from San José to San Carlos, as well as complementary urban works. The program would be implemented with a loan from the IADB.

In addition, the Legislative Assembly is discussing a draft bill to approve a U.S.$700 million loan agreement with the Central American Bank for Economic Integration to finance an Emergency Program for the Comprehensive and Resilient Reconstruction of Infrastructure.

As of the date of this Offering Circular, there were different projects in the execution stage, for an aggregate amount of approximately U.S.$1.5 billion. These projects are being financed by the IDB, CABEI and EXIMBANK of China, among others. Some of the projects that are being executed include: (i) the Program for Road Infrastructure and Promotion of Public-Private Partnerships (IDB - U.S.$125 million), which includes the Construction of Taras Interchanges project and La Lima; (ii) Transportation Infrastructure Program (IDB – U.S.$450 million), which includes the expansion and rehabilitation projects of the Barranca – Limonal and Angostura section, and the Limonal – Cañas section; (iii) Rehabilitation and Expansion Project of National Route 32, Section: Intersection with National Route 4 – Limón (EXIMBANK of China - ¥628MM (Concessional Credit) and USD 296 million (Export Buyer Credit), (iv) Program Strategic Road Infrastructure Works and its expansion (CABEI – U.S.$430 million), which includes the projects Corredor Vial Circunvalación Norte, Functional Unit V and the Rehabilitation of the Bridge over the Virilla River; and (v) Red Vial Cantonal II Program (IDB – U.S.$144 million). The percentage of completion of these projects ranges between 48% and 99%.

Port facilities. The Costa Rican Institute of Pacific Ports (*Instituto Costarricense de Puertos del Pacífico*) (INCOP, for its acronym in Spanish) manages the Caldera and Puntarenas Ports (*Terminal de Cruceros*). The Caldera Port complex is made up of four docks. The Puntarenas Port complex is made up of two docks that are mainly used for cruise ships. INCOP also manages the port terminals of Punta Morales, Quepos and Golfito.

The port sector has suffered somewhat from the effects of the COVID-19 pandemic. It is estimated that in 2019, Costa Rica received a total of 11,574 million external visitors through its ports. In 2020, the number of visitors dropped to 4,584. In 2021 and 2022, the number of visitors stood at 2,389 and 4,066, respectively. The economic loss between March 2020 and June 2021 resulting from the closure of maritime borders due to the pandemic and the consequent cancellation of cruise ship visits in ports under INCOP's jurisdiction, was estimated at U.S.$1,361.3 million.

The Board of the Atlantic Slope Port Management and Economic Development (*Junta de Administración Portuaria y de Desarrollo Económico de la Vertiente Atlántica de Costa Rica - JAPDEVA*) manages the port complexes at Limón and Moín.

The Moín Container Terminal is built on an artificial island off the Caribbean coast of Costa Rica. In operation since February 2019, its objective is to be the most efficient port in Latin America and a symbol of security, progress and environmental sustainability. The Moín Container Terminal occupies about 80 hectares with a 650-meter pier and a depth of 14.5 meters. The access channel has a depth of 18 meters. Equipped with 29 electric container cranes and six Panamax Super-Post gantry cranes, the terminal is capable of handling container ships of up to 8,500 TEUs, 24 hours a day, seven days a week, 365 days a year.

The Moín Container Terminal was developed and is being maintained pursuant to a concession agreement entered into on February 13, 2012, which went into operation in February 2019. When the Moín Container Terminal went into operation, the port loading and unloading services provided by the Moín Container Terminal to JAPDEVA decreased due to certain structural weaknesses, such as high payroll costs and financial unsustainability. As a result, a number of cost-cutting measures were imposed to reduce expenditures, including removing 1,186 employees from the payroll and limiting benefits and salary incentives.

Rail facilities. The railway system opened in 1857 with the "Railroad to the Pacific." The city of San José began its own rail service in the first half of the 1900s. There are currently four active urban rail transport routes in Costa Rica: (i) San Rafael - Belén - Pacific Station with 11.8 miles of active railway track, (ii) Pacific Station - Atlantic Station with 2.2 miles of active railway track, (iii) Alajuela - Heredia - Atlantic Station with 13 miles of active railway track, and (iv) Atlantic Station - Cartago with 13.7 miles of active railway track.

The Green Climate Fund, established by the United Nations Framework Convention on Climate Change in 2010, is one of the main financial mechanisms to support developing countries in the implementation of their climate change policies.

Accommodation and Food Service Activities Sector

Costa Rica's accommodation and food service activities sector, which captures a substantial share of Costa Rica's gross tourism revenue, grew by 13.7% in 2022, mainly due to a continued recovery in tourism inflows following the COVID-19 outbreak, as well as internal consumption driven by an increase in COVID-19 vaccination rates.

In 2021, the sector grew by 18.2%, driven both by a recovery in tourism inflows following the COVID-19 outbreak, as well as internal demand.

In 2020, the accommodation and food service activities sector contracted by 36.3%. This sector was the most severely affected by the measures taken by the Government response to the COVID-19 pandemic, including border closures that halted international tourism, physical distancing measures, and mobility restrictions that reduced internal demand. These measures were relaxed in the third quarter, allowing for a recovery in the sector that slightly compensated for the initial shock.

In 2019, the accommodation and food service activities sector increased by 3.8%, compared to a 1.3% increase in 2018. Up until 2019, the tourism sector represented a sizable 6.2% of GDP and was one of the country's main sources of foreign currency. As such, it served as an engine for social and economic development for the country. The Costa Rican Institute of Tourism (*Instituto Costarricense de Turismo*, "ICT" for its acronym in Spanish) is the main Governmental entity responsible for promotion and regulation of the tourism industry.

Agriculture, Forestry and Fishing

The agricultural, forestry and fishing sector generated approximately 4.1% of real GDP in 2022, compared to 4.4% of real GDP in 2021. Costa Rica's main crops are bananas, pineapples, palm oil and coffee (unroasted or decaffeinated). Bananas and pineapples were the most important products among the total exports. Other key agricultural products in Costa Rica include beef, milk and cheese.

In the six-month period ended June 30, 2023, this sector grew by 4.4% driven by a reduction in fertilizer prices, improved weather conditions in the first part of the year and increased productivity per hectare in activities such as coffee, vegetables, and roots and tubers.

In 2022, the agricultural, forestry and fishing sector contracted by 2.3%, mainly explained by the effect of multiple shocks, such as higher input prices and lower external demand for some export products (bananas and pineapple, among others), the conflict between Russia and Ukraine, as well as climatological phenomena.

In 2021, the agricultural, forestry and fishing industry recorded a growth of 2.2%. Good climate conditions allowed for a growth in coffee, pineapples, root vegetables and tubers production, most of which are products destined to export.

In 2020, the agricultural, forestry and fishing sector contracted by 1.4%, mainly due to a decrease in pineapples and sugar cane, which were adversely affected by climate conditions, as well as delays in coffee production. The production of bananas for export, and other products for internal consumption (root vegetables, tubers and plantain), partially offset this reduction.

During 2019, the agricultural, forestry and fishing sector contracted by 1.5%. Low international prices for pineapples and sugar cane disincentivized local production, while adverse climate conditions affected yields in products for the local market (basic grains, root vegetables and tubers) and for export (coffee and bananas).

In 2018, the agricultural, forestry and fishing sector grew by 4.0%, mostly driven by the results of pineapple exporting, which were boosted by better plague and disease controls, resulting in increased productivity and product quality. Bananas, coffee and sugar cane showed negative growth.

Construction

During the past years, construction has been the most volatile economic sector in Costa Rica.

The construction sector increased by 9.0% in the six month period ended June 30, 2023, compared to a 0.2% decrease in the same period of 2022.

In 2021, the construction sector increased by 3.1%, mainly due to a recovery in private construction of both residential and non-residential structures, which had fallen in recent years, which more than offset the reduction in public construction driven by the Government's goal of reducing fiscal deficit.

The construction sector reflected no significant variation in 2018 and decreased by 8.9% and 0.9% in 2019 and 2020, respectively. The decrease in 2020 was mainly due to the effects of the COVID-19 pandemic.

The share of GDP of this sector was 4.6% in 2018, 4.1% in 2019, 4.2% in 2020, 4.0% in 2021 and 3.7% in 2022.

Electricity, Water Supply, Waste Management and Remediation Activities

The electricity, water supply, waste management and remediation activities sector decreased by 0.9% in 2018 and increased by 1.5%, 6.7%, 1.1%, 6.0% and 2.7% in each of 2019, 2020, 2021, 2022 and six-month period ended June 30, 2023, respectively.

Water

In 2013, to correct the lack of planning at the national level and to face the dry season in Costa Rica from the different productive sectors, and in view of the forecast of the National Meteorological Institute (IMN, for its acronym in Spanish) for the year 2023, the National Commission for Risk Prevention and Emergency Attention (CNE, for its acronym in Spanish), together with the Ministry of Agriculture and Livestock (MAG, for its acronym in Spanish) and the Costa Rican Institute of Aqueducts and Sewerage (AyA, for its acronym in Spanish), joined forces to plan actions to ensure water supply to the population and to the agricultural sector, in order to boost the development of agriculture's productive processes and to protect people's health.

As of the date of this Offering Circular, Costa Rica did not have water resource availability problems, but its shortfall lies in the lack of water infrastructure to mobilize its water potential, as a result of the lack of planning at the national level, and it consequently requires the construction of infrastructure to take advantage of rainwater availability. Notwithstanding the foregoing, the demand for water is increasing every year, while water sources decrease due to the effects of climate change, as well as damages and losses in the distribution systems.

As of the date of this Offering Circular, the Government was working on 20 projects at the conceptualization and profile level and approximately 125 projects that are still in design, 18 of which belong to the area of buildings, 71 to projects in the area of supply and 23 in the area of sanitation.

On January 7, 2019, the Government announced the approval of a U.S.$55.08 million loan granted by CABEI to partially finance the Limón Sewage and Flood Control Program (*Programa de Alcantarillado y Control de Inundaciones para Limón*). The remaining U.S.$1.6 million required for the program will be funded by the Government. This program seeks to provide the Limón region with basic sanitation conditions necessary to improve the population's quality of life. This program is currently under execution.

On July 24, 2019, ICE inaugurated the Las Pailas II geothermal plant. This power plant is the seventh in the country that generates electricity from volcanic steam and has a state-of-the-art turbine, sound insulating panels and a fiber optic cooling tower. The plant's 55 MW of installed capacity is estimated to produce enough energy to supply an average of 137,000 households. This project received the award for best project in the region at the 2019 Geothermal Congress for Latin America and the Caribbean.

On July 25, 2019, the Government announced the Water Provision System for the Tempisque River Basin and Costal Communities (*Sistema Abastecimiento de Agua para la Cuenca Media del Río Tempisque y Comunidades Costeras*). This project increases the availability of water on the right bank of the Tempisque River through the construction of infrastructure to stimulate socioeconomic development in the region. The investment required for this project is estimated to be approximately U.S.$425 million, which is currently under negotiation with CABEI.

In Costa Rica, 95.7% of the population receives potable water. In 2021, there were 502 aqueducts in the country that supply 4,943,257 (95.7%) people with potable water and 220,156 (4.3%) people with non-potable water, the majority being the National Aqueduct AyA (47.8%), and Sewer Systems Administrator Association (Asada) (25.2%), Municipalities (13.7%), Communal Aqueducts (5.8%), and ESPH (4.9%).

Reports by the National Water Laboratory reflect that the country has managed to successfully manage the distribution of drinking water safely during the last decade, increasing from 90% of the population in 2010 to 95.7% in 2021, equivalent to 4,943,257 inhabitants.

In 2022, the Legislative Assembly approved a $425 million loan with CABEI to finance the Water Supply System project for the Middle Basin of the Tempisque River and Coastal Communities (PAACUME), province of Guanacaste. This project is expected to provide 16.5m3/s for irrigation, covering approximately 18,700 ha and benefiting 746 producers (including large, medium and small owners), and to provide water for human consumption, supplying water to 500,000 people over the next 50 years.

Further, the Government is working towards the installation of a pipeline that will allow more water to be transferred to the systems in the center and south of San José, which aims to improve the water quality of the rivers and aquifer channels of the San José Metropolitan Area through the rehabilitation and expansion of wastewater systems and the construction of treatment plants. To contribute to improving the environment and hygienic conditions of life within the San José Metropolitan Area, this program is complemented by three financings granted by the IADB (U.S.$73 million), Japan Bank for International Cooperation (15,001 million Yen), and Banco Nacional (U.S.$75 million). This project is scheduled to be completed in 2024.

In April 2022, construction of the Puerto Viejo water treatment plant was completed. This plant performs the process of disinfection of wastewater from homes and commercial and public establishments, which can then be routed to the sea without affecting the ecosystem.

Electricity

According to ICE, the installed capacity of Costa Rica's electric system as of December 2019 was 3,566,453 kW, of which 65.7% corresponds to hydroelectric plants, 13.3% to thermal plants, 11.5% to wind plants, 7.3% to geothermal plants, 1.9% to bagasse and 0.1% to solar.

The installed capacity of Costa Rica's electric system as of December 2020 was 3,537,178 kW, of which 65.8% corresponds to hydroelectric plants, 13.2% to thermal plants, 11.5% to wind plants, 7.3% to geothermal plants, 1.9% to bagasse and 0.2% to solar.

As of December of 2021, the installed capacity of Costa Rica's electric system was 3,482,305 kW, of which 70.4% corresponds to hydroelectric plants, 18.1% to thermal plants, 0.6% to wind plants and 10.9% to geothermal plants.

In 2022, for the eighth consecutive year, Costa Rica succeeded in generating more than 98% of its electricity with five renewable sources. In 2022, the country reached 99.25% of electricity production with its own national resources, according to data from ICE's National Electricity Control Center (CENCE). This percentage also allowed it to meet 98.7% of the national demand with clean sources.

Costa Rica's electricity demand, which includes the sales of the eight distribution companies decreased to 98.7% in 2022, compared 99.9% in 2021. Water continues to be the main generation resource, with 75.0% of the electricity generated in 2022 deriving from water sources, followed by geothermal (12.9%) and wind (10.9%). In 2021, the demand for electricity was 99.9%, of which 74.0% derived from water sources, followed by geothermal (12.8%) and wind (12.5%). In 2020, the demand for electricity was 98.7%, of which 69.5% derived from water sources, followed by geothermal (15.3%) and wind (13.2%).

Gross Domestic Product by Expenditure

The following table sets forth real GDP by expenditure for the years indicated in millions of chained colones and U.S. dollars.

Gross Domestic Product by Expenditure
(chained volume at previous year prices, reference 2017 millions of chained colones)

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021(1)	2022(1)	2022(1)	2023(1)
Gross Domestic Product.....	35,242,044	36,094,025	34,551,599	37,293,532	38,990,944	19,098,147	20,065,060
Consumption.....................	28,451,300	29,171,452	27,616,883	29,515,881	30,463,499	15,065,270	15,559,907
Private Consumption......	22,801,739	23,187,411	21,578,917	23,379,677	24,180,670	11,920,161	12,400,255
Government Consumption................	5,649,561	5,982,683	6,033,068	6,135,308	6,281,646	3,144,768	3,154,386
Gross Investment...............	6,401,602	5,761,823	5,629,490	6,595,456	6,344,877	2,866,157	2,648,774
Goods and Services Exports	11,802,226	12,305,175	10,996,783	12,749,002	14,432,756	7,181,923	8,277,087
Goods and Services Imports	11,413,084	11,150,877	9,709,147	11,577,792	12,274,979	6,032,327	6,419,095

(1) Preliminary figures 2022, used in Monetary Policy Report October 2023.
Source: Central Bank.

The following table sets forth real GDP by expenditure for the years indicated in millions at current prices.

Gross Domestic Product by Expenditure
(in millions of U.S. dollars, at current prices)

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021	2022(1)	2022(1)	2023(1)
Gross Domestic Product...	62,420	64,418	62,396	64,959	69,244	32,759	41,557
Consumption	50,622	52,207	50,019	51,868	55,572	26,391	33,435
Private Consumption........	40,512	41,417	38,972	41,130	44,911	21,258	27,196
Government Consumption	10,109	10,791	11,047	10,738	10,661	5,133	6,239
Gross Investment	11,362	10,470	10,088	10,956	11,737	5,592	6,816
Change in inventories.......	104	(122)	(3)	1,114	914	300	(1,091)
Goods and Services Exports	21,060	22,111	19,908	23,500	28,090	13,412	16,199
Goods and Services Imports	20,728	20,250	17,616	22,479	27,069	12,936	13,803

(1) Preliminary figures used in Monetary Policy Report October 2023.
Source: Central Bank.

The following table sets forth real GDP by expenditure as a percentage of total real GDP for the years indicated.

Gross Domestic Product by Expenditure
(as a percentage of total real GDP)

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021	2022(1)	2022(1)	2023(1)
Consumption..................	81.1%	81.0%	80.2%	79.8%	80.3%	80.6%	80.4%
Private Consumption	64.9%	64.3%	62.5%	63.3%	64.9%	64.9%	65.4%
Government Consumption	16.2%	16.8%	17.7%	16.5%	15.4%	15.7%	15.0%
Gross investment............	18.2%	16.3%	16.2%	16.9%	17.0%	17.1%	16.4%
Goods and Services Exports..........................	33.7%	34.3%	31.9%	36.2%	40.6%	41.0%	39.0%
Goods and Services Imports..........................	33.2%	31.4%	28.2%	34.6%	39.1%	39.5%	33.2%
Gross Domestic Product..	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.4%

(1) Preliminary figures 2022, used in Monetary Policy Report October 2023.
Source: Central Bank.

The following table sets forth real GDP by expenditure as the percentage change from one year to the next.

Real Gross Domestic Product by Expenditure
(percentage change from previous year, at chain linked volume)

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021	2022[(1)]	2022[(1)]	2023[(1)]
Gross Domestic Product.....	2.6%	2.4%	(4.3%)	7.9%	4.6%	5.6%	5.1%
Consumption......................	1.7%	2.5%	(5.3%)	6.9%	3.2%	4.6%	3.3%
Private Consumption	1.9%	1.7%	(6.9%)	8.3%	3.4%	4.3%	4.0%
Government Consumption..	0.6%	5.9%	0.8%	1.7%	2.4%	6.0%	0.3%
Gross investment................	3.2%	(10.0%)	(2.3%)	17.2%	(3.8%)	(20.6%)	(7.6%)
Goods and Services Exports	4.9%	4.3%	(10.6%)	15.9%	13.2%	13.5%	15.2%
Goods and Services Imports	2.9%	(2.3%)	(12.9%)	19.2%	6.0%	7.1%	6.4%

(1) Preliminary figures used in Monetary Policy Report October 2023.
Source: Central Bank.

Gross Domestic Product Per Capita

The following table sets forth Costa Rica's per capita GDP and per capita national income for the years indicated.

Per Capita GDP and Per Capita National Income

	For the year ended December 31,				
	2018	2019	2020	2021	2022[(1)]
Per capita GDP....................................	12,475.5	12,735.8	12,207.5	12,581.9	13,281.9
Per capita national income..................	11,800.5	11,976.1	11,500.2	11,763.8	12,307.7

Source: Central Bank.
(1) Preliminary figures 2022, used in Monetary Policy Report October 2023

Tourism

Tourism is one of the most dynamic sectors in the Costa Rican economy and has become a significant source of revenue. Costa Rica promotes environmentally sustainable, innovative and inclusive tourism, offering travelers access to rainforests, volcanoes, protected tropical beaches and abundant wildlife. The Costa Rican Institute of Tourism (*Instituto Costarricense de Turismo*, "ICT" for its acronym in Spanish) is the main Governmental entity responsible for promotion and regulation of the tourism industry. The Government views tourism as a priority for social and economic development in Costa Rica.

Costa Rica maintains a visa policy for entry into its territory. The visa policy is divided in four groups: (i) countries whose nationals do not require a visa; (ii) countries whose nationals require a visa; (iii) countries whose nationals require a consular visa; and (iv) countries whose nationals require restricted visas. Costa Rica does not require visas for up to a 90-day stay for nationals of most countries in the Americas, the European Union, Australia, South Africa, South Korea and Japan. However, Costa Rica does require nationals from Nicaragua, Ecuador, Colombia and the Dominican Republic to obtain a visa prior to travelling to Costa Rica.

Costa Rica's tourism industry has grown steadily over the past 35 years with exception of the drop caused by the COVID-19 pandemic. Records from 1984 report the arrival of 273,000 visitors to the country and it receives just under three million visitors each year. Since 2009, growth in the tourism industry is partly due to public policies that promote this sector. In 2018, Costa Rica received approximately 3.0 million foreign tourists, an increase of 1.9% compared with 2017. In 2019, Costa Rica received approximately 3.1 million foreign tourists, an increase of 4.1%

compared with 2018. In 2020, the number of foreign tourists decreased approximately 1 million, a 67.8% decrease when compared to 2019, mainly due to the COVID-19 outbreak. In 2021, Costa Rica received approximately 1.3 million foreign tourists, an increase of 33.1% compared with 2020. In 2022, Costa Rica hosted approximately 2.4 million foreign tourists, an increase of 74.4% compared with 2021, reflecting a continued recovery, although the number of foreign tourists remain below pre-pandemic levels.

The constant and growing influx of tourists prior to the COVID-19 pandemic had generated significant returns for Costa Rica. By 2000, tourism-related revenue amounted to U.S.$1.4 billion, a figure that increased to U.S.$3.8 billion in 2018 and U.S$4.0 billion in 2019. A result of the COVID-19 pandemic, tourism-related revenue decreased to U.S.$1.3 billion in 2020, U.S.$1.7 billion in 2021 and U.S.$3.1 billion in 2022.

According to ICT's surveys, in 2022, each tourist spent an average of approximately U.S.$1,590.6 per visit, while in 2021, 2020, 2019 and 2018, surveyed tourists reported they spent an average of U.S.$1,565.6, U.S.$1,592.1, U.S.$1,438.2 and U.S.$1,335.4 per visit, respectively.

The following table sets forth certain information with respect to the amount of revenues from tourism and the number of tourists for the periods indicated.

Tourism

	Revenues (in millions of U.S.$)	% of GDP	Tourists (in thousands)
2018	3,768.6	6.0%	3,016.7
2019	3,988.5	6.2%	3,139.0
2020	1,328.4	2.1%	1,011.9
2021	1,716.9	2.7%	1,347.1
2022	3,137.3	4.6%	2,349.5
Six-month period ended June 30, 2022	1,586.2	---	202.2
Six-month period ended June 30, 2023	2,112.4	---	221.2

Source: Central Bank.

Foreign Direct Investment

Over the years, Costa Rica has attracted foreign investment from a group of medical supply companies, which has been growing year after year, as well as international companies providing other high technology and high value-added products. According to the Monetary Policy Report of the Central Bank, increase in foreign direct investment in Costa Rica in 2022 was 4.6% of GDP (U.S.$4.5 billion). In 2022, 58 new companies were set up in the country, 11 more companies than in the whole of 2021.

From 2017 to 2022, annual foreign direct investment in manufacturing increased by 98.7%, while foreign direct investment in agriculture, commerce, tourism, real state and services decreased. In 2021, foreign direct investment totaled approximately U.S.$3.2 billion (5.0% of GDP), a 83.3% increase from U.S.$1,762.7 million recorded in 2020, primarily due to an increase in manufacturing of medical devices, which amounted to U.S.$2.4 billion in 2021, recovering to the values observed prior to the COVID-19 outbreak. The largest increase in percentage terms occurred in the tourism sector, close to sevenfold with respect to the 2020 level, which also represents the largest value of investments in this activity since 2017.

During 2020, foreign direct investment flows decreased by 37.3%, mainly due to the COVID-19 outbreak. Investment inflows during this year amounted to U.S.$1.8 billion, representing 2.8% of GDP, evidencing the resilience of the Costa Rican economy amidst a very challenging environment. Most of this FDI was directed towards manufacturing and services, with tourism and commerce showing the most significant contractions.

In 2019, foreign direct investment was U.S.$2.8 billion (4.4% of GDP), with manufacturing receiving U.S.$1.7 billion, the largest amount up to that year, representing a 2.6% share of GDP and 59.3% of all FDI flows.

There was a significant rebound in both commerce and tourism with respect to the downturn in the previous year. Foreign direct investment flows to real estate decreased by 61.5%.

In 2018, total FDI flows decreased by 10.5%. The most significant decrease was observed in the commerce and tourism sectors, which had outstanding numbers in 2017.

The following table sets forth Costa Rica's foreign direct investment for the years indicated.

Gross Foreign Direct Investment, by activity
(in millions of U.S. dollars)

	For the year ended December 31,						For the six-month period ended June 30,	
	2017	**2018**	**2019**	**2020**	**2021[(1)]**	**2022[(1)]**	**2022**	**2023**
Agriculture	102.6	69.3	(10.2)	(62.6)	(64.4)	(4.5)	12.8	(15.2)
Manufacturing	1,075.2	1,351.8	1,667.9	1,163.1	2,425.4	2,136.6	1,183.9	1,258.7
Commerce	226.8	81.4	178.9	94.5	90.4	86.4	3.8	25.1
Tourism	443.3	23.3	53.9	20.6	132.8	250.1	108.3	122.8
Real Estate	250.0	274.7	443.5	243.9	246.8	267.9	117.4	112.9
Services	680.4	686.8	478.2	303.2	400.1	427.3	268.7	396.3
Total	**2,778.3**	**2,487.2**	**2,812.3**	**1,762.7**	**3,231.1**	**3,163.9**	**1,694.8**	**1,900.6**

(1) Preliminary figures 2021-20221.
Source: Central Bank.

The following table sets forth the net inflows of foreign direct investment by country as a percentage of GDP for the years indicated.

Net Foreign Direct Investment by Country
(as a percentage of GDP)

	For the year ended December 31,				
	2018	**2019**	**2020**	**2021**	**2022**
Nicaragua	6.4	4.0	5.9	8.6	8.3
Honduras	6.0	3.8	1.0	2.8	3.4
Costa Rica	4.8	4.2	3.4	5.6	5.2
Colombia	3.4	4.3	2.8	2.9	5.0
Brazil	4.1	3.7	2.6	2.8	4.8
Guatemala	1.3	1.5	1.3	4.2	N/A
Mexico	3.1	2.4	2.9	2.6	2.7
Venezuela, RB	0.0	0.0	0.0	0.0	0.0
El Salvador	1.6	2.6	1.6	2.8	0.0
Argentina	2.2	1.5	1.2	1.4	2.4
Chile	2.7	4.9	4.5	5.0	6.9
Dominican Republic	3.2	3.2	3.1	3.6	3.5
Panama	7.4	6.1	(4.3)	2.6	N/A
Peru	2.6	2.1	0.4	3.3	4.5
Uruguay	2.6	2.4	1.0	6.0	13.1

Source: World Bank.
N/A = not available.

Government Participation in the Economy; Concessions

During the past decade, the Costa Rican Government has worked to promote competition in the economy by opening various industries that have historically been controlled by the Government to encourage private participation and support private sector participation in the economy generally. Since 2008, the Government has:

- opened the insurance industry to private participation;
- opened the information and telecommunications services sector to competition; and
- eased regulations to allow for private sector investment in electricity generation.

Costa Rica's economic policy generally seeks to follow market-oriented principles. An important element of the Government's economic policy is the promotion of competitive domestic markets. Costa Rican competition and consumer protection laws:

- regulate and proscribe large- and small-scale anti-competitive economic behavior, including corruption;
- promote consumer protection and education; and
- support the creation and success of small businesses

Government Participation in the Economy

The Republic supports the participation of private enterprises in most sectors of the economy. However, the Government has historically retained control of certain strategic and important segments of the economy through state-owned companies. The Government has controlled, either directly or indirectly, oil refining, generation, transmission and distribution of electric power, telecommunications, insurance, water and sewage services, the postal service, rail transportation and the production of alcohol (other than beer and wine). The Government also operates two commercial state-owned banks, which operate as autonomous and independent banks. For more information about the state-owned banks, see "—Commercial Banking." In addition, the Government also operates some of the principal ports in the country. Nevertheless, Costa Rica has undertaken a process of promoting competition with private business in sectors such as telecommunications and insurance and some of the principal ports.

Petroleum

Costa Rica has no domestic sources of hydrocarbon fuels. Costa Rica's sole petroleum refinery: Costa Rican Oil Refinery (*Refinadora Costarricense de Petróleo*) ("RECOPE"), a state-owned entity, is responsible for the development and supervision of the Costa Rican petroleum sector and is the only entity authorized to import and refine fossil fuels in Costa Rica. However, since 2011, RECOPE stopped refining oil and currently only imports fossil fuels. RECOPE's revenues represented approximately 5.9% of GDP in 2022, 4.3% of GDP in 2021, 3.4% of GDP in 2020, 4.6% of GDP in 2019 and 4.9% of GDP in 2018. For the eight-month period ended August 31, 2023, RECOPE's revenues represented approximately 2.9% of GDP.

Telecommunications and Electricity

ICE, an autonomous Government entity in charge of the country's telecommunications and electric power, is the largest commercial electricity enterprise in Central America, with total revenues equivalent to approximately 2.4% of GDP as of September 2022 and 3.3% of Costa Rica's GDP in 2021. ICE is an integrated electric power utility, meaning that it is responsible for generating, transmitting, distributing and selling electricity throughout Costa Rica.

In 2011, provisions in the DR-CAFTA ended the monopoly that ICE held in wireless telephone services. In addition, landline telephone services are also offered by different cable television carriers. ICE has also introduced new telecommunications services television content over Internet Protocol—IPTV and Coice over Internet Protocol

(VoIP platforms), pay television subscription services and high-speed Internet through fiber optics in order to offer better, more advanced and efficient technologies.

Since 2011, the wireless telephone service landscape has changed significantly. The Mexican company, Claro, and the Spanish company, Movistar, began wireless telephone service operations in 2012, which substantially increased the number of wireless telephone service subscriptions. On August 9, 2021, the acquisition of *Telefónica de Costa Rica S.A.* (commercially known as Movistar) by Liberty Latin America Ltd was executed. Total incoming landline telephony traffic at the end of 2021 was 11,711 thousand minutes, a reduction of 9% with respect to 2020.

The Government has permitted the private sector to engage in the generation of power through various sources, such as hydroelectric, geothermal, wind and other non-conventional facilities, so long as the generated power does not exceed 20 MW per project or the aggregate of 15% of the total installed electricity generating capacity in Costa Rica. Furthermore, ICE is authorized to purchase power up to an additional 15% of the Republic's total installed capacity from private generators through public and international competitive bidding in projects that do not exceed 50 MW, on the basis of long term power purchase agreements entered into for the purchase of 100% of the project's production.

In 2021, ICE successfully issued a Sustainability Linked Bond (SLB) in the international capital markets for an aggregate principal amount of U.S.$300 million. The sustainability performance targets included in such SLB consist of increasing the number of smart meters in operation in ICE's concession zone from 278,312 smart meters in 2020 to 502,000 by 2025, representing 54.5% of their customers. In the second half of 2021, ICE issued bonds for ₡72,989 million aggregate principal amount through bond auctions in the local market, using innovative mechanisms such as debt swap (₡16,105 million) and green bond (₡14,443 million). This ICE green bond issuance had the sole purpose of refinancing the debt acquired for the construction of the Reventazón Hydroelectric Plant (PHR). This project sets out two sustainable development objectives within the framework of Renewable Energies operations. First, it guarantees access to affordable, safe, sustainable and modern energy and seeks to considerably increase the proportion of renewable energy in the matrix by 2030. Second, it takes urgent measures to combat climate change and its effects, with the goal of significantly increasing the share of renewable energy in all countries.

In August 2021, ICE published its 2020-2035 electric generation expansion plan, which purports to reduce fossil fuel dependency through the promotion of long-term renewable power production. The plan also aims to guarantee energy security and achieve limited exposure to imports, diversification of sources and environmental sustainability. ICE plans to generate around 13,513 GWh of electricity by the end of 2035.

In 2021, there were 187 telecommunications operators and service providers with a license, an increase of 29 companies compared to 2020. Internet access continues to lead the sector, as data consumption has increased, to the point that, together with mobile telephony, it generated 87% of the sector's revenues in 2021.

Insurance

Until 2008, all insurance activities (insurance and reinsurance) in Costa Rica were conducted by the INS, which had revenues representing 4.1% of GDP in 2022, 5.3% of GDP in 2021, 5.1% of GDP in 2020, 4.9% of GDP in 2019 and 4.1% of GDP in 2018. INS offers a wide range of products and services and as of the date of this Offering Circular, was the only entity that operates the mandatory insurance programs. In the seven-month period eneded July 31, 2023, INS had revenues representing 2.9% of GDP.

After the opening of the insurance market to the private sector in 2018, active participants and products marketed increased significantly. The competition level, measured by the Herfindahl Index, dropped by 55% from 2008 to 2021. In particular, the level of competition in personal insurance (which includes life, accident, and health and annuities) dropped by 77%, with INS's share of gross premiums under this category decreasing by 40% between 2008 and 2021.

As of the date of this Offering Circular, there were 13 insurance companies, including 11 of foreign capital that offer a wide range of products. Smaller participants have also joined the market: almost 150 brokers such as legal entities, and more than 1,600 individual brokers that jointly offer more than 800 products. From 2008 to 2022, gross premiums increased 202.6%, for an average annual growth rate of 8.5%, reaching U.S.$1.7 billion in 2022.

As of June 30, 2023, INS was still the dominant insurance company in Costa Rica, representing 68.5% of the market's insurance premiums, followed by Pan American Life Insurance with 8.1%, ASSA Compañía de Seguros with 6.8%, MAPFRE Seguros Costa Rica with 4.2%, Aseguradora del Istmo (ADISA) with 3.6%, Quálitas Compañía de Seguros with 2.4%, Seguros del Magisterio with 1.5% and BMI with 1.2%, among other smaller insurance companies totaling 2.3%.

Commercial Banking

Through 2022, the Government participated in the financial services sector in competition with the private sector through two independent commercial banks: National Costa Rican Bank (*Banco Nacional de Costa Rica*) and Costa Rican Bank (BCR). Combined total revenues from these two banks represented approximately 2.0% of GDP in the six-month period ended June 30, 2023, 3.0% of GDP in 2022, 3.0% of GDP in 2021, 3.2% of GDP in 2020, 3.4% of GDP in 2019 and 3.3% of GDP in 2018.

Pursuant to the National Banking System Law No. 1,644 (*Ley Orgánica del Sistema Bancario Nacional*) ("National Banking System Law"), deposits at commercial state-owned banks are subject to deposit insurance granted by the Republic. However, this insurance does not apply to subordinated financial instruments or subordinated loans issued or entered into by the commercial state-owned banks or the rights and obligations arising from these, which may be purchased only by multilateral development banks or by bilateral development agencies.

Pursuant to the Merger by Absorption of the Cartago Agricultural Credit Bank and Costa Rica Bank Law No. 9,605 (*Ley de Fusión por absorción del Banco Crédito Agrícola de Cartago y el Banco de Costa Rica*) ("Cartago Agricultural Credit Bank Merger Law"), approved on September 12, 2018, the Legislative Assembly authorized the BCR to absorb BCAC, thus reducing the number of state-owned banks to two. As a result of the merger, Banco Agrícola de Cartago was extinguished as a legal entity and its net assets were transferred to BCR.

The following table sets forth certain information with respect to the principal entities controlled by the Government and their revenues and expenditures for the six-month period ended June 30, 2023.

Principal State-Owned Corporations and Autonomous Institutions

		For the Six-Month Period Ended June 30, 2023					
Company	**Activity**	**Total Revenues**		**Total Expenses**		**Net Income**	
		(In millions of colones)	*(% GDP)*	*(In millions of colones)*	*(% GDP)*	*(In millions of colones)*	*(% GDP)*
Refinadora Costarricense de Petróleo (RECOPE)....	Refining and importation of petroleum	1,162,917	2.9%	1,190,592	2.9%	(27,675)	(0.1%)
Instituto Nacional de Seguros (INS)............	Insurance	1,187,470	2.9%	601,920	1.5%	585,550	1.4%
Banco Nacional de Costa Rica (BNCR)	Commercial Bank	463,572	1.1%	410,836	1.0%	52,736	0.1%
Banco de Costa Rica (BCR)	Commercial Bank	346,978	0.9%	301,258	0.7%	45,719	0.1%
Junta de Protección Social de San José (JPSS)	Lotteries and social services	181,916	0.4%	124,378	0.3%	57,538	0.1%
Instituto Costarricense de Acueductos y Alcantarillados (ICAA).......................	Water and social services	125,304	0.3%	99,017	0.2%	26,287	0.1%
Consejo Nacional de la Producción (CNP).......	Marketing of agricultural products	64,016	0.2%	69,622	0.2%	(5,605)	0.0%
Instituto de Puertos del Pacífico (INCOP)	Ports	5,728	0.0%	2,382	0.0%	3,346	0.0%

Source: Ministry of Finance with data from the Comptroller General of the Republic.

Concessions

General Law No. 7,762 of Public Works Concessions and Public Services (*Ley General de Concesión de Obras Públicas con Servicios Públicos*) (the "Concessions Law") effective since May 1998, created the National Concessions Board (*Consejo Nacional de Concesiones*) to administer the tender and award process for public infrastructure concession projects. The Concessions Law substantially revamped in 2008.

In recent years, the Government has also considered, and in some cases implemented, other public contracting alternatives to increase private sector involvement in activities previously carried out solely by the state. Some of these alternatives include public-private partnerships, subcontracting, associations, leasing, joint ventures, and permitting private sector investment in turnkey projects.

The public-private partnership scheme is mainly governed by the Public-Private Partnership Contract Rules (*Reglamento para los Contratos de Colaboración Público Privada*) (the "PPP Rules") enacted in 2016. The PPP Rules set forth the legal framework for the development of public-private partnerships in Costa Rica, regulating matters like: (i) public domain ownership; (ii) compensation; (iii) contractual terms; (iv) financing; and (v) assignability, among others.

Airport Concession; Investment Management of Airport Services at Juan Santamaría International Airport

One of the main international airports in Costa Rica is Juan Santamaría International Airport, an airport serving the city of San José.

In 2009, AERIS, a joint-venture formed by American HAS Development Corporation, Canadian Airport Development Corporation and Brazilian Andrade Gutierrez Concessões S.A., acquired the concession of the Juan Santamaría International Airport. Since then, AERIS has been responsible for such airport's operation, management, maintenance, rehabilitation, financing, construction and promotion.

In May 2018, Juan Santamaría International Airport opened a new domestic terminal, a project valued at more than U.S.$12.0 million. The domestic terminal is a LEED (Leadership in Energy & Environmental Design)-certified building; LEED is an internationally recognized green building certification system that recognizes that the building was designed and built with environmentally sustainable practices.

In February 2019, the expansion and modernization work for Juan Santamaría International Airport (AIJS) continued with a new 6,000 square meter, four-story building with four new boarding rooms. The works represent a U.S.$23.5 million investment, of which U.S.$22.5 million corresponds to the AERIS's expansion plans and U.S.$1.0 million corresponds to funds contributed by the Civil Aviation Directorate General for the expansion of aircraft parking ramps. In May 2023, the Costa Rican Government announced a 10-year extension of the AIJS's management contract with Aeris to reestablish the financial equilibrium of this contract caused by the COVID-19 pandemic, which was estimated at $109 million given the closure of operations between March and August of 2020. The concession is now scheduled to end in 2036.

The Juan Santamaría International Airport was recognized as the second best airport in the region in 2019 by SKYTRAX, an international air transport rating organization. Additionally, on September 4, 2019, Juan Santamaría International Airport was recognized by the Airport Council International (ACI) in the context of the Airport Services Quality Awards as one of the most improved airports in Latin America and the Caribbean.

In June 2021, Juan Santamaría International Airport was accredited by the ACI for providing the best passenger travel experience. However, as in the rest of the world, the COVID-19 pandemic affected the activity of this airport. In December 31, 2020 and 2021, the level of activity at such airports contracted by 90.8% and 42.2%, respectively, compared to the same month in 2019. In 2022, the Juan Santamaría Airport recovered 80.1% of pre-pandemic tourist arrivals, with 1,455,928 tourist arrivals.

Another main international airport in Costa Rica is Daniel Oduber Quirós International Airport, also known as Liberia and identified with IATA code LIR. This airport is located eight miles west of the city of Liberia in northwest Costa Rica, near the Pacific coast and the most popular tourist areas. In 2008, Coriport, an entity owned by MMM Aviation Group, S.A., ADC&HAS Aviation, S.A., Emperador Pez Espada, S.R.L., Inversiones Cielo Claro, S.R.L., and Cocobolo Inversiones, S.R.L., was awarded a 20-year concession for the design, planning, financing, construction, operation and maintenance of a new passenger terminal at Daniel Oduber Quirós International Airport. The new terminal, opened in 2012, significantly expanded passenger capacity and provided improved baggage handling and safety. As of the date of this Offering Circular, the airport is operating in accordance with the terms of the concession agreement and international standards.

During 2022, Daniel Oduber Quirós International Airport registered the entry of 661,579 tourists, an increase of 62,146 tourist (10.4%), when compared to 2019. This increase reflects a rebound from the contraction experienced as a result of the COVID-19 pandemic.

Highway Concessions

The San José – Caldera Road Corridor ("Ruta 27") is a 76.8-kilometer toll road in Costa Rica connecting the capital city of San José to the Port of Caldera on the Pacific Coast, serving key industrial and commercial regions along its route, including seven municipalities. Ruta 27 is the only toll road under concession at the moment in Costa Rica, awarded to Autopistas del Sol, S.A. in 2010.

Port Concessions

The concession for the maintenance and exploitation of the Caldera Port (*Puerto de Caldera*) in the Pacific Ocean has been exercised by the concessionaire, Sociedad Portuaria de Caldera SPC, S.A., since 2006. The concession is set to expire in August 2026. The port is currently operating in accordance with the terms of the concession agreement and has significantly reduced the loading and unloading times for ships.

On February 12, 2015, a new multipurpose dock in Caldera Port was inaugurated. The port is suitable for the transit of a 450-ton mobile crane with a capacity to move 120 tons, has a firefighting system and hydrants, drinking water network, area for workers housing, LED lighting, pedestrian sidewalks, safety railing, bitts or mooring points for vessels with capacity to support loads of up to 150 tons, 15 sea fenders. It also has a mooring structure independent of the dock located 20 meters from it, which is used for the mooring of vessels.

In 2002, the concession for the planning, design, financing, construction, maintenance and exploitation of the Grain Terminal of Caldera Port was awarded to Sociedad Portuaria Granelera de Caldera SPC, S.A. The purpose of this concession was the provision of services related to the commercial stopovers made by all types of vessels requesting docking in Caldera Port, as well as the services required in connection with general cargo, containers, and vehicles, such as loading and unloading, transfer and storage.

In 2012, APM Terminals, a subsidiary of AP MallerHaersk A/S, was awarded a 33-year concession contract for the design, financing, construction, operation and maintenance of the Moín Container Terminal at Puerto Limón, the most important port in Costa Rica. The port, which is located on an artificial island off the Caribbean Sea and has been in operation since February 2019, accounts for about 47% of Costa Rica's total exports according to COMEX. Total investment in the project amounted to approximately U.S.$1.0 billion. Despite the prolonged effects of the pandemic on the trade sector, the Moín Container Terminal continued port operations, closing 2021 with an 11% increase in exports. The Moín Container Terminal at Puerto Limón concession is expected to increase Costa Rica's growth and international competitiveness. The terminal is open 24 hours a day, seven days a week and it has an area of 80 acres. The port is equipped with 29 electric cranes and six Panamax Super-Post gantry cranes. The terminal has a capacity of up to 8,500 TEUs and is operational all year. This terminal is among the terminals with the highest productivity in Latin America.

Employment, Labor and Wages

As of December 31, 2022, the Costa Rican labor force (i.e., the number of economically active individuals aged 15 or over that were willing and able to produce goods or render services) consisted of approximately 2.5 million persons, representing approximately 47.1% of the total population.

As of December 31, 2021, the Costa Rican labor force consisted of approximately 2.4 million persons, representing approximately 47% of the total population.

As of December 31, 2021 and 2022, the unemployment rate stood at 16.4% and 12.2%, respectively. As of December 31, 2020, the unemployment rate increased to 19.5% from 11.8% in 2019, driven by the economic impact of the COVID-19 pandemic and the measures taken by the Government to contain the spread of the virus. Women were particularly affected, with an unemployment rate of 25.4% in 2020, while for men it was 15.5%.

In view of the unemployment figures for 2020, the Government implemented a series of measures aimed at caring for and improving employment in the face of the impact caused by the COVID-19 pandemic. Therefore, in order to stimulate employment opportunities, the entry of flights from seven additional states of the United States was authorized as of September 15, 2020 and another state as of October 1, 2020, for a total of 20 states with such authorization. The safe reopening of air borders with strategic markets was intended to allow the recovery of the important chain of jobs generated by international tourism, especially in rural areas. Additionally, the Central Bank applied measures such as interest rate reductions and regulatory adjustments by SUGEF and CONASSIF to allow credit readjustments and extensions, whose main objective was to protect and improve employment in the country.

Other measures developed by Costa Rica to mitigate the impact of the COVID-19 pandemic on employment were actions such as the suspension of contracts and reduction of working hours, and reduction of the minimum contributory base for employers, independent workers and voluntary insured workers.

The following table sets forth certain information with respect to the Costa Rican labor force as of the years indicated.

Labor Force and Employment

	As of December 31,				
	2018	**2019**	**2020**	**2021**	**2022**
Labor Force	2,359,644	2,464,956	2,406,533	2,440,771	2,454,023
Employed	2,117,053	2,175,098	1,938,173	2,039,832	2,154,252
Unemployed	242,591	289,858	468,360	400,939	299,771
Unemployment Rate	10.3%	11.8%	19.5%	16.4%	12.2%

Source: National Institute of Statistics.

Changes in labor participation can be attributed mainly to variations in labor supply and demand, as well as variations in the population.

Attracted by employment opportunities in Costa Rica, immigrants from Nicaragua represent a significant portion of the labor force in construction, domestic services and agriculture in Costa Rica. Immigrant workers are required to obtain a work permit issued by the Government and contribute to social security but have free access to healthcare and education.

Employment in the private sector is generally at-will, although employers must compensate employees terminated without just cause. Such compensation includes a notice of dismissal and a severance payment based on the number of years of service up to eight years, unused vacation days and proportional Christmas bonus. The Constitution requires that minimum wages be fixed in each sector. Subject to this limitation, employers and employees are free to set wages and salaries. In the private sector, minimum wages are adjusted once a year and the adjustment is effective on January 1 of the following year. Employees may enter into collective agreement mechanisms and direct arrangements for collective bargaining of their salaries or may make use of wages and salary arbitration mechanisms. Costa Rican law provides protection against the dismissal of pregnant women and provides additional employment benefits to the disabled.

Public sector employees may be terminated only for cause. The Fiscal Rule provides that when public sector debt exceeds 60% of GDP, no cost-of-living increases may be made in the base salary or other salary incentives of public employees.

The following table sets forth the nominal wages as of the dates indicated.

Average Monthly Wages(1)
(in U.S. dollars)

	As of June 30,					As of May 31,
	2018	**2019**	**2020**	**2021**	**2022**	**2023(2)**
All sectors	955.3	981.43	872.56	978.87	917.76	1,193.74
Private enterprises	912.4	944.43	926.25	965.51	933.46	1,214.57
Domestic services	309.0	307.05	304.72	300.58	280.71	366.07
Autonomous institutions	1,951.3	1,935.45	1,962.30	1,849.64	1,633.75	2,116.22
Government	1,555.9	1,530.25	1,605.67	1,500.30	1,321.17	1,681.69
Self-employed	609.4	726.16	189.91	679.36	611.04	824.15
Special agreements	458.9	468.52	368.30	471.39	433.76	583.80

Source: Costa Rican Social Security Fund (Caja Costarricense del Seguro Social).
(1) Amounts in U.S. dollars were converted from colones using the historical average exchange rate as of the dates indicated.
(2) Information as of May 31, 2023.

Poverty

According to the National Household Survey performed by the National Institute of Statistics and Censuses (*Instituto Nacional de Estadística y Censos*) (INEC), the poverty line represents the minimum amount required for a person to meet his or her basic food and non-food needs. The poverty line is calculated with reference to the cost of the basic food basket (the minimum daily food consumption to satisfy nutritional requirements) and a measure of the cost of basic non-food needs. Additionally, Costa Rica has adopted the UN's Multidimensional Poverty Index (MPI), which measures poverty through the identification of multiple deprivations at household and individual levels in health, education and standard of living. Under the MPI, each person in a given household is classified as poor or non-poor depending on the weighted number of deprivations in his or her household. The MPI reflects both the incidence and intensity of multidimensional deprivation and its intensity.

Historically, Costa Rica has provided social assistance and housing to families living in poverty through the Social Development and Family Allowances Fund (FODESAF), which is mostly funded with sales tax revenues. The Government has undertaken initiatives to restructure FODESAF with the goal of further strengthening FODESAF's operations. These initiatives are designed to improve the efficiency of its anti-poverty efforts through decentralization and specialization of certain programs as well as monitoring and evaluation of the social programs supported by FODESAF, including through program evaluations, financial auditing and cost controls.

During 2021, the resources of FODESAF financed social programs for an amount of more than ₡1,307 billion. Of this amount, ₡945 billion was invested in potable water services benefiting 16,000 families, while 153,000 people were impacted by the CEN-CINAI program after an investment of ₡39 billion. Another ₡51 billion was invested in educational programs that benefited 628,000 minors, while another 131 elderly people were benefited by an investment of ₡150 billion in pensions.

According to the 2022 National Household Survey, as of July 2022, the percentage of Costa Rican households in poverty was 23.0%. This percentage is equivalent to 399,439 households in poverty, 15,934 households more than in the same period of 2021.

The percentage of the population in extreme poverty was estimated at 7.6% as of July 2022, which corresponds to 393,385 people with per capita income below the cost of the basic food basket. This percentage is 0.2 percentage points higher than the estimate as of July 2021, which corresponds to 16,609 more people in extreme poverty.

As of July 2023, the percentage of the population in extreme poverty was estimated at 7.5%, which corresponds to 394,445 individuals with an income per capita below the cost of the basic food basket. This represented a decrease of 0.1 percentage points compared to July 2022.

The following table sets forth certain information with respect to Costa Rican poverty rates as of the dates indicated.

Poverty Rates in Costa Rica
(as a percentage of total population)

	2018	2019	2020	2021	2022	2023[(1)]
Total Population....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Non-poverty..........	78.9%	79.0%	73.8%	77.0%	74.5%	75.6%
Poverty	21.1%	21.0%	26.2%	26.2%	25.5%	24.4%
Non-extreme poverty.................	14.7%	15.1%	19.1%	16.7%	18.0%	16.9%
Extreme poverty....	6.3%	5.8%	7.0%	7.3%	7.6%	7.5%

Source: National Institute of Statistics and Census "Pobreza y Desigualdad", "Pobreza por línea de ingreso", ENAHO (2023).
(1) Information as of July 2023.

The following table sets out poverty rates in Costa Rica and other countries in Latin America:

Poverty Rates of Latin American Countries
(as a percentage of total population)

	2018	2019	2020	2021
Argentina	9.7%	11.2%	14.1%	10.6%
Bolivia	19.1%	15.5%	17.3%	15.2%
Brazil	26.7%	26.2%	18.7%	28.4%
Chile	N/A	N/A	8.0.%	N/A
Colombia	33.9%	34.8%	42.2%	39.2%
Costa Rica..................................	13.9%	13.7%	19.9%	14.3%
Dominican Republic....................	22.2%	20.2%	23.2%	23.2%
Ecuador......................................	27.8%	29.7%	34.6%	31.7%
El Salvador	33%	28.8%	N/A	28.4%
Honduras	51.3%	49.5%	N/A	N/A
Mexico.......................................	31.1%	N/A	32.5%	N/A
Panama	12.5%	12.1%	N/A	12.9%
Paraguay	19.6%	19.7%	22.3%	20.8%
Peru	30.4%	28.9%	43.0%	33.7%
Uruguay......................................	4.9%	5.1%	7.2%	6.7%

Source: World Bank.
N/A = not available.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

During the six-month period ended June 30, 2023, the current account registered a deficit of U.S.$110 million (0.3% of GDP), which represented a decrease of 3.5 percentage points of GDP compared to the same period in 2022. This reduction in the current account deficit is explained by the following factors: (i) Costa Rica's transactions with the rest of the world benefited from an improvement in the international terms of trade, (ii) the dynamism of inbound tourism, and (iii) a remarkable performance of exports of companies under the free trade zone regime. During the six-month period ended June 30, 2023, the financial account registered a net inflow of US$163 million (0.4% of GDP), with net external financing decreasing by 6.5% during the six-month period ended June 30, 2023 compared to the same period of the previous year. These inflows financed the current account deficit and led to an accumulation of reserve assets equivalent to 6.1% of GDP.

In 2022, Costa Rica's current account deficit was U.S.$2,469 million (3.6% of GDP), which represented an increase of 1.1 percentage points of GDP compared to 2021 (U.S.$1,605 million). The financial account registered, in 2022, net inflows of U.S.$4,015 million, 5.0% points of GDP higher than that observed in the previous year (U.S.$542 million). According to Central Bank estimates, its reserve assets increased by U.S.$1,632 million in 2022, mainly due to increased external financing to the public sector, to a greater extent due to disbursements to the General Government, and the support loan from the FLAR, which granted the Central Bank with a balance of payments support facility for an amount of U.S.$1.1 billion. The net international reserves of the Central Bank observed for 2022 were U.S.$8,550 million, equivalent to approximately 12.3% of GDP and 3.9 months of imports.

In 2021, Costa Rica's current account deficit amounted to U.S.$1,605 million, an increase of 1.5 percentage points of GDP compared to the previous year due to an increase in imports which exceeded the increase in exports, given the economic recovery process after the public health closures of 2020. Meanwhile, the financial account recorded net inflows of U.S.$542 million (0.8% of GDP), which represented an increase of 3.2% points of GDP in relation to that observed in the previous year (U.S.$1,483 million). In 2021, a reduction in the net international reserves of the Central Bank of U.S.$ 307 million was observed, amounting to U.S.$6,918 million as of December 31, 2021. This is equivalent to 10.6% of the GDP.

In 2020, the current account deficit stood at U.S.$632 million while the financial account registered net outflows of U.S.$1,483 million. As of December 31, 2020, the balance of the net international reserves of the Central Bank was U.S.$7,225 million (11.6% of GDP), equivalent to approximately 4.9 months of imports.

In 2019, the current account deficit was U.S.$825 million, while the financial account showed a negative net result of U.S.$2,660 million. The net international reserves of the Central Bank increased by U.S.$1,417 million, which placed its assets at U.S.$8,912 million, equivalent to 13.8% of GDP or approximately 5.3 months of imports.

In 2018, Costa Rica's current account deficit stood at U.S.$1,867 million, while the financial account recorded net inflows of U.S.$2,593 million. In 2018, the net international reserves of the Central Bank reached a level of U.S.$7,495 million, equivalent to approximately 4.4 months of imports for that year and 12.0% of GDP.

Current Account

In the six-month period ended June 30, 2023, Costa Rica's registered current account deficit was U.S.$ 110 million (0.3% of GDP), a decrease of 3.5 percentage points of GDP compared to the same period of 2022. This variation was influenced by a decrease in the deficit in the goods trade balance, which amounted to U.S.$1,693 million, equivalent to 4.0% of GDP (compared to 5.9% in the same period of 2022). This lower deficit is driven by an increase in exports, which more than doubled the growth in imports (17.6% and 11.9%, respectively).

In 2022, Costa Rica's registered current account deficit was U.S.$2,469 million (3.6% of GDP), an increase of 1.1 percentage points of GDP compared to 2021. The terms of trade deteriorated mainly due to high commodity prices during the year, combined with a moderation in the growth prospects of the main trading partners, which led to an increase in imports which more than exceeded the increase in exports.

The services account showed a 36.6% increase in surplus in 2022 with respect to the previous year. This larger surplus was driven by the dynamism of the travel account, business support services, manufacturing and telecommunications, computing and information. Notwithstanding, growth was mainly due to the increase in tourism in 2022, with improvements of 74.4% compared to 2021. However, this recovery is still below the figures registered before the COVID-19 outbreak.

During 2021, Costa Rica's current account deficit was U.S.$1,605 million (2.5% of GDP), an increase of 1.5 percentage points of GDP compared to 2020. The foregoing was due, to a greater extent, to the increase in the deficits of the account of goods and primary income in 38.6% and 17.0% respectively, compared to 2020. The result in the goods account is the combination of an increase in imports and exports of 25.5% and 23.3%, respectively, in 2021. These flows were partially offset by an 8.9% increase in the services account.

In 2020, Costa Rica registered a current account deficit of U.S.$632 million (1.0% of GDP), which meant a slight reduction in the negative balance registered a year earlier (0.3% of GDP). During this year, imports decreased by 10.3%, which led to a 47.8% reduction in the negative balance of the goods account, while the services surplus decreased by 28.6%, mainly due to the impact on the travel account of the public health restrictions imposed to mitigate the effects of the COVID-19 pandemic, which reduced the entry of tourists to the country. Additionally, the deficit of the primary income account decreased by 5.1% in 2020.

In 2019, Costa Rica's current account deficit was U.S.$825 million (1.3% of GDP), a figure that represented a decrease of 1.7 percentage points of GDP compared to 2018. In this year, imports of goods decreased by 4.0%, while exports of goods grew by 0.9%, which produced a year-on-year reduction in the goods account deficit of 16.3%. The primary income deficit increased by 14.5%, mainly due to the increase in income from direct investment. The services account surplus increase by 13.6% in 2019, largely due to the performance of business support services and telecommunications, computer and information services.

In 2018, Costa Rica's current account deficit was U.S.$1,867 million (3.0% of GDP), which represented a decrease of 14.7% (0.6% of GDP) compared to 2017. This deficit decrease was largely due to an increase in the surplus balance of the services account (16.4%), which was mainly due to the increase in the travel account, while the deficits of the goods and primary income account increased by 5.8% in both cases. The behavior in the goods account in this period combined the increase in exports and imports of 8.5% and 7.7%, respectively.

Financial Account

In the six-month period ended June 30, 2023, the financial account recorded net inflows of U.S.$163 million (0.4% of GDP). In the private sector, direct investment flows predominated (2.1% of GDP), mainly directed to the manufacturing industry, particularly to medical equipment companies. In the nine-month period ended September 30, 2023, the financial account recorded net inflows of U.S.$1.9 billion (2.2% of GDP), compared to U.S.$3.0 billion (4.5% of GDP) in the same period of 2019.

In 2022, the financial account registered net inflows of U.S.$4,015 million (5.8% of GDP), 5.0 percentage points of GDP higher than the net inflows observed in 2021 (U.S.$542 million). According to Central Bank estimates, in 2022, the inflow of net external financings (portfolio investment) was mainly to the public sector (4.1 % of GDP). This net inflows are mainly explained by disbursements to the General Government, including through budget support credit facilities, the placement of securities abroad and loans linked to investment projects. Additionally, for the private sector, net direct investment flows accounted for 5.8% of GDP, slightly higher to than in 2021 (0.8%).

In 2021, the financial account recorded net inflows of U.S.$542 million (0.8% of GDP), a decrease of 3.2 percentage points of GDP compared to the previous year due to a more than proportional increase in imports compared to exports, given the economic recovery process after the public health closures of 2020. This year saw greater financing for both the public and private sectors; on the other hand, an outflow of resources was observed as a result of the acquisition of foreign securities, mainly by pension funds.

In 2020, the financial account registered net outflows of U.S.$1,483 million (2.4% of GDP), compared to net outflows of U.S.$2,660 million in 2019. This variation was mainly a result of the COVID-19 pandemic. In addition, in 2020 reserve assets decreased by U.S.$1,755 million and there was an outflow of resources used for the acquisition of securities abroad in an amount of U.S.$1,777 million.

In 2019, the financial account showed *net inflows of* U.S.$2,660 million (4.1% of GDP), a reduction of 20.8% compared to 2018. This year, greater financing was observed through direct and portfolio investment, flows that were partially offset by the outflow of resources from other investments. The result of commercial and financial transactions with the rest of the world allowed an accumulation of reserve assets of U.S.$1,393 million in 2019.

In 2018, the financial account *recorded new inflows* of U.S.$2,593 million (4.2% of GDP), an increase of 6.0% compared to the previous year. The main driver of this financial account reduction was the investment portfolio with outflows of U.S.$0.7 billion. In 2018, Costa Rica accumulated U.S.$390 million in reserve assets.

The following table sets forth Costa Rica's balance of payments for the years indicated.

Balance of Payments(1)
(In millions of U.S dollars)

	For the year ended December 31,					For the six-month period ended June 30,	
	2018	**2019**	**2020**	**2021(2)**	**2022(2)**	**2022(2)**	**2023(2)**
Current Account	(1,867)	(825)	(632)	(1,605)	(2,469)	(1,231)	(110)
Goods Trade Balance	(4,620)	(3,868)	(2,018)	(2,798)	(4,597)	(1,926)	(1,693)
Exports (f.o.b.)	11,730	11,831	12,067	14,873	16,706	8,054	9,475
Imports (f.o.b)	16,350	15,700	14,085	17,671	21,303	9,980	11,168
Services Balance	5,539	6,292	4,495	4,895	6,687	3,043	4,485
Primary income	(3,344)	(3,830)	(3,634)	(4,251)	(5,129)	(2,630)	(3,176)
Secundary income	558	581	526	550	570	282	274
Capital Account	28	32	18	19	20	11	10
Financial Account	(2,593)	(2,660)	1,483	(542)	(4,015)	162	(163)
Direct investment	(2,434)	(2,695)	(1,644)	(3,146)	(3,060)	(1,653)	(1,905)
Portfolio investment	1,032	(959)	1,777	3,417	2,833	(1,918)	(223)
Financial derivatives	(8)	(8)	(8)	(8)	(8)	(4)	(4)
Other investment	(1,183)	(1,002)	1,358	(804)	(3,779)	(99)	(611)
Change in Central Bank's international reserves	390	1,393	(1,755)	(263)	1,803	(582)	2,580
Errors and Omissions	(364)	(474)	342	781	236	801	(63)
Net lending (+) /net borrowing (-) (from financial account)	(1,839)	(793)	(614)	(1,586)	(2,449)	(1,221)	(100)

Source: Central Bank.
(1) A negative value corresponds to an inflow of resources to the Costa Rican economy and a positive value corresponds to an outflow of resources.
(2) Preliminary figures 2021-2022-2023.

Foreign Trade

Costa Rica has adopted a trade policy that is designed to integrate the country into the global economy. The implementation of this policy is reflected largely by the increase of Costa Rica's exports, the diversification of its export products and markets, the increase in foreign direct investment, and the generation of employment by the export sector.

Three decades ago, Costa Rica was significantly dependent on four traditional agricultural goods: coffee, bananas, sugar cane and beef. Since the mid-1980s, Costa Rica has continued to liberalize its economy. The promotion of exports as well as export diversification has become the focus of Costa Rica's foreign trade policy.

Today, the country exports over 4,000 different products. The quantity and variety of agricultural goods sold abroad has increased and now includes products such as watermelons, pineapples, melons, potatoes and ornamental plants. In addition, Costa Rica is exporting high-technology products, such as medicines and medical devices. The expansion of high-tech manufacturing in Costa Rica has been enhanced by the arrival of Thermo Fisher Scientific and many other companies. As a result, agricultural goods accounted for only 16.1% of Costa Rica's total exports in 2022. In addition, Changes in Costa Rica's export model and the increased aggregate value of Costa Rica's national production have resulted in export growth, on average, of 8.4% annually from 2018 to 2022.

Costa Rica has also diversified the destination of its exports during the past decade. It exports to approximately 150 countries around the world. As of December 31, 2022, approximately 43.5% of Costa Rica's exports were sent to the United States, 19.2% to the European Union, 14.8% to Central America, 6.3% to Asia and 11.5% to countries in South America and the Caribbean. In 2021, approximately 42.4% of Costa Rica's exports were sent to the United States, 19.3% to the European Union, 14.8% to Central America, 6.4% to Asia and 11.8% to countries in South America and the Caribbean.

At the same time, the levels of Costa Rican imports have increased in recent years while their composition has changed. Costa Rica imports crude oil and fossil fuels given that it has no domestic sources of hydrocarbon fuels. Imports of crude oil and other fossil fuels, as well as all refining activities, are under the control of RECOPE, a state-owned entity that has a monopoly over the importing of crude oil and other fossil fuels.

The following table sets forth information about the value of Costa Rican imports and exports for the years indicated.

Merchandise Trade Balance
(in millions of U.S dollars)

	Exports (f.o.b.)	Imports (c.i.f.)	Merchandise Trade Balance
For the year ended December 31, 2018................	11,280	16,569	(5,289)
For the year ended December 31, 2019................	11,374	15,937	(4,562)
For the year ended December 31, 2020................	11,613	13,959	(2,346)
For the year ended December 31, 2021................	14,361	18,381	(4,020)
For the year ended December 31, 2022................	15,723	21,397	(5,674)
For the nine period ended September 30, 2023.....	13,546	16,750	(3,204)

Source: Central Bank.

Exports

In the nine-month period ended September 30, 2023, the value (f.o.b) of Costa Rica exports reached U.S.$13,546 million, compared to U.S.$11,642 million registered in the same period in 2022.

In 2022, the value (f.o.b.) of Costa Rica's total exports increased by 9.5%, mainly driven by an increase in medical devices and supplies and industrial products, which represented 34.8% and 27.0% of total exports, respectively. In the agricultural sector, pineapples (40.8% of agricultural exports in 2022) and bananas (40.8% of agricultural exports in 2022) were the main exports, accounting for approximately 16.1% of total exports in the aggregate. Coffee represented 2.4% of total exports in 2022.

In 2021, the value (f.o.b.) of Costa Rica's total exports increased by 23.7% compared to a 2.1% increase in 2020, due to closures related to the COVID-19 pandemic. Service exports increased by 23.7% in 2021 compared to a 2.1% in 2020, mainly driven by a slow recovery in tourism activity in 2021. In the agricultural sector, pineapples (40.2% agricultural exports in 2021) and bananas (42.2% of agricultural exports in 2021) were the main exports, accounting for approximately 16.1% of total exports in 2022 and 17.9% in 2021. Coffee represented 2.4% of total exports in 2022 and 2.3% in 2021.

The following table sets forth the value of exports (f.o.b.) by principal products for the years indicated.

Value of Exports (F.O.B.) by Principal Products
(in millions of U.S. dollars)

	For the Year End December 31,					For the six-month period ended June 30,	
	2018	**2019**	**2020**	**2021**	**2022(1)**	**2022(1)**	**2023(1)**
F.O.B. Total Exports	11,280.2	11,374.3	11,612.6	14,360.8	15,732.2	7,482.2	9,054.7
F.O.B. Definitive Exports Regime	**5,397.5**	**5,186.1**	**5,071.0**	**5,890.0**	**6,005.0**	**2,985.9**	3,268.6
Agriculture	2,461.6	2,420.7	2,442.0	2,577.6	2,529.4	1,238.4	1,526.2
NP016 Bananas	1,031.4	1,008.2	1,108.9	1,087.0	1,031.9	482.1	628.8
NP018 Pineapples	1,033.6	986.3	932.1	1,037.1	1,033.2	500.5	579.0
Other agriculture	396.7	426.2	401.1	453.5	464.3	255.8	318.4
Industrials	2,935.8	2,765.4	2,629.0	3,312.4	3,475.8	1,747.5	1,742.4
F.O.B. Special Exports Regime	**5,882.8**	**6,188.3**	**6,541.6**	**8,470.4**	**9,718.0**	**4,496.3**	**5,786.3**
NP112 Medic and Dental Instruments and Supplies	3,060.2	3,390.6	3,605.2	4,821.1	5,471.9	2,473.0	3,371.8
Other Products	2,822.6	2,797.7	2,936.4	3,649.3	4,246.1	2,023.3	2,414.2

(1) Preliminary figures.
Source: Central Bank.

PROCOMER is charged with designing and coordinating export and investment programs. PROCOMER has opened trade promotion offices (*oficinas de promoción comercial*) in Canada, Chile, China, Colombia, the Dominican Republic, El Salvador, Honduras, Germany, Guatemala, Israel, Italy, Mexico, Netherlands, Nicaragua, Panama, Peru, South Korea, Spain, Trinidad and Tobago, the United Arab Emirates, the United Kingdom and the United States.

Imports

In 2022, Costa Rica imported U.S.$21.4 billion in goods and services, driven by an increase in travel (70.6%) and transportation (13.3%) services, compared to 2021. The main imported goods in 2022 were raw materials and intermediate products, which represented 40.3% of total imports, and capital goods for the electrical and telecommunications industry, which represented 12.6% of total imports.

In 2021, imports (including goods and services) increased by 31.7%, recovering from the 12.4% decrease registered in 2020 due to the COVID-19 pandemic. Imports of goods increased by 16.2%, mainly due to a major amount of imported fuels and intermediate products. Services imports increased by 12.2%, due to an increase in tourism services, consistent with overall consumption.

Imports of goods and services decreased by 12.4% in 2020, primarily due to a decrease in the imports of raw materials, intermediate products and hydrocarbons.

In 2019, imports of goods and services decreased by 3.8%, primarily due to a reduction in imports of raw materials and intermediate products, durable goods and capital goods for industry and telecommunications.

During 2017 and 2018, imports steadily increased, primarily pushed by greater expenditure in consumer goods and hydrocarbons.

The following table sets forth the value of imports (c.i.f.) by principal products for the years indicated.

Value of Imports (C.I.F.) by Economic Sectors
(in millions of U.S dollars)

	For the Year Ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021	2022 (1)	2022 (1)	2023 (1)
Non-durable consumer goods.	2,520.1	2,595.1	2,567.0	2,881.0	3,143.9	1,441.2	1,694.9
Semi-durable consumer goods	997.8	972.2	842.1	1,081.2	1,154.2	475.2	550.8
Durable consumer goods........	1,645.0	1,499.8	1,227.4	1,563.4	1,767.1	822.0	1,024.6
Fuels, lubricants and related products	1,646.9	1,623.6	907.3	1,667.6	2,648.4	1,396.8	1,245.6
Raw materials and intermediate products for agriculture	522.0	509.9	487.9	606.5	904.1	456.3	444.1
Raw materials and intermediate products for industry..............................	5,418.0	5,155.7	4,751.9	6,728.3	7,574.3	3,515.5	3,866.4
Construction materials...........	859.9	760.8	652.3	877.4	940.0	437.8	521.3
Capital goods for agriculture..	182.6	211.1	74.0	113.5	109.6	55.5	51.3
Capital goods for industrial, electric and telecommunications............	2,250.5	2,105.2	2,086.3	2,421.9	2,661.6	1,219.6	1,394.6
Transportation equipment......	523.2	500.7	361.9	437.1	490.5	213.6	329.1
Miscellaneous	3.5	2.6	0.9	2.9	3.7	0.9	3.1
Total	**16,569.4**	**15,936.6**	**13,959.0**	**18,380.8**	**21,397.3**	**10,034.0**	**11,125.9**

(1) Preliminary figures.
Source: Central Bank.

Direction of Trade

In the six-month period ended June 30, 2023, the United States was Costa Rica's most important trading partner for both exports (44.5% of total exports) and imports (39.8% of total imports). During such period, Europe was the second export partner with 20.9% of total exports and the third largest import partner with 13.4% of total imports. The Central American Common Market formed by Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua ("CACM") accounted for 14.5% of total exports and 5.9% of total imports.

In 2022, imports from the United States represented 40.2% of total imports, and exports to the United States were 43.5% of total exports in 2022. In 2021, trade with the United States accounted for approximately U.S.$7.2 billion, or 38.9% of total imports, and approximately U.S.$6.1 billion, or 42.4% of total exports.

Trade with members of the CACM increased between 2007 and 2017 as the economies of these countries became more stable, until 2018, when social conflicts in Nicaragua decreased the volume of trade. In 2022, exports to CACM countries reached U.S.$2.3 billion and imports reached U.S.$1.2 billion. Exports to CACM countries increased by U.S.$193.4 million in 2022, totaling U.S.$2.3 billion and by U.S.$441 million in 2021, totaling U.S.$2.1 billion. Imports from CACM countries totaled U.S.$1.2 billion in 2022, U.S.$1.1 billion in 2021 and U.S.$872.7 million in 2020.

The following table sets forth the value of exports (f.o.b.) by country for the years indicated.

Value of Exports (C.I.F.) by Country and Percentage of Total
(in millions of U.S. dollars)

	For the Year Ended December 31,					For the six-month period ended June 30,	
	2018	2019	2020	2021	2022 (1)	2022 (1)	2023 (1)
Central America....	**1,742.5**	**1,697.9**	**1,685.4**	**2,126.5**	**2,319.9**	**1,075.7**	**1,314.9**
Guatemala...........	570.2	581.4	583.8	701.1	817.2	376.8	434.8
El Salvador	295.7	291.4	295.4	367.1	387.2	185.6	230.5
Honduras	395.2	375.9	350.5	478.3	519.9	233.6	312.5
Nicaragua............	481.3	449.2	455.7	579.9	595.7	279.7	337.1
North America	**4,814.1**	**5,044.3**	**5,259.0**	**6,536.6**	**7,297.2**	**3,448.3**	**4,220.9**
Canada................	80.6	105.5	76.1	98.2	94.6	49.5	46.0
United States.......	4,447.5	4,713.2	4,928.7	6,082.8	6,835.2	3,199.4	4,029.1
Mexico...............	286.0	225.7	254.2	355.3	367.4	199.4	145.8
Caribbean Countries	**192.7**	**194.4**	**178.3**	**206.5**	**234.2**	**109,9**	**183.2**
Other Latin America Countries	**1,288.7**	**1,186.4**	**1,108.4**	**1,495.1**	**1,575.6**	**730.9**	**793.5**
Europe...................	**2,489.0**	**2,546.4**	**2,605.8**	**3,005.6**	**3,244.2**	**1,593.4**	**1,889.3**
Germany.............	137.3	167.6	116.9	143.8	132.6	68.7	89.0
Spain	176.7	176.6	179.9	211.5	210.1	97.4	165.2
Belgium and Luxembourg......	678.7	713.0	617.5	760.0	817.5	398.5	424.1
Italy....................	178.8	167.0	156.1	177.8	161.3	77.7	112.6
United Kingdom..	203.8	225.2	236.4	233.9	229.9	111.7	150.8
Other Europe.......	1,113.6	1,097.1	1,299.0	1,478.6	1,692.9	839.4	947.5
Asia........................	**712.2**	**657.2**	**733.8**	**922.1**	**988.5**	**496.8**	**617.5**
Japan	240.8	243.5	257.1	258.3	266.9	134.4	219.6
South Korea........	36.3	33.0	79.6	87.5	80.0	52.1	33.4
Others.................	435.1	380.8	397.1	576.2	641.6	310.3	364.5
Oceania..................	**30.6**	**31.0**	**17.1**	**27.7**	**24.0**	**9.8**	**11.8**
Africa	**10.5**	**16.7**	**24.9**	**40.7**	**39.2**	**17.0**	**21.0**
Others....................	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**0.4**	**0.0**
Total......................	**11,280.2**	**11,374.3**	**11,612.6**	**14,360.4**	**15,723.2**	**7,482.2**	**9,052.1**

(1) Preliminary figures.
Source: Central Bank.

Value of Imports (F.O.B.) by Principal Products
(in millions of U.S. dollars)

	For the Year Ended December 31,					For the six-month period ended June 30,	
	2018	**2019**	**2020**	**2021**	**2022(1)**	**2022(1)**	**2023(1)**
Central America	916.3	904.8	872.7	1,076.6	1,225.0	592.0	656.2
El Salvador	242.2	232.3	204.7	240.6	278.1	137.7	141.2
Guatemala	415.2	398.6	407.3	500.7	570.5	265.3	300.3
Honduras	109.7	116.8	115.5	155.9	159.2	74.5	82.7
Nicaragua	149.1	157.1	145.2	179.3	217.3	114.5	132.0
North America	7,760.8	7,376.8	6,337.5	8,536.3	10,176.7	4,865.2	5,273.0
Canada	154.2	159.5	166.2	198.7	256.8	112.3	136.5
United States	6,439.9	6,130.3	5,200.5	7,154.3	8,599.6	4,129.0	4,430.7
Mexico	1,166.7	1,087.0	970.8	1,183.2	1,320.4	623.9	705.8
Caribbean Countries	21.0	12.3	14.6	18.6	7.7	1.9	3.1
Others Latin America	1,515.6	1,440.9	1,314.1	1,663.0	2,022.6	858.8	998.7
Europe	1,965.9	2,141.6	1,867.6	2,385.5	2,626.2	1,249.4	1,486.6
Germany	414.3	384.6	378.1	418.1	501.1	240.8	278.7
Spain	259.7	258.4	247.7	353.2	377.2	171.8	189.4
Belgium and Luxembourg	81.1	63.7	63.9	123.7	124.5	49.2	59.6
Italy	214.6	195.7	191.1	218.3	236.5	107.7	148.9
United Kingdom	126.0	118.3	106.3	120.2	125.1	52.0	83.6
Other Europe	870.1	1,120.7	880.4	1,152.1	1,261.8	628.1	726.3
Asia	3,918.6	3,581.3	3,418.5	4,664.8	5,267.4	2,421.5	2,672.8
Japan	375.8	351.7	296.3	370.7	439.3	209.1	203.0
South Korea	188.8	164.6	146.0	225.8	250.3	123.6	146.4
Others	3,353.9	3,065.0	2,976.1	4,068.3	4,577.8	2,088.9	2,323.4
Oceania	19.6	13.8	19.5	16.1	20.1	10.8	8.6
Africa	40.0	19.4	13.6	19.9	50.4	33.8	26.3
Others	411.6	445.7	100.9	0.1	0.8	0.4	0.6
Total	**16,569.4**	**15,936.6**	**13,958.9**	**18,380.8**	**21,397.0**	**10,034.0**	**11,125.9**

(1) Preliminary figures.

Source: Central Bank.

Foreign Investment

The Costa Rican economic development model is based on international economic integration, export diversification and foreign direct investment. One of the key elements of this strategy is the diversification of investors. Historically, the United States has been the main source for foreign direct investment in Costa Rica, while traditional partners such as Central American and European countries have remained significant partners in investment and job creation.

Foreign direct investment inflows in Costa Rica are significantly different from those in the rest of Latin America. While most other Latin American countries attract foreign direct investment channeled toward natural resources sectors, Costa Rica has concentrated foreign direct investment inflows in technology and knowledge-intensive areas. Costa Rica has been diversifying its sources of foreign direct investment to service industries such as design, business services, development and testing, research and development, education and training services.

The regulatory framework governing foreign investment in Costa Rica currently imposes limited foreign investment restrictions. One such restriction is a prohibition on investment in certain border areas, such as Costa Rica's coastline. Pursuant to the Maritime Land Zone Law No. 6,043 (*Ley sobre la Zona Marítimo Terrestre*) effective since 1977, only the Legislative Assembly may grant permits or grant concessions in areas permanently covered by the sea, adjacent to the coastline. This prohibition is not applicable to protection and rescue facilities authorized by a municipality. Costa Rica's Constitution provides for equal treatment of foreigners and Costa Rican citizens.

On July 14, 2023, Costa Rica announced that it will be joining forces with the United States' Department of State to explore opportunities to diversify and expand the global semiconductor ecosystem. The U.S. will be supporting Costa Rica's semiconductor sector through the CHIPS and Science Act to increase foreign direct investment in the country.

In 2022, Costa Rica received U.S.$3.2 billion in foreign direct investment, mainly in the manufacturing sector, which represented 67.5% of total investment. In 2021, Costa Rica received U.S.$3.2 billion in foreign direct investment, compared to U.S.$1.8 billion in 2020, U.S.$2.8 billion in 2019 and U.S.$2.5 billion in 2018.

According to official statistics, foreign direct investment in the manufacturing sector accounted for 76.9%, 74.1%, 65.3%, 58.7% and 54.0% of total foreign direct investment in 2022, 2021, 2020, 2019 and 2018, respectively. Foreign direct investment in the services sector accounted for 4.4%, 13.8%, 19.2%, 23.1% and 26.9% of total foreign direct investment in 2022, 2021, 2020, 2019 and 2018, respectively. These increases were a result of the Government's policies to promote foreign trade, including the special export regime that established the FTZ and the AFR.

In 2021, the United States accounted for 78.8% of total foreign direct investment in Costa Rica, compared to 66.0% in 2020. Between 2018 and 2021, an average of approximately 70.0% of the foreign direct investment received by Costa Rica originated from the United States.

In 2021, European countries accounted for 7.2% of total foreign direct investment (the second largest source of foreign direct investment) in Costa Rica, compared to 5.7% in 2020. Mexico and Central America each accounted for 2.7% of the foreign direct investment in 2021, however in the 2018 to 2021 period they accounted for an average of 2.0% and 3.4% respectively. Most of this foreign direct investment takes the form of medical devices manufacturing microchips, shared services and hotel development projects.

The following table sets forth gross foreign direct investment by economic sector for the years presented.

Gross Foreign Direct Investment by Economic Sector and Percentage of Total
(in millions of U.S. dollars and percentages of total)

	For the Year Ended December 31,									
	2018		**2019**		**2020**		**2021 (1)**		**2022 (1)**	
Agriculture......	69.3	2.8	(10.2)	(0.4)	(62.6)	(3.6)	(64.4)	(2.0)	(4.5)	(0.1)
Manufacturing.	1,351.8	54.4	1,667.9	59.3	1,163.1	66.0	2,425.4	75.1	2,136.6	67.5
Commerce.......	81,4	3.3	178.9	6.4	94.5	5.4	90.4	2.8	86.4	2.7
Tourism..........	23,3	0.9	53.9	1.9	20.6	1.2	132.8	4.1	250.1	7.9
Real Estate......	274.7	11.0	443.5	15.8	243.9	13.8	246.8	7.6	267.9	8.5
Services..........	686.8	27.6	478.2	17.0	303.2	17.2	400.1	12.4	427.3	13.5
Total...............	2,487.2	100.0%	2,812.3	100.0%	1,762.7	100.0%	3,231.1	100.0%	3,163.9	100.0%

Source: Central Bank
(1) Preliminary figures.

MONETARY SYSTEM

Central Bank

The Central Bank is the monetary authority of Costa Rica, and its primary purpose is to maintain the internal and external stability of the economy and the soundness of the financial system. The Central Bank is the sole issuer of Costa Rica's official currency, the colón. The Central Bank also acts as lender of last resort to the national banking system. Furthermore, the Central Bank enacts monetary policy through discount facilities, open-market operations and the establishment of reserve requirements for financial institutions. See "—Monetary Policy." In addition, the Central Bank manages international reserves and is responsible for the supervision of foreign exchange regulations applicable to financial institutions. See "—Foreign Exchange and International Reserves."

The Costa Rican Central Bank Charter (*Ley Orgánica del Banco Central de Costa Rica*) ("Central Bank Charter"), effective since 1995, grants the Central Bank a high level of autonomy. The Central Bank is restricted from financing Government activities, except for special circumstance where the Central Bank may purchase three month Costa Rican treasury bills up to an amount equal to 5.0% of the Government's annual budget, as established in the Law of the Financial Administration of the Republic and Public Budgets. Pursuant to the Central Bank Charter, the board of directors of the Central Bank is entitled to decide what circumstances are to be considered "special." However, the board of directors of the Central Bank must inform the Legislative Assembly the day after it declares a special circumstance warrants the purchase of Costa Rican treasury bills. In such event, the three-month Costa Rican treasury bills must be redeemed within the same fiscal year in which they were purchased.

On February 28, 2019, the Legislative Assembly approved Law No. 9,670 which amends the Central Bank Charter in accordance with the recommendations of the OECD. This amendment strengthens the independence of the Central Bank by: (i) reducing the term of the president of the Central Bank from five years to four years; (ii) modifying the timing of appointment of the Central Bank's president to 12 months after the beginning of the new President's term to ensure the Central Bank's president serves under more than one President; and (iii) removing the Minister of Finance's membership in and right to vote as part of the board of directors of the Central Bank but retaining his or her right to attend and participate in those meetings. For additional information on the amendment to the Central Bank Charter.

The other seven members of the board of directors of the Central Bank are appointed by the Government Council for terms of 90 months. Such appointments must be ratified by the Legislative Assembly. Central Bank board members (including the President) may not be removed except under certain limited circumstances.

The Central Bank Charter stipulates that the Central Bank must publish its macroeconomic program during the first 30 days of each semester. However, on January 5, 2022, the Board of Directors of the Central Bank decided, starting at that time, to publish only one document called the "*Informe de Política Monetaria*" (Monetary Policy Report) in lieu of the macroeconomic program. This document would be published quarterly in January, April, July and October of each year. The Monetary Policy Report establishes the Central Bank's inflation target and the orientation of its monetary and exchange rate policies. The President of the Central Bank must inform the Legislative Assembly once a year with respect to the execution of monetary and exchange rate policies, credit growth and the use of international reserves, as well as the actions taken to meet the inflation target and the promotion of conditions to strengthen and foster proper functioning of the national banking system.

The following tables set forth the summary balance sheet of the Central Bank as of the dates indicated.

Summary Balance Sheet of the Central Bank
(in millions of current colones)

	As of December 31,					For the seven-month period ended July 31,	
	2018	2019	2020	2021	2022	2022	2023
Net International Reserves	4,529,902	5,080,838	4,459,787	4,463,930	5,147,022	4,394,947	6,231,133
Total Domestic Credit	(15,929)	(548,991)	(35,480)	(306,032)	(604,986)	(434,713)	(1,195,301)
Government	(15,929)	(548,991)	(35,480)	(306,032)	(604,986)	(434,713)	(1 195 301)
Other Net Assets	1,034,937	538,650	378,125	865,319	1,527,731	813,754	1,034,209
Monetary Base	2,812,517	2,667,414	3,033,124	3,154,635	3,605,352	2,997,089	3,418,808
Open Market Operations	1,993,363	1,917,957	1,625,617	1,404,230	1,385,296	1,317,922	1,658,452
External Debt	743,031	485,126	143,691	464,351	1,079,120	458,979	992,780

Source: Central Bank.

Summary Balance Sheet of the Central Bank(1)
(in millions of current U.S. dollars)

	As of December 31,					For the seven-month period ended July 31,	
	2018	2019	2020	2021	2022	2022	2023
Net International Reserves	7,536	8,938	7,357	6,998	8,677	6,451	11,451
Total Domestic Credit	(26)	(966)	(59)	(480)	(1,020)	(638)	(2,197)
Government	(26)	(966)	(59)	(480)	(1,020)	(638)	(2,197)
Other Net Assets	1,722	948	624	1,356	2,575	1,194	1,901
Monetary Base	4,679	4,693	5,004	4,945	6,078	4,399	6,283
Open Market Operations	3,316	3,374	2,682	2,201	2,335	1,934	3,048
External Debt	1,236	853	237	728	1,819	674	1,824

(1) Amounts in U.S. dollars were converted from colones using the average exchange rate for the period indicated.
Source: Central Bank

Monetary Policy

Costa Rica's main monetary policy objective since 2016 has been to keep inflation within one percentage point of its 3% target and to foster a stronger net international reserve position.

From 1983 to 2004, the Central Bank guided its monetary policy by targeting monetary aggregates. Central Bank bills (mostly with six- and 12-month maturities) and bonds were the main instruments to control the money supply and attain inflation and international reserves objectives in the context of a crawling-peg exchange rate system. In 2004, the Central Bank started using 30-day deposit rates as its reference for the monetary policy rate. In 2006, the reference rate shifted to the rate on one-day deposits at the Central Bank and in 2008 the reference rate shifted to the rate on one-day Central Bank credit in the interbank market. In November 2010, an interest range for the one-day rate was formed between the permanent credit facility rate (one-day lending rate) and the permanent deposit facility rate. Over the last 12 years, the Central Bank has shifted the reference for the monetary policy rate toward shorter-term instruments. As established in 2008 by the Central Bank's board of directors, the Central Bank still uses longer-term bills and bonds to compensate for the impact on liquidity of the Central Bank deficit and international reserve accumulation, while using very short-term instruments to calibrate its monetary policy to attain its inflationary target. Longer-term bills and bonds are placed through auctions by the Central Bank, which currently are carried out about once a month.

In addition to the floor and ceiling rates established by the one-day deposit and credit facilities, the Central Bank manages liquidity through one-day auctions in local currency that allow it to keep the market interest rate close to the policy rate level. Seven- and 14-day auctions are used as a complement to one-day auctions when stronger corrections in the stock of liquidity are required. In December 2021, the Central Bank also implemented short-term (14 and 28 days) auctions in U.S. dollars, made through the Integrated Liquidity Market, in order to make available instruments denominated in this currency to the economic agents.

In June 2011, the reference rate shifted to the mid-point of a range defined by the rates on one-day deposit and credit facilities of the Central Bank. The range, as of June 30, 2022, was 150 basis points wide, with 4.75% as the floor and 6.25% as the ceiling.

In January 2018, the Central Bank adopted an inflation-targeting regime. See "—Monetary Policy Rate." Currently, the most important tool in the inflation-targeting regime used by the Central Bank, and a common practice in central banking, is the use of short-term interest rates.

In 2022, the Central Bank's monetary policy was aimed at two challenges: on the one hand, the growing increase in inflation, and on the other, the pressure of the foreign exchange market.

The acceleration of inflation is explained primarily by the increase in the international prices of raw materials (especially hydrocarbons), while the pressures in the foreign exchange market are a consequence of the higher foreign exchange requirements of the non-banking public sector and pension operators. In the case of the non-banking public sector, the greater demand for foreign currency is related to the increase in the oil bill, due to the rise in the international price of oil, and to debt payments in foreign currency. With regards to pension operators, their greater demand stems from their decision to diversify their portfolio of securities with international financial assets. This diversification process began several years ago, but intensified in the second half of 2020, a period that coincided with the height of the pandemic.

To avoid the persistence of inflationary pressures that go beyond the global price shock, the Central Bank Central Bank increased the MPR seven times for an accumulated 775 basis points, reaching 9.0% as of December 31, 2022. In June 2023, the Central Bank reduced the monetary policy rate to 7.0%.

As a complementary measure to the increase in the MPR, the Central Bank decided to gradually increase the minimum legal reserve requirement in national currency, bringing it from 12.0% to 15.0% in July 2022. The purpose of this measure was to prevent the excess liquidity shown by financial intermediaries from exacerbating inflationary pressures.

Following such measures, the liquidity of the financial system began to decrease, largely due to the monetary contraction associated with the sale of foreign currency to the public sector and pension operators, and it is to be expected that liquidity will decrease in the short term even more, once the monetary stabilization attributable to the increase in the minimum legal reserve is effective.

Additionally, the Central Bank took several preventive measures aimed at improving the country's financial armor. Among these measures, the following stand out:

- The placement of debt instruments in foreign currency to increase domestic supply of financial saving options. In addition to capturing short-term deposits (14 and 28 days) in the MIL, in force since December 10, 2021, as of June 2022 the Central Bank began auctions of monetary stabilization bonds in dollars at terms of three and five years.

- The request of a loan to support the balance of payments from the Latin American Reserve Fund (FLAR) for U.S.$1.1 billion. On August 11, 2022, the FLAR confirmed the approval of this loan and disbursed it to the Central Bank on August 19, 2022.

- The reduction of MONEX trading hours to one hour (from noon to 1:00 p.m.) as of June 6, 2022, in order to facilitate the meeting between buyers and sellers and, thereby, improve price formation in said market.

Monetary Policy Rates

In January 2018, the Central Bank officially adopted the scheme of explicit inflation targets to conduct its monetary policy. Within this framework, its Board of Directors defined the explicit goal of inflation at 3% with a tolerance margin of ± 1 percentage point for a horizon of 12–14 months.

The main instrument to indicate the state of monetary policy is the MPR, which is reviewed in accordance with a calendar approved by the Board of Directors at the beginning of each year. The MPR is a benchmark for the cost of liquidity and it is sought that changes in it are transmitted to the rest of the interest rates of the financial system and affect savings and investment decisions.

In addition, the Central Bank makes use of two other monetary policy instruments: the minimum legal reserve and the active management of its liquidity and debt instruments to control the evolution of liquidity and monetary aggregates.

To maintain the medium-term inflation forecast within the target range, in 2018, the Central Bank increased the MPR twice for an accumulated 50 basis points, with which said rate stood at 5.25%. The adjustments in the MPR took into account the growing trajectory of inflation and the upward trend in the price of oil.

In 2019, the internal and external economic conditions allowed the Central Bank to initiate a cycle of countercyclical monetary policies aimed at stimulating credit demand and economic reactivation without risking its primary objective of maintaining low and stable inflation.

In line with the above, in 2019, the Central Bank reduced the MPR seven times for an accumulated 250 basis points, reaching 2.75% as of December 31, 2019.

In 2020, the Central Bank intensified the expansionary and countercyclical monetary stance applied since 2019 to mitigate the impact of the COVID-19 pandemic on households and businesses. In this sense, it reduced the MPR on three occasions for an accumulated 200 basis points until placing it at 0.75% per year in December 2020, its historical minimum. With this, it sought to promote the reduction of interest rates in the national financial system, improve the conditions for new credits and alleviate the financial burden of debtors who formalized loans with variable interest rates.

This position was supported by the opening of a special credit facility and by injections of liquidity to ensure the stability of the financial system and the payments system. The actions of the Central Bank were complemented by the decision of the CONASSIF to relax prudential regulations and help people who had debts with the national financial system while guaranteeing the stability of said system.

In 2021, the macroeconomic conditions of the country improved with respect to the previous year, but high unemployment and a negative output gap persisted. This allowed the Central Bank to maintain the expansionary monetary policy to support the recovery of the economy after the significant fall registered in 2020. The Central Bank kept the MPR at 0.75% for most of 2021. The only adjustment made was on December 16, 2021 when it increased it by 50 basis points, placing it at 1.25% per year.

In 2022, the Central Bank the Central Bank increased the MPR seven times for an accumulated 775 basis points, reaching 9.0% as of September 15, 2022. In addition, as of June 2022, the minimum legal reserve and liquidity reserve rate for operations in national currency decreased from 15% to 12%. This last measure sought to increase the availability of loanable resources, reduce the cost of raising funds in colones to stimulate credit to the private sector and promote financial de-dollarization.

In June 2023, the Central Bank reduced the monetary policy rate to 7.0%. These adjustments to the MPR seek to keep the inflation rate in the medium term within the tolerance range around the target.

The following table sets forth interest rates on Central Bank instruments and the monetary policy rate as of the dates indicated.

Interest Rates on Central Bank Instruments and Monetary Policy Rate

	1-day market rate	Monetary Policy Rate
March 31, 2018	5.0%	5.00%
June 30, 2018	5.1%	5.00%
September 30, 2018	5.3%	5.00%
December 31, 2018	5.8%	5.25%
March 31, 2019	5.1%	5.00%
June 30, 2019	4.5%	4.50%
September 30, 2019	3.8%	3.75%
December 31, 2019	2.7%	2.75%
March 31, 2020	1.2%	1.25%
June 30, 2020	0.7%	0.75%
September 30, 2020	0.8%	0.75%
December 31, 2020	0.8%	0.75%
March 31, 2021	0.8%	0.75%
June 30, 2021	0.8%	0.75%
September 30, 2021	0.8%	0.75%
December 31, 2021	1.3%	1.25%
March 31, 2022	2.5%	2.50%
June 30, 2022	5.5%	5.50%
September 30, 2022	8.5%	8.50%
December 31, 2022	8.9%	9.00%
March 31, 2023	8.5%	8.50%
June 30, 2023	7.0%	7.00%

Source: Central Bank.

Inflation

During the 2018 to 2020 period, the average inflation rate was 1.5%. The average inflation rate for such period was significantly lower than the average inflation rate observed over the last 30 years, reflecting lower inflationary pressures from abroad but also a shift, beginning in 2006, from a crawling peg exchange regime to a crawling band regime and, since 2015, to a managed floating exchange regime that, together with the negative impact of international commodity prices, helped break the historic inflation inertia of previous periods. In particular, in 2020, general inflation was below the tolerance range for the inflation target (2% to 4%), standing at 0.9% in December 2020. This disinflationary pressures intensified as of April 2020, due to factors associated with the COVID-19 pandemic, as well as the base effect of the introduction of the value-added tax in July 2019.

During 2021, inflation gradually accelerated starting in the second quarter, entered the tolerance range for the Central Bank target in September (for the first time in 23 months) and ended the year at a rate of 3.3%. The rise in inflation was largely due to the presence of base effects and external forces associated with growing international inflation. It was also consistent with the dissipation of some disinflationary forces present in the Costa Rican economy since 2019 and accentuated in 2020 by the pandemic. For example, due to the boost in the pace of economic growth observed in the second half of 2021, it is estimated that the output gap (that is, the difference between the level of production and its potential) tended to close, which reduced the downward pressure on prices and wages. In addition, the inflation expectations of the survey aimed at financial analysts, economic consultants and businessmen presented 12-month values close to the upper limit of the tolerance range defined for inflation (median of 3.8% in December 2021).

In 2022, inflation continued to increase. In December 2022, the annual inflation rate was 7.9%, up from 3.5% in January 2022. This increase is mainly due to external pressures registered since 2021 and intensified since February 2022 driven by the conflict between Russia and Ukraine, mainly manifested in the increase in the prices of food and oil derivatives. The war has also influenced the tensions in the production and supply chains worldwide.

Added to the imported inflationary pressure is the domestic one, a base effect associated with the relatively low inflation registered in the first seven months of 2021 because of the pandemic and the depreciation of the colón, which was reverted when the measures to contain the COVID-19 pandemic were eased combined with an appreciation of the colón in the fourth quarter of 2022.

The money supply grew in accordance with the inflation target and the level of economic activity. The broad monetary aggregates and credit to the private sector grew suggests that monetary factors did not generate excess aggregate demand that caused inflationary pressures.

The following table sets forth changes in the CPI and the industrial producer price index (IPPI) for the years indicated.

Inflation
(percentage change)

	Consumer Prices	Industrial Producer Prices
	For the Year Ended December 31,	
2018	2.03%	4.28%
2019	1.52%	(0.26%)
2020	0.89%	2.67%
2021	3.30%	13.94%
2022	7.88%	8.07%
2023[1]	(1.75%)	(3.62)%

(1) Information as of September 30, 2023.
Source: Central Bank.

Liquidity and Credit Aggregates

In the 2018-2022 period, the behavior of monetary aggregates and total credit in the financial system was consistent with the growth shown by economic activity, the Central Bank's inflation target and the gradual increase in the level of financial deepening.

Quasi–money (which includes less liquid financial instruments such as time deposits) had an average growth in the 2018-2022 period of around 5.8%, higher than the average nominal GDP growth rate in that same period (close to 2.6%). Separating by currency, a greater growth of quasi-money in dollars was observed as of 2020 as a result of low loan interest rates in local currency and greater expectations of an increase in the exchange rate, a situation that was reversed in 2022 when, due to increases in the interest rate in colones and an appreciation of the currency, quasi-money in dollars decreased.

The total net credit of the financial system showed an average annual change of 4.0% (2.8% to the private sector) for the period 2018–2022, very close to the average growth of nominal GDP in the same period. Throughout this period, credit to the private sector in national currency presented annual growth rates lower than the credit granted in foreign currency, so the participation of credit in dollars in the total portfolio went from 36.1% in December 2018 to 37.3% in December 2022. This increased preference for credit operations in foreign currency is the result of a greater internalization of exchange risk by economic agents. The economic activities with the greatest relative importance in the granting of credit, mainly in colones, were consumption, housing, services and commerce.

In September 2023, the participation of foreign currency and domestic currency in the total liquidity was 33.6% and 48.5%, respectively.

The following table sets forth the composition of Costa Rica's monetary base (expressed in terms of the Central Bank's monetary liabilities) and net international reserves as of the dates indicated.

Monetary Base and the Central Bank's International Reserves
(in millions of U.S. dollars)

	As of December 31,					As of September 30,	
	2018	**2019**	**2020**	**2021**	**2022**	**2022**	**2023**
Net international reserves of Central Bank	7,495	8,938	7,357	6,998	8,677	7,451	11,309
Total credit	(26)	(966)	(59)	(480)	(1,020)	(581)	(1,190)
Domestic credit	(26)	(966)	(59)	(480)	(1,020)	(581)	(1,190)
Government	(26)	(966)	(59)	(480)	(1,020)	(581)	(1,190)
Official Entities	0	0	0	0	0	0	0
Foreign Credit	0	0	0	0	0	0	0
Other Net Assets	1,722	948	624	1,356	2,575	2,214	2,079
Total	**9,190**	**8,920**	**7,922**	**7,874**	**10,232**	**9,084**	**12,198**
Monetary Base	4,679	4,693	5,004	4,945	6,078	5,519	6,639
Central Bank Control Instruments	3,316	3,374	2,682	2,201	2,335	2,128	3,775
Long-Medium run foreign financing	1,236	853	237	728	1,819	1,737	1,785
Total	**9,231**	**8,920**	**7,922**	**7,874**	**10,232**	**9,084**	**12,198**

(1) Amounts in U.S. dollars were converted from colones using the average exchange rate for the period indicated.
Source: Central Bank.

The following table sets forth selected monetary indicators as of the dates indicated.

Selected Monetary Indicators
(percentage change, except as indicated)

	As of December 31,					As of August 31,
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
M1	7.1%	16.4%	31.0%	7.8%	(9.6%)	**9.4%**
Quasi-money	5.0%	1.9%	10.0%	8.1%	4.2%	**(2.9)%**
In foreign currency	9.7%	(2.5)%	18.6%	15.4%	0.3%	**(15.6)%**
In domestic currency	1.8%	5.2%	4.2%	2.4%	7.5%	**8.6%**
Total Net Credit	5.6%	(2.0)%	9.3%	8.0%	(0.9)%	**(2.9)%**
Government	0.9%	(10.5)%	74.0%	29.8%	(23.7)%	**(16.2)%**
Private Sector	6.2%	(2.3)%	2.8%	3.9%	3.4%	**(1.1)%**

Source: Central Bank.

Liquidity and Credit Aggregates
(in millions of colones)

	As of December 31,					As of September 30, 2023
	2018	2019	2020	2021	2022	
Liquidity aggregates....	21,519,039	22,399,223	25,425,086	27,468,209	27,886,891	27,808,435
M1..............................	3,196,375	3,721,384	4,876,354	5,255,996	4,750,104	4,984,579
NPP	870,409	896,130	1,036,079	968,846	994,307	886,759
Current account deposits in colones.	2,325,966	2,825,255	3,840,274	4,287,150	3,755,797	4,097,820
Quasi-money...............	18,322,664	18,677,838	20,548,732	22,212,213	23,136,787	22,823,856
In foreign currency ..	7,772,270	7,578,733	8,987,539	10,368,879	10,400,897	9,345,797
In domestic currency	10,550,393	11,099,105	11,561,194	11,843,334	12,735,890	13,478,060
Total net credit............	23,660,933	23,193,800	25,361,930	27,398,930	27,154,811	27,231,714
Net Government......	2,175,205	1,946,936	3,388,228	4,397,534	3,353,423	3,462,817
Rest of Public Sector	291,293	540,637	679,126	882,593	933,298	1,002,367
Non-financial Private Sector.........	21,194,434	20,706,227	21,294,575	22,118,800	22,868,090	22,766,531

Source: Central Bank.

Liquidity and Credit Aggregates
(in millions of current U.S. dollars)

	As of December 31,					As of September 30, 2023
	2018	2019	2020	2021	2022	
Liquidity aggregates .	35,799	39,405	41,942	43,058	47,011	51,861
M1...........................	5,317	6,547	8,044	8,239	8,008	9,296
NPP	1,448	1,576	1,709	1,519	1,676	1,654
Current account deposits in colones	3,869	4,970	6,335	6,720	6,331	7,642
Quasi-money............	30,481	32,858	33,898	34,819	39,003	42,565
In foreign currencies	12,930	13,333	14,826	16,254	17,534	17,429.4
In domestic currency..............	17,552	19,526	19,072	18,565	21,470	25,135.8
Credit aggregates......	39,362	40,803	41,838	42,950	45,777	50,786
Government..........	3,619	3,425	5,589	6,893	5,653	6,458
Rest of Public Sector	485	951	1,120	1,384	1,573	1,869.36
Non-financial Private Sector......	35,259	36,426	35,129	34,673	33,741	42,458

(1) Amounts in U.S. dollars were converted from colones using the average exchange rate for the period indicated.
Source: Central Bank.

Foreign Exchange and International Reserves

Foreign Exchange

The foreign exchange market during 2018 can be analyzed by splitting it into three periods. In the first period, from January to June, the operations of the foreign exchange intermediaries with the public (over the counter) registered an accumulated surplus of U.S.$928.9 million, which allowed the foreign exchange requirements of the non-banking public sector to be met and the exchange rate to remain relatively stable. Between July and November, on the other hand, there were strong exchange rate tensions. In this period, the behavior of the foreign exchange market was affected by factors from both the international and local environments.

The third period occurred in December 2018 when there was a significant change in the behavior of the foreign exchange market. Foreign exchange intermediaries accumulated a net surplus of U.S.$65.6 million, which reduced the upward pressure on the exchange rate, corrected expectations of a downward exchange rate variation (they went from 5.8% in October to 3.9% in December) and allowed the Central Bank to return to the foreign exchange market part of the foreign currency sold to the non-banking public sector in previous months. The exchange rate fell to ₡608.07 per U.S. dollar as of December 31, 2018 (representing an increase of 6.1%).

The greater availability of foreign currency in 2019 was reflected in a 6.0% depreciation of the colón vis-à-vis the U.S. dollar; returning approximately to the levels observed before the exchange tensions of the second half of 2018. This behavior responded to internal factors as well as conditions in the international environment, particularly the drop in international interest rates.

Although the public health measures applied by authorities in an effort to contain the COVID-19 pandemic began in the second half of March 2020, their impact on the foreign exchange market began to manifest toward the end of March. During the second half of March 2022, the foreign exchange surplus generated by the private sector (public transactions with foreign exchange intermediaries) was greater than in previous years and made it possible to meet the requirements of the non-banking public sector. In this context, the colón appreciated.

In the second quarter of 2020, moderate upward pressures were registered in the exchange rate, since the seasonal behavior of the market (less abundance of foreign currency) was reinforced by a slowdown in productive activities that generate foreign currency (such as tourism) and by the uncertainty among economic agents on the duration of the pandemic and the effects that public health measures would have on production.

In the third quarter of 2020, even when the economy was already in a gradual process of opening and recovery, tensions in the foreign exchange market arose as a result of protests among some segments of the population against negotiations with the IMF and uncertainty about the feasibility of certain fiscal adjustment measures.

In 2020, the surplus of the private exchange market decreased compared to 2019. In particular, the average daily surplus of foreign currency purchase and sale operations carried out by the public through foreign exchange intermediaries was U.S.$6.0 million, nearly U.S.$2.7 million less than in 2019.

In 2021, the Central Bank intervened in the foreign exchange market. In particular, that year it sold U.S.$35.8 million to stabilize the currency (compared to U.S.$279.6 million in 2020), concentrated in the month of October. These sales were the result of an unusually negative private exchange market result, which in the second half of that month accumulated net inflows of U.S.$87.8 million when during the same period in prior years it had shown surpluses.

The Central Bank’s performed such foreign currency sales with net international reserves, returning them through purchases in the MONEX, according to the conditions prevailing in the private foreign exchange market.

However, during 2021 and generally since the COVID-19 outbreak, the demand for foreign currency by the non-banking public sector and pension operators increased significantly. See “—Dollarization.” The strong demand for dollars by these operators reduced the Central Bank's margin to replenish all of the currencies sold to the non-banking public sector in the foreign exchange market. Due to such strong demand for foreign currency, the Central Bank was unable to replace all of the foreign currency sold to the non-banking public sector in in the market, which reduced the net international reserves of the National Banking System by U.S.$251 million during 2021.

This partial restitution in the market of the demands of the non-banking public sector is a mechanism of indirect exchange intervention by the Central Bank. In other words, to soften the impact on the exchange rate without altering its trend, the Central Bank created a kind of temporary bridge through the use of its reserves. Thus, the requirements of U.S. dollars of the Non-banking Public Sector, and particularly of the Government, which in principle were expected to be covered with external credits whose legislative approval was ultimately delayed, have been temporarily covered with reserves in a context in which the spaces in the foreign exchange market had been narrowed. If the reserves had not been used to build this temporary bridge, there would have been very strong movements in the exchange rate, first upwards and then downwards. In a country with a very high level of financial dollarization, these fluctuations could have put the stability of the financial system at risk and thus harm macroeconomic stability, growth and well-being.

Although in the first half of 2022 the supply of foreign currency by the public was higher compared to the three previous years, the foreign exchange market has faced pressures that led to a more pronounced upward behavior in the exchange rate, especially in the second quarter when, for seasonal reasons, the availability of foreign currency is usually lower.

The greatest pressure in the foreign exchange market was first observed in mid-May 2022 and continued in the following months. On July 12, 2022, the weighted average of the exchange rate in MONEX was ₡687.65 per U.S. dollar, which means an annual increase of 10.9% and an accumulated increase of 7.1% (compared to 6.4% and 0.8%, respectively, on the same date in 2021). The increase in the exchange rate has been accompanied by greater volatility, manifested in a variation coefficient of 1.90% in the second quarter of 2022, higher than that corresponding to the first quarter of 2022 (1.17%). The foreign exchange intermediaries partially cushioned the pressures in the foreign exchange market through the decrease in foreign currency position.

The pressures in the foreign exchange market in 2022 are explained by a greater demand mainly to meet the oil bill as well as an increase in demand by pension fund operators. In addition, the dollarization of savings and the colonization of credit to the private sector, had an impact. Increases in the international prices of raw materials and the effects of problems in global supply chains on freight transport costs have led to an increase in the value of imports.

As of July 2022, the colón began to appreciate as a result of a greater amount of foreign currency in the market, favored by progressive decreases in the prices of raw materials and the prices of merchandise transport, in addition to increases in the MPR during 2022 and improvements in the country's fiscal outlook. In December 2022, the average exchange rate was ₡593.20 colones per U.S. dollar, compared to an average of ₡637.93 colones per U.S. dollar in December 2021. In the first half of 2023, the pressure in the foreign exchange rate further subsided, resulting in a nominal appreciation of the colón. As of November 3, 2023, the weighted average exchange rate of Monex was ₡534.24, which led to an accumulated appreciation of 9.9% compared to December 31, 2022.

The following table sets forth the average and period end colón/U.S. dollar exchange rates for the dates and periods indicated.

Nominal Exchange Rate
(colones per U.S. dollar)

	Average	End of Period
2018	601.11	608.07
2019	568.44	573.29
2020	588.34	617.30
2021	624.15	645.25
2022	650.75	601.99
2023		
January	579.47	557.40
February	571.02	564.27
March	551.40	545.95
April	542.16	550.52
May	544.56	546.70
June	546.58	549.50
July	547.71	548.81
August	542.78	540.49
September	539.35	542.35

Source: Central Bank.

International Reserves

As of June 30, 2023, net international reserves of the Central Bank stood at U.S.$11,139 million, representing 26.9% of GDP, 4.9 months of total imports of goods and services and 67.8% of the total public sector external debt.

As of December 31, 2022, the balance of Costa Rica's net international reserves stood at U.S.$8,550 million, compared to U.S.$6,918 million as of December 31, 2021 and equivalent to 12.3% of GDP, 32.1% of total imports of goods and services or 53.7% of the total public sector external debt. This increase is partly due to disbursements under the EFF with the IMF of U.S.$284.5 million in March 2022 and U.S.$269.8 million in November 2022.

Likewise, in 2022, the Central Bank announced several measures that are expected to provide greater financial shielding, among which are the increase of short-term deposit rates (14 and 28 days) in the Integrated Liquidity Market, auctions of monetary stabilization bonds in dollars for terms of three and five years and the request for a loan from the FLAR to support Costa Rica's balance of payments for an amount close to U.S.$1.1 billion.

As of December 31, 2021, the balance of Costa Rica's net international reserves stood at U.S.$6,918 million, U.S.$307 million reduction when compared to December 31, 2020, and equivalent to 10.7% of GDP, 3.8 months of total imports of goods and services or 51.3% of the total public sector external debt.

In 2020, real and financial transactions with the rest of the world led to a reduction in net international reserves of U.S.$1,688 million, reaching U.S.$7,225 million as of December 31, 2020, equivalent to 11.6% of GDP, 4.9 months of total imports of goods and services or 58.6% of the total public sector external debt. This decrease in the net international reserves was mainly due to the advance payment of the credit subscribed with the FLAR for U.S.$630 million (U.S.$625 million of principal and U.S.$5 million of interest and commission for advance payment) and the use of reserves to meet foreign exchange requirements of the non-banking public sector and to avoid abrupt fluctuations in the exchange rate. To a lesser extent, the net international reserves also fell due to the reduction in the Government's dollar deposits in the Central Bank. The decrease in reserves was partially offset by an inflow of credit for U.S.$508 million from the IMF in September 2020.

In 2019, the balance of net international reserves increased by U.S.$1,417 million, reaching U.S.$8,912 million as of December 31, 2019, equivalent to 13.8% of GDP, 5.3 months of imports of general merchandise under the definitive exports regime, 3.2 times the balance of the short-term external debt, 1.9 times the broad monetary base and 22.8% of the liquidity of the financial system. This increase was mainly due to Costa Rica's placement of securities in international markets (U.S.$1,500 million) and a budget support credit facility from the Inter-American Development Bank (U.S.$350 million), which was partially offset by amortization payments by the Central Bank under a loan with the Latin American Reserve Fund (for an accumulated amount of U.S.$428 million).

In 2018, the balance of net international reserves increased by U.S.$345 million, reaching U.S.$7,495 million as of December 31, 2018, equivalent to 12% of GDP, 4.4 months of imports under the definitive exports regime. This increase was mainly due to the disbursement of U.S.$1,000 million under a loan to support the balance of payments with the Latin American Reserve Fund.

Financial Sector

The mission of the SUGEF is to contribute to the stability and strength of the financial system to preserve confidence in the system, applying the powers of supervision and oversight assigned by the legal system. With this, SUGEF aims to prevent financial and banking crises and provide information to depositors to help in their decisions. In furtherance of these goals, SUGEF has promulgated regulations establishing capital adequacy requirements for entities under its supervision to ensure their financial soundness and has established means of recovery or correction for such entities. SUGEF supervises the banking system and other financial entities and requires filings of balance sheets, income statements and statements of stockholders' equity every three months as well as regularly scheduled reports on foreign exchange exposure and other information from the banks operating in the Costa Rican financial system. From time to time, SUGEF conducts a risk-based supervision on each entity under its supervision. The Central Bank Charter provides SUGEF with the power to sanction financial intermediaries that do not comply with its regulations, including the powers of suspension and intervention. Following the principles of the Basel Committee on Banking Supervision, financial institutions must maintain a minimum ratio of total capital to risk-weighted assets equivalent to 10%.

To exercise this supervision, SUGEF applies a risk-based supervision approach, under which it analyzes in a continuous and dynamic manner the probability and severity of the risks associated with the main business lines of the supervised entity. Additionally, SUGEF analyzes the entity's management resolutions and mitigation controls, both at the business and global level. The results of these analyses form SUGEF's total net risk report.

Historically, the participation of local licensed subsidiaries of foreign financial entities in the financial system was concentrated in corporate banking and services tied to foreign trade but then evolved to all areas of financial services, including retail banking, savings and checking accounts. According to the Reform to the National Banking System Law No. 9,724 (*Reforma Ley Orgánica del Sistema Bancario Nacional*) enacted on August 14, 2019, subsidiaries of foreign financial entities wishing to establish a branch and operate in the Costa Rican financial system are required to have previously obtained a license issued by CONASSIF. Once a foreign banking entity is licensed to operate as a financial entity in Costa Rica, it is subject to the same rules and regulations applicable to Costa Rican private banks. Similarly, other foreign non-bank financial intermediaries, such as insurance companies, have also begun operations in Costa Rica. For more information on insurance companies, see "The Costa Rican Economy—Financial and Insurance Services."

As the Costa Rican banking industry has become more competitive and sophisticated in recent years, several private Costa Rican banks have merged with other national or foreign institutions in an effort to increase their capital and draw upon the experience of their strategic partners. Currently, some large private banks are subsidiaries of banks headquartered in Colombia and Canada, such as the Colombian Banco BAC San José, S.A. and Banco Davivienda (Costa Rica), S.A. and the Canadian Scotiabank de Costa Rica, S.A.

Costa Rica has a history of high financial dollarization mainly as a result of high inflation rates accompanied by an exchange regime that made the exchange rate easy to predict. See "—Dollarization." However, from 2006 to 2016, macroeconomic measures have been implemented that have modified this scheme through the search for greater inflation control and greater exchange flexibility.

As of September, 2023, the Costa Rican financial system was composed of 44 entities under the supervision of SUGEF: two state commercial banks, two banks created by special laws (Banco Popular y de Desarrollo Comunal, a full-service commercial bank and Banco Hipotecario de la Vivienda, which provides only mortgage loans and is responsible for administering and distributing government housing loans and subsidies), 11 private banks, five non-bank financial enterprises, a savings and loan association, 21 credit unions and two housing mutual and loan associations.

Local regulators, including SUGEF, SUPEN, SUGEVAL and SUGESE, supervise the total assets of the regulated financial groups. See "—Financial Sector Supervision" for a description of the responsibilities of each regulator. Grupo Financiero BCT and Conglomerado Financiero Banco de Costa Rica are the only two financial groups that report with regards to a non-resident bank with significant asset value.

As of December 31, 2022, the assets of the national financial system amounted to U.S.$66,880.2 million. Public banks (including those created by special laws) accounted for 45.3% of total assets, while private banks and savings and loan cooperatives accounted for 35.3% and 10.5%, respectively. Performing loans accounted for 85.0% of the financial system's portfolio, while loans with a period of non-performance less than or equal to 90 days accounted for 0.8% of the total portfolio. Investments in securities and non-productive assets represented 19.8% and 18.1%, respectively, of total assets. In 2021 and 2022, investment in securities and non-productive assets increased significantly, given the increase in liquidity arising from the measures implemented to mitigate the impact of the pandemic, while credit maintained a fairly modest growth during such period.

The following table establishes the amounts of assets and liabilities corresponding to each category of financial institutions (excluding offshore activity) as of December 31, 2022.

Structure of the Regulated Financial System [(1)]
(in millions of U.S. dollars and as a percentage of total)

	Assets												Liabilities			
	Total Assets [(2)]		Loans		Investments		Other Productive Assets [(2)]		Non- Productive Assets		Total Liabilities		Cost Liabilities		Non-Cost Liabilities	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Commercial State Banks.	23,487.7	35.1	12,846.5	31.8	5,269.5	39.8	215.3	18.6	5,156.3	42.5	21,217.8	37.0	18,025.6	36.4	3,192.2	40.4
BNCR................................	13,219.3	19.8	7,551.2	18.7	2,475.3	18.7	63.6	5.5	3,129.2	25.8	11,990.1	20.9	10,014.8	20.2	1,975.3	25.0
BCR..................................	10,268.4	15.4	5,295.3	13.1	2,794.2	21.1	151.8	13.1	2,027.1	16.7	9,227.7	16.1	8,010.8	16.2	1,216.9	15.4
Banks created by special laws.................................	6,820.3	10.2	4,848.5	12.0	1,208.6	9.1	0.4	0.0	762.9	6.3	5,176.6	9.0	4,916.7	9.9	259.9	3.3
Banco Hipotecario de la Vivienda.........................	313.0	0.5	280.9	0.7	25.4	0.2	0.0	0.0	6.7	0.1	106.4	0.2	103.8	0.2	2.6	0.0
Banco Popular y Desarrollo Comunal......	6,507.3	9.7	4,567.6	11.3	1,183.1	8.9	0.4	0.0	756.1	6.2	5,070.2	8.8	4,812.9	9.7	257.3	3.3
Private Banks...................	23,616.8	35.3	14,083.4	34.9	3,467.3	26.2	919.1	79.4	5,146.9	42.4	21,241.7	37.0	17,365.4	35.1	3,876.3	49.1
Currency Exchange Houses............................	4.6	0.0	0.0	0.0	0.4	0.0	0.0	0.0	4.3	0.0	1.4	0.0	0.1	0.0	1.4	0.0
Savings and Credit Cooperatives..................	7,000.9	10.5	4,643.5	11.5	2,071.3	15.6	0.0	0.0	286.1	2.4	5,882.5	10.2	5,564.6	11.2	317.9	4.0
Non Banking Financial Companies.....................	882.6	1.3	607.5	1.5	107.9	0.8	23.4	2.0	143.8	1.2	772.2	1.3	704.6	1.4	67.6	0.9
National Housing System Authorized Entities........	2,273.9	3.4	1,491.8	3.7	319.7	2.4	0.0	0.0	462.4	3.8	2,069.1	3.6	2,009.3	4.1	59.8	0.8
Savings and Loans Company of the "ANDE".........................	2,793.4	4.2	1,816.1	4.5	810.5	6.1	0.0	0.0	166.8	1.4	1,041.3	1.8	917.3	1.9	124.0	1.6
Total.................................	66,880.2	100.0	40,337.4	100.0	13,255.2	100.0	1,158.2	100.0	12,129.5	100.0	57,402.6	100.0	49,503.6	100.0	7,899.0	100.0

Source: Superintendencia de Entidades Financieras
Note: Includes loans that are current or up to 90 days past due
(1) Amount in U.S. dollars was converted from colones using historical average exchange rate for the period indicated (December 2022)
(2) Amount of credits per day and with a delay of up to 90 days, considered as an active portfolio.

The quality of the loan portfolio of the regulated financial system has remained relatively stable in recent years despite the several factors that may have generated pressures, such as the economic slowdown during the pandemic and rising inflation since 2021. This stability is mainly due to the policies implemented by both SUGEF and the Central Bank, relaxing certain regulatory aspects and injecting liquidity into the system. As of December 31, 2021, non-performing loans with a period of non-performance less than or equal to 90 days accounted for 5.0%, increasing to 5.1% in 2022. The entities with greater relevance, such as public and private banks, showed delinquency values of 0.5% in both cases for loans due from 91 to 180 days. However, smaller entities, such as cooperatives, reflected delinquency values of 0.8% for such loans.

The capital adequacy ratio (CAR) measures the percentage of risk-weighted assets (loans and investments) covered by capital. The SUGEF considers that an institution with a CAR greater than 10% is within a normal risk category. The following table summarizes the average CAR of public and private banks as of the dates indicated.

Capital Adequacy Ratio of Public and Private Banks

	As of December 31,					As of September 30,
	2018	2019	2020	2021	2022	2023
Public Banks...........	13.71	13.93	13.01	13.10	15.90	16.73
Private Banks..........	13.26	14.15	13.47	13.18	14.07	15.18

Source: SUGEF

Past Due Loan Portfolio of the Financial System as of December 2022[(1)]
(in millions of U.S. dollars and as a percentage of total)

	Total Loans		Current Loans		1-30 days		31-60 days		61-90 days		91-180 days		More than 180 days		Judicial Collection	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Commercial State Banks....................	14,303	100.0	12,410	86.8	284	2.0	168	1.2	80	0.6	68	0.5	285	2.0	1,007	7.0
BNCR..	8,576	100.0	7,346	85.7	105	1.2	113	1.3	48	0.6	50	0.6	155	1.8	759	8.9
BCR...	5,727	100.0	5,064	88.4	180	3.1	55	1.0	32	0.6	18	0.3	131	2.3	249	4.3
Banks created by special laws...........	5,430	100.0	4,426	81.5	283	5.2	108	2.0	57	1.0	32	0.6	69	1.3	455	8.4
Banco Hipotecario de la Vivienda....	284	100.0	284	99.9	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.1
Banco Popular y Desarrollo Comunal..	5,146	100.0	4,143	80.5	283	5.5	108	2.1	57	1.1	32	0.6	69	1.3	455	8.8
Private Banks......................................	15,871	118.0	13,603	85.7	331	2.1	134	0.8	85	0.5	80	0.5	157	1.0	1,482	27.3
Savings and Credit Cooperatives......	5,314	100.0	4,306	81.0	198	3.7	129	2.4	60	1.1	40	0.8	57	1.1	523	9.9
Non-Banking Financial Companies.	710	100.0	549	77.3	39	5.5	16	2.3	6	0.9	6	0.9	3	0.4	90	12.7
Authorized Entities of the National Financial System	1,571	100.0	1,287	82.0	103	6.5	71	4.5	43	2.7	10	0.7	39	2.5	16	1.1
ANDE's Savings and Loan Fund......	1,851	100.0	1,713	92.5	64	3.5	38	2.0	10	0.5	17	0.9	7	0.4	3	0.2
Total...	45,050	100.0	38,295	85.0	1,303	2.9	665	1.5	340	0.8	254	0.6	617	1.4	3,577	7.9

Note: Includes loans that are current or up to 90 days past due.
(1) Amount in U.S. dollars was converted from colones using historical average exchange rate for the period indicated (December 2022).
Source: Superintendencia de Entidades Financieras.

Financial Sector Supervision

The Law for the Regulation of the Securities Exchange No. 7,732 (*Ley Reguladora del Mercado de Valores*) (the "Securities Market Regulatory Law"), effective since January 27, 1998, created the National Supervisory Board of the Financial System (*Consejo Nacional de Supervisión del Sistema Financiero*, CONASSIF). CONASSIF is charged with supervising the financial system (including the securities market) through the use of its regulatory authority, including its powers to authorize entities subject to its supervision to operate in the financial market, to suspend or revoke such authorizations, and to intervene in such entities' activities. CONASSIF is composed of seven members: the President of the Central Bank, or in his absence the manager of the Central Bank, the Minister of Finance, or in his absence the Viceminister of Finance, and five members appointed by the board of directors of the Central Bank.

CONASSIF also has the authority to appoint the Superintendent and the Intendant of SUGEF, as well as to enact rules and regulations applicable to the supervision of banks and other financial intermediaries. In addition, CONASSIF regulates foreign exchange operators. Likewise, the Pensions Superintendent (*Superintendencia General de Pensiones*, SUPEN), regulates and supervises the pension fund system; SUGEVAL regulates and supervises the stock exchange and issuances of securities; and the Insurance Superintendent (*Superintendencia General de Seguros*, SUGESE) supervises insurance providers.

The IMF's 2018 Financial Sector Stability Report made key recommendations and established a roadmap for possible technical assistance. The IMF's 2019 Article IV consultation followed up on the 2018 recommendations and concluded that significant vulnerabilities persisted in the Costa Rican financial system, mainly from the weak fiscal position and sizable foreign currency lending to unhedged borrowers. These two risk factors improved significantly by the end of 2022, as the primary fiscal balance of the Government reflected a surplus and while supervised entities, especially private banks, reduced their percentage of foreign currency credit portfolio to non-generator debtors, or notes to banks. Current concerns are focused on the economic vulnerabilities that have faced practically all countries in the world, after the international spread of COVID-19, as well as the general increase in inflation. This has caused the monetary authorities to redirect their monetary policy, which puts supervised financial institutions in a position of greater exposure to different risks (credit, market, liquidity).

In such 2019 Article IV consultation, the IMF staff indicated that while substantial progress had been made in adopting risk-based surveillance, progress toward implementing other key recommendations, such as crisis management and the bank resolution framework, had been slow due to the crowded legislative agenda. IMF staff also stated that regulatory and risk management frameworks would benefit from the gradual introduction of Basel III capital requirements and liquidity standards, while the IMF recognized the enactment of deposit insurance and consolidated banking supervision legislation.

SUGEF has already introduced supervisory laws and regulations that follow the Basel II and III agreements. These include (i) SUGEF 3-06, which established capital adequacy requirements for financial institutions; (ii) SUGEF 2-10, which indicated the minimum requirements that entities must observe for the development, implementation and maintenance of a comprehensive risk management process, which additionally includes regulations on market risk management and liquidity; and (iii) SUGEF 17-13, which establishes guidelines for the calculation of the Liquidity Coverage Ratio.

As part of its financial supervision effort, the Central Bank's financial stability commission keeps the risk to which the National Financial System is exposed under constant monitoring, through follow-up and working groups.

Dollarization

High dollarization is one of the primary characteristics and risks of the Costa Rican financial system. It is attributed to the legacy of high inflation rates in the early 1980s, and high and predictable inflation during the crawling peg exchange regime (from 1984 to 2006). Over the last decade, deposit and credit dollarization have decreased, given the improved monetary policy framework and greater exchange rate volatility due to Costa Rica's floating exchange rate regimes.

In 2017, the dollarization rate for deposits (measured by the share of the foreign currency balance in total liquidity) reached 36%. In the following three years, the percentage of dollarized deposits decreased to 35.9% in 2018, 35.0% in 2019 and 34.7% in 2020. Contributing to the above was the permanence of a premium for investing in national currency that was positive during most of those years, which motivated savings in colones.

However, in the following years, the relative share of foreign currency savings in total deposits increased again, reaching 36.1% in December 2021 and 37.2% in December 2022. This increase was a consequence of the evolution of the savings premium in colones, which maintain negative values between January 2021 and June 2022 and only began to register positive values from July 2022. In August 2023, the percentage of dollarized deposits was of 34.0%.

Regarding credit to the non-financial private sector, in the 2017-2022 period, the relative share of the credit balance in foreign currency to total credit went from 40.7% in December 2017 to 33.7% in December 2022, an average reduction of approximately 1.4% per year. This lower preference for credit operations in foreign currency is the result of a greater internalization of exchange risk by economic agents. However, although the dollarization of the credit portfolio has been reduced, it is estimated that, as of April 2022, around 65% of the credit granted in foreign currency was to non-generators of foreign currency. In August 2023, the credit to the non-financial private sector was 32.2%.

High dollarization generates systemic risks and liquidity risks in the financial system, which stem from the Central Bank's limited capacity to be a lender of last resort in providing dollar liquidity, as well as solvency risks linked to U.S. dollar credits held by unhedged borrowers who do not earn their income in U.S. dollars and who may be unable to refinance their debt in case of a sudden depreciation of the colón. This could, in turn, significantly undermine the quality of the banking sector's credit portfolio.

Reserve Requirements

The Organic Law of the Central Bank establishes that the financial institutions supervised by SUGEF are required to maintain in the Central Bank, in the form of deposits in the checking accounts, a reserve proportional to the total amount of all types of deposits which constitutes the minimum legal reserve (EML). This law gives power to its board of directors to (i) exempt from the EML some financial entities that meet certain conditions, (ii) set the EML rate up to a maximum of 15% and (iii) differentiate its application by currency.

Since September 2015, the Central Bank has applied a uniform EML rate of 15% on deposit liabilities and internal and external indebtedness of financial entities subject to this requirement.

During the first half of 2019, the Costa Rican economy faced a difficult external and internal environment that slowed down the pace of economic activity, which led to a negative output gap, a high unemployment rate and a slowdown in the growth of credit to the private sector, all of which resulted in deflationary pressures. In this context, the Central Bank decided to initiate a cycle of countercyclical monetary policies aimed at stimulating economic recovery, without risking its primary objective of maintaining low and stable inflation.

In particular, as a complement to the reductions in the monetary policy rate made during the previous months, on May 31, 2019, the board of directors of the Central Bank agreed to reduce the EML on national currency to 12% (the EML on deposit and indebtedness liabilities in foreign currency remained at 15%). The objective of this measure was to stimulate credit conditions and promote financial de-dollarization, while financial intermediation costs would be reduced in colones, but not in foreign currency.

During the first half of 2022, global inflationary pressures, particularly those of Costa Rica's main trading partners, increased mainly due to higher international prices of raw materials (especially oil and grains) and the permanence of difficulties in global supply chains. This intensified after Russia's invasion of Ukraine in February of 2022 and the commercial and financial sanctions applied to Russia by the United States and the European Union.

In this scenario, international organizations have forecasted higher levels of inflation worldwide in the short term and, consequently, a growing number of central banks (even some from 2021) have adjusted their monetary policy stance towards a more restrictive position.

In May 2022, inflationary pressures in Costa Rica, especially those of external origin, placed headline inflation and the average of core inflation indicators above the upper limit of the tolerance range around the target. Likewise, as of that date, the Central Bank forecasts placed inflation above that upper limit during the coming quarters, with risks of an upward trend.

Faced with this situation, the Central Bank adopted measures to avoid, once the shock of imported inflation had been overcome, the observed inflationary pressures manifesting themselves in second-round effects that would make inflation persist. Therefore, during 2022, the Central Bank increased the Monetary Policy Rate and, in a complementary manner, in June 2022 ordered to gradually increase the EML requirement in national currency from 12% to 15%, effective from June 1, 2022.

These measures aim to prevent excess liquidity in the financial system from exacerbating inflationary pressures and thus favor the transmission of monetary policy, since the Central Bank's participation as a supplier in the liquidity market reinforces its ability to guide interest rates of that market and thereby improves the transmission mechanism.

Recent Developments in Financial Policy

In 2019, the Central Bank took, among others, the following actions in terms of financial policy:

- Submitted to public consultation the proposal to modify the regulation for credit operations of last resort in national currency of the Central Bank. This aims to reinforce operational aspects of the implementation process of this regulation and to improve credit risk management, which is assumed by the Central Bank when activating this support mechanism for liquidity management.

- Agreed to increase the minimum capital requirement for private banks to ₡16,348 million; with the aim of improving its capacity in the face of financial or economic tensions and thus safeguard the stability of the financial system.

- Sent a bill to the Legislative Assembly, approved in November 2019 as Law No. 9,768 (Reform of the Organic Law of the Central Bank of Costa Rica, Organic Law of the National Banking System and the Securities Market Regulatory Law). The purpose of such law is to strengthen regulation and consolidated supervision. In particular, this law allows consolidated supervision of financial groups, both from a territorial perspective (non-domiciled subsidiaries of local intermediaries) as well as operations or services of a financial nature that were outside the scope of coverage of regulation and supervision. In addition, it strengthens the supervisory faculties and the sanctioning framework of SUGEF.

- Participated in the drafting, analysis and promotion of the bill approved by the Legislative Assembly in October 2019, as Law No. 9,746 (Reform to the Securities Market Regulatory Law, Organic Law of the Judicial Power, Organic Law of the Central Bank of Costa Rica, Penal Code, Commercial Code, Law Regulating the Insurance Market, Private Regime of Complementary Pensions). This law allows SUGEVAL to access information on real beneficiaries of non-financial issuers for the protection of minority shareholders. In addition, it: (i) gradually increases the participation of supervised entities in contributing to the financing of expenses incurred, (ii) improves the sanction scheme regarding the disclosure of information by issuers and auditors, (iii) strengthens SUGEVAL's capabilities to provide assistance and exchange information with the other local superintendencies and with the supervisory bodies of other countries to facilitate international cooperation and (iv) provides a legal framework that allows SUGEVAL to regulate new financial instruments and request information regarding to private issues to capture public resources.

- The Central Bank, together with SUGEF and CONASSIF, promoted the approval in September 2019 of Law No. 9,724 (Reform of the Organic Law of the Central Bank of Costa Rica, Organic Law of the National Banking System and the Regulatory Law of the Stock Market). This law allows foreign banks the option of establishing themselves in Costa Rica through branches (previously they were allowed to establish themselves only as subsidiaries). The law regulates the constitution, activities, control, supervision and aspects related to the bankruptcy of these entities.

In 2020, in the context of the COVID-19 pandemic, the Central Bank and CONASSIF coordinated the adoption of prudential measures to improve credit conditions and facilitate payment arrangements (extensions, readjustments, among others). This reduced the effect of the crisis on the income of households and companies and, therefore, on delinquency. In addition, measures were approved, and some of them were gradually applied, to relax some internal controls on the part of the creditor and improve conditions of access to credit, without putting at risk the soundness and stability of the financial system.

In particular, in March 2020, CONASSIF took the following actions:

- Allowed the follow-up analysis of the debtor's payment capacity for credits already granted not to be carried out under scenarios of financial stress, to avoid a greater deterioration in the debtor's rating derived from this type of analysis.

- Allowed intermediaries to exempt the presentation of information usually required for purposes of analysis of the debtor's payment capacity and preserve the level of payment capacity that the client had prior to requesting the modifications of the credit conditions. This was done to ensure the granting of extensions, adjustments or refinancing.

- Allowed the establishment of grace periods, without the payment of interest or principal, at the discretion of each intermediary.

- Suspended, for a period of 12 months, the application of the regulatory provisions that disposed that an entity will be categorized as "irregular" when it presents losses in six or more monthly periods in the preceding 12 months.

- Enabled the General Superintendent of Financial Entities, to order, until September 30, 2020, based on risk elements of the financial system or when it deems it prudent, the modification of the two parameters that determine the levels of normality or irregularity for liquidity indicators.

- Enabled the renegotiated of agreed credit conditions up to twice in a 24-month period without affecting the debtor's risk rating in the Credit Information Center.

- Extended the previous policy to cover credits of more than ₡100 million, which previously applied only to debts of less than that amount. Additionally, loans of less than ₡100 million that suffer two readjustments within the preceding 24 months were permitted to be readjusted an additional time prior to June 30, 2021, without a special operation.

- Adjusted the minimum accumulation of countercyclical estimates to place it at 0%, enabling financial entities to lend the resources that they would have otherwise dedicated to such estimates.

In September 2020, CONASSIF allowed financial entities to make additional modifications to contractual conditions with debtors as they deem necessary, in accordance with their risk assessments and within the framework of their credit policies and procedures. Financial entities could enter into readjustments, extensions, refinancing or a combination of them without downgrading the debtor's rating.

Payment arrangements formalized by financial intermediaries, fostered by the timely regulatory relaxation of CONASSIF, helped mitigate the adverse effects of the pandemic on the cash flow of households and businesses. They also contributed to mitigating the impact of the credit portfolio, since the COVID-19 crisis affected debtors' income and, consequently, their ability to meet their obligations.

In addition to the above measures, which sought to mitigate the impact on households and companies, and maintain the stability of the financial system in the context of the pandemic, in 2020, the Central Bank made other important decisions on financial policy, including:

- The creation, in September 2020, of a Special and Temporary Medium-Term Financing Facility. See "Recent Developments in Monetary Policy." The purpose of this facility was to provide low-cost, medium-term financing to regulated financial intermediaries, conditional on these intermediaries transferring the resources to households and businesses affected by the COVID-19 pandemic, under favorable conditions.

- Modified certain regulations for credit operations of last resort in national currency to expedite the process of approval and disbursement of credits of this type and at the same time to reduce the risk for the Central Bank associated with said financing.

- Increased the minimum operating capital of private banks by 3.8%, which corresponds to the nominal growth of the GDP for 2019, to place it at ₡16,970 million.

- Disabled the offer of deferred liquidity operations through the permanent credit facility for terms greater than one day, since these instruments had been of little use since their creation and, given the interest rate levels of the permanent credit facilities to more than one day, there were no incentives for entities to borrow resources in the MIL for more than a one-day term.

In 2021, CONASSIF, with the support of the Central Bank, approved the following financial policy measures:

- Extended regulatory flexibility in order to facilitate financial entities to support debtors and maintain access to financing. However, given the possible accumulation of risks over the last two years, it was considered relevant to establish a plan to gradually lift some measures and give way to an assessment that would show the underlying risks in the loan portfolio. This decision was so that the information available on debtors' ability to pay would be reflected in their ratings and, in turn, would translate into adjustments in their ratings and in the recording of additional estimates in the event of credit portfolio deterioration.

- Given the foregoing, it set December 31, 2021 as the deadline to apply credit relaxations that allowed unlimited modifications of operations, without affecting their risk rating, and the suspension of the application of the additional capital charge per term. The year 2022 marked the end of the general relaxations, such as those corresponding to the use of countercyclical estimates, and the application of the exception as a special credit operation to revolving lines of credit, among others, which were extended until December 31, 2022.

- The Central Bank, in coordination with CONASSIF, continued promoting the inter-institutional group that works on the investigation and study of the fintech industry and crypto assets, in order to know, regulate and, when convenient for the country, promote these types of activities.

  Development of the fintech industry can contribute to deepening and improving the efficiency of financial systems, expanding access to financial services, and supporting broader and more inclusive economic growth, but could also pose risks to financial stability.

  This group has developed research on general aspects of cryptocurrencies and digital currencies, generation of digital currencies in Costa Rica, information gaps or limitations of the Fintech industry and elements of the regulation and supervision of this type of company. During 2021, the group focused on the creation of a Financial Innovation Center (CIF, for its acronym in Spanish), for which it had the technical assistance of the IADB.

- CIF came into operation in April 2022 and was established as a point of dialogue and consultation between regulators and supervisors of the financial system and innovators, advising and guiding them in compliance with the regulatory framework of the Costa Rican financial system. Its objective is to be aware of the ideas that arise in Fintech matters, guide companies in the development of technological innovations to provide financial products or services so that they are aligned with the objectives of the regulation and supervision of the financial sector (efficiency and financial inclusion, financial consumer protection and financial stability), and envision options to strengthen the regulatory and supervisory framework for Fintech.

- The Central Bank increased the minimum operating capital of private banks by 0.89%, which corresponds to the general inflation rate for Costa Rica in 2020, to place it at ₡17,121 million.

During 2022 and 2023, CONASSIF has approved and implemented several important financial sector reforms, building on recommendations by the IMF, OECD and World Bank.

In 2022, several reforms to the financial policy measures and other regulations to remain in force in 2022 and 2023 were adopted in response to the effects of the COVID-19 pandemic, including regulations (i) introducing limits on direct and indirect active operations of an entity unders CONASSIF's supervision, (ii) implementing recovery and resolution plans in such supervised entities, (iii) modifying the methodology for identifying entities of systemic importance, and (iv) on suitability and performance of members of the board and senior management of supervised entities and companies, among others.

Additionally, to increase transparency, in March 2023, SUGEF began publishing the name of the domestic systemically important financial entities, the quarterly result of the capital adequacy ratio of each supervised financial entity and information on the Bottom Up Stress Test ("BUST") results. The first publication of the BUST only covered aggregated results of systemically important financial entities and, beginning in January 2024, the publication is intended to cover individual results of participating entities.

In 2023, prudential regulation was approved to promote governance and management practices for environmental and social risks in credit portfolios. In particular, this regulation seeks to: (i) emphasize the strategic relevance of these risks, (ii) promote the integration of such risks into decision making and risk management, (iii) ensure that actions are taken for their identification, and (iv) fosters mitigation strategies consistent and commensurate with an entity's risk exposure. In addition, in October 2023, regulation relating to net stable funding ratios (NSFR) was approved.

Money Laundering

In 2019, the Central Bank allocated more than U.S.$10 million and established action plans for the development of four technological platforms to implement new legal frameworks to strengthen transparency and fight against money laundering:

- Final beneficiaries and companies must provide information on the composition of their share of capital and the identification of final beneficiaries;

- It designated non-financial activities and professions to prevent the concealment and mobilization of diversion of dubious origin and other transactions to legitimize funds or finance terrorist activities or organizations; a number of systems related to the registration and supervision of designated non-financial activities and professions (APNFDs) are currently in operation.

- It identified the non-financial businesses and professions (DNFBPs, for its acronym in Spanish) subject to control to prevent the concealment and mobilization or diversion of dubious origin funds and other transactions related to money laundering/terrorism financing. To date, more than 5,000 natural and legal persons have been registered at the SUGEF, duly categorized by their vulnerability to the risks of money laundering/terrorism financing/ financing of mass destruction weapons, focused on a risk-based supervision that is also applied to non-profit organizations. Based on the regulatory changes implemented, the country asked the Financial Action Task Force of Latin America ("GAFILAT", for its acronym in Spanish) (a regionally based intergovernmental organization with the objective of prevent and combat laundering/terrorism financing/massive destruction weapons financing) for a re-rating, from Partially Compliant to Compliant, applied to its recommendations on Non-Profit Organizations, Reliance on third parties, Customer Due-diligence, and Regulation and supervision of DNFBPs. The results of this evaluation by the GAFILAT was presented at the Plenary Meeting in December 2022.

- "Know your client" policies, which became operational as of July 1, 2022, unified and simplified the application of the know-your-customer policy to reinforce the work of prevention and supervision of the legitimization of funds and financing of terrorism;

- The Central Bank, the Costa Rican Drug Institute and the Ministry of Finance launched a program requiring the use of IBAN (International Bank Account Number), a standardized structure that identifies fund accounts both nationally and internationally, allowing users to make financial transactions quickly and securely; and

In 2022, the National Council for the Supervision of the Financial System (CONASSIF) updated the regulations that apply to the financial system to incorporate the most recent changes in the GAFILAT recommendations, emphasizing risk-based management and simplifying certain procedures.

In February 2023, the EU finance ministers included Costa Rica in their list of non-cooperative countries in tax matters, as described above. On September 7, 2023, the Legislative Assembly approved the Bill No. 23,581, which adopted the necessary amendments to the Income Tax Law in order to remove Costa Rica from the list of non-cooperative jurisdictions in tax matters of the EU. As of the date hereof, Costa Rica remains on such list.

Securities Markets and Legal Framework

The laws regulating the securities market were enacted in 1990 and 1998. The 1990 law was designed to stimulate the development of the securities market in part through the creation of the National Securities Commission (*Comisión Nacional de Valores*), an entity under the authority of the Central Bank with supervision authority over the securities market in Costa Rica. The Securities Market Regulatory Law restructured the National Securities Commission as SUGEVAL and also created the National Supervisory Board of the Financial System (CONASSIF) with the purpose of providing uniformity and integration to the different regulation and supervision activities of the Costa Rican financial system. The management responsibilities of CONASSIF are exercised over the General Superintendency of Financial Entities (SUGEF), the General Securities Superintendency (SUGEVAL), the General Insurance Superintendency (SUGESE) and the Superintendency of Pensions (SUPEN). CONASSIF is responsible for approving the rules related to the authorization, regulation, inspection and surveillance of market participants.

In addition to the Securities Market Regulatory Law and its reforms, the regulatory framework for the Costa Rican securities market consists of: (i) the Law No. 8,204 on Narcotic Drugs, Psychotropic Substances, Drugs of Unauthorized Use, Related Activities, Capital Legitimization and Terrorism Financing (*Ley sobre estupefacientes, sustancias psicotrópicas, drogas de uso no autorizado, actividades conexas, legitimación de capitales y financiamiento al terrorismo*), which regulates and sanctions financial activities in order to prevent the proliferation of funds derived from serious crime; (iii) the Public Finance Strengthening Law which has four components that include reforms to income tax, in particular defines the tax treatment of the interests generated by the issuance of securities, creates the VAT and adjusts wages and benefits for public officials and creates the Fiscal Rule; and (iii) the Minority Investor Protection Law (*Protección al Inversionista Minoritario*) of 2016, which aims to establish the general conditions for boards of directors or equivalent bodies for the purposes of issuing their corporate governance policies.

SUGEVAL is responsible for regulating and supervising the Costa Rican securities market. Its functions include authorizing public offerings of securities, issuing securities regulations and supervising the operation of the market participants, as well as setting professional ethics standards, requiring information such as quarterly financial information and annual audit statements from listed companies, setting controls and penalties and regulating the relationship between issuers and investors in the market. The Costa Rican securities market is dominated by trading in debt securities (mostly government bonds), while trading in equity securities is limited. Equity issuers with the highest traded volume in 2022 were Florida Ice & Farm, S.A. with 82.3%, Grupo Improsa with 8.2% and Banco LAFISE with 4.0%.

The main regulatory changes in the securities market approved by CONASSIF in the past years include reforms to corporate governance regulations, which are a balance between principles and compulsory rules that apply to banks, broker agencies, fund managers, listed companies, insurance companies, pension operators and securities clearing and settlement companies. Other important regulations enacted were the Regulation on Financial Information, applicable to the entities supervised by the four financial sector supervisors, to update accounting rules to the most recent version of IFRS. Its purpose is to establish the content, preparation, referral, presentation and publication requirements of the financial statements of the individual entities, groups and financial conglomerates supervised by the four financial superintendencies. The goal is to produce reliable financial information about each entity that can be used by consumers to judge their behavior and make decisions accordingly.

The Rules on Securities Intermediation and Complementary Activities (*Reglamento de Intermediación y Actividades Complementarias*), in force since 2016, regulate services offered by brokers and banks such as securities advisory, trade execution, underwriting, and others. This regulation aims to provide clear guidance on the essential elements that entities and individuals should consider when structuring their business. These rules limit the securities intermediation services a company can or cannot provide unless it is an entity duly authorized by the local securities and financial regulators.

In 2020, SUGEVAL enacted a regulatory framework that allows the registration in the National Securities and Intermediaries Registry and public offering of securities associated with green, social or sustainable projects (known as "thematic issuances"). The framework requires the incorporation of an external verification as a pre-requisite to the authorization of these thematic issuances in order to provide legal certainty to investors, issuers and participants interested in registering this type of product. Subsequent legislation and regulation provide for (i) the recognition of national and international standards in terms of external verifiers and external verifications for public offering of thematic issuances; (ii) the definition of minimum aspects that must be considered by external verifications, including qualitative and quantitative methods to measure the environmental and social benefits resulting from eligible activities, infrastructure developments, and projects; (iii) the establishment of requirements on experience, knowledge, suitability, and management of conflicts of interest for entities that deliver the external verification service; and (iv) clarity on the authorization process related to entities or firms that provide external verification services. In addition, guidelines have been defined for the disclosure of thematic issuances in prospectuses, as well as voluntary guidelines that aim to encourage and guide issuers to include in their prospectus information on the quality of their business management and their performance in environmental, social and governance aspects.

Additionally, in 2020, the SUGEVAL issued rules applicable to venture capital investment funds, allowing entities that manage venture capital investment funds to conduct public offerings under orderly and complete, but not excessive, regulatory parameters. These rules were enacted with the purpose of creating trust in citizens and in economic agents via stock market regulation and supervision actions that encourage their participation on a solid, sustainable and innovative basis. These rules enable a flexible operation scheme for this type of investment funds by establishing differentiated rules with respect to the other funds allowed by the Securities Market Regulatory Law, but preserves the dissemination of information as an element for investor protection, specialized management, rules of operation and conduct required in the securities market. These funds can invest in securities and financial instruments of companies that are not publicly offered and enable the existence of particular schemes for the subscription and redemption of shares, the valuation of its portfolio, and the management and control bodies.

Market Evolution

During the eight-month period ended August 31, 2023, the total traded volume of securities in the Costa Rica's capital market totalled U.S.$24.64 million. In 2022, the total traded volume of securities in Costa Rica's capital market totaled U.S.$26.62 million, a 26.7% decrease when compared to 2021, with the largest contraction reflected in the trading of public sector securities (33.3% or U.S.$10.6 million). In 2021, the total traded volume of securities in Costa Rica's capital market totaled U.S.$36.33 billion, a 1.3% increase when compared to 2020, driven by higher volume of trading in both the primary and secondary market, which was partially offset by a 22.0% contraction in the market of repos. Despite the increase observed in 2021, the total traded volume of securities in Costa Rica's capital market was lower than the volumes observed in 2018 and 2019, prior to the COVID-19 outbreak.

The following table sets forth trading volume for the National Stock Exchange and the amounts of bonds and commercial papers issued annually in local markets, for the years indicated.

Stock Exchange Trading Volume
Debt market

(in millions of U.S. dollars, and percentage of total)[1]

	For the Year ended December 31,										For the Eight-Month Period ended August 31,	
	2018	%	2019	%	2020	%	2021	%	2022	%	2023	%
Debt market												
Public sector issuer												
Short term (Commercial paper)	1,172	2.1%	618	1.1%	1,021	2.8%	467	1.3%	81	0.2%	263	1.1%
Long term (bonds)	6,548	11.8%	8,758	15.7%	5,436	15.2%	7,024	19.3%	4,765	15.8%	6,011	24.4%
Total primary market	7,720	13.9%	9,376	16.9%	6,457	18.0%	7,491	20.6%	4,846	16.0%	6,274	25.5%
Short term (Commercial paper)	335	0.6%	180	0.3%	263	0.7%	262	0.7%	70	0.4%	39	0.2%
Long term (bonds)	2,129	3.8%	6,977	12.5%	7,429	20.7%	11,554	31.8%	4,360	21.4%	5,210[7]	21.1%
Repos [2][3][4]	33,633	60.7%	31,244	56.1%	16,010	44.6%	12,525	34.5%	11,965	44.4%	10,047	40.8%
Total secondary market	36,097	65.2%	38,401	69.0%	23,702	66.1%	24,341	67.0%	16,395	66.2%	15,296	62.1%
Public sector total	43,817	79.1%	47,777	85.9%	30,159	84.1%	31,832	87.6%	21,241	82.2%	21,570	87.6%
Financial sector issuer												
Short term (Commercial paper)	2,027	3.7%	1,816	3.3%	1,860	5.2%	816	2.2%	1,551	3.5%	995	4.0%
Long term (bonds)	903	1.6%	1,358	2.4%	1,207	3.4%	868	2.4%	1,620	5.1%	802	3.3%
Total primary market	2,929	5.3%	3,174	5.7%	3,066	8.5%	1,684	4.6%	3,171	8.7%	1,797	7.3%
Short term (Commercial paper)	1,406	2.5%	1,005	1.8%	371	1.0%	213	0.6%	96	0.5%	136	0.6%
Long term (bonds)	219	0.4%	285	0.5%	459	1.3%	629	1.7%	377	1.9%	241	1.0%
Repos [2][3][4]	5,595	10.1%	2,486	4.5%	1,175	3.3%	1,329	3.7%	1,310	4.9%	586	2.4%
Total secondary market	7,220	13.0%	3,776	6.8%	2,005	5.6%	2,172	6.0%	1,783	7.3%	962	3.9%
Financial sector total	10,149	18.3%	6,950	12.5%	5,071	14.1%	3,856	10.6%	4,955	15.9%	2,759	11.2%
Private sector issuer												
Short term (Commercial paper)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Long term (bonds)	46	0.1%	83	0.1%	-	0.0%	-	0.0%	37	0.2%	10	0.0%
Total primary market	46	0.1%	83	0.1%	-	0.0%	-	0.0%	37	0.2%	10	0.0%
Short term (Commercial paper)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Long term (bonds)	25	0.0%	45	0.1%	27	0.1%	97	0.3%	42	0.2%	17	0.1%
Repos [2][3][4]	723	1.3%	528	0.9%	293	0.8%	176	0.5%	125	0.5%	73	0.3%
Total secondary market	748	1.4%	573	1.0%	320	0.9%	273	0.8%	167	0.7%	89	0.4%
Private sector total	794	1.4%	657	1.2%	320	0.9%	273	0.8%	205	0.9%	99	0.4%
International issuer												
Short term (Commercial paper)	-	0.0%	-	0.0%	2	0.0%	13	0.0%	17	0.0%	1	0.0%
Long term (bonds)	119	0.2%	-	0.0%	-	0.0%	47	0.1%	16	0.1%	98	0.4%
Total primary market	119	0.2%	-	0.0%	2	0.0%	60	0.2%	33	0.1%	98	0.4%
Short term (Commercial paper)	-	0.0%	-	0.0%	0	0.0%	0	0.0%	1	0.0%	-	0.0%
Long term (bonds)	13	0.0%	4	0.0%	15	0.0%	4	0.0%	9	0.1%	22	0.1%
Repos [2][3][4]	144	0.3%	47	0.1%	187	0.5%	152	0.4%	28	0.1%	7	0.0%
Total secondary market	158	0.3%	51	0.1%	202	0.6%	156	0.4%	38	0.2%	29	0.1%
International issuer total	277	0.5%	51	0.1%	204	0.6%	216	0.6%	71	0.3%	127	0.5%
Debt market total	55,037	99.4%	55,435	99.6%	35,755	99.7%	36,177	99.6%	26,471	99.4%	24,556	99.7%
Stock market	51	0.1%	35	0.1%	31	0.1%	34	0.1%	40	0.1%	22	0.1%
Others [5]	280	0.5%	174	0.3%	88	0.2%	119	0.3%	111	0.4%	59	0.2%
National Stock Exchange total	55,368	100.0%	55,644	100.0%	35,875	100.0%	36,329	100.0%	26,621	100.0%	24,637	100.0%
Market capitalization	2,156		2,206		1,752		2,058		2,204		2,349	
Number of listed companies [6]	43		43		43		42		44		45	

(1) Transactions in colones have been translated into U.S. dollars at the Central Bank exchange rate in effect on the date of the transaction.
(2) Repurchase agreements or repos.
(3) Considers the buying and selling position in the traded volume on repos.
(4) Repos includes interest on the transaction.
(5) Includes operations in the secondary market considering closed-end fund issuances.
(6) Issuers authorized by the SUGEVAL to list securities on the stock exchange.Source: SUGEVAL.
(7) As of September 30, 2023, long-term debt (bonds) totaled U.S.$6,169 million and represented 25.5% of the total national stock exchange trading volume.

Amounts of Bonds and Commercial Paper Issues Annually in Local Markets
(in millions of U.S. dollars)

	Total
For the year ended December 31, 2018	12,986
For the year ended December 31, 2019	25,602
For the year ended December 31, 2020	17,330
For the year ended December 31, 2021	21,343
For the year ended December 31, 2022	13,097
For the eight-month period ended August 31, 2023	12,716

Source: SUGEVAL.

Recent Legal Reforms in the Securities Market

Risk-Based Supervision Methodology

On May 20, 2016, SUGEF, which supervises financial intermediaries and certain other entities, chose to apply a risk-based supervision methodology to all of its supervised entities.

This risk-based supervision methodology is based on the prospective, continuous and comprehensive analysis of the risks assumed by supervised entities and allows SUGEF to determine and evaluate the nature and impact that current and future events could have on the level of risk assumed by supervised entities and require corrective actions when necessary. This encourages effective supervision and promotes a more solid and robust financial system for the benefit of depositors.

The risk-based supervision methodology has four guiding principles: (i) risk-oriented, (ii) timely, (iii) dynamic and (iv) prospective supervision. It seeks to implement informed criteria and understanding of risk factors, which involves identifying and analyzing material risks as a continuous process and it is dynamic, so that risk assessment, management effectiveness and controls are based on the knowledge and analysis of an entity, its business model and its environment.

Minority Investor Protection Law

In August 2016, the Legislative Assembly passed the Minority Investor Protection Law. This law aims to establish the general conditions for boards of directors or equivalent bodies for the purposes of issuing their corporate governance policies, including, among others, the right of minority shareholders to examine those transactions of the company involving the acquisition, sale, mortgage or pledge of its assets, provided that such transactions represent a value equal to or greater than 10% of the total assets of the company. The Minority Investor Protection Law also requires that these transactions be approved by the company's board of directors.

It also establishes that a partner or partners representing at least 10% of the share capital of a company may petition a judge to order an audit of the company according to the international auditing standards. The Minority Investor Protection Law requires administrators and directors to comply with legal and corporate obligations efficiently, and makes administrators and directors jointly and severally liable to the company for damages arising from non-observance of the obligations imposed by the law and the bylaws of the company.

In addition, the Law of Protection of Minority Investors requires that companies and other figures adopt corporate governance policies approved by the board of directors or equivalent body, these policies should regulate that any implication involving acquisition, mortgage or pledge of assets of the issuing company representing a percentage equal to or greater than 10% of its total assets must always be approved by the company's board of directors.

The seed money and venture capital incentive law

In June 2019, the Legislative Assembly passed the Seed Money and Venture Capital Incentive Law (*Reforma para incentivar los modelos de capital semilla y capital de riesgo para emprendimientos*). This law amends article 85 of the Securities Market Regulatory Law which regulates venture capital funds. Pursuant to this law, venture capital funds have the ability to place their capital in specialized products, with a higher level of risk. The purpose of these types of funds is to raise capital from the public, particularly from professional and institutional investors, and channel them toward investment in securities that are not authorized for public offering. This law intends to reinforce previous existing regulations as it sets forth CONASSIF's obligation to approve the legal framework that will adjust to the special nature of these types of funds. This law also enables the Development Banking System (*Sistema de Banca para el Desarrollo*), a second-tier bank, to guarantee programs and credit portfolios by covering the expected loss and it enables the National Development Fund (*Fondo Nacional para el Desarrollo*) to receive counter-guarantees.

Financial consumer protection law

In April, 2020, a draft Financial Consumer Protection Law was submitted to the Legislative Assembly with the aim of increasing confidence in formal financial services and to provide a specific legal framework for financial consumer protection, including the strengthening of principles such as fair and equitable treatment of the financial consumer, responsible business conduct by financial services providers, transparency and disclosure, protection of financial consumer data, protection against fraud and misuse of financial consumer assets and handling and resolution of complaints and claims of the agile and fair financial consumer. The enactment of legislation to protect consumers was also a recommendation made by the OECD in connection with Costa Rica's accession to the OECD. As of the date of this offering circular, the Financial Consumer Protection Law was being discussed by the Legislative Assembly.

Initiatives to boost the stock market

In March 2022, SUGEVAL launched the Action Plan for the Development of the Capital Market for the period 2022–2024. This plan is a result of a dialogue process carried out during 2021 among different working groups to analyze, discuss and prioritize the various proposals put forward by representatives of public and private entities, the financial industry and organizations dedicated to innovation and transformation of financial services. It is currently being implemented by teams made up of institutions and market participants. The plan is anchored on three key pillars (i) expanding the role of the capital market, (ii) strengthening the market infrastructure and (iii) strengthening the governance and financial education, and consists of six relevant components related to (i) expanding the market, (ii) modernizing the legal framework, (iii) improving the management of public debt as a necessary basis for the market development, considering the development of a market maker program, (iv) improvement of the liquidity, depth and price formation, (v) improvements in the functioning of the market, and (vi) the strengthening of the financial capacities of investment decision-makers.

PUBLIC SECTOR FINANCES

Costa Rica classifies public institutions into mutually exclusive sectors according to their economic nature, use of public resources, and political administration: the Non-Financial Public Sector (NFPS) and the financial public sector.

The NFPS comprises the institutions that carry out government economic functions and enterprises that carry out commercial and productive activities belonging to the government or controlled by it. The NFPS is divided into two subsectors: (i) General Government and (ii) non-financial public sector institutions (including state-owned companies). The General Government comprises the Government, decentralized non-business institutions and local governments. In turn, the Government comprises the Presidency of the Republic, the Legislative Assembly, the Judiciary, 18 Ministries, the Comptroller General of the Republic, the Office of the Ombudsman of the Republic, the Supreme Electoral Tribunal, and some other institutions such as the Public Debt Service and Pension Regimes, plus 49 Decentralized Entities. Local governments are autonomous entities with territorial jurisdiction in charge of administrating local interests and services of each canton.

Government expenditures are financed through the collection of income taxes, sales taxes, other minor taxes, tariffs, and domestic and external borrowings. In recent years, Government's current expenditures have consisted primarily of wages and salaries, interest on public debt, pension payments, social security payments, and transfers to a state fund for higher education.

After about two decades of failed tax reform attempts, on December 3, 2018, the Legislative Assembly enacted the Public Finance Strengthening Law, a comprehensive fiscal reform law that seeks to control Government expenditures and improve tax collection by (i) establishing ceilings for Government and non-financial public sector spending based on the Fiscal Rule; (ii) instituting a VAT; (iii) amending available income tax deductions and exemptions and including specific tax treatment for capital income or dividends (*renta*) and capital gains (*ganancias de capital*); and (iv) standardizing salaries of Government officials.

As a result of the Fiscal Rule, government austerity and improved collections, the government had a positive primary balance in 2022 for the first time in 17 years.

For additional information on the Public Finance Strengthening Law, see "—Recent Legal Reforms Affecting Public Sector Finances— Public Finance Strengthening Law."

Ongoing Policy Objectives

In order to generate the conditions to achieve fiscal sustainability and consolidation, for the period 2022 to 2026, the Government is seeking an adjustment to achieve a primary balance to reduce public debt issuances. This plan will be based on the containment and reduction of public spending, the increase of tax revenues and a long-term financing strategy.

- The first objective will be to contain and reduce public spending, while seeking to increase its efficiency. The Executive Branch has at its disposal a series of legal instruments in the Public Finance Strengthening Law, allowing greater discretion in the use of resources. See "—Recent Legal Reforms Affecting Public Sector Finances—Public Finance Strengthening Law."

- The second objective is to increase revenue collection through a more active Tax and Customs Administration. A strong investment in equipment and personnel training programs is contemplated to make tax collection more efficient, in order to combat tax evasion.

- The third objective is a long-term financing route, maximizing financing from multilateral and bilateral organizations since they tend to have lower financing costs and longer maturities. However, given that offer of financing from these institutions can be limited, the Government expects to access international debt markets. See "—Recent Legal Reforms Affecting Public Sector Finances—Note Issuance Law."

In addition to the above measures, *Hacienda Digital* will be a transversal axis for the strengthening of fiscal management, by joining together the different information technology systems of the Ministry of Finance, improving taxpayer service, reducing waiting times, facilitating the payment of taxes and commercial flows, and improving transparency and control, creating the ideal environment for the use of data analytics tools. See "—Recent Legal Reforms Affecting Public Sector Finances—Hacienda Digital."

Government Finances

As of December 31, 2022, Costa Rica's fiscal deficit totaled U.S.$1,883 million, as Government expenditures were U.S.$14,258 million and total revenues were U.S.$12,376 million, compared to a fiscal deficit of U.S.$3,156 million as of December 31, 2021. Specifically, Government expenditures increased by U.S.$1,185 million in 2022. On the other hand, government revenues increased by U.S.$2,458.7 million, mainly due to the growth in tax collection given the increased local economic activity and the positive effects of the implementation of the Public Finance Strengthening Law.

More specifically, the increase was due to the behavior of (i) income tax, largely because of the higher payments from firms, (ii) internal sales tax (VAT) and (iii) customs taxes. Total revenues increased from U.S.$9.9 billion (15.8% of GDP) in 2021 to U.S.$12.3 billion (16.6% of GDP) in 2022. The implementation of the Public Finance Strengthening Law continued generating positive results, mainly due to the scheduled increases in the VAT rate applicable to construction and tourism services, as well as the capital income tax. To mitigate the impact of the increase in fuel prices on household's consumption, the Ministry of Finance delayed a schedule inflation adjustment until the end of the year.

Fiscal targets under the IMF program were comfortably met despite the challenges caused by a cyberattack in 2022 that forced the Ministry of Finance to shut down the main tax collection systems. See "—2022 Cyberattack."

In 2021, the fiscal deficit was U.S.$3.2 billion, compared to U.S.$4.8 billion in 2020. The fiscal deficit decrease is primarily explained due to a significant increase in revenues and the effects of the fiscal rule on public spending. Total revenues increased from U.S.$7.9 billion (13.1% of GDP) in 2020 to U.S.$9.9 billion (15.8% of GDP) in 2021. Such change largely reflects a strong revenue collection, results in a better economic outturn, effects of the 2018 tax reform, and improved tax administration. In addition, some one-off revenues helped increasing the tax burden: (i) additional transfers from public entities, (ii) partial recovery from the 2020 tax moratorium, and (iii) higher income tax payments in March 2021 due to the 15-month fiscal year (the 2018 tax reform shifted the fiscal year from October–September to January–December). Government expenditure increased from U.S.$12.7 billion (21.0% of GDP) in 2020 to U.S.$13.1 billion (20.8% of GDP) in 2021. The windfall tax in 2021 helped fund additional spending on the implementation of new COVID-19 protocols for schools, and vaccine doses. Interest payments were lower than initially projected thanks to better market conditions and efforts to improve public debt management.

In 2020, Costa Rica's fiscal deficit totaled U.S.$4.8 billion, compared to U.S.$4.4 billion in 2019. This fiscal deficit increase is primarily explained by the measures implemented to contain the COVID-19 outbreak. Total revenues decreased from U.S.$9.4 billion in 2019 to U.S.$7.9 billion in 2020, when virtually all tax revenues items diminished. As share of GDP, total revenue shrank from 14.2% to 13.1%. Government spending decreased from U.S.$13.9 billion in 2019 to U.S.$12.7 billion in 2020, however, as a percentage of GDP, Government expenses increased from 20.8% in 2019 to 21.0% in 2020. To mitigate the impact of the pandemic on SME and employment, the Legislative Assembly approved a three-month moratorium on tax payments, temporary reductions in the minimum tax wage for health and pension contributions, and reductions in the vehicle property tax, as well as a deferral of the roll-out of VAT on construction and tourism services.

The pandemic had a severe impact on Costa Rica's economy, diminishing the expected positive effects of the Public Finance Strengthening Law and generating a significant medium-term financing gap. In response, the Costa Rican authorities and the IMF reached a Staff-Level Agreement on a three-year EFF on economic and structural policies. See "The Republic of Costa Rica—Costa Rica's Agreements with the IMF".

In 2019, Costa Rica's fiscal deficit totaled U.S.$4.4 billion, compared to U.S.$3.4 billion in 2018. Government expenditures amounted to U.S.$13.9 billion (compared to U.S.$11.6 billion in 2018), such increase is primarily explained by higher interest payments on public debt (given the increase in public indebtedness and interest rates) and higher capital spending disbursements. Total revenue amounted to U.S.$9.4 billion (compared to U.S.$8.2 billion in 2018). This increase in revenue was primarily driven by an increase in tax collections of (i) income tax, mainly as a result of the tax amnesty measures created under the Public Finance Strengthening Law, (ii) single taxes on fuel, solidarity, and tobacco, (iii) internal sales tax and (iv) VAT, as a result of the newly introduced VAT regime under the Public Finance Strengthening Law. In contrast, the collection of taxes on customs and selective consumption declined, consistent with the slowdown in local economic activity and the imports of final consumer goods.

In 2018, Costa Rica's fiscal deficit decreased to 5.7% of GDP (U.S.$3.4 billion), partly due to the reduction of tax evasion and the approval of the Public Finance Strengthening Law. Total revenue decreased in absolute terms to U.S.$8.2 billion in 2018 (13.8% percentage of GDP). Total expenditures decreased to 19.4% of GDP (U.S.$11.6 billion) in 2018 from 19.7% of GDP (U.S.$11.9 billion) in 2017. This nominal increase in total expenditures is in part due to higher interest payments on public debt. Capital expenditures decreased to 1.3% of GDP in 2018 from 1.9% of GDP in 2017, and current transfers decreased to 7.4% of GDP in 2018 from 7.5% in 2017.

The following table sets forth a summary of the Government accounts and its percentage of GDP for the years indicated.

Government Finances[(1)]
(in millions of U.S. dollars and percentage of GDP)

	For the Year Ended December 31,									
	2018		2019		2020		2021		2022	
Total revenue	8,245.8	13.8%	9,434.5	14.2%	7,879.2	13.1%	9,916.8	15.8%	12,375.5	16.6%
Current income.........	8,193.6	13.7%	9,257.9	13.9%	7,744.6	12.9%	9,906.6	15.8%	12,362.7	16.6%
Tax revenues...........	7,597.8	12.7%	8,601.7	12.9%	7,161.6	11.9%	8,725.5	13.9%	10,640.3	14.3%
Income tax..............	2,826.9	4.7%	3,263.1	4.9%	2,724.0	4.5%	3,238.3	5.1%	4,100.7	5.5%
On imports..............	291.7	0.5%	288.9	0.4%	220.6	0.4%	285.4	0.5%	288.5	0.4%
On exports..............	9.1	0.0%	9.5	0.0%	9.0	0.0%	9.8	0.0%	8.2	0.0%
Sales......................	2,474.8	4.1%	2,876.2	4.3%	2,678.5	4.4%	3,197.8	5.1%	3,697.1	5.0%
Consumption...........	368.0	0.6%	347.4	0.5%	235.0	0.4%	336.2	0.5%	366.3	0.5%
Other tax revenues	1,627.4	2.7%	1,816.6	2.7%	1,294.5	2.2%	1,657.9	2.6%	2,179.5	2.9 %
Social contributions...	142.1	0.2%	136.3	0.2%	131.0	0.2%	735.5	1.2%	869.4	1.2%
Non-taxes revenues ...	108.0	0.2%	141.1	0.2%	83.6	0.1%	239.7	0.4%	462.4	0.6%
Transfers	345.7	0.6%	378.8	0.6%	368.3	0.6%	205.8	0.3%	390.6	0.5%
Capital revenue.........	52.3	0.1%	176.6	0.3%	134.6	0.2%	10.2	0.0%	12.8	0.0%
Total expenditure	11,637.1	19.4%	13,863.1	20.8%	12,672.9	21.0%	13,072.4	20.8%	14,258.1	19.1%
Current expenditure ...	10,838.3	18.1%	12,542.4	18.8%	11,939.1	19.8%	12,134.2	19.3%	13,228.1	17.7%
Wages and salaries	3,983.8	6.6%	4,356.8	6.5%	4,092.9	6.8%	4,113.2	6.5%	4,428.1	5.9%
Goods and services....	372.8	0.6%	408.9	0.6%	398.8	0.7%	535.8	0.9%	600.5	0.8%
Interest on public debt	2,044.1	3.4%	2,669.1	4.0%	2,773.6	4.6%	2,980.3	4.7%	3,446.0	4.6%
Domestic................	1,703.2	2.8%	2,304.6	3.5%	2,378.5	4.0%	2,585.9	4.1%	2,926.1	3.9%
External	340.8	0.6%	364.6	0.5%	395.1	0.7%	394.4	0.6%	519.8	0.7%
Current transfers	4,437.5	7.4%	5,107.7	7.7%	4,673.8	7.8%	4,504.8	7.2%	4,753.5	6.4%
Public sector	3,012.7	5.0%	3,563.2	5.4%	2,971.3	4.9%	2,956.5	4.7%	3,033.6	4.1%
Private sector	1,415.8	2.4%	1,534.4	2.3%	1,691.7	2.8%	1,535.5	2.4%	1,704.7	2.3%
External sector..........	9.0	0.0%	10.1	0.0%	10.8	0.0%	12.9	0.0%	15.3	0.0%
Capital expenditure ...	797.7	1.3%	1,264.5	1.9%	732.5	1.2%	931.2	1.5%	1,021.0	1.4%
Fixed investment.......	112.1	0.2%	107.1	0.2%	121.8	0.2%	391.7	0.6%	371.9	0.5%
Capital transfers........	685.6	1.1%	1,157.5	1.7%	610.7	1.0%	539.5	0.9%	649.1	0.9%
Fiscal balance (deficit)/surplus....	(3,391.2)	(5.7)	(4,428.6)	(6.7)	(4,793.7)	(8.0)	(3,155.6)	(5.0)	(1,882.6)	(2.5)

	For the Year Ended December 31,									
	2018		2019		2020		2021		2022	
Primary balance (deficit)/surplus....	(1,347.2)	(2.2)	(1,759.5)	(2.6)	(2,020.2)	(3.4)	(175.3)	(0.3)	1,563.4	2.1

Source: Ministry of Finance.
(1)Amounts in U.S. dollars were converted from colones using the historical average exchange rate for the period indicated.

The following table sets forth the consolidated public sector deficit as a percentage of GDP for the years indicated.

Consolidated Non-Financial Public Sector Deficit
(as percentage of GDP)

	For the Year Ended December 31,				
	2018	2019	2020	2021	2022
Government	(5.7)	(6.7)	(8.0)	(5.0)	(2.5)
State-Owned Enterprises	0.4	0.1	0.5	0.8	(0.0)
Remainder of Institutions	1.1	1.4	0.3	0.2	0.8
Total	**(4.2)**	**(5.2)**	**(7.2)**	**(4.0)**	**(1.8)**

Source: Ministry of Finance.
Tax Revenues

The following table sets forth the composition of the Government's tax revenues for the years indicated.

Composition of Tax Revenues
(as percentage of total)

	For the Year Ended December 31,				
	2018	2019	2020	2021	2022
Sales	32.6	33.4	37.4	36.6	34.7
Domestic	17.1	19.6	23.7	21.5	21.4
Customs	15.5	13.8	13.7	15.2	13.3
Income tax	37.2	37.9	38.0	37.1	38.5
Other taxes	21.4	21.1	18.1	19.0	20.5
Consumption	4.8	4.0	3.3	3.9	3.4
Domestic	0.4	0.2	0.2	0.2	0.2
Customs	4.4	3.8	3.1	3.7	3.3
On imports	3.8	3.4	3.1	3.3	2.7
On exports	0.1	0.1	0.1	0.1	0.1
Tax Revenues	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Ministry of Finance.

Government Expenditures

The following table sets forth the composition of the Government's expenditures for the years indicated.

Composition of Government Expenditures
(as a percentage of total expenditures)

	For the Year Ended December 31,				
	2018	2019	2020	2021	2022
Total expenditures	100.0	100.0	100.0	100.0	100.0
Compensation of Employees	34.2	31.4	32.3	31.5	31.1
Current transfers	38.1	36.8	36.9	34.5	33.3
Private	12.2	11.1	13.3	11.7	12.0
Public	25.9	25.7	23.4	22.6	21.2
Foreign	0.1	0.1	0.1	0.1	0.2
Interest on the public debt	17.6	19.3	21.9	22.8	24.2
Domestic	14.6	16.6	18.8	19.8	20.5
Foreign	2.9	2.6	3.1	3.0	3.6
Capital expenditures	6.9	9.1	5.8	7.1	7.2
Goods and services	3.2	2.9	3.1	4.1	4.2
Net Granting of loans	-	0.4	-	0.1	0.1

Source: Ministry of Finance.

The following table sets forth Government borrowings for the years indicated.

Government Funding[(1)]
(in millions of U.S. $ dollars and percentage of GDP)

	For the Year Ended December 31,									
	2018		2019		2020		2021		2022	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Total revenues	8,245.8	13.8	9,434.5	14.2	7,879.2	13.1	9,916.8	15.8	12,293.9	17
Total expenditures	11,637.1	19.4	13,863.1	20.8	12,672.9	21.0	13,072.4	20.8	14,164.1	19
Overall balance	(3,391.2)	(5.7)	(4,428.6)	(6.7)	(4,793.7)	(8.0)	(3,155.6)	(5.0)	(1,870.2)	(3)
Net Funding Required	3,382.0	5.6	4,340.6	6.5	4,737.7	7.9	3,039.7	4.8	1,844.9	2
Net External Funding	234.2	0.4	1,967.8	3.0	1,194.0	2.0	1,011.4	1.6	1,760.3	2
Net Domestic Funding	3,147.9	5.3	2,372.8	3.6	3,543.7	5.9	2,028.2	3.2	84.6	0
Net Central Bank	150.1	0.3	(909.2)	(1.4)	817.6	1.4	(396.7)	(0.6)	(500.2)	(1)
Banking system	47.5	0.1	53.1	0.1	0.0	0.0	0.0	0.0	0.0	0
Other domestic funding	2,950.3	4.9	3,228.9	4.9	2,726.1	4.5	2,425.0	3.9	584.8	1
Net loans	2,961.9	4.9	3,195.7	4.8	2,600.2	4.3	2,539.5	4.0	841.4	1
Other	(11.6)	(0.0)	33.1	0.0	125.9	0.2	(114.5)	(0.2)	(256.6)	0

Source: Ministry of Finance.
(1)Amounts in U.S. dollars were converted from colones using the historical average exchange rate for the period indicated.

Pension System

Costa Rica's basic pension system is made up of a Disability, Death, and Old-age Pension Regime (*Régimen de Invalidez, Vejez y Muerte*) (IVM), a Public Employee Pension Regime funded by the national budget, and occupational regimes applicable to teachers, members of the judiciary and firefighters. The complementary pension system is made up of the Mandatory Pensions Regime (*Régimen Obligatorio de Pensiones Complementarias*) and special pension funds formed by corporations or by Government entities. The private pension system consists of the Voluntary Pensions Regime (*Régimen Voluntario de Pensiones*) and the care system consists of the Non-Contributory Regime (*Régimen No Contributivo*). The SUPEN regulates, supervises, and authorizes pension operators, labor capitalization funds, savings and credit unions, and solidarity associations that manage labor capitalization funds, except the CCSS.

In September 2016, the board of directors of the CCSS increased the Government's contribution to the IVM from 0.58% to 1.24% for the subsequent year. The increase also impacts the Government's contributions to the occupational regimes applicable to teachers, members of the Judiciary and firefighters. The 2018 national budget did not incorporate this increase and allocated U.S.$267.96 million for the IVM. However, from 2019 onwards, this obligation has been incorporated into the Budget.

In July and August 2016, the Legislative Assembly partially reformed the General Pensions Law (*Ley de Creación del Régimen General de Pensiones con Cargo al Presupuesto Nacional, de Otros Regímenes Especiales y Reforma*) with two laws that limited high pensions. The first of such laws was the Pension Contribution Law (*Porcentaje de Cotización de Pensionados y Servidores Activos para los Regímenes Especiales de Pensiones*) enacted in July 2016 aimed to stabilize the pension regime by setting a pension contribution floor at 9.0% of the salary or pension, which the executive branch could modify only if such modification follows recommendations from technical studies and not above the 16% . Second, was the Special Pensions Regimes Reform Law (*Reforma normativa de los Regímenes Especiales de Pensiones con cargo al presupuesto para contener el gasto de pensiones*) enacted in August 2016 aimed to impact public finances with amendments to the mechanism for pension calculus, establishing a maximum amount for retirement benefits, reinforcing pension adjustments, and strengthening other control mechanisms exercised by the Government.

2023 National Budget

On November 28, 2022, the Legislative Assembly approved the budget for the year 2023 (*Ley de Presupuesto Ordinario y Extraordinario de la República para el Ejercicio Económico 2023*). The 2023 national budget provides for expenses totaling ₡12.3 billion (25.8% of GDP), representing a 6.5% increase compared to the 2022 national budget. The 2023 national budget was formulated following the guidelines set by the General Directorate of National Budget and in compliance with the Public Finance Strengthening Law framework which includes the Fiscal Rule. Revenues are estimated and maximum expenditure amounts are defined for each of the institutions, considering the established guidelines and directives, as well as the requirements that these institutions submit to the Ministry of Finance.

The 2023 national budget allocates 40.1% of total expenditures to social sectors such as education, social protection, environment, health, housing and transport.

The largest portion of the 2023 national budget, ₡5.7 billion (46.9% of the total expenditures) is allocated to debt service, representing a 13.2% increase compared to the 2022 national budget. The second largest portion, ₡2.5 billion (20.6% of the total expenditures), is allocated to the Ministry of Education, representing a 1.6% decrease compared to the 2022 national budget. In third place, pensions are allocated ₡1.1 billion (9.2% of the total expenditures), representing a 0.7% increase compared to the 2022 national budget. The remaining 23.5% of the total budget expenditures are distributed between 23 different ministries and institutions.

The following are the main assumptions used in the 2023 national budget.

Assumptions Underlying 2023 National Budget

(percentages, except as indicated)

Inflation	4.9%
Exchange rate (colones per U.S.$1.00)	₡686
Real growth in GDP	3.2%
Nominal growth in GDP	8.0%
Nominal GDP (millions of colones)	₡47,463
Implied public debt interest rate	8.0%

Source: Ministry of Finance.

The 2023 national budget assumes that the total current income for 2023 will amount to ₡7.3 billion (15.3% of GDP) or around U.S.$10.6 billion, a 5.9% increase when compared to the total current income budgeted for 2022. Out of the total current income, 90.2% corresponds to tax revenues, 0.3% to transfers, 7.3% to social contributions and the remaining 2.3% to non-tax revenues. Within tax revenues, the main sources are: VAT (37.9%), revenues and profits (35.7%) and fuels (8.7%).

Current expenditures in the 2023 national budget amount to ₡8.4 billion, a 2.6% increase when compared to current expenditures included in the 2022 national budget. Current expenditures are allocated to current transfers (33.2%), public employees' compensation (32.7%), interest on public debt (29.5%) and the acquisition of goods and services (4.6%). Current revenues in 2023 are not expected to be sufficient to fund all current expenditures; 41% of total budget expenditures for 2023 are expected to be financed with public debt. This figure includes financing expenses and rollover.

The 2023 national budget estimates that capital expenditures will total ₡532 billion, a 1.8% (₡9.5 billion) increase when compared to capital expenditures included in the 2022 national budget.

Regarding the classification by object of expenditure, for the fiscal year 2023, the item "remunerations" with an amount of ₡2,780.9 billion is the third with the highest relative importance in terms of growth with respect to the 2022 national budget, with a relative weight of 22.7% of the budget of the Republic.

2024 National Budget

In September 2023, the Ministry of Finance submitted to the Legislative Assembly (Asamblea Legislativa de la República de Costa Rica) the bill National Budget Law 2024 (docket No. 23,912), which provides for government expenditures totaling to ₡12.635 billion (25.4% of GDP), representing an increase of 3.0%. The 2024 national budget was formulated following the guidelines set by the General Directorate of National Budget and in compliance with the Public Finance Strengthening Law framework which includes the Fiscal Rule. Revenues are estimated and maximum expenditure amounts are defined for each of the institutions, considering the established guidelines and directives, as well as the requirements that these institutions submit to the Ministry of Finance.

The 2024 national budget allocates 40.35% of total expenditures to social sectors such as education, social protection, environment, health, housing and transport.

The largest portion of the 2024 national budget, ₡5.8 billion (46% of the total expenditures) is allocated to debt service, representing a 3.0% increase compared to the 2023 national budget. The second largest portion, ₡2.6 billion (20.6% of the total expenditures), is allocated to the Ministry of Education, representing a 3.0% increase compared to the 2023 national budget. In third place, pensions are allocated ₡1.13 billion (9.5% of the total expenditures), representing a 6.4% increase compared to the 2023 national budget. The remaining 24.0% of the total budget expenditures are distributed between 23 different ministries and institutions. The following are the main assumptions used in the 2024 national budget.

Assumptions Underlying 2024 National Budget
(percentages, except as indicated)

Inflation	1.93%
Exchange rate (colones per U.S.$1.00)	₡602
Real growth in GDP	3.8%
Nominal growth in GDP	6.5%
Nominal GDP (millions of colones)	₡49,798
Implied public debt interest rate	8.1%

Source: Ministry of Finance.

The 2024 national budget assumes that the total current income for 2024 will amount to ₡7.73 billion (15.5% of GDP) or around U.S.$12.8 billion, a 5.8% increase when compared to the total current income budgeted for 2023. Out of the total current income, 89.8% corresponds to tax revenues, 0.3% to transfers, 7.6% to social contributions and the remaining 2.3% to non-tax revenues. Within tax revenues, the main sources are: VAT (36.2%), revenues and profits (38.4%) and fuels (8.5%).

Current expenditures in the 2024 national budget amount to ₡8.7 billion, a 3.42% increase when compared to current expenditures included in the 2023 national budget. Current expenditures are allocated to current transfers (33.4%), public employees' compensation (32.5%), interest on public debt (29.2%) and the acquisition of goods and services (4.9%). Current revenues in 2023 are not expected to be sufficient to fund all current expenditures; 39% of total budget expenditures for 2024 are expected to be financed with public debt. This figure includes financing expenses and rollover.

The 2024 national budget estimates that capital expenditures will total ₡622 billion, a 9.0% (₡51.3 billion) increase when compared to capital expenditures included in the 2023 national budget.

Regarding the classification by object of expenditure, for the fiscal year 2024, the item "remunerations" with an amount of ₡2,821.3 billion is the third with the highest relative importance in terms of growth with respect to the 2023 national budget, with a relative weight of 22.3% of the budget of the Republic.

Pursuant to applicable local laws, each and every expense and/or payment made by the Government (including the payment of debts and liabilities incurred by the Costa Rica) must be included in the national budget. Any payment above what has been authorized by the Legislative Assembly in the ordinary budget law for each year must be subsequently approved by way of a new law, commonly referred to as an extraordinary budget law.

The deadline for the approval of the 2024 national Budget is November 29, 2023.

Recent Legal Reforms Affecting Public Sector Finances

Public Finance Strengthening Law

On December 3, 2018, the Legislative Assembly enacted the Public Finance Strengthening Law, a comprehensive fiscal reform law that seeks to improve public sector finances by (i) establishing ceilings for Government and non-financial public sector spending based on (a) the Government debt to GDP ratio and (b) average nominal GDP growth rates in the last four fiscal years (the "Fiscal Rule"); (ii) replacing the sales tax with a VAT; (iii) amending available income tax deductions and exemptions and including specific tax treatment for capital income or dividends and capital gains; and (iv) standardizing public pay levels.

Fiscal Rule

The Public Finance Strengthening Law establishes the Fiscal Rule, which imposes a ceiling on expenditures by the Government and the non-financial public sector, based on the behavior of two macroeconomic variables: (i) the average nominal GDP growth rate over the four years before the formulation of the national budget for 2020; and (ii) the ratio of Government debt to nominal GDP.

Compliance with the Fiscal Rule is monitored and controlled by a Fiscal Council, which began operations in 2020. This council comprises three independent specialists from the private sector or academia who have recognized ethical and professional reputations, solid academic credentials, and experience in macroeconomics and public finance. The Minister of Finance appoints two members and selects the third member from a list of candidates prepared by the Legislative Assembly. If the Legislative Assembly does not submit its list within the required period, the Ministry of Finance will appoint a third candidate.

The Comptroller General of the Republic must monitor compliance with the Fiscal Rule and enforce the relevant consequences.

All non-financial public sector institutions, particularly those that depend on Government funds or can become a contingent liability for public finances, are required to comply with the Fiscal Rule. The Fiscal Rule applies on an aggregate basis concerning the national budget and an individualized basis for each non-financial public sector entity to which it applies.

The Government spending limit for 2023 is calculated by reference to the ratio of Government debt to nominal GDP as of December 31, 2021, and the nominal GDP figures for 2018, 2019, 2020, and 2021. In 2021, the Government debt to nominal GDP ratio was above 60% of GDP; therefore, under the Public Finance Strengthening Law, the increase in spending by the Government and the non-financial public sector in 2023 may not exceed 65% of the average nominal GDP growth rate for 2018 to 2021. Accordingly, spending by the Government and the non-financial public sector under the national budget for 2023 may not exceed 2.56%.

Beginning in 2020, the annual national budgets have been prepared according to the Fiscal Rule. The Fiscal Rule applies to both the Government and the non-financial public sector, and it imposes a ceiling on expenditures. The unjustified breach of the Fiscal Rule and its control constitutes a serious offense against the Public Treasury and may result in the dismissal or removal of the relevant authority. The growth of current expenditure included in the 2023 National Budget was 2.56%, thereby complying with the Fiscal Rule which mandates that current expenditure may not exceed 4.67%.

In September 2023, the Ministry of Finance submitted to the Legislative Assembly the bill corresponding to the 2024 national budget, which provides for government expenditures totaling ₡12.635 billion (25.4% of GDP), representing an increase of 3.0% compared to the 2022 national budget, consistent with the ceiling set forth in the Fiscal Rule.

The Fiscal Council, supervises and controls compliance with the Fiscal Rule. This council is composed of three independent specialists from the private sector or academia who have recognized ethical and professional reputations, solid academic credentials and experience in macroeconomics and public finance. The Minister of Finance appoints two members and selects the third member from a list of candidates prepared by the Legislative Assembly. If the Legislative Assembly does not submit its list within the required period, the Ministry of Finance may appoint the third candidate.

In addition, the Comptroller General, which does not depend from the executive branch, monitors compliance with the Fiscal Rule and enforces the relevant consequences.

VAT Regime

The new VAT regime has increased the tax base and the amount of goods and services subject to tax. The replacement of the previous sales tax, which applied only to the sale of goods, with a broader VAT that will levy taxes both on the sale of goods and most services rendered, is expected to help reduce tax evasion. Before the Public Finance Strengthening Law was enacted, services were generally not subject to any tax. Therefore, because VAT applies to most services, it is expected to capture economic activity that had avoided taxation under the previous sales tax regime. In addition, the new VAT regime allows for VAT to be collected in both domestic and international transactions. In an effort to reduce tax evasion, the Republic has also modernized its tax management and information system, to facilitate monitoring and enforcement and simplify the tax filing process.

In addition, the new VAT regime allows VAT to be collected in domestic and international transactions. For example, VAT is collected: (i) on the sale of goods at the time of invoicing or delivery; (ii) on imports or internationalization of goods at the time of acceptance of the policy or customs form; (iii) on the provision of services, at the time of billing or the provision of the service, whichever occurs first; (iv) on the self-consumption of goods, on the date on which the goods are withdrawn from the undertaking; (v) on the self-consumption of services, at the time of the taxed transactions; and (vi) on imports or internationalization of intangible goods and services made available to the final consumer, at the time of payment, billing, provision or delivery, whichever occurs first. Under article 1 of Decree No. 41,779, which regulates VAT, self-consumption is defined as the usage of a good or service for a taxpayer's personal use.

These VAT and income tax provisions became effective in July 2019.

Tax deductions and exemptions

The Public Finance Strengthening Law maintained the 13% tax rate applicable to all previously taxed transactions and established reduced rates for certain previously untaxed services. A 4.0% tax rate was set for airfare tickets and private health services; 2% for goods or services such as medicine, raw materials, supplies, private education services, personal insurance premium; 1% for agricultural goods and services included in the basic food basket and the local import or purchase of raw materials such as wheat, soybeans, fruit, and almonds, derivatives from palm oil and items derived from these products, among others. These regulations became effective in January 2019.

Salaries of Government officials

The Public Finance Strengthening Law standardizes the compensation payable to public officials by: (i) establishing caps on Government officials' salaries; (ii) establishing a single compensation scheme for senior Government officials; and (iii) replacing annuity-based salary schemes with schemes based on job performance evaluation. Moreover, it introduces a transparent, public and performance-based evaluation system applicable to all Government officials. This regulation of public employee compensations entered into force in December 2018.

Income Tax

The Public Finance Strengthening Law also substantially amended the Income Tax Law (*Ley del Impuesto Sobre la Renta*) by:

- adding the following tax brackets: (i) 15% on monthly income that is above ₡1,199,000 and up to ₡2,103,000; (ii) 20% on monthly income that is above ₡2,103,000 and up to ₡4,205,000; and (iii) 25% on monthly income that is above ₡4,205,000;

- levying taxes on capital income or dividends *(renta*) and capital gains (*ganancias de capital*), including returns on securities issued by entities such as Banco Popular, savings and credit unions, mutual funds, and the Banco Hipotecario de la Vivienda, a state-owned bank focused on providing mortgages and access to housing, as well as surpluses and returns on savings from investments in cooperatives and solidarity associations;

- establishing tax brackets for small businesses with rates ranging from 5% to 20%: (i) 5% for annual net income that is up to ₡5,000,000; (ii) 10% for annual net income that is more than ₡5,000,000 and less than ₡7,500,000; (iii) 15% for annual net income that is more than ₡7,500,000 and less than ₡10,000,000; and (iv) 20% for annual net income that is more than ₡10,000,000;

- providing for a one-year income tax waiver, a 25% discount on the second year, and a 50% discount on the third year, for micro and small and medium-sized enterprises registered with the Ministry of Economy, Industry and Commerce (*Ministerio de Economía, Industria y Comercio*) or the Ministry of Agriculture and Livestock (*Ministerio de Agricultura y Ganadería*); and

- increasing from 15% to 25% tax payable on remittances related to fees, commissions, allowances, and other personal services.

Basic Food Basket

The assets that make up the basic food basket taxes were redefined on March 18, 2019. The tax rate was defined based on consumption in the first two income tranches of necessity goods and services according to studies carried out by the National Institute of Statistics. The rate will be updated each time a new income a nd spending survey is performed. The goods covered by the basic food basket are subject to a 1% fee and are tax exempt until July 1, 2020.

Tax Amnesty

The Public Finance Strengthening Law also provided for tax amnesty. Said amnesty allowed taxpayers who satisfied certain conditions to extinguish their tax liabilities by paying the total principal amount of their overdue taxes and a portion of the applicable fees and penalties. Taxpayers who satisfy these conditions and make the required payment by the applicable deadline would not be required to pay interest on, or pay the remaining portion of the penalties applicable, to their overdue tax liabilities.

The tax amnesty provisions, effective until March 4, 2019, allowed taxpayers to regularize their tax situations, facilitate payment over outstanding tax obligations and avoid litigation. Through the application of the provisions of the Public Finance Strengthening Law, Costa Rica recovered ₡85,367.9 million in 2018 and ₡138,962.9 million through March 2019.

The Ministry of Finance expected a 1.2% of GDP yield in additional revenues by the end of 2021 due to the implementation of the Public Finance Strengthening Law. However, total revenue increased by 2.7% of GDP. The tax reform over performance is primarily explained by a stronger than anticipated effect of VAT. In addition, the Fiscal Rule helped to improve fiscal results by creasing non-interest current expenditure from 14.7% of GDP to 13.1% of GDP between 2018 and 2022. For additional information on the Public Finance Strengthening Law, see "Public Sector Finances—Recent Legal Reforms Affecting Public Sector Finances— Public Finance Strengthening Law."

The estimates and projections included in this Offering Circular are based on numerous assumptions relating to factors outside the Republic's control and may or may not be realized. See "Risk Factors—Risk Factors Related to Costa Rica—There can be no assurance that the events described or implied in the forward-looking statements, estimates, and projections included in this Offering Circular will occur."

Hacienda Digital

In 2020, the Government launched the Digital Finance Project ("*Proyecto Hacienda Digital*" or PHD, for its acronym in Spanish) to address the complex fiscal situation the Government had been undergoing for many years. The project seeks to facilitate the payment of taxes, reduce tax evasion, improve the efficiency of public spending, the management of debt and the transformation of the institutional culture, in order to permeate the concept of conceiving the citizen as a client, economic growth and debt sustainability. The PHD contemplates three substantial elements: (i) modernization of current management to one based on processes, (ii) modern and interoperable information systems that favor their integration, (iii) strengthening capacities and changes in the organizational culture. The PHD intends to implement a comprehensive financial administration system to improve the efficiency of public spending and fiscal sustainability practices through the alignment of certain policies and the implementation of robust information technology solutions. In addition, the PHD seeks to increase tax compliance through the use of technological tools, which allow the automation of central tax processes, combating fraud, and thus ensuring the optimization of operational efficiency and the effectiveness of the tax administration. Further, the PHD aims at the automation of customs controls and clearance procedures to promote trade facilitation and improve Costa Rica's business environment, avoiding compromising revenue collection.

The implementation of the PHD is supported by a U.S.$156.6 million loan granted by the World Bank, to be disbursed over a six-year period. Between 2021 and 2023, U.S.$8.1 million had been disbursed pursuant to such loan.

Public Employment Framework Law

In March 2023, the Public Employment Framework Law, No. 10,159 became effective. The Public Employment Framework Law seeks to (i) promote a more homogeneous legal framework for public employment by standardizing the legal relationship between the state and public officials to avoid disparities among similarly ranked public officials; (ii) establish a clear wage scale to address the pay gap among public officials and reduce wages expenses; and (iii) attract the most qualified professionals to work for in the public sector establishing a competitive public employment career.

It also seeks to organize the different powers and divisions of the Government, by reorganizing (i) the three powers (Executive, Legislative and Judicial), their auxiliary and attached bodies, and the Supreme Electoral Tribunal, without affecting the principle of separation of powers established in the Constitution; (ii) the institutional decentralized public sector made up of autonomous institutions and their attached bodies, including state universities, the Costa Rican Social Security Fund (CCSS), semi-autonomous institutions and their attached bodies, and state-owned public enterprises; and (iii) the territorial decentralized public sector made up of municipalities, leagues of municipalities, district municipal councils and their companies.

Strike Law

In January 2020, the Legislative Assembly enacted Law No. 9,808 to Provide Legal Certainty on Strikes and its Procedures (*Ley para Brindar Seguridad Jurídica sobre la Huelga y sus Procedimientos*), regulating strikes to safeguard the provision of public services at all times. Some of the protected public services are: hospital services, electricity, water, fuel, security, air and sea traffic control, school canteens and emergency care, among others. This law seeks to provide reasonableness and clarity on when a strike can be declared illegal. The law provides that workers who join an illegal strike will face a retroactive wage reduction counted from the date the illegal strike began.

National statistics system strengthening law

In line with the OECD's recommendations, Costa Rica declared the statistical activity that allows the production and dissemination of reliable and timely statistics for the true and comprehensive knowledge of Costa Rican reality to be of public interest because it forms the basis for efficient public and private administrative management. Accordingly, in May of 2019, the Legislative Assembly approved the National Statistics System Law which aims to regulate the National Statistics System, the institutions that conform it, set the basic rules for proper coordination and obtaining information that allow statistical development in a truthful and timely manner.

The National Statistics System Law creates the National Statistics System (*Sistema Estadístico Nacional*) (the SEN), which is made up of the INEC, certain public administration institutions and certain individuals, to rationalize and coordinate statistical activity. The SEN will implement a national statistical development strategy, a planning instrument that provides the guiding and strategic framework for the SEN.

The National Statistics System Law also stipulates that INEC will be financed with:

- funds from the national budget for an annual amount no less than ₡3.6 billion;
- funds from the Central Bank's budget for an annual amount no less than ₡5.0 billion. This amount is subject to annual adjustments linked to the CPI;
- funds collected in accordance with the provisions of Law No. 8,228 on the Costa Rican Fire Department dated March 19, 2002; and
- revenue from the sale of services and goods generated by INEC.

Law on Responsibility of Legal Entities on Domestic Bribery, Transnational Bribery and Other Crimes

The Law on Responsibility of Legal Entities on Domestic Bribery, Transnational Bribery and Other Crimes was approved by the Legislative Assembly in June 2019, and its enactment was among the recommendations of the OECD in connection with Costa Rica's accession to the OECD.

This law sets out rules on the establishment of criminal responsibility for legal persons, norms on a model of organization and prevention of crimes, the types of sanctions that a legal person can receive, procedural norms, and modifications to various legal bodies.

2022 Cyberattack

On April 18, 2022, the Ministry of Finance and certain other areas of the Government were the target of a cyberattack perpetrated by the criminal organization Conti. The immediate action of such Ministry was to take down all computer services and stop the ransomware infection. Once the cyberattack was contained, an assessment of the damage and technological infrastructure was carried out based on a plan with seven components:

Recovery of critical infrastructure. The criticality of systems was defined as those information systems with a country-level impact, such as the management of imports and exports, the declaration and payment of taxes, the centralized control of the management of administrative, budgetary, financial, and accounting resources of the Executive Power, management of the liquidity of the Public Treasury.

- *Reimages and identities*. All of the computers in the Ministry of Finance were formatted using a new image of the operating system and a security hardening. The IT department also reinitialized all user accounts with more robust passwords and activated a multiple-step authentication factor.

- *Backups*. The IT department urged an information recovery process from the different backups through different technological tools. Then, the applications and database validation and recovery of services proceeded.

- *Networks*. Definition of network segments and micro-segments to promote micro-segmentation, as well as the installation of network security analytics tools (*Stealwatch*), and the performance of domain name system (DNS) security to verify connections and access the internet network (Umbrella).

- *Monitoring*. Detection, analysis, and correction of security problems and incidents with the implementation of a real-time security incident monitoring and response service through Microsoft Sentinel's Security Information and Event Management (SIEM) solution.

- *Protection*. Blocking malicious accesses that infect the technological infrastructure or steal information through the identification, filtering, and installation of "vaccines" that protect from such intrusion attempts.

- *Contingency*. Implement contingency plans to restore critical systems with impacts on different services.

PUBLIC SECTOR DEBT

Overview

Costa Rica's gross public sector debt is composed of domestic and external debt of the Government, the Central Bank, state-owned non-financial companies and the autonomous agencies of the Government. Gross public sector debt does not include public sector financial institutions.

Pursuant to the National Banking System Law, commercial state-owned banks are subject to deposit insurance granted by the Republic. However, this insurance does not apply to subordinated financial instruments or subordinated loans issued or entered into by commercial state-owned banks or the rights and obligations arising from these. These may be purchased only by multilateral development banks or bilateral development agencies.

Further, according to the Attorney General's office, state-owned banks enjoy the Republic's public guarantee aimed at maintaining the confidence of consumers and the stability of the banking system. Further, this guarantee covers crisis situations that would prevent an interruption on the normal operation of a state-owned bank. However, the Republic's guarantee is not intended to guarantee the fulfilment of specific debt obligations by a state-owned bank. In addition, the enforcement of the Republic's guarantee is decided by the Government Council on a case-by-case basis taking into account the potential bankruptcy risks of state-owned banks. On the other hand, if a state-owned bank's board of directors decides to close the bank, such decision must be ratified by the Legislative Assembly. The last time the Republic's guarantee was enforced was in September 1994 when the Anglo Costa Rican Bank closed its operations.

Costa Rica's total domestic public debt consists of colón-denominated debt and foreign-currency denominated debt issued in Costa Rica by the Government, the Central Bank and autonomous agencies of the Government and non-financial public sector institutions.

The trend in the composition of Costa Rica's Public Sector debt in recent years has shown a stable performance in terms of distribution; domestic debt remained around 72% of total debt in 2022, mainly as a result of the prior legal inability to issue debt on international capital markets. See "—Recent Debt Related Legal Amendments."

Costa Rica's total gross public sector external debt consists of loans from foreign creditors to the Government, the Central Bank, autonomous agencies of the Government and non-financial public sector institutions and enterprises, as well as bonds of these entities and the Government issued outside of Costa Rica. In 2022, approximately 1.67% of the indebtedness of the non-financial public sector was guaranteed by the Government.

Costa Rica's total gross public sector debt fluctuated from 67.9% of GDP in 2018 (U.S.$40 billion) to 76.7% of GDP in 2022 (U.S.$56.8 billion). As of December 2022, the debt of the non-financial public sector totalled U.S.$5.1 billion, compared to U.S.$5.3 billion in 2021. These debt increases are mainly due to the negative economic and fiscal impact of the COVID-19 pandemic, which caused a severe domestic and global economic contraction, directly affecting government revenues. These adverse effects were partially offset by the implementation of legislation for the strengthening of public finances, debt management and compliance with the Fiscal Rule.

As of September 2023, the debt of the General Government and the non-financial public sector totalled U.S.$52.6 billion and U.S.$5.1 billion, respectively.

In recent years, legal limitations to issue debt in the international markets forced the Government to rely almost entirely on domestic resources to finance its fiscal deficit, which did not allow it to take advantage of lower interest rates and longer maturities available in the international markets. The share of total domestic public sector debt remains practically unchanged in recent years: 74.5% in 2020, 73.5% in 2021, 72.0% in December 2022 and 73.7% in September 2023. Of the total public sector debt as of December 2022, 72.0% corresponds to domestic debt maturities and the remaining 28.0% to external debt maturities; as of September 2023, 73.7% of the total public sector debt corresponds to domestic debt maturities and the remaining 26.3% to external debt maturities.

With regard to debt maturities, in recent months, the Government has made efforts to extend debt terms and improve maturity profiles. These efforts are made mainly through the incorporation of budget support credit facilities and debt management strategies. These operations included early redemptions of current debt instruments and the placement of new debt instruments with longer maturity terms.

The country has benefited from budget support credit facilities in recent years. In 2019, the IADB disbursed U.S.$350 million, to be paid over 20 years. This loan is intended to support the implementation of a policy reform program aimed at strengthening Costa Rica's fiscal sustainability by controlling spending and modernizing the tax system.

In addition, Costa Rica and CAF entered into a U.S.$500 million loan agreement to support the strengthening of public finances, and a U.S.$230 million loan agreements with the IADB and a U.S.$150 million loan agreement with the French Development Agency, in each case, to finance policy reforms to support Costa Rica's decarbonization plan.

In 2020, as a result of the COVI-19 pandemic, the IMF supported countries by making available financial instruments to support the response to the health emergency, in order to limit and/or counteract the impact it will generate on the economy and fiscal sustainability in the medium-term. Within this framework, the Costa Rica agreed with the IMF to use the Rapid Financing Instrument (RFI), through which financial resources are granted quickly to support public finances, in the amount of 369,400,000 Special Drawing Rights (approximately U.S.$521 million).

On March 1, 2021, the IMF Executive Board approved a 36-month, SDR 1.23749 billion (equivalent to U.S.$1.778 billion) arrangement under the Extended Facility Fund (EFF) to support this economic program. As of the date of this Offering Circular, a total of SDR 825.0 million (approximately U.S.$1.1 billion) had been disbursed under such facility.

In addition, the IMF team and the Costa Rican authorities have reached a staff-level agreement on the request for access to the newly created Resilience and Sustainability Facility (RSF) for an amount of approximately U.S.$710 million. Costa Rica is one of the first countries to apply for financing under this facility, which would support its pioneering and ambitious agenda to build resilience to climate change and transition to a zero-carbon economy, as well as help catalyze financing from other official and private sector partners to address climate change. In June 2023, the IMF concluded the first review of Costa Rica under the RSF, which resulted in a disbursement of approximately U.S.$246 million to support Costa Rica's climate change agenda. In October 2023, the IMF concluded its fifth review under the EFF and its second review under the RSF. Subject to approval by the IMF Executive Board, the completion of the fifth review under the EFF will make available about SDR 206 (U.S.$271 million), while the expected completion of programmed reform measures under the first and second RSF assessments will make available about SDR 369 million (U.S.$ 485 million). See "Costa Rica's Agreements with the IMF."

Additionally, in 2022, the Central Bank was granted a balance of payments support credit from the Latin American Reserve Fund (FLAR) for U.S.$1.1 billion in order to strengthen the country's financial shield in a context of exogenous shocks that have manifested themselves, among others, in pressures on international reserves, and in upward forces in the exchange rate, the different inflation indicators and interest rates.

Regarding issuances of international bonds, the Note Issuance Law authorized the Government to issue U.S.$5.0 billion in international bonds, which allows increasing the maturities of the debt, increasing the investor base and limiting the pressures in the local market on key variables such as interest rates and the exchange rate. The aim of such issuances in the international markets is to improve effective interest rate or other debt terms, as compared to the conditions available in the domestic market. No later than March 31 of each year, the Ministry of Finance must present and sustain a report before the Permanent Ordinary Commission of Treasury Affairs, regarding (i) compliance with the minimum and maximum indicators established in the Note Issuance Law and (ii) the results of the primary balance, the debt to GDP ratio and interest expense. The authorization of the issuance program is subject to these results. See "—Recent Debt Related Legal Amendments."

Government debt reached U.S.$30.8 billion in 2018 (52.3% of GDP), U.S.$37.4 billion in 2019 (56.8% of GDP), U.S.$39.9 billion in 2020 (67.4% of GDP), U.S.$42.7 billion in 2021 (68.5% of GDP), and U.S.$47.6 billion in 2022 (64.3% of GDP). Public debt increased in approximately 12.0% of GDP from 2018 to 2022, mainly due to the effects of the Covid-19 pandemic, as well as the global repercussions of the conflict between Russia and Ukraine in 2022, declining tax revenues and inflexible spending tied to various regulatory, legal or constitutional requirements.

Government debt contributed most of the total public sector debt, averaging 81.5% of total public sector debt between 2018 and 2022. Domestic debt increased by 34.8% between 2018 and 2022, mainly as a result of limitations for the Government to issue debt in the international markets.

The following table sets forth the composition of public sector debt between domestic and external debt.

Total Public Sector Debt(1)(2)(3)
(in millions of U.S. dollars and as a percentage of total)

	As of December 31,										As of September 30, 2023	
	2018		2019		2020		2021		2022			
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Domestic Public Debt	30,316.1	75.6	35,175.2	75.3	36,045.9	74.5	37,459.7	73.5	40,868.8	72.0	46,603.5	73.7%
Foreign Public Debt	9,772.7	24.4	11,511.4	24.7	12,335.5	25.5	13,475.7	26.5	15,931.2	28.0	16,651.6	26.3%
Total	**40,088.8**	**100.0**	**46,686.5**	**100.0**	**48,381.5**	**100.0**	**50,935.4**	**100.0**	**56,799.9**	**100.0**	**63,255.1**	**100.0**

Source: Ministry of Finance.
(1)Amounts in U.S. dollars were converted from colones using the monthly closing data of the non-banking financial Sector.
(2) Beginning in 2017, decentralized entities are considered part of the Government (for comparative purposes).
(3)Percentage is calculated over the Non-banking Public Sector Currency Exchange rate.

The following tables set forth the public sector debt of the Government, non-financial public sector and the Central Bank as of the dates specified.

Total Public Sector Debt(1)(2)(3)
(in millions of U.S. dollars and as a percentage of total)

	As of December 31,										As of September 30, 2023	
	2018		2019		2020		2021		2022			
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Government	30,861.5	77.0	37,473.0	80.3	39,937.0	82.5	42,760.1	83.9	47,610.1	83.8	52,567.9	83.1
Non-Financial Public Sector	4,947.7	12.3	5,216.3	11.2	5,571.6	11.5	5,270.7	10.3	5,091.2	9.0	5,060.4	8.0
Central Bank	4,279.6	10.7	3,997.3	8.6	2,872.9	5.9	2,904.6	5.7	4,098.6	7.2	5,626.8	8.9
Total	**40,088.8**	**100.0**	**46,686.5**	**100.0**	**48,381.5**	**100.0**	**50,935.4**	**100.0**	**56,799.9**	**100.0**	**63,255.1**	**100.0**

Source: Ministry of Finance.
(1)Amounts in U.S. dollars were converted from colones using the monthly closing data of the non-banking financial sector
(2)Beginning in 2017, decentralized entities are considered part of the Government (for comparative purposes)
(3)Total public debt corresponds to the sum of the debt of the Government excluding social security and non-profit institutions that serve the Government, local governments and the Central Bank.

The composition of the public sector debt shows an increase in the Government's percentage, which increased from 77.0% in 2018 to 83.8% in 2022. Non-financial public sector debt in 2022 remained at similar levels than in 2018, while Central Bank debt was reduced by approximately 3.5% of the total public sector debt, although it increased in absolute terms mainly due to the FLAR credit for U.S.$1.1 billion.

Total Public Sector Debt[(1)(2)]
(as a percentage of GDP)

	As of December 31,					As of September 30, 2023
	2018	2019	2020	2021	2022	
Government	52.3	56.8	67.4	68.5	64.3	60.9
Non-Financial Public Sector	8.2	7.9	9.4	8.4	6.9	5.9
Central Bank	7.1	6.1	4.8	4.7	5.5	6.5
Total	**67.6**	**70.8**	**81.6**	**81.6**	**76.7**	**73.2**

Source: Ministry of Finance.
(1)Beginning in 2017, decentralized entities are considered part of the Government (for comparative purposes).
(2)Total public debt corresponds to the sum of the debt of the Government excluding social security and non-profit institutions that serve the Government, local governments and the Central Bank.

As a percentage of GDP, public sector debt increased increased by 12.0 percentage points between 2018 and 2022, while the annual average growth of the economy for such period was 2.6 percentage points.

Domestic Debt

From 2018 to 2022, most of Costa Rica's public sector domestic debt was issued through bonds traded in the local securities market.

Costa Rica's public sector deficits are financed mainly through Costa Rican Treasury Bills. In addition, the National Treasury regularly meets its financing needs by placing net domestic bonds, implementing an internal debt redemption program in 2021 and, to a lesser extent, expanding domestic collection mechanisms through the placement of foreign currency contracts. These instruments are sold primarily through public auctions, with a portion being placed with state-owned institutions and enterprises.

Central Bank debt is issued through stability bonds (*Bonos de Estabilización Monetaria*) (BEM) and certificates of deposit in both colones and U.S. dollars. In the second quarter of 2022, the Central Bank issued these bonds in an aggregate principal amount of U.S.$4.1 million, coinciding with changes in interest rate, inflation and exchange rate expectations.

The non-financial public sector used the domestic market to finance itself in relatively small amounts before 2008. However, from 2009 onward, the non-financial public sector began to increase its use of the domestic market. Non-financial public sector domestic debt increased from U.S.$2.5 billion in 2018 to U.S.$3.2 billion in 2022; these changes represent a cumulative increase of approximately 24.0% during such period. In September 2023, the non-financial public sector domestic debt remaind stable at U.S.$3.2 billion.

As of December 31, 2022, the Central Bank's domestic debt obligations amounted to U.S.$2.3 billion, or 5.7% of total public sector gross domestic debt. In 2022, the relative weight of Central Bank's domestic debt obligations in total public sector gross domestic debt declined by 29.1%. As of September 30, 2023, the Central Bank's domestic debt obligations amounted to U.S.$3.8 billion. This increase was mainly explained by the need to offset the Central Bank's net purchase of dollars in the MONEX (i.e., additional bonds were issued to absorb excess liquidity in the MONEX resulting from the acquisition of U.S. dollars by the Central Bank), which was partially offset by the appreciation of the colón compared to the U.S. dollar (therefore decreasing the gross domestic debt measured in U.S. dollars terms, which is mostly denominated in colones).

Currently the Central Bank and the Government hold coordinated auctions, which allow better results for the Government by reducing competition, resulting in lower interest rates and longer catch-up periods. In the past there was competition for funding between the Central Bank and the Ministry of Finance, which resulted in an increase in interest rates. This has been alleviated through coordinated auctions. These more favourable terms in the local market are partly the result of the passage of the Public Finance Strengthening Law in 2018; however, recent events have increased the uncertainty for investors, which in turn has directly impacted some key variables in the economy.

The Government maintains its relative weight within the domestic debt structure; the increase in Government debt for the period 2018–2022 was 44.5%.

The following table sets forth the gross public sector domestic debt as of the dates indicated.

Gross Public Sector Domestic Debt
(in millions of U.S. dollars and as a percentage of total)

	As of December 31,										As of September 30, 2023	
	2018		2019		2020		2021		2022			
	U.S.$	**%**	**U.S.$**	**%**	**U.S.$**	**%**	**U.S.$**	**%**	**U.S.$**	**%**	**U.S.$**	**%**
Government	24,469.4	80.7	29,075.0	82.7	30,225.2	83.9	32,084.9	85.7	35,353.4	86.5	39,529.5	84.8
Non-Financial Public Sector	2,578.8	8.5	2,737.3	7.8	3,180.6	8.8	3,189.8	8.5	3,198.8	7.8	3,220.3	6.9
Central Bank............	3,267.9	10.8	3,362.8	9.6	2,640.2	7.3	2,185.0	5.8	2,316.5	5.7	3,853.7	8.3
Total......................	**30,316.1**	**100**	**35,175.2**	**100**	**36,045.9**	**100**	**37,459.7**	**100**	**40,868.8**	**100**	**46,868.9**	**100**

Source: Ministry of Finance.
(1) Amounts in U.S. dollars were converted from colones using the monthly closing data of the non-banking financial sector.
(2) Beginning in 2017, decentralized entities are considered part of the Government (for comparative purposes).

In September 2023, the government bonds as a percentage of total public sector debt was 84.8%.

Government bonds as a percentage of total public sector debt increased from 80.7% as of December 31, 2018 to 86.5% as of December 31, 2022. This increase reflects an increase in Government expenditures mainly to address the COVID-19 pandemic, particularly in 2020 and 2021, as well as external factors that put pressure on domestic debt costs by 2022, which affected yields paid. As of December 31, 2022, Government debt is mainly composed of colón-denominated debt (60.4% of the total debt). As of September 30, 2023, the Government's colón-denominated debt represented 62.6% of the total debt.

The following table sets forth the holdings of gross public sector domestic debt as of the dates indicated.

Holdings of Gross Domestic Debt
(percentage of total gross domestic debt)

	As of December 31,					As of March 31, 2023[3]
	2018	**2019**	**2020**	**2021**	**2022**	
Government Bonds..	**88.7**	**90.1**	**92.4**	**93.9**	**94.5**	**94.0**
Central Bank[1]..	0	0	0	0	0	0
National Financial System[2]..................	40.9	44.4	47.6	50.4	48.0	51.9
Public institutions....................................	34.4	32.7	32.8	33.1	34.0	31.8
Internal private sector..............................	8.4	8.4	9.0	9.0	11.0	9.5
External sector..	5.0	4.7	2.9	1.4	1.0	0.9
Central Bank Bonds (BEMs)......................	**11.3**	**9.9**	**7.6**	**6.1**	**5.5**	**6.0**
National Financial System[2]..................	3.5	3.7	3.0	3.1	2.9	3.1
Public institutions....................................	3.6	2.7	2.1	1.7	1.4	1.3
Internal private sector..............................	4.2	3.4	2.5	1.2	1.2	1.5
Total..	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Ministry of Finance and Central Bank.
(1) The Central Bank is prohibited from financing the activities of the Government, except under limited specific circumstances. See "Monetary System—Central Bank."

(2) Includes commercial banks and other non-banking financial private intermediaries (savings and loan associations and cooperatives, credit unions and other non-banking financial private companies).
(3) Data available as of March 2023.

BEMs issued by the Central Bank decreased from 11.3% as of December 31, 2018 to 6.0% of gross domestic debt by August 31, 2022, driven by a reduction in BEMs purchased by the national banking system, public institutions and private sector institutions. In March 2023, the BEMs issued by the Central Bank represented 6.0% of total gross domestic debt.

From 2018 to 2022, U.S. dollar-denominated Government debt showed a downward trend, despite the increase in budget support credit facilities in U.S. dollars that helped to address the impacts of COVID-19. As of 2018, of the total government debt, 40.8% was dollar-denominated, and, at the end of 2022, that percentage stood at 36.0%, particularly due to foreign currency debt maturities.

Notwithstanding the above, during the 2018–2022 period, investors have taken refuge in dollar issues as a protection mechanism against exchange rate volatility and the uncertainty generated by the increase in the inflation rate. The Central Bank reacted to this situation and since mid-June 2020 placed the monetary policy rate at 0.75%, its historical minimum level, after having decreased it by 450 basis points between March 2019 and June 2020. However, in December 2021, the Central Bank began a process of gradually increasing the MPR in order to contain inflationary pressures, increasing it by 50 basis points in December 2021 and an aggregate of 775 basis points in 2022, reaching 9.0% as of October 30, 2022. During the first half of 2023, the monetary policy rate was reduced in several occasions. As of July 31, 2023, the Central Bank further reduced the monetary policy rate by 50 basis points, resulting in a monetary policy rate of 6.5%.

The following table sets forth the aggregate principal amount of Government debt as of the dates indicated.

Government Bonds in Circulation[(1)(2)(3)]
(in millions of U.S. dollars and as a percentage of total)

	Total		Colón Denominated Bonds		U.S.$ Denominated Debt		Other Currencies	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
As of December 31, 2018	30,462.1	100%	17,859.6	58.6%	12,420.6	40.8%	181.9	0.6%
As of December 31, 2019	36,993.8	100%	21,521.9	58.2%	15,284.3	41.3%	187.6	0.5%
As of December 31, 2020	39,436.4	100%	23,202.3	58.8%	15,355.3	38.9%	878.8	2.2%
As of December 31, 2021	42,436.1	100%	25,528.6	60.2%	15,782.4	37.2%	1,125.1	2.7%
As of December 31, 2022	47,225.0	100%	28,513.9	60.4%	17,009.1	36.0%	1,701.9	3.6%
As of September 30, 2023	52,137.1	100%	32,620.6	62.6%	17,582.4	33.7%	1,934.1	3.7%

Source: Ministry of Finance.
(1)Percentage of total Government debt.
(2)From 2020 to 2022 includes Deconcentrated Government Offices.
(3)Percentage calculated using the Non-banking Public Sector Currency Exchange rate.

The Government's debt management strategy has reduced the risk of refinancing short-term debt (less than one year). The outstanding bond debt (both domestic and external) went from 12.1% as of December 31, 2018 to 7.0% as of December 31, 2022. Of the total Government debt, 7.0% was scheduled to mature in less than one year as of December 31, 2022. As of August 2023, the short-term debt (less than one year) represented 8.1% of total debt.

On the other hand, debt that expires within five years remained relatively stable, decreasing from 51.8% of total debt as of December 31, 2018 to 52.4% of total debt as of December 31, 2022. As of September 2023, debt that expires within five years represented 53.2% of total debt.

The following table sets forth the maturities for Government bonds in circulation as of the dates indicated.

Government Bonds in Circulation, by Maturity
(percentage of total Government debt)[(1)]

	As of December 31,					As of September 30, 2023
	2018	**2019**	**2020**	**2021**	**2022**	
From 8 to 30 days	2.2	0.6	0.9	1.2	0.6	0.0
From 31 to 90 days	1.8	1.2	1.6	1.1	1.9	0.4
From 91 to 180 days	4.0	1.9	2.2	1.9	1.7	3.0
From 181 to 360 days	4.1	3.0	4.9	4.1	2.7	4.6
From 361 to 720 days	7.0	9.3	8.3	6.9	9.0	8.3
From 721 to 1440 days	21.6	16.1	14.5	16.3	17.1	17.2
More than 1441 days	51.8	60.7	56.9	55.8	52.4	53.2
Total	**92.4%**	**92.7%**	**89.4%**	**87.4%**	**85.5%**	**86.7%**

Source: Ministry of Finance.
(1) Percentages are calculated based on the exchange rate of the non-financial public sector.

After many years in which the Government and the Central Bank were issuing debt with a maturity of less than six months, the Ministry of Finance has made an effort to consolidate its medium-term indebtedness profile, which aims to maintain a debt structure to manage or mitigate associated risks, through an increase in the use of standardized debt instruments with a set maturity of one, three, five, seven, ten and fifteen years, promoting a better price building in the domestic market and deepening the secondary debt local market by placing debt with specific dates. To this end, in April 2022, the Ministry of Finance updated and published the Medium-term Debt Strategy (EDMP, for its acronym in Spanish).

External Debt

Gross public sector external debt was U.S.$9.7 billion as of December 31, 2018, increasing by 63.0% (to U.S.$15.9 billion) as of December 31, 2022, as a result of the debt issuance in November 2019 and budget support credit facilities in the last two years. In September 2023, the gross public sector external debt was U.S.$16.6 billion.

On September 4, 2012, the Legislative Assembly approved Law 9,070, which authorizes the Government to issue up to U.S.$4.0 billion of debt in international markets over the following ten years, with a maximum of U.S.$1.0 billion (or its equivalent in other external currency) per calendar year. On November 21, 2012, the Republic issued U.S.$1.0 billion aggregate principal amount of debt securities due 2023. On April 30, 2013, the Republic issued U.S.$500 million aggregate principal amount of debt securities due 2025, U.S.$500 million aggregate principal amount of debt securities due 2043, and U.S.$1.0 billion aggregate principal amount of debt securities due 2044 and in 2015, the Republic issued U.S.$1 billion aggregate principal amount of debt securities due 2045. On November 12, 2019, debt securities maturing in 2031 were issued for U.S.$1.2 billion, in addition, the debt securities due 2045 were increased by U.S.$300 million.

On December 1, 2022, the Legislative Assembly passed the Note Issuance Law, which authorizes the Government to issue and place debt securities in the international market in an aggregate principal amount of U.S.$5.0 billion in four tranches during the next three years. On April 3, 2023, the Republic issued U.S.$1.5 billion aggregate principal amount of debt securities due 2034.

The following table sets forth summary of public external debt denominated in foreign currency, by currency as of the dates indicated.

Summary of Public External Debt Denominated in Foreign Currency, by Currency (in millions of U.S. dollars and as a percentage of total)(1)

	As of December 31,										As of September 30, 2023	
	2018		2019		2020		2021		2022			
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
U.S. dollar................	9,400.9	96.2%	11,121.8	96.6%	11,016.3	89.3%	11,442.5	84.9%	13,386.3	84.0%	13,897.5	83.5%
IADB unit of account..................	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Japanese yen............	262.9	2.7%	281.6	2.4%	291.8	2.4%	251.8	1.9%	210.3	1.3%	184.1	1.1%
Swiss Franc.............	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Sterling.....................	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Canadian dollar........	0.0	0.0%	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%		0.0%
Euro..........................	20.4	0.2%	17.8	0.2%	173.8	1.4%	158.4	1.2%	254.7	1.6%	252.9	1.5%
SDR..........................	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%	1,994.6	12.5%	2,242.1	13.5%
Other Currency........	88.5	0.9%	90.2	0.8%	853.6	6.9%	1,623.0	12.0%	85.2	0.5%	74.9	0.5%
Total.........................	**9,772.7**	**100.0%**	**11,511.4**	**100.0%**	**12,335.53**	**100.0%**	**13,475.71**	**100.0%**	**15,931.18**	**100.0%**	**16,651.64**	**100.0%**

Source: Ministry of Finance.
(1) Percentages are calculated based on the exchange rate of the non-financial public sector.

As of September 2023, approximately 83.5% of the public sector external debt was denominated in U.S. dollars, 1.1% in Japanese yen, 1.5% in Euros, 13.5% in Special Drawing Rights, and 0.5% in other currencies.

The following table sets forth the total gross public sector external debt, net of gross international reserves of the Central Bank, as of the dates indicated.

Total Gross Public External Debt, Net of Reserves (in millions of U.S. dollars)

	As of December 31,					As of September 30, 2023
	2018	2019	2020	2021	2022	
Total gross public external debt...	9,773	11,511	12,336	13,476	15,931	16,652
Less: gross international reserves.......................................	7,501	8,937	7,232	6,921	8,554	11,334
Total public external debt, net of reserves	2,272	2,574	5,104	6,555	7,377	**5,318**

Source: Ministry of Finance.
(1) Percentages are calculated based on the exchange rate of the non-financial public sector.

Costa Rica's public external debt is held by a variety of multilateral, bilateral and private commercial bank creditors, as well as a large number of non-resident financial institutions. Holders of bonds issued in the international capital markets and multilateral organizations accounted for 95% of total gross public sector external debt outstanding as of December 31, 2022. The IADB, World Bank and BCIE are Costa Rica's largest creditors, accounting for 14.8%, 9.8% and 7.6%, respectively, of the gross public external debt as of December 31, 2022. Multilateral organizations increased their share in total external debt from 41.2% as of December 31, 2018 to 55.4% as of December 31, 2022.

As of September 30, 2023, Costa Rica's debt with multilateral organizations represented 54.3% of its total public external debt, while bonds and floating rate notes represented 40.8%. The remaining 4.6% of Costa Rica's debt was debt with bilateral organizations and comercial banks.

The following table sets forth the total gross public sector external debt, by creditor, for the years indicated.

Amortization of Gross Public External Debt
(in millions of U.S. dollars and as a percentage of total)

	For the year ended December 31,										For the nine-month period ended September 30, 2023	
	2018		2019		2020		2021		2022			
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Multilateral.........	4,029.6	41.2	4,181.3	36.3	5,092.5	41.3	6,438.2	47.8	8,821.9	55.4	9,040.8	54.3%
World Bank.....	903.4	9.2	955.1	8.3	1,020.6	8.3	1,291.6	9.6	1,561.6	9.8	1,564.3	9.4%
Inter-American Development Bank................	1,137.1	11.6	1,543.4	13.4	1,787.6	14.5	2,052.2	15.2	2,361.3	14.8	2,378.6	14.3%
Central American Bank for Economic Integration.......	821.0	8.4	904.5	7.9	889.2	7.2	953.5	7.1	1,212.3	7.6	1,205.4	7.2%
Others..............	1,177.7	12.1	778.3	6.8	1,395.2	11.3	2,141.1	15.9	3,686.8	23.1	3,892.4	23.4%
Bilateral..............	405.3	4.1	455.7	4.0	661.9	5.4	667.4	5.0	756.6	4.7	768.3	4.6%
Commercial Banks..................	87.9	0.9	124,4	1.1	98.4	0.8	70.0	0.5	52.7	0.3	42.6	0.3%
Bonds and floating rate notes................	5,250.0	53.7	6,750.0	58.6	6,482.8	52.6	6,300.0	46.8	6,300.0	39.5	6,800.0	40.8%
Total....................	9,772.7	100.0	11,51136	100.0	12,33553	100.0	13,475.71	100.0	15,931.18	100.0	**16,651.64**	**100%**

Source: Ministry of Finance.

The following table sets forth the amortization of gross public sector external debt of the Government for the periods indicated.

Amortization of Gross Public External Debt (Government)
(in millions of U.S. dollars)

	For the year ended December 31,					For the nine-month period ended September 30, 2023
	2018	2019	2020	2021	2022	
Multilateral	**85.77**	**84.10**	**84.14**	**133.97**	**135.80**	**239.20**
Inter-American Development Bank	41.23	39.83	39.88	48.07	51.37	55.44
World Bank..	35.43	34.97	33.76	32.44	37.12	43.45
Central American Bank for Economic Integration	5.23	5.23	6.55	49.62	43.48	43.49
Others..	3.87	4.07	3.95	3.83	3.83	96.81
Bilateral..	**11.18**	**8.65**	**8.82**	**9.60**	13.49	**12.75**
Commercial Banks						
Bonds and floating rate notes......................	0	0	250.00	0	0	1,000.00
Total...	**96.95**	**92.75**	**342.96**	**133.55**	**149.28**	**1,251.95**

Source: Ministry of Finance.

(1) Information corresponds to the amortizations of the Government.
(2) The figures from 2017 to 2022 correspond to real payments

In 2020, Costa Rica paid a eurobond upon maturity in the amount of $250.0 million. For the years 2021 and 2022, the amount paid increased slightly, given the maturities of loans with CABEI, for an average of $46.6 million per year. In January 2023, the country paid in a timely manner the maturity of the 4.250% Notes due 2023 for an amount of $1.0 billion.

The following table sets forth the amortization schedule of Costa Rica's consolidated public sector external debt for the next five years ending December 31, 2027, excluding interest payments on such debt. Amortizations in 2023 and 2025 include the maturities of eurobonds for U.S.$1.000 billion and U.S.$500.0 million, respectively. In addition, unlike previous years, maturities of budget support credit facilities with the IMF and the Andean Development Corporation stand out.

Public Sector External Debt, by Maturity[1]
(in millions of U.S. dollars)

	For the year ended December 31,				
	2023	**2024**	**2025**	**2026**	**2027**
Multilateral	239.79	461.00	477.36	384.91	499.07
Inter-American Development Bank	53.53	89.53	152.84	161.18	177.97
World Bank	45.27	45.83	60.29	75.14	75.24
Central American Bank for Economic Integration	43.49	43.51	43.51	43.51	72.21
Development Bank of Latin America	36.09	36.49	36.49	36.49	36.49
International Monetary Fund	61.41	245.64	184.23	68.59	137.16
Bilateral	12.79	27.45	36.68	36.68	43.92
Commercial Banks					
Bonds and floating rate notes	1,000.00	-	500.00	-	-
Total	1,252.58	488.45	1,014.05	421.59	542.98

Source: Ministry of Finance.
(1) Information for the year 2023 includes actual payments between January and July and projections for the August-December period. Information for all other years reflect projections.

Furthermore, amortizations of Costa Rica's external debt for the years (i) 2029, 2030 and 2031 include the maturities of eurobonds for U.S.$400.0 million for each such year, (ii) 2032, 2033 and 2034 include the maturities of eurobonds for U.S.$500.0 million for each such year and (iii) 2043, 2044 and 2045 include the maturities of eurobonds for U.S.$500.0 million, U.S.$1.000 billion and U.S.$1.300 billion, respectively for each such year.

The Government's financing strategy, including the implementation of budget support credit facilities and the issuance of bonds in the international capital markets at the end of 2019 and in April 2023, has allowed the Government to lengthen the maturity profile of its public sector external debt.

The following table sets forth public sector external debt by maturity. As shown, a significant proportion of the debt (in average, 44.7% of the total debt) is maintained in maturities greater than 11 years. This stability is also present in the terms of two to five years and six to ten years. In the short term, there are increases in maturities for the year 2022, which includes the maturity of the 4.250% Notes due 2023 in January 2023.

Public Sector External Debt, by Maturity
(as a percentage of total)[1]

	As of December 31,					As of September 30, 2023
	2018	**2019**	**2020**	**2021**	**2022**	
Less than a year	6.5%	11.2%	6.3%	2.2%	9.6%	6.8%
2 to 5 years	34.3%	29.2%	26.6%	26.7%	24.4%	21.3%
6 to 10 years	15.3%	15.6%	18.6%	25.1%	25.1%	30.7%
More than 11 years	44.0%	44.0%	48.5%	46.0%	41.0%	41.2%
Total	**100.0%**	**100.0%**	**100.00%**	**100.0%**	**100.0%**	**100.0%**

Source: Ministry of Finance.
(1) Percentages are calculated based on the exchange rate of the non-financial public sector.

External debt service represented 2.2% and 3.9% of gross public debt as of December 31, 2018 and September 30, 2023, respectively.

The following table sets forth Costa Rica's total public sector external debt service for the years indicated.

Total Public External Debt Service(1)
(in millions of U.S. dollars, except percentages)

	For the year ended December 31,					For the nine-month period ended September 30,
	2018	2019	2020	2021	2022	2023
Interest payments	546.7	552.3	559.9	531.4	602.7	983.6
Amortization	342.9	749.0	1,201.6	780.7	367.1	1,524.0
Total	889.6	1,301.2	1,761.6	1,312.1	969.9	2,507.5
Total Exports (f.o.b)	11,730.3	11,831.5	12,066.7	14,872.8	16,525.4	13,545.8
Foreign Debt Services as % of Gross Public Debt(2)	2.2%	2.8%	3.6%	2.6%	1.7%	3.9%

Source: Ministry of Finance and PROCOMER.
(1) Debt service figures from 2017 to 2022 correspond to actual payments made.
(2) Percentages are calculated based on the exchange rate of the non-financial public sector.

Funding Needs

The Government's financing strategy includes budgetary support from international development agencies. In addition, in December 2022, the Legislative Assembly approved the Note Issuance Law, which authorizes the Ministry of Finance to issue up to U.S.$5.00 billion in notes (including the Notes) in the international capital markets before December 2025, with as much as U.S.$3.00 billion authorized in two tranches for the first and second half of 2023. See "Recent Debt Related Legal Amendments—Note Issuance Law."

As of December 31, 2022, Government financing represented 7.9% of GDP. Of these needs, 86.1% were financed through the domestic market and the remaining 31.6% through external indebtedness with multilaterals and bilateral, especially through budget support credit facilities. Of this financing, 1.4% of GDP (17.7% of total indebtedness (internal and external) remained in cash.

Financial Needs
(as a percentage of GDP)

	As of December 31,	
	2022	2023(1)
Financing Needs	7.9%	9.0%
Fiscal Balance	2.5%	3.4%
Amortization	5.4%	5.7%
Funding Sources	7.9%	9.0%
Domestic	6.8%	6.9%
External	2.5%	4.2%
Use of Assets(2)	-1.4%	-2.1%

Source: Ministry of Finance.
(1) Expected as of September 2023 based on Ministry of Finance projection.
(2) Figure as of December 31, 2022 corresponds to the liquidity reserve (from local bonds issuances and external credit) to pay the Eurobond maturing in January 2023 in an amount of approximately U.S.$1,000 million.

It is estimated that financing needs for 2023 will be 9.0% of GDP, and these are expected to be financed primarily with debt placed in the external market (such as the Notes), where the issuance of Eurobonds and budget support credit facilities maintains a significant weight, and active participation in the international markets takes pressure off the local market. The Republic may also elect to incur loans from multilateral institutions.

Recent Debt Related Legal Amendments

Public Indebtedness Policy

On August 16, 2019, the executive branch issued Executive Decree No. 41.935-H for the regulation of Public Indebtedness Policy (*Aprobación de la Política de Endeudamiento para el Sector Público*). This decree intends to (i) improve matters not covered by the previous indebtedness policy by incorporating explicit mentions of transparency, accountability, and access to international markets, (ii) adopt a medium- and long-term strategy that disciplines the distribution of maturities and the composition of debt by currency, (iii) prioritize the fixed domestic market rate, prudent risk management, diversification of financing sources, and strengthening and deepening domestic primary debt markets, (iv) prioritize secondary debt by strengthening the secondary market so that securities have more liquidity and are sold at a better prices, and (v) stabilize the debt to GDP ratio and improve spending efficiency and quality.

Note Issuance Law

On December 1, 2022, the Legislative Assembly passed the Note Issuance Law, which authorizes the Government to issue and place debt securities in the international market (including the Notes) exclusively to (i) substitute domestic bond debt previously placed and authorized by the budget of the Republic for external debt, and/or (ii) to cancel debt maturities. The aim of such issuances in the international markets is to improve effective interest rate or other debt terms, as compared to the conditions available in the domestic market.

The referred law authorizes issuances in an aggregate principal amount of U.S.$5.0 billion in four tranches during the next three years, as follows:

- For the first half of 2023: up to U.S.$1.5 billion.
- For the second half of 2023: up to U.S.$1.5 billion.
- No later than December 2024: up to U.S.$1.0 billion.
- No later than December 2025: up to U.S.$1.0 billion.

On April 3, 2023, the Republic issued U.S.$1.5 billion aggregate principal amount of debt securities due 2034 pursuant to the Note Issuance Law.

The Note Issuance Law provides for foreign portfolio investment to become an additional source of resources in the local public debt market, and, therefore, for the Costa Rican economy. In particular, the law aims to regulate the mechanisms to attract the participation of international investors in the local public debt market and thus to broaden the number of non-resident investors participating in the placement of public debt securities issued by the Ministry of Finance and the Central Bank. This is expected to allow for the lengthening of the maturity debt profile, reduce financing costs, provide new placement opportunities and incentives for foreign direct investment.

Additionally, the Ministry of Finance is promoting a market makers project to build a stable and reliable source of demand for Government treasury bills, provide liquidity to the secondary market, dedicate capital resources as a proprietary buyer to absorb a liquidity deficit, build distribution channels and supplying market information regarding prices, volumes and spreads between demand and supply.

Promotion and Opening of the Costa Rican Domestic Public Debt Market

On December 13, 2022, Costa Rica enacted Law No. 10,335, which seeks to eliminate the obstacles that hinder offshore investors' access to the local public debt markets, attracting foreign savings resources and encouraging foreign portfolio investment in securities issued under Costa Rican law. The promotion and opening of the public debt market will allow offshore investors to decide by portfolio management criteria their participation in the local public debt market and allow the Ministry of Finance to increase the participation of investors in the placement mechanisms of its securities.

TERMS AND CONDITIONS OF THE NOTES

The Republic will issue the Notes under an indenture dated as of March 12, 2015, among the Republic, The Bank of New York Mellon, as trustee, principal paying agent, registrar and transfer agent ("BNYM"), and The Bank of New York Mellon S.A./N.V., Luxembourg Branch ("BNYM Lux"), as paying and transfer agent in Luxembourg, as supplemented (as amended or supplemented, the "Indenture")

This section of the Offering Circular is intended to be a summary of the material provisions of the Indenture and the Notes. This summary is qualified in its entirety by reference to all of the provisions of the Indenture and the terms of the Notes. Copies of the Indenture and the terms of the Notes are on file and may be inspected at the corporate trust office of the trustee in the City of New York. The definitions of certain capitalized terms used in this section are set forth under "—Defined Terms."

Principal and Interest

The Notes will:

- be issued in an aggregate principal amount of U.S.$1,500,000,000;
- be represented by one or more global securities in fully registered form only, without coupons, as more fully described under "Book-Entry Procedures for the Global Notes" below only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;
- have a final maturity date of November 13, 2054 and be repaid at par in three installments on November 13, 2052, November 13, 2053 and at maturity;
- be redeemable at the option of the Republic before maturity (see "—Optional Redemption");
- pay all amounts due in respect of principal or interest in U.S. dollars; and
- contain "collective action clauses" under which the Republic may amend certain key terms of the Notes, including the maturity date, interest rate and other terms, with the consent of less than all of the holders of the Notes (see "—Modifications, Amendments and Waivers—Collective Action" below).

Interest on the Notes will:

- accrue at a rate of 7.300% per annum, commencing on November 13, 2023 until payment in full;
- be payable semi-annually in arrears on each May 13 and November 13, commencing on May 13, 2024 to persons in whose names the Notes in the form of global securities are registered at the close of business on the business day immediately preceding the interest payment date;
- be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Principal Payments

The aggregate amount of each principal payment on the Notes shall equal the principal amount outstanding as of any principal payment date, divided by the number of remaining principal installments from and including such principal payment date to and including the maturity of the Notes. To the extent necessary, principal payments may be rounded down to the nearest whole number, with any difference being paid at maturity.

Status of the Notes

The Notes will constitute general, direct, unsecured and unconditional Public External Indebtedness of the Republic for which the full faith and credit of the Republic is pledged. The Notes will rank without any preference among themselves and equally with all other unsecured and unsubordinated Public External Indebtedness of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness.

Replacement, Exchange and Transfer

The Global Notes (as defined herein) may be presented for registration of transfer or exchange at the corporate trust office of the registrar, or at the office of the transfer agent, subject to the limitations set forth in the Indenture. Upon due presentation for registration of transfer or exchange of any Global Note, in whole but not in part, the trustee shall authenticate, in exchange for such Global Note, Global Notes of the appropriate form and denomination and of an equal principal amount, which will be made available to the respective holder at the office of the transfer agent.

No service charge will be imposed upon the holder of a Global Note in connection with exchanges for Global Notes of a different denomination or for registration of transfers thereof, but the Republic may charge the party requesting any registration of transfer, exchange or registration of Global Notes a sum sufficient to reimburse it for any stamp or other tax or other governmental charge required to be paid in connection with such transfer, exchange or registration. The Republic, the registrar and any other agent of the Republic may treat the person in whose name any Global Note is registered as the owner of such Global Note for all purposes.

If a Note becomes mutilated, defaced, destroyed, lost or stolen, the Republic may issue, and the trustee will authenticate and deliver, a substitute debt security in replacement therefore at the office of any transfer agent referred to above. In each case, the affected holder will be required to furnish to the Republic and the trustee an indemnity under which holder agrees to pay the Republic, the trustee and the other specified parties for any losses they may suffer relating to the debt security that was mutilated, defaced, destroyed, lost or stolen. The Republic and the trustee may also require that the affected holder present other documents and proof. The affected holder will be required to pay all expenses and reasonable charges for the replacement of the mutilated, defaced, destroyed, lost or stolen debt security and a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Certain Covenants of the Republic

1. So long as any Note remains outstanding (as defined in the Indenture), the Republic will not create or allow any Lien to be placed on the whole or any part of its present or future revenues, properties or assets to secure the Public External Indebtedness of any person unless, at the same time or prior thereto, the Republic creates or allows a Lien on the same terms for its obligations under the Notes. Notwithstanding the foregoing, the Republic may create or allow the following (each a "Permitted Lien"):

- any Lien upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of property over which such Lien has been created and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures only the renewal or extension of the original secured financing;
- any Lien existing in respect of an asset at the time of its acquisition and any renewal or extension of any such Lien which is limited to the original asset covered thereby and which secures only the renewal or extension of the original secured financing;
- any Lien in existence on the date of the Indenture, including any renewal or extension thereof which secures only the renewal or extension of the original secured financing;

- any Lien securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project and any renewal or extension of any such Lien; *provided* that (a) the holders of such Public External Indebtedness agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;

- any Lien securing Public External Indebtedness arising in the ordinary course of business to finance export, import or other trade transactions, with a maturity of not more than one year; and

- Liens in addition to those permitted above, and any renewal or extension thereof; provided that at any time the aggregate amount of Public External Indebtedness secured by such additional Liens shall not exceed the equivalent of U.S.$40,000,000.

2. The Republic will (i) obtain and maintain in full force and effect all approvals, authorizations, permits, consents, exemptions and licenses and will take all other actions (including any notice to, or filing or registration with, any agency, department, ministry, authority, statutory corporation or other body or juridical entity of the republic or regulatory or administrative body of the republic) which are necessary for the continued validity and enforceability of the Notes and (ii) take all necessary and appropriate governmental and administrative action in order for the Republic to be able to make all payments to be made by it under the Notes.

3. The Republic will maintain its membership in, and eligibility to use the general resources of, the IMF.

4. The Republic will use its reasonable best efforts to list the Notes, and thereafter to maintain the listing of the Notes, on the ISM of the London Stock Exchange.

Events of Default

Each of the following events will constitute an event of default under the Notes:

1. *Non-payment*: The Republic fails to pay principal or interest on any Notes when due and such failure continues for a period of 30 calendar days;

2. *Breach of other obligations:* the Republic fails to perform any other obligation under the Notes and such failure continues for a period of 60 calendar days after written notice requiring the same to be remedied shall have been given to the Republic by the trustee or by the holders (with a copy to the trustee) of at least 25% in the aggregate principal amount of the outstanding Notes;

3. *Cross default:* the Republic fails to make any payment in respect of any Public External Indebtedness in an aggregate principal amount in excess of U.S.$35,000,000 (or its equivalent in any other currency) when payable (whether upon maturity, acceleration or otherwise, as such time may be extended by any applicable grace period or waiver) and such failure continues for a period of 30 calendar days after written notice requiring the same to be remedied shall have been given to the Republic by the trustee or by the holders (with a copy to the trustee) of at least 25% in the aggregate principal amount of the outstanding Notes;

4. *Moratorium:* the Republic declares a moratorium with respect to the payment of principal of or interest on Public External Indebtedness, which moratorium does not expressly exclude the Notes; or

5. *Validity:* any of the following occurs:

- the Republic contests the validity of the Notes in a formal administrative, legislative or judicial proceeding;

- any legislative, executive or judicial body or official of the Republic which is authorized in each case by law to do so declares the Notes invalid or unenforceable;

- the Republic shall deny any of its obligations under the Notes;

- any constitutional provision, treaty, convention, law, regulation, official communiqué, decree, ordinance or policy of the Republic, or any final decision by any court in the Republic having jurisdiction, purports to render any material provision of the Notes invalid or unenforceable or purports to prevent or delay the performance or observance by the Republic of any of its material obligations thereunder; or

- any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable the Republic to make or perform its material obligations under the Notes, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the holders of the Notes.

If any of the events of default described above occurs and is continuing, the trustee or the holders of at least 25% of the aggregate principal amount of the Notes then outstanding, so long as such event of default is continuing, may by written demand to the Republic (with a copy to the trustee) declare the principal of and any accrued interest on the Notes held by such holders to be immediately due and payable. Upon any declaration of acceleration, the principal, interest and all other amounts payable on the Notes will become immediately due and payable, unless prior to receipt of such demand by the Republic all such defaults shall have been cured. The holders of more than 50% of the aggregate principal amount of the outstanding Notes may rescind or annul a declaration of acceleration on behalf of all holders of Notes if:

- following the declaration that the Notes are immediately due and payable, the Republic deposits with the trustee a sum sufficient to pay all overdue principal, interest and other amounts in respect of the Notes, as well as the reasonable fees and compensation of the trustee and its agents, attorneys and counsel; and

- all other events of default (other than non-payment of principal that became due by virtue of the acceleration upon the event of default) have been remedied.

Suits for Enforcement and Limitations on Suits by Holders

If an event of default for the Notes has occurred and is continuing, the trustee may institute judicial action to enforce the rights of the holders of the Notes. With the exception of a suit to enforce the absolute right of a holder to receive payment of the principal of and interest on the Notes in the manner contemplated in the Indenture and the Notes on the stated maturity date therefor (as that date may be amended or modified pursuant to the terms of the Notes, but without giving effect to any acceleration), a holder has no right to bring a suit, action or proceeding with respect to the Notes unless: (1) such holder has given written notice to the trustee that a default with respect to the Notes has occurred and is continuing; (2) holders of at least 25% of the aggregate principal amount outstanding of the Notes have instructed the trustee by specific written request to institute an action or proceeding and provided an indemnity satisfactory to the trustee; and (3) 60 days have passed since the trustee received the instruction, the trustee has failed to institute an action or proceeding as directed and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of the Notes. Moreover, any such action commenced by a holder must be for the equal, ratable and common benefit of all holders of the Notes.

Definitions

As used herein under "—Certain Covenants of the Republic," "—Status of the Notes" and "—Events of Default":

"External" with reference to any Indebtedness means any Indebtedness issued and placed outside of the territory of the Republic;

"Indebtedness" means a person's actual or contingent payment obligations for borrowed money together with such person's actual or contingent liabilities under guarantee or similar arrangements to secure the payment of any other party's obligations for borrowed money;

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance whether in effect on the date of the Indenture or at any time thereafter, including, without limitation, any equivalent claim or interest created or arising under the laws of Costa Rica;

"person" and "party" include the Republic;

"Public External Indebtedness" means Public Indebtedness that is External; and

"Public Indebtedness" means, with respect to any person, any Indebtedness of, or guaranteed by, such person which (i) is publicly offered or privately placed in securities markets, (ii) is in the form of, or represented by, bonds, notes or other securities or any guarantees thereof, (iii) is, or was expressly intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, securities that are issued against cash consideration and that are eligible for sale pursuant to Rule 144A or Regulation S (or any successor law or regulation of similar effect)), or (iv) is represented by loan agreements with international financial institutions.

Modifications, Amendments and Waivers—Collective Action

A meeting of holders of Notes may be called at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture or the Notes to be made, given or taken by holders of the Notes or to modify, amend or supplement the terms of such Notes or the Indenture as hereinafter provided.

The Republic may at any time call a meeting of holders of Notes for any such purpose to be held at such time and at such place as the Republic shall determine. Notice of every such meeting, setting forth the time and the place of such meeting and in reasonable detail the action proposed to be taken at such meeting, shall be given as provided in the terms of the Notes, not less than 30 nor more than 60 calendar days prior to the date fixed for the meeting.

If the Republic or the holders of at least 10% in aggregate principal amount of the outstanding Notes request that the trustee call a meeting of the holders of the Notes for any such purpose, by written request (with a copy to the Republic) setting forth the time and place of, and in reasonable detail the action proposed to be taken at, the meeting, the trustee shall call such meeting for such purposes by giving notice thereof as provided in the terms of the Notes.

Only holders and their proxies are entitled to vote at a meeting of holders. The Republic will set the procedures governing the conduct of the meeting and if additional procedures are required, the Republic in consultation with the trustee will establish such procedures as are customary in the market.

Modifications may also be approved by holders of Notes pursuant to written action with the consent of the requisite percentage of Notes. The Republic will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 calendar days before the expiration date for the receipt of such consents as specified by in such solicitation.

The holders may generally approve any proposal by the Republic to modify the Indenture or the terms of the Notes with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding principal amount of the Notes.

However, holders may approve, by vote or consent through one of three modification methods, any proposed modification by the Republic that would do any of the following (such subjects referred to as "reserved matters"):

- change the date on which any amount is payable on the Notes;
- reduce the principal amount (other than in accordance with the express terms of the Notes and the Indenture) of the Notes;
- reduce the interest rate on the Notes;
- change the method used to calculate any amount payable on the Notes (other than in accordance with the express terms of the Notes and the Indenture);
- change the currency or place of payment of any amount payable on the Notes;
- modify the Republic's obligation to make any payments on the Notes (including any redemption price therefor);
- change the identity of the obligor under the Notes;
- change the definition of "outstanding debt securities" or the percentage of affirmative votes or written consents, as the case may be, required to make a "reserved matter modification";
- change the definition of "uniformly applicable" or "reserved matter modification";
- authorize the trustee, on behalf of all holders of the Notes, to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Republic or any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the Notes.

A change to a reserved matter, including the payment terms of the Notes, can be made without the consent of all holders of the Notes, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of a series affected by the proposed modification;
- where such proposed modification would affect the outstanding debt securities of two or more series, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met; or
- where such proposed modification would affect the outstanding debt securities of two or more series, the holders of more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the modification, taken individually.

"Debt securities" are defined under the Indenture for all purposes (including for the purpose of changes to a reserved matter) to include only debt securities that are issued under this Indenture and not other or future Indentures.

"Uniformly Applicable", as referred above, means a modification by which holders of debt securities of all series affected by that modification are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

The Republic may select, in its discretion, any modification method for a reserved matter modification in accordance with the Indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

Before soliciting any consent or vote of any holder of debt securities for any change to a reserved matter, the Republic will provide the following information to the trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

- a description of the Republic's economic and financial circumstances that are in the Republic's opinion relevant to the request for the proposed modification, a description of the Republic's existing debts and description of its broad policy reform program and provisional macroeconomic outlook;

- if the Republic shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;

- a description of the Republic's proposed treatment of external debt securities that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and

- if the Republic is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of the debt securities of a series has approved any amendment, modification or change to, or waiver of, the debt securities or the Indenture, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by the Republic or by a public sector instrumentality, or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality, except that (x) debt securities held by the Republic or any public sector instrumentality of the Republic or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee's right so to act with respect to such debt securities and that the pledgee is not the Republic or a public sector instrumentality, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded. Debt securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee's right so to act with respect to such debt securities and that the pledgee is not the Republic or a public sector instrumentality.

As used in the preceding paragraph, "public sector instrumentality" means the Central Bank, any department, ministry or agency of the government of Costa Rica or any corporation, trust, financial institution or other entity owned or controlled by the government of Costa Rica or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of the voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Certain Amendments Not Requiring Holder Consent

The Republic and the trustee may, without the vote or consent of any holder of Notes, modify, amend or supplement the Indenture or the Notes for the purpose of:

- adding to the covenants of the Republic for the benefit of the holders of Notes;
- surrendering any rights or power conferred upon the Republic;
- securing the Notes pursuant to the requirements of the Notes or otherwise;
- correcting any defective provision contained in the Indenture or in the Notes;
- amending the Indenture or the Notes in any manner that the Republic and the trustee may determine and that does not adversely affect the interests of any holder of Notes in any material respect; or
- correcting a manifest error of a formal, minor or technical nature.

Payments and Agents

The principal of the Notes and interest due thereon at maturity will be payable in immediately available funds against surrender of such Notes at the office of the paying agent in the City of New York or, subject to applicable laws and regulations, at the office of any other paying agent. Such payment shall be made by United States dollar check drawn on, or by transfer to a United States dollar account maintained by the holder with, a bank located in the City of New York.

Payments of interest on the Global Notes to be made other than at maturity will be made to DTC or its nominee as the registered owner thereof in immediately available funds.

The Republic expects that upon receipt of any payment of principal of or interest on any Notes, DTC will credit the appropriate DTC participants' accounts with payments in amounts proportionate (except with respect to additional amounts) to their respective beneficial interests in the principal amount of the Notes as shown on the records of DTC. The Republic also expects that payments by participants to owners of beneficial interests in the Global Notes held through those participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for those customers.

Payments by such participants to owners of beneficial interests in such Global Notes held through such participants will be the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name." Distributions with respect to Notes held through Euroclear or Clearstream will be credited to the cash accounts of Euroclear participants or Clearstream participants in accordance with the relevant system's rules and procedures.

Neither the Republic nor the trustee will have any responsibility or liability for any aspect of the records of DTC relating to payments made by DTC on account of beneficial interests in the Global Notes or for maintaining, supervising or reviewing any records of DTC relating to such beneficial interests.

If any date for payment in respect of any Note is not a business day, the holder thereof shall not be entitled to payment until the next following business day. No further interest shall be paid in respect of any such delay in payment.

If the Republic issues Notes in certificated form, payments of interest thereon to be made other than at maturity will be made to the person in whose name such Note is registered at the close of business on the regular record date (as defined in the terms and conditions of the Notes) immediately preceding the related interest payment date (as defined on the face of the Notes). Such payment shall be made by a United States dollar check drawn on a bank in the City of New York mailed to the holder at such holder's registered address or upon application of any holder of at least U.S.$1,000,000 principal amount of Notes to the paying agent in the City of New York not later than the relevant regular record date, by transfer of immediately available funds to a United States dollar account maintained by such holder with a bank in the City of New York.

All moneys paid by or on behalf of the Republic to the paying agent or any other paying agent for the payments of the principal of or interest on any Note which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Republic (including all interest accrued, if any, with respect to any such amounts), and the holder of such Note will thereafter look only to the Republic for payment. Upon such repayment all liability of the paying agent and any other paying agent with respect thereto shall cease, without, however, limiting in any way the obligation of the Republic in respect of the amount so repaid, subject to the provisions set forth in "Claims Proscribed" below.

So long as any Note remains outstanding, the Republic will maintain a paying agent and a registrar having a specified office in the City of New York.

The Republic has initially appointed The Bank of New York Mellon, as trustee, registrar, principal paying agent and transfer agent for the Notes. Subject to the foregoing, the Republic may terminate any such appointment and may appoint any other agents in such other places as it deems appropriate upon notice in accordance with "—Notices" below and in accordance with the terms and conditions set forth in the Indenture.

Payments in respect of the Notes shall be made in such currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

In acting under the Indenture and in connection with the Notes, each of the agents and each other paying agent and transfer agent is acting solely as agent of the Republic. The agents do not assume any obligation toward or relationship of agency or trust for or with the owner or holder of any Note, except that they will hold in trust any funds for payment of principal of or interest on the Notes and will apply such funds as set forth in the Notes and Indenture.

Optional Redemption

Prior to May 13, 2054 (six months prior to the maturity date of the Notes) (the "Par Call Date"), the Republic may redeem, at its option, in whole or in part, at any time and from time to time, at a redemption price equal to the greater of:

(1) (a) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes (excluding the portion of any such interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 45 basis points, less (b) interest accrued to the date of redemption; and

(2) 100% of the principal amount of the Notes,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the Par Call Date, the Republic may redeem the notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

"Treasury Rate" for this purpose means, with respect to any redemption date, the yield determined by Costa Rica in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Republic after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily)—H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading). In determining the Treasury Rate, the Republic shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period (the "Remaining Life") from the redemption date to the date that reflects the remaining weighted average life of the Notes (assuming the last amortization payment on the Notes is made on the Par Call Date) (the "WAL Date"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the WAL Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, the Republic shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the WAL Date, as applicable. If there is no United States Treasury security maturing on the WAL Date but there are two or more United States Treasury securities with a maturity date equally distant from the WAL Date, one with a maturity date preceding the WAL Date and one with a maturity date following the WAL Date, the Republic shall select the United States Treasury security with a maturity date preceding the WAL Date. If there are two or more United States Treasury securities maturing on the WAL Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Republic shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Republic's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

The Republic will mail, or cause to be mailed, a notice of redemption to each holder by first-class mail, postage prepaid, at least 10 days and not more than 60 days prior to the redemption date, to the address of each holder as it appears on the register maintained by the registrar. A notice of redemption will specify the redemption date and may provide that it is subject to certain conditions that will be specified in the notice. If those conditions are not met, the redemption notice will be of no effect and the Republic will not be obligated to redeem the Notes.

In the event that fewer than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made in compliance with the requirements governing redemptions of the principal securities exchange, if any, on which the Notes are listed or if such securities exchange has no requirement governing redemption or the Notes are not then listed on a securities exchange, by lot (or, in the case of Notes issued in global form, based on the applicable procedures of DTC). If the Notes are redeemed in part, the remaining outstanding amount of any Note must be at least equal to U.S.$200,000 and be an integral multiple of U.S.$1,000.

Unless the Republic defaults in the payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes called for redemption.

Purchase and Cancellation

The Republic may at any time purchase Notes at any price in the open market or otherwise. The Notes so purchased by the Republic may, at the Republic's discretion, be held, resold or surrendered to the trustee for cancellation.

Additional Amounts

The Republic shall make all payments on the Notes without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by the Republic, any political subdivision or authority thereof or therein having power to tax or any other jurisdiction from or through which payments by or at the direction of the Republic are made (each, a "Taxing Jurisdiction"), unless it is compelled by the laws of such Taxing Jurisdiction to deduct or withhold such taxes, duties, assessments, or governmental charges. If such withholding is required, the Republic will pay such additional amounts as may be necessary to ensure that the net amounts receivable by the holders of the Notes after such withholding or deduction shall equal the payment which would have been receivable in respect of the Notes in the absence of such withholding or deduction. The Republic will not, however, pay any additional amounts if a holder is subject to withholding or deduction due to one of the following reasons:

- the holder (or a fiduciary, settlor, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership or a corporation) has some present or former connection with the Republic other than merely holding the Notes or receiving principal or interest on any Notes, including, without limitation, the holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein;

- the holder has failed to comply with any reasonable certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Republic, or any political subdivision or taxing authority thereof or therein, of the holder of a Note or any interest therein or rights in respect thereof, if compliance is required by the Republic, or any political subdivision or taxing authority thereof or therein, pursuant to applicable law or to any international treaty in effect, as a precondition to exemption from such deduction or withholding; or

- the holder has failed to present its Note for payment within 30 days after the Republic first makes available a payment of principal or interest on such Note except to the extent that the holder would have been entitled to additional amounts on presenting its Note for payment on the last day of such 30 day period.

Whenever there is mentioned, in any context, the payment of the principal of or interest on, or any amounts in respect of, a Note, such mention shall be deemed to include mention of the payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof, and express mention of the payment of additional amounts (if applicable) shall not be construed as excluding additional amounts where such express mention is not made.

Currency

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder to the holder of a Note in one currency into another currency, the Republic and each holder will be deemed to have agreed that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such holder could purchase the first currency with such other currency in the city which is the principal financial center of the country of issue of the first currency on the date two business days preceding the day on which final judgment is given.

The obligation of the Republic in respect of any sum payable by it to the holder of a Note shall, notwithstanding any judgment in a currency other than that in which such sum is denominated in accordance with the applicable provisions of the Notes, be discharged only to the extent that on the business day following receipt by such holder of the Note of any sum adjudged to be so due in the judgment currency, such holder of the Note may, in accordance with normal banking procedures, purchase the note currency with the judgment currency. If the amount of the note currency so purchased is less than the sum originally due to the holder of the Note in the note currency (determined in the manner set forth in the preceding paragraph), the Republic will agree, as a separate obligation and notwithstanding any such judgment, to indemnify the holder of the Note against such loss, and if the amount of the note currency so purchased exceeds the sum originally due to the holder of the Note such holder will agree to remit to the Republic such excess; *provided* that such holder shall have no obligation to remit any such excess as long as the Republic shall have failed to pay such holder any obligations due and payable under the Note. In the case of such a failure, the excess may be applied to such obligations of the Republic thereunder in accordance with the terms thereof.

Claims Proscribed

All claims against the Republic for payment of principal of or interest (including additional amounts) on or in respect of the Notes shall be proscribed unless made within five years from the date on which the relevant payment first became due.

Notices

All notices to the holders while the Notes are in book-entry form, will be sent to the depositary or its nominee, as a holder thereof, and the depositary will communicate such notices to its participants in accordance with its standard rules. All notices while the Notes are in definitive, certificate form, will be mailed to the holders of the Notes at the addresses appearing in the security register maintained by the trustee. The Republic will consider a notice to be given at the time it is mailed.

In addition, the Republic will publish notices to holders of the Notes by means of press releases published in an international news service agency.

So long as a clearing system, or its nominee or common custodian, is the registered holder of a Note represented by a global security or securities, each person owning a beneficial interest in a global security must rely on the procedures of that clearing system to receive notices provided to it. Each person owning a beneficial interest in a global security who is not a participant in a clearing system must rely on the procedures of the participant through which the person owns its interest in the global security to receive notices provided to the clearing system.

Further Issues

The Republic may, without the consent of the holders of the Notes, create and issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Notes (or the same except for the amount of the first interest payment and the issue price), *provided, however*, that any additional notes shall be issued with a separate CUSIP number unless such additional notes are issued pursuant to a "qualified reopening" of the original series, are otherwise treated as part of the same "issue" of debt instruments as the original series or are issued with less than a de minimis amount of original discount, in each case for U.S. federal income tax purposes.

Governing Law and Jurisdiction

The Notes and the Indenture shall be governed by, and interpreted in accordance with, the laws of the State of New York; *provided, however,* that the due authorization and execution of the Indenture and the Notes by the Republic shall be governed by the laws of the Republic.

To the fullest extent permitted by applicable law, the Republic will:

- irrevocably submit to the non-exclusive jurisdiction of any New York State or federal court sitting in the City of New York, and any appellate court from any thereof, in any Related Proceeding (as defined in "Enforcement of Civil Liabilities");

- irrevocably agree that all claims in respect of any Related Proceeding may be heard and determined in such New York State or federal court;

- irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any Related Proceeding and any objection to any Related Proceeding whether on the grounds of venue, residence or domicile;

- agree that a final judgment in any Related Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; and

- agree to cause an appearance to be filed on its behalf and to defend itself in connection with any Related Proceeding action instituted against it.

However, a default judgment obtained in the United States against the Republic, resulting from the Republic's failure to appear and defend itself in any suit filed against the Republic, or from the Republic's deemed absence at the proceedings, may not be enforceable in the Republic.

The Republic will appoint the person for the time being acting as, or discharging the function of, Consul General of the Republic in the City of New York (currently with an office at 15 West 37^{th} Street, 12^{th} floor, New York, New York 10018, United States), and agrees that for so long as any Note remains outstanding the person from time to time so acting, or discharging such functions, shall be deemed to have been appointed as the Republic's agent to receive on behalf of the Republic and its property service of copies of the summons and complaint and any other process which may be served in any Related Proceeding in such New York State or federal court sitting in the City of New York. Such service may be made by U.S. registered mail or by delivering by hand a copy of such process to the Republic in care of the process agent at the address specified above for the process agent and such service will be effective ten days after the mailing or delivery by hand of such process to the office of the process agent. The Republic will authorize and direct the process agent to accept on its behalf such service. Failure of the process agent to give notice to the Republic, or failure of the Republic to receive notice, of such service of process shall not affect in any way the validity of such service on the process agent or the Republic.

The Republic will also irrevocably consent to the service of any and all process in any Related Proceeding in a New York State or federal court sitting in the City of New York by sending by U.S. registered mail, copies of such process addressed to the Republic at the Ministry of Finance, and such service will be effective ten days after mailing thereof. The Republic will covenant and agree that it shall take any and all reasonable action that may be necessary to continue the designation of the process agent in full force and effect, and to cause the process agent to continue to act as such. In addition, none of its agreements described in this or the preceding paragraph shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any suit, action or proceeding against any other party or its property in the courts of other jurisdictions.

To the extent that the Republic has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any New York State or federal court sitting in the City of New York with respect to a Related Proceeding (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Republic has, to the fullest extent permitted under applicable law, including the Foreign Sovereign Immunities Act, irrevocably waived such immunity in respect of any such Related Proceeding; *provided*, *however*, that all claims against the Republic made in Costa Rica must be submitted to the administrative courts of Costa Rica and subject to the laws of the Republic that establish that the property and revenues of the Republic are exempt from attachment or other form of execution before or after judgment. The Republic's consent to service and waiver of sovereign immunity does not extend to actions brought under the United States federal securities laws or any state securities laws.

PLAN OF DISTRIBUTION

BofA Securities, Inc. and J.P. Morgan Securities LLC, are acting as Initial Purchasers of the offering of the Notes. Subject to the terms and conditions stated in the purchase agreement dated the date of this Offering Circular, each Initial Purchaser named below has severally, and not jointly, agreed to purchase from the Republic, and the Republic has agreed to sell to that Initial Purchaser, the principal amount of the Notes set forth below opposite such Initial Purchasers' name.

Initial Purchasers	Principal Amount of Notes
BofA Securities, Inc.	U.S.$750,000,000
J.P. Morgan Securities LLC	U.S.$750,000,000
Total	**U.S.$1,500,000,000**

The initial purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel and to other conditions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The purchase agreement also provides that if an Initial Purchaser defaults, the offering of the bonds may be terminated. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Republic has been advised that the Initial Purchasers propose to resell the Notes at the applicable offering price set forth on the cover page of this Offering Circular within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions." Accordingly, the Initial Purchasers have advised the Republic that, except as permitted by the Purchase Agreement and as set forth in "Transfer Restrictions," they will not offer or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons as part of the distribution of the Notes.

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Republic has agreed that, for a period of 15 business days from the date of the issuance of the Notes, neither the Republic nor any person acting on its behalf (other than the Initial Purchasers, as to whom no undertaking is made) will, and the Republic will use its reasonable best efforts to cause its affiliates not to, without the prior written consent of the Initial Purchasers, which consent will not be unreasonably withheld, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale, pledge or disposal), directly or indirectly, any securities issued or guaranteed by the Republic that are substantially similar to the Notes.

The Notes constitute a new class of securities and will have no established trading market. The Republic cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. Although application will be made to list the Notes on the London Stock Exchange for the Notes to be admitted to trading on its ISM, any such listing does not assure that a trading market for such Notes will develop. The Initial Purchasers have advised the Republic that they currently intend to make a market in such Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to such Notes at any time without notice. Accordingly, the Republic cannot assure you as to the liquidity of, or the trading market for, such Notes. If an active public trading market for such Notes does not develop, the market price and liquidity of such Notes may be adversely affected.

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases:

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering.

- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress, so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers and their respective affiliates have in the past performed investment banking and advisory services for the Republic and its affiliates from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Republic and its affiliates in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Republic and/or its affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Republic and/or its affiliates routinely hedge their credit exposure to the Republic and/or its affiliates consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Republic and/or its affiliates, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Republic has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

The Notes have not been offered, sold or delivered and will not be offered, sold or delivered, directly or indirectly, and this Offering Circular or any other offering material relating to the Notes, has not been and will not be distributed in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on the Republic except as set forth in the Purchase Agreement.

No action has been or will be taken by the Republic or the Initial Purchasers that would or is intended to permit an offering of the Notes or the possession, circulation or distribution of this Offering Circular in preliminary or final form, or any other offering material relating to the Republic or the Notes, in any country or jurisdiction where action for that purpose is required.

Delivery of the Notes is expected on or about November 13, 2023, which will be the fifth business day following the date of pricing of the Notes. Under Rule 15c6-1 of the Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the second business day before the settlement date will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the notes prior to the second business day before the settlement date should consult their own advisor.

Notice to Prospective Investors in the European Economic Area ("EEA")

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

Each Joint Book-Running Manager has represented, warranted and agreed that it has:

- only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and

- complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to UK Retail Investors—The Notes which are the subject of the offering contemplated by this Offering Circular in relation thereto are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive 2016/97/EU, where that customer would not qualify as a professional client, as defined in point (8) of Article 2 (1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Notice to Prospective Investors in Hong Kong

The Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes have not been and will not be offered or sold or caused to be made subject of an invitation for subscription or purchase, and this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, have not been and will not be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Bonds under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A) of the SFA, or Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice # FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Colombia

The Notes have not been, and will not be, registered in the National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*) of Colombia or traded on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Therefore, the Notes may not be publicly offered in Colombia or traded on the Colombian Stock Exchange.

The Offering Circular is for the sole and exclusive use of the addressee as an offeree in Colombia, and the Offering Circular shall not be interpreted as being addressed to any third party in Colombia or for the use of any third party in Colombia, including any shareholders, administrators or employees of the addressee.

The recipient of the Notes acknowledges that certain Colombian laws and regulations (specifically foreign exchange and tax regulations) are applicable to any transaction or investment made in connection with the Notes being offered and represents that it is the sole party liable for full compliance with any such laws and regulations.

Notice to Prospective Investors in Chile

Pursuant to Chilean Capital Markets Act and *Norma de Carácter General* ("General Rule") No. 336, dated June 27, 2012, issued by the Chilean Financial Market Commission ("CMF"), the Notes may be privately offered in Chile to certain "qualified investors" identified as such by CMF General Rule No. 336 (which in turn are further described in CMF General Rule No. 216, dated June 12, 2008, and in CMF General Rule No. 410, dated July 27, 2016). General Rule No. 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: November 6, 2023. The offer of the Notes is subject to General Rule No.336, dated June 27, 2012, issued by the CMF;

2. The subject matter of this offer are securities not registered with the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF, and as such are not subject to the oversight of the CMF;

3. Since the Notes are not registered in Chile there is no obligation by the Republic to make publicly available information about the Notes in Chile; and

4. The Notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the CMF.

Notice to Prospective Investors in the Republic of Guatemala

In the Republic of Guatemala, the Notes will comply with the rules of the Securities and Commodities Market Law (Decree 34-96) and its regulation (Governmental Accord 557-97). The Notes will not be registered for public offering with the Securities Market Registry (*Registro del Mercado de Valores y Mercancías*) of the Republic of Guatemala, and, accordingly, the Notes will not be offered or sold: (i) to any person in an open market, directly or indirectly by means of massive communication; (ii) through a third party or intermediary to any individual person or entity that is considered an institutional investor, including entities that are under the supervision of the Banking Regulator, the Social Security Institute of Guatemala (*Instituto de Seguridad Social–IGSS*) and its affiliates; (iii) to any entity or vehicle used for purposes of collective investment; or (iv) to more than 35 individual persons or entities.

Notice to Prospective Investors in Panama

The Notes have not been, and will not be, registered for public offering in Panama with the National Securities Commission of Panama under Decree-Law 1 of July 8, 1999, as reformed by Law 67 of 2011 (the "Panamanian Securities Act"). Accordingly, the Notes may not be offered or sold in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The Notes do not benefit from tax incentives accorded by the Panamanian Securities Act, and are not subject to regulation or supervision by the National Securities Commission of Panama as long as the Notes are offered to no more than 25 persons domiciled in Panama and result in the sale to no more than 10 of such persons.

Notice to Prospective Investors in Italy

The offering of Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to the Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor copies of this Offering Circular or any other documents relating to the Notes may be distributed in Italy except:

(a) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Decree No. 58") and defined in Article 26, paragraph 1, letter d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("Regulation No. 16190") pursuant to Article 34-ter, paragraph 1, letter. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); or

(b) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other documents relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (the "Banking Law"), Decree No. 58 and Regulation No. 16190 and any other applicable laws and regulations;

(b) in compliance with Article 129 of the Banking Law, and the implementing guidelines of the Bank of Italy, as amended; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other competent authority.

Please note that, in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offerings applies, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971.

Notice to Prospective Investors in Mexico

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission *(Comisión Nacional Bancaria y de Valores* or the "CNBV"), and therefore may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the notes may be offered pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). The information contained in this Offering Circular is exclusively the responsibility of the Republic and has not been reviewed or authorized by the CNBV. The acquisition of the Notes by an investor resident of Mexico will be made under its own responsibility.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding Initial Purchasers conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes, constitutes or will constitute a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Taiwan

The Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

Notice to Prospective Investors in Luxembourg

This Offering Circular has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (Commission de Surveillance du Secteur Financier or the "CSSF"), or a competent authority of another EU Member State for notification to the CSSF, for the purposes of a public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Circular, the Indenture nor any other circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, Luxembourg except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of July 16, 2019 on prospectuses for securities, as amended (the "Luxembourg Prospectus Act"), and implementing the Prospectus Regulation. Consequently, this Offering Circular and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Luxembourg Prospectus Act, (ii) to fewer than 150 prospective investors, which are not qualified investors and/or (iii) in any other circumstance contemplated by the Luxembourg Prospectus Act.

Notice to Prospective Investors in France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the Notes that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; none of the Notes have been offered or sold nor will be offered or sold, directly or indirectly, to the public in France; this Offering Circular or any other offering material relating to the Notes have not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France; such offers, sales and distributions have been and shall only be made in France to: (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2, D. 411-1 and D. 411-4 of the French Code monétaire et financier.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes will initially be issued in the form of two registered notes in global form (which we refer to in this Offering Circular as "Global Notes"), without interest coupons, as follows:

- Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by one or more Global Notes (which we refer to in this Offering Circular as the "Restricted Global Notes"); and

- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Global Notes (which we refer to in this Offering Circular as the "Regulation S Global Notes").

Upon issuance, the Global Notes will be deposited with the trustee (as defined in "Terms and Conditions of the Notes") as custodian for DTC and registered in the name of a nominee of DTC.

Ownership of beneficial interests in each Global Note will be limited to persons who have accounts with DTC (which we refer to in this Offering Circular as the "DTC participants") or persons who hold interests through DTC participants. The Republic expects that under procedures established by DTC:

- upon deposit of each Global Note with DTC's custodian. DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the Initial Purchasers; and

- ownership of beneficial interests in each Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each Global Note).

Investors may hold their interests in a Global Note directly through Euroclear or Clearstream if they are participants in those systems or indirectly through organizations that are participants in those systems. Investors may also hold their interests in the Global Notes through organizations other than Euroclear or Clearstream that are DTC participants. Each of Euroclear and Clearstream will appoint a DTC participant to act as its depositary for the interests in the Global Notes that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the Global Notes may not be exchanged for Notes in physical certificated form except in the limited circumstances described below.

Each Global Note and beneficial interests in each Global Note will be subject to restrictions on transfer as described under "Transfer Restrictions."

Exchanges between the Global Notes

Beneficial interests in one Global Note of Notes may generally be exchanged for interests in another Global Note of Notes. Depending on whether the transfer is being made during or after the 40-day restricted period, and to which Global Note the transfer is being made, the trustee may require the seller to provide certain written certifications in the form provided in the indenture.

A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of DTC and, if applicable, Euroclear and Clearstream. The Republic provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Republic nor the Initial Purchasers is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the Initial Purchasers; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a Global Note, that nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a Global Note:

- will not be entitled to have Notes represented by the Global Note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the owners or holders of the Notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the Notes).

Payments of principal and interest with respect to the Notes represented by a Global Note will be made by the trustee to DTC's nominee as the registered holder of the Global Note. Neither the Republic nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a Global Note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC, Euroclear and Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Republic nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

The Republic will issue securities in certificated form in exchange for interests in a global security only if:

- the depositary notifies the Republic at any time that it is unwilling or unable to continue as depositary for the Global Notes of Notes and a successor depositary is not appointed within 90 days;

- the depositary ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days;

- the Republic decides it no longer wishes to have all or part of the Notes represented by global securities; or

- the trustee has instituted or been directed to institute any judicial proceeding to enforce the rights of the holders under the Notes and has been advised by its legal counsel that it should obtain possession of the securities for the proceeding.

Any certificated security issued under these circumstances shall be in registered form.

TRANSFER RESTRICTIONS

The Notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person (as defined in Regulation S) that is outside the United States;

(2) it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by one or more Global Notes and that Notes offered outside the United States pursuant to Regulation S will also be represented by one or more Global Notes;

(4) it will not resell or otherwise transfer any of such Notes except (a) to the Republic or an affiliate of the Republic, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available), or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and any other jurisdictions;

(5) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

(6) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture, including with respect to Notes sold or transferred pursuant to Rule 144A or Regulation S;

(7) it acknowledges that the trustee, registrar or transfer agent for the Notes may not be required to accept for registration or transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to the Republic that the restrictions set forth herein have been complied with;

(8) it acknowledges that the Republic, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Republic and the Initial Purchasers; and

(9) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Restricted Global Note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with the Republic's consent. If the Republic so consents, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY AFFILIATE THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(A)(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON, EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN. AS USED HEREIN, THE TERMS "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

TAXATION

Costa Rica Taxation

The following summary of certain Costa Rican tax matters is based on the advice of the General Directorate of Taxation (*Dirección General de Tributación*). This summary contains a description of the principal Costa Rican tax consequences of the purchase, ownership and distribution of the Notes but it does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to purchase the Notes.

The summary is based upon the tax laws of Costa Rica in effect as of the date of this Offering Circular which are subject to change. Prospective purchasers of the Notes (including residents of Costa Rica, if any) should consult their independent tax advisers as to the tax consequences of the purchase, ownership and distribution of the Notes, including, in particular, the effect of any foreign, state or local tax laws.

Under current tax laws and regulations of Costa Rica, and according to the Authorization to Issue Securities in the International Market and Contracting of Credit Lines Law (*Autorización para emitir títulos valores en el Mercado internacional y contratación de líneas de crédito*) effective since December 1, 2022 ("Law No. 10.332"), (i) the actions required for the execution, delivery, issuance and registration of the documents required for the issuance of the Notes are exempt from any taxes or levy, impost, deduction or other charge (together, "Taxes") imposed by Costa Rica or any political subdivision or taxing authority thereof or therein, (ii) payments by the Republic of principal in respect of the Notes are not subject to taxation in Costa Rica and no withholding for any Costa Rican tax is required on any such payments, (iii) payments by the Republic of interest on the Notes are not subject to taxation in Costa Rica and no withholding for any Costa Rican tax is required on any such payments, and (vi) in the event that any present or future Taxes are imposed or levied on interest payments – or any other payments – or on behalf of the Republic or any political subdivision thereof or therein or any jurisdiction through which payments on the Notes are made, then the Republic is authorized by the Note Issuance Law to make payment of the amount so withheld to the appropriate governmental authority and to pay forthwith such additional amounts as may be necessary to ensure that the net amounts receivable by the holders of the Notes after such withholding or deduction shall equal the payment which would have been receivable in respect of the Notes in the absence of such withholding or deduction.

United States Federal Income Taxation

The following discussion describes certain U.S. federal income tax consequences of your purchase, ownership and disposition of a Note acquired at the issue price pursuant to this offering. The discussion is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder by the U.S. Department of the Treasury (the "Treasury Regulations"), rulings and judicial decisions interpreting the Code as of the date that this Offering Circular was issued. These authorities may be repealed, revoked or modified, possibly with retroactive effect, so the discussion below might not be reliable in the future. This discussion does not cover any U.S. state, U.S. local or non-U.S. tax issues, nor does it cover issues under the U.S. federal estate or gift tax laws or the Medicare tax on net investment income.

The Republic has not sought any ruling from the U.S. Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with all of such statements and conclusions. A different treatment from that described below could adversely affect the amount, timing, and character of income, gain or loss in respect of an investment in the Notes.

This discussion deals only with holders that hold the Notes as capital assets for U.S. federal income tax purposes. This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to a particular holder in light of the holder's circumstances.

In particular, this discussion assumes that you are not subject to any special U.S. federal income tax rules, including, among others, the special tax rules applicable to:

- persons subject to special tax accounting rules under Section 451(b) of the Code;

- dealers in securities or currencies;
- securities traders using a mark-to-market accounting method;
- banks or life insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- persons that purchase or sell Notes as part of a wash sale for U.S. federal income tax purposes;
- persons that purchase or sell Notes as part of a hedging transaction or as a position in a straddle or conversion transaction;
- partnerships or other entities treated as partnerships for U.S. federal income tax purposes, or persons holding the Notes through partnerships or other pass-through entities;
- U.S. Holders (as defined below) that do not use the U.S. dollar as their functional currency; or
- tax-exempt organizations.

If any of these assumptions are not correct in your case, the purchase, ownership or disposition of a Note may have U.S. federal income tax consequences for you that differ from, or are not covered in, this discussion.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of a Note, the tax treatment of a partner in that partnership generally will depend on the status of the partner and the activities of the partnership. Holders of Notes that are partnerships and partners in those partnerships should consult their own tax advisor regarding the U.S. federal income tax consequences of purchase, ownership and disposition of the Notes.

The Republic expects, and the remainder of this summary assumes, that the Notes will be issued with less than a de minimis amount of "original issue discount" for U.S. federal income tax purposes.

You should consult your own tax advisor concerning the U.S. federal, U.S. state, U.S. local, non-U.S. and other tax consequences to you of the purchase, ownership or disposition of a Note.

U.S. Holders

This section applies to you if you are a “U.S. Holder,” meaning that you are the beneficial owner of a Note and you are:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;

- a corporation (or other entity classified as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust (A) if a court within the United States is able to exercise primary supervision over your administration and one or more “United States persons” as defined in the Code (each a “U.S. Person”) have authority to control all your substantial decisions, or (B) that was in existence on August 20, 1996 and has made a valid election under the Treasury Regulations to be treated as a U.S. trust.

If you are not a U.S. Holder, this section does not apply to you and you should refer to “—Non-U.S. Holders” below.

Payments of Interest and Additional Amounts. Payments or accruals of stated interest on a Note generally will be taxable to you as ordinary income. If you generally report your taxable income using the accrual method of accounting, you must include payments of interest in your income as they accrue. If you generally report your taxable income using the cash method of accounting, you must include payments of interest in your income when you actually or constructively receive them.

You must include any tax withheld from the interest payment as ordinary income even though you do not in fact receive it. You may be entitled to deduct or credit this tax, subject to applicable limits and conditions, including new requirements recently adopted by the IRS. You will also be required to include in income as interest any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts. For purposes of the foreign tax credit provisions of the Code, interest (including any additional amounts) on a Note generally will constitute foreign source income and will be categorized as passive or another category of income depending on your circumstances.

Payments of Principal and Disposition of Notes. If the principal amount of the Note exceeds its issue price, you will recognize capital gain upon the receipt of each principal installment payment on a Note in an amount equal to such excess multiplied by a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the principal amount of the Note.

If you sell or otherwise dispose of a Note, you generally will recognize a gain or loss equal to the difference between your “amount realized” and your “adjusted tax basis” in the Note. Your “amount realized” generally will be the value of what you receive for selling or otherwise disposing of the Note, other than amounts attributable to accrued but unpaid interest (which generally will be taxed to you as ordinary income to the extent not previously included in income). Your “adjusted tax basis” in the Note generally will equal the amount that you paid for the Note, decreased (but not below zero) by (i) the excess of any previous principal installment payments that you have received on such Note over any de minimis OID that you have previously included in income upon the receipt of such payments and (ii) any amount attributable to Pre-issuance Accrued Interest that you already have received.

Gain or loss from the sale or other disposition of a Note generally will be capital gain or loss, and will be long-term capital gain or loss if at the time you sell or dispose of the Note, you have held the Note for more than one year, or will be short-term capital gain or loss if you have held the Note for one year or less. Net capital gains of non-corporate taxpayers may be taxed at lower rates than items of ordinary income. Your ability to offset capital losses against ordinary income is limited. Any capital gains or losses that arise when you sell or dispose of a Note generally will be treated as U.S. source income, or loss allocable to U.S. source income, for purposes of the foreign tax credit provisions of the Code.

Deemed Taxable Exchange

A change made to the terms of the Notes pursuant to the "collective action clauses" may give rise to a deemed taxable exchange of the Notes for U.S. federal income tax purposes upon which gain or loss is realized if the modified Note differs materially either in kind or extent from the original Note (a "Significant Modification"). Such gain or loss would generally be measured by the difference between the fair market value of the Note after the Significant Modification and the holder's tax basis in such Note before the Significant Modification. A modification of a Note that is not a Significant Modification does not create a deemed exchange for U.S. federal income tax purposes. Under applicable Treasury Regulations, the modification of a Note is a Significant Modification if, based on all of the facts and circumstances and taking into account all modifications of the Note collectively (other than modifications that are subject to special rules), the legal rights or obligations that are altered and the degree to which they are altered is "economically significant." The applicable Treasury Regulations also provide specific rules to determine whether certain modifications, such as a change in the timing of payments, are significant. See the discussion under "—Modifications, Amendments and Waivers—Collective Action" for more information about potential amendments of certain key terms of the Notes.

Information with Respect to Foreign Financial Assets. Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the taxable year, or $75,000 at any time during the taxable year may be required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on your circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by non-U.S. financial institutions, as well as securities held for investment and issued by non-U.S. Persons (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Failure to file information reports may subject you to penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. You should consult your own tax advisor regarding your obligation to file information reports with respect to the Notes.

Non-U.S. Holders

This section applies to you if you are a "Non-U.S. Holder," meaning that you are a beneficial owner of a Note and are not a partnership for U.S. federal income tax purposes and not a "U.S. Holder" as defined above.

Payments of Interest. Subject to the discussion of backup withholding below, you generally will not be subject to U.S. federal income tax, including withholding tax, on interest that you receive on a Note unless you are engaged in a trade or business in the United States and the interest on the Note is treated for U.S. federal income tax purposes as "effectively connected" to that trade or business (and in addition, if an income tax treaty applies, the interest is attributable to a permanent establishment or fixed place of business maintained by you within the United States). If you are engaged in a U.S. trade or business and the interest income is deemed to be effectively connected to that trade or business, you generally will be subject to U.S. federal income tax on that interest in the same manner as if you were a U.S. Holder (unless the interest is excluded under an applicable tax treaty). In addition, if you are a corporation for U.S. federal income tax purposes, your interest income subject to tax in that manner may increase your liability under the U.S. branch profits tax currently imposed at a 30% rate (or a lower rate under an applicable tax treaty).

Disposition of Notes. Subject to the backup withholding discussion below, you generally will not be subject to U.S. federal income tax or withholding tax for any capital gain that you realize when you sell or otherwise dispose of a Note unless:

1. that gain is effectively connected for U.S. federal income tax purposes to any U.S. trade or business you are engaged in (and in addition, if an income tax treaty applies, the gain is attributable to a permanent establishment or fixed base in the United States); or

2. if you are an individual, you are present in the United States for 183 days or more in the taxable year in which you sell or otherwise dispose of the Note and either (i) you have a tax home (as defined in the

Code) in the United States during the taxable year in which you sell or otherwise dispose of the Note, or (ii) the gain is attributable to any office or other fixed place of business that you maintain in the United States.

If you are described under (1) above, you generally will be subject to U.S. federal income tax on such gain in the same manner as a U.S. Holder and, if you are a corporation for U.S. federal income tax purposes, you may also be subject to the U.S. branch profits tax as described above. If you are described under (2) above, you generally will be subject to a 30% U.S. federal tax on the gain derived from the sale or other taxable disposition of a Note, which may be offset by certain U.S. source capital losses (notwithstanding the fact that you are not considered a U.S. resident for U.S. federal income tax purposes). Any amount attributable to accrued but unpaid interest on a Note generally will be treated in the same manner as payments of interest made to you, as described above under "—Payments of Interest."

Backup Withholding and Information Reporting

If you are a U.S. Holder, and unless you prove that you are exempt, information reporting requirements will apply to payments of principal and interest to you if such payments are made within the United States or by or through a custodian or nominee that is a "U.S. Controlled Person," as defined below. Backup withholding will apply to such payments of principal and interest if (i) you fail to provide an accurate taxpayer identification number; (ii) in the case of interest payments, you fail to certify that you are not subject to backup withholding; (iii) you are notified by the IRS that you have failed to report all interest and dividend income required to be shown on your U.S. federal income tax returns; or (iv) you fail to demonstrate your eligibility for an exemption.

If you are a Non-U.S. Holder, you generally are exempt from these withholding and reporting requirements, but you may be required to comply with certification and identification procedures in order to prove your exemption. If you hold a Note through a non-U.S. partnership, these certification procedures would generally be applied to you as a partner. If you are paid the proceeds of a sale or redemption of a Note effected at the U.S. office of a broker, you generally will be subject to the information reporting and backup withholding rules. In addition, the information reporting rules will apply to payments of proceeds of a sale or redemption effected at a non-U.S. office of a broker that is a "U.S. Controlled Person," as defined below, unless the broker has documentary evidence that the holder or beneficial owner is not a U.S. Holder or the holder or beneficial owner otherwise establishes an exemption. A U.S. Controlled Person includes:

- a U.S. Person;
- a controlled foreign corporation for U.S. federal income tax purposes;
- a non-U.S. Person 50% or more of whose gross income is effectively connected with a U.S. trade or business for tax purposes for a specified three-year period; or
- a non-U.S. partnership in which U.S. Persons hold more than 50% of the income or capital interests or which is engaged in a U.S. trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to you generally will be allowed as a refund or a credit against your U.S. federal income tax liability as long as you provide the required information to the IRS in a timely manner.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon on behalf of the Republic by Rosibel Bermudez Fernández, legal adviser to the Ministry of Finance, and by Cleary Gottlieb Steen & Hamilton LLP, U.S. counsel to the Republic. The validity of the Notes will be passed upon on behalf of the Initial Purchasers by BLP Legal, Costa Rican counsel to the Initial Purchasers and by Clifford Chance US LLP, U.S. counsel to the Initial Purchasers. As to all matters of Costa Rican law, Cleary Gottlieb Steen & Hamilton LLP will rely on the opinion of Rosibel Bermudez Fernández legal adviser to the Ministry of Finance, and Clifford Chance US LLP will rely upon the opinion of BLP Legal.

GENERAL INFORMATION

1. The Notes will be accepted for clearance through DTC and its direct and indirect participants, including Euroclear and Clearstream. The codes for the Notes offered pursuant to 144A and Regulation S are as follows:

Bonds Offered	CUSIP Number	ISIN	Common Code
Rule 144A......................................	221597 CV7	US221597CV77	
Regulation S...................................	P3699P GN1	USP3699PGN17	

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Costa Rica in connection with the issue and performance of the Notes. The issue of the Notes was authorized under Law No. 10.332, effective on December 1, 2022.

3. Application will be made to the London Stock Exchange for the Notes to be admitted to trading on its ISM.

4. Other than as set forth below, neither the Republic nor any governmental agency of the Republic is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Notes and which would materially and adversely affect the Republic's ability to meet its obligations under the Notes and the Indenture and, so far as the Republic is aware, no such litigation or arbitration or administrative proceedings are pending or threatened.

- ***Infinito Gold Ltd. v. Costa Rica***: The underlying dispute concerned the development of a gold mine in Costa Rica. Infinito Gold Ltd., a Canadian mining company, initiated an arbitration against Costa Rica for its alleged breach of the Costa Rica-Canada Bilateral Investment Treaty. Claimant originally sought damages in excess of U.S.$250 million. In June 2021, the arbitral tribunal found that although one of the treaty's provisions had been breached, claimant was not entitled to any damages. This led to claimant filing for annulment of the award. As of the date of this Offering Memorandum, the decision on the annulment was pending.

- ***Hernández Contreras v. Costa Rica***: Jose Alejandro Hernández Contreras, a Venezuelan investor, initiated an arbitration against Costa Rica for alleged breaches of its obligations under the Costa Rica-Venezuela Bilateral Investment Treaty. This dispute is related to telecommunications service contracts. This arbitration was originally filed in August 2020 under International Centre for Settlement of Investment Disputes ("ICSID") Additional Facility Rules. The original arbitration was discontinued by request of Costa Rica due to claimant's failure to pay ICSID's administrative and service fees. In August 2022, Claimant resubmitted its Request for Arbitration, which is the basis of the matter currently pending. Based on the Request for Arbitration, the amount claimed in damages is at least U.S.$25 million plus interest. Given that the arbitration is in the initial stages and that claimant has not yet filed its memorial, the full sum of damages sought is yet to be known. As of the date of this Offering Circular, this arbitration was in the tribunal constitution phase.

- ***Enel Colombia S.A. (formerly ESSA2 SpA) and Enel Green Power Costa Rica S.A. v. Costa Rica***: Enel Colombia S.A. (formerly ESSA2 SpA) and Enel Green Power Costa Rica S.A.—a Colombian (formerly Chilean) company and a Costa Rican company, respectively—initiated an arbitration against Costa Rica for its alleged breaches under the Costa Rica-Chile Bilateral Investment Treaty. The dispute is related to energy generation and distribution contracts. The parties have entered into a preliminary settlement agreement pending the approval of two power purchase agreements by Costa Rica's Public Services Regulatory Authority (*Autoridad Reguladora de los Servicios Públicos*). The arbitration is currently suspended pending approval of a settlement agreement between the parties.

- ***Commercial Disputes:*** Costa Rica is a party to three commercial cases being heard by the Central American Commercial Dispute Mechanism. The Ministry of Foreign Trade (COMEX), currently represents the interests of Costa Rica in two processes of a commercial nature.

- **Consultations with Panama regarding the import of certain products from Costa Rica**: On January 11, 2021, Costa Rica requested consultations with Panama under the WTO dispute settlement mechanism regarding measures adopted by Panama that hinder the import of the following products of Costa Rican origin (i) products of animal origin (including dairy products and animal feed), (ii) strawberries, (iii) pineapples, (iv) bananas and (v) plantains. Following such consulations, the parties did not reach a mutually satisfactory agreement. Therefore, Costa Rica requested the establishment of a special group to address this issue, which was constituted on September 27, 2021. On June 13, 2022, the Chairman of the Panel informed that it did not expect to circulate its final report to the parties before the second half of 2023.

- **Consultations with the Dominican Republic regarding anti-dumping measures on corrugated steel bars**: On July 23, 2021, Costa Rica requested consultations with the Dominican Republic under the WTO dispute settlement mechanism regarding certain anti-dumping measures adopted by Panama on imports of corrugated or deformed steel bars or rods for reinforcing concrete or concrete originating in Costa Rica. Following such consulations, the parties did not reach a mutually satisfactory agreement. Therefore, on November 15, 2021, Costa Rica requested the establishment of a special group to address this issue, which was formally constituted on April 8, 2022. On July 27, 2023, a recommendation was issued for the Dominican Republic to adjust its measures to the obligations arising from an anti-dumping agreement.

5. LEI Code: The Republic's LEI code is 549300S1EK2VN6XVJP58.

6. Other than as disclosed herein, there has been no material adverse change in the financial condition of the Republic which is material in the context of the issue of the Notes since December 31, 2022.

ISSUER

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The Republic of Costa Rica

U.S.$1,500,000,000 7.300% Notes due 2054

Joint Book-Running Managers

BofA Securities **J.P. Morgan**

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J.P. Morgan

Offering Circular

November 6, 2023