DISCUSSION PAPER 15/2018

PURE LIFE
as a Means to Development, Costa Rican Style

Greg Mills & Lyal White

Strengthening Africa's economic performance

THE BRENTHURST FOUNDATION

PURE LIFE

as a Means to Development, Costa Rican Style

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Published in December 2018 by
The Brenthurst Foundation

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Layout and design by
Sheaf Publishing, Benoni.

Executive Summary

Costa Rica is a top performer in Latin America with an economy that is over five times its size in the mid-1980s. Best known for its rich biodiversity, ecotourism and commitment to sustainable development, Costa Rica is also ranked as one of the world's happiest countries. It has emerged as an investment destination of choice for services and sophisticated technologies. Costa Rica's growth is dependent on increasing openness and connectedness with surrounding economies and the world at large, and is often referred to as the most traded nation in the world. Much of its economic success and firm-level competitiveness has been attributed to the development of human capital and Brand Costa Rica, promoting an open and accessible country with the right skills. The balance of social progress and environmental impact off a base of peace and stability is a useful model for African countries grappling with the challenges of sustainable development, however, it has been the strength of professional institutions blended with the right policies, especially in the areas of trade and investment, that have delivered the most impressive results. Building off the progress it has made, Costa Rica has established a culture of shared value and collective impact, deeply integrated with the environment and invested in future generations.

Introduction

Pura Vida! Costa Rica's cry of 'Pure Life' booms a greeting from locals to visitors flocking to this small Central American country in search of a unique tourist experience or a stable business location. Best known for its rich biodiversity and eco-tourism, Costa Rica is also ranked as one of the happiest countries in the world. It boasts some of the finest coffee money can buy and is the investment destination of choice for services in Central America. For Africans, Costa Rica offers one of the more interesting models for countries seeking a workable balance between development and the environment.

This was not always the case. Costa Rica was long seen as a poor member of the Latin American community, devoid of resources and true potential. Located in one of the most problematic regions in the world, notorious for armed conflicts and, later, criminal networks, Costa Rica was expected to follow the same course and dismal outcome of its beleaguered Central American neighbours. Sustained economic growth in Latin America, in-between political turmoil, social upheaval and cyclical booms and busts in commodities ever since the 1970s in the early days of democracy, remained a regional pipedream, with smaller countries the most vulnerable.

But Costa Rica bucked the trend with an annual per capita income growth of over 5 per cent between 1980 and 2005. Economic growth peaked at 14 per cent in 1992. This has resulted in an economy that today is five times what is was in the mid-1980s. With these results, Costa Rica is undoubtedly the 'breakout nation' of Central America, having transformed from a poor country to one of progress and sophistication on the back of strong economic growth, focused development and a culture of integration.[2]

The Costa Rican Story: Rise of the Underdog

At independence in 1821, Costa Rica was the poorest and most neglected of the Spanish colonies. With no real wealth in the form of gold or silver, Costa Rica emerged as a banana and pineapple republic, which complimented its primary exports of sugar and tobacco. Premium coffee was another long-serving primary export that opened new markets in Europe, and Britain in particular. It is often credited for driving economic modernisation through higher revenues, generating enormous wealth for the Costa Rican coffee elite. Today, coffee remains a pivotal part of the Costa Rican economy, and it has brought with it an interesting mix of new market access, services and investment.

Since independence, Costa Rica has been one of the more peaceful and stable countries in Latin America. Enjoying uninterrupted democracy since 1948, Costa Rica has held 15 consecutive elections, more than any other country in Latin America. Over this period, improved skills, human development and broad-based economic inclusion became a priority.

Herein lie the origins that distinguish Costa Rica from the rest. According to Victor Umana, Director of the Latin American Center for Competitiveness and Sustainable Development at INCAE, a leading business school, 'Costa Rica has a history of 200 years of good decisions. From day one we had poor people doing the right thing for society and creating institutions unlike anywhere else in Latin America'.

Costa Rica: Basic Indicators (2017)	
Population	4.9 million
Labor Force	2.3 million
Adult literacy rate	97.8 per cent
Unemployment rate	7.8 per cent
Inflation rate	0.77 per cent
GDP	US$57.4 billion
GDP Growth	3.8 per cent
Ave. Annual GDP Growth (1992–2017)	4.5 per cent
GDP per capita PPP	US$16 436
Exports (2016)	$18.2 billion
Imports (2016)	$18.5 billion

Source: PROCOMER (www.procomer.com), Trading Economics (www.tradingeconomics.com)

If There is No Wind, Row: Human Capital and Good Decisions

With few natural resources worth exploiting, in a region troubled with a history of armed conflict, violence and prevailing economic uncertainty, Costa Rica forged its competitiveness on five pillars of development:

1. Peace;
2. Education;
3. Sustainability;
4. Commercial openness and
5. Happiness.[3]

The results are evident today. Apart from the impressive economic growth in Costa Rica since the 1990s, human development and comprehensive social advancement is nothing short of remarkable for a country in a region characterised by erratic growth, instability and growing disparities during that period.

Costa Rica's five pillars of development are built on a foundation of economic and political stability. While good economic policies and decisions are important, none of these have yielded the contributions of democracy, disarmament, conservation and social inclusion.[4] The transition to democracy started nearly 120 years ago, interrupted by a short-lived coup and dictatorship in 1917, and later a 40-day civil war ending with a new constitution in 1949. This constitution, still regarded as one of the more progressive in the region, strengthened the electoral tribunal, established women's suffrage, abolished institutionalised racism and did away with the army.[5]

Today Costa Rica is one of the longest running democracies and safest countries in the Americas. Peace and stability – and the notable absence of an army – has freed up resources so that efforts can be directed toward building a highly skilled and healthy workforce. Education and healthcare receive 7.4 per cent and 10 per cent of the Gross Domestic Product (GDP), respectively. This is well above the regional average and is maintained despite Costa Rica's healthy workforce already boasting 98 per cent literacy.

Under the leadership of former President Oscar Arias Sanchez in the late 1980s, Costa Rica did attempt to export its model of peace and social inclusion to the rest of Central America. In an effort to bring stability to a region plagued by insecurity, Arias led a regional peace movement to end the Contra conflict in Nicaragua and guerrilla wars in El Salvador and Guatemala. President Arias' efforts were ultimately recognised when he was awarded the Nobel Peace Prize in 1987.[6] But apart from reducing tensions and introducing a regional peace process, Arias also put Costa Rica on the map as a key player in international affairs. This provided an additional boost to regional and global connectivity in its new commercial agenda, yielding returns for subsequent years as Costa Rica emerged as a leading economy in Central America.

Human development and comprehensive social advancement is nothing short of remarkable for a country in a region characterised by erratic growth, instability and growing disparities

Human capital remains Costa Rica's greatest asset, and has been the single most important contributor to growth, allowing the country to diversify well beyond agricultural exports into world-class services and sophisticated technologies. Today Costa Rica continues to harvest talent to service the Central American region and beyond. There were reportedly more Costa Rican engineers working on the Panama Canal expansion project than any other nationality. And Juan Santa Maria International Airport in San José, the capital, is abuzz on a Friday evening with regional flights full of *Ticos* (local Costa Ricans) returning for the weekend.[7]

Costa Rica's New-Age Coffee Baron

Apart from bananas and pineapples, coffee remains a major export. But Costa Rica has made a concerted effort to maximise the value of this over-traded commodity. Since 1992, by law, only the Arabica variety of coffee is grown in Costa Rica, mostly around the 112 volcanoes scattered throughout the country. This has resulted in some of the highest quality and sought-after coffee beans in the world. But the real challenge for Costa Rican coffee producers, like their counterparts in Africa, is to capture as much of the java value as possible. Conventional trading of green beans will fetch roughly US$3,30 per kg. This number will increase to nearly US$20 per kg once roasted and bagged for retail. But, the real multiplier comes from espresso sales. At roughly US$3 a shot, a kilogram of coffee produces about 120 espressos. That comes to US$360 for the same kilogram of beans sold. Apart from margins, value addition through processed products and services generates up to eight-times more jobs than traditional farming.

> The real challenge for Costa Rican coffee producers, like their counterparts in Africa, is to capture as much of the java value as possible

Café Britt has championed the shift from a hard-and-fast commodity business to a more stable composition of gourmet branded coffee products and services in Costa Rica and beyond. Since the early 1990s Café Britt has looked to diversify its products and its geography.

In 2000, following the privatisation of the Costa Rican airports, Café Britt went from being exclusively coffee and chocolates to travel retail. Today the numbers speak for themselves. Britt's gift shops make up three-quarters of a US$160 million business, with over 130 shops in 12 countries. Their travel retail business employs 1 400 people compared to 400 employees in the coffee and chocolate business. The growth of Café Britt from a small Central American company into a global brand of stature is nothing short of extraordinary. Pablo Vargas, CEO of Café Britt, attributes their success to two key features: First, people. Having access to the right skills, talent and a bilingual workforce in Costa Rica gave them a competitive edge. Second, brand. The Costa Rican country brand has provided the ideal platform for a company like Café Britt to leverage the image and values associated with eco-tourism, while promoting an open and accessible country with strong institutions geared for commercialisation.

The social contract and cultural evolution behind *Pura Vida* tend to come back to skills and human capital. What has made Costa Rica different to other countries grappling with social challenges is the rationale that informed their values and approaches to development. Far from being a result of pressure from business or politics, this is simply the fundamental basis of the country. The consensus reached between these stakeholders confirmed that such fundamentals could not wait. Apart from the foundations of peace and stability, a social contract and human development with the environment were crucial prerequisites to progress.

Building a Sustainable and Happy Country: The Cornerstone of the Costa Rican Model

Today, through consensus and an ongoing effort spanning decades, Costa Rica is an outlier in the metrics of human and sustainable development. At US$61 billion, its economy is slightly smaller than that of Kenya or Ghana and a sixth the size of South Africa's. With a much smaller population, the average Costa Rican is 10 times as wealthy as the average Kenyan and boasts a per capita income double that of the average South African.

It is, however, on measures of social progress and environmental impact that Costa Rica truly punches above its weight. Like many developing world counterparts, Costa Rica is categorised as a country with a 'high human development' count, ranking 66 out of 188 countries on the United Nations Human Development Index (HDI).

Costa Rica's impressive 12th position on the 2017 World Happiness Index is well above other developing countries in a similar income bracket. It is particularly strong on measures of social support, healthy life and the freedom to make life choices, which are just some of the metrics included in this index.

South Africa ranks at 101st position on the Happiness Index.

Results on the HDI reflect a similar trend when it comes to the environment. In Costa Rica, forests make up 54 per cent of the total land area compared to just 7.6 per cent in South Africa. And carbon dioxide emissions per capita and renewable energy consumption as a percentage of total energy consumed stand at a stellar 1.6 tonnes and 38.6 per cent respectively. South Africa's carbon dioxide emissions have risen to 8.9 tonnes per person, and just 16.9 per cent of the national energy consumed is renewable.[8] In May 2018, Costa Rica announced it will be banning fossil fuels completely. With 99 percent of its energy needs currently derived from renewable sources already, Costa Rica aims to be the first fossil fuel free country in the world within three years.[9]

Furthermore, the progress Costa Rica has made on trade agreements and indices likes the World Bank's *Ease of Doing Business* are indicative of the ongoing commitment to improving connectivity and building stronger, more effective institutions. In 2018 Costa Rica ranked 61st out of 190 countries measured by the World Bank. With an overall score of 69.13 per cent, there is certainly room for improvement, but on basic measures like starting a business, access to electricity and credit, and trading across borders, Costa Rica is in the top quantile.[10]

The 2016 the Gordon Institute of Business Science (GIBS) Dynamic Market Index (DMI), which measured institutional change across 144 countries between 2007 and 2014, placed Costa Rica in the premium category of Dynamic Markets, ahead of Adynamic, Static and Catch-up Markets. The DMI compiles a weighted score across six pillars – open and connected, the justice system, red tape, human capital, macro-economic management and socio-political stability – comparing the institutional performance of countries around the world. Despite the significant institutional progress in the 1990s and early 2000s, which would have reflected a more rapid acceleration in institutional change at that time, Costa Rica continued to perform comparatively better than its global peers as an advancing Dynamic Market.[11]

Ongoing efforts to improve its performance on these indicators have strengthened its foundation of shared value, with a collective impact in the Costa Rican development model as a

Comparative Performance on Selected Indices

	UN Human Development Index (HDI) 2017 *(188 countries)*	World Bank Ease of Doing Business 2018 *(190 countries)*	WEF Global Competitiveness *(137 countries)*	World Happiness Index 2017 *(155 countries)*	GIBS Dynamic Market Index 2016 *(144 countries)*
Costa Rica	66	61	47	12	Dynamic Market
South Africa	119	82	61	101	Static Market
Kenya	146	80	91	112	Adynamic Market
Ghana	139	120	111	131	Catch-up Market

Sources: United Nations Human Development Report, World Bank Ease of Doing Business, World Economic Forum Competitiveness Report, World Happiness Report, GIBS Dynamic Market Index.

whole. This incorporates the core values of social development, environmental conservation and connectivity – through the movement of goods, services and people – with economic growth and commercial returns over time. This is a more sustainable approach applicable at both the country and company level, in the current global context of growing political populism, inequality and social disparities, and real environmental concerns.[12]

Shifting Investment and Export Growth

Two institutions in Costa Rica have been pivotal in driving commercial confidence in the country through trade and investment promotion, and facilitation. These are PROCOMER, the export agency, and CINDE (Costa Rican Investment Promotion Agency).

PROCOMER is a public institution devoted to the promotion of Costa Rican exports of goods and services around the world. In performing this role, PROCOMER covers a range of specialised functions from trade facilitation and the development of value chains for Costa Rican exports to in-depth market studies and data development. It also administers Costa Rica's Free Trade Zones.

While PROCOMER may be seen as the principle agent behind Costa Rica's export-led growth model, CINDE is the institution credited for the progressive investment landscape and ultimately the commercial connectedness behind the economic development and diversification of the country.

CINDE was founded in 1982 to 'Contribute to the country's economic development and social progress by attracting foreign investment and sustaining a favourable investment climate to do so.'[13] This was part of the overall re-orientation in the aftermath of the debt crisis in the 1980s when Costa Rica switched from the inward-looking economic model of import substitution to an outward-looking export promotion model. The overall aim was to reduce the barriers and costs of entry into the market, and to play to Costa Rica's key strengths: a stable country close to America with a highly educated population. To realise this it used Free Trade Zones which offered tax exemptions and provided infrastructure, which were enhanced by eight free trade agreements and fiscal incentives for export promotion.

Using an endowment as income, CINDE has been apolitical, with an independent board, serving nine governments since 1982 and providing its services free of charge. Its activities have not only been focused on bringing in investors, but on after care given that, in the words of one director, 'two-thirds of investment is re-investment'.[14] Going beyond investment attraction, CINDE provides ongoing support to multinationals and foreign investors. It has also collaborated with several universities and technical institutes to offer specially designed courses for the products and devices manufactured and exported from Costa Rica.

Costa Rica switched from the inward-looking economic model of import substitution to an outward-looking export promotion model

As Costa Rica has changed, so too has CINDE's focus. Initially dove-tailing export and investment promotion broadly (until 1985), to a focus on foreign direct investment (FDI) and then, from 2001, to the high-tech sector. Today it is the top-ranked institution worldwide in attracting FDI,[15] and second in foreign investment agencies perceived as 'best in class'.[16] With just 47 staff top-to-bottom, CINDE had brought in an estimated 300 multinational companies creating 97 587 direct and a further 50 056 indirect jobs by 2017.[17]

Costa Rica has seen a consistent growth in FDI, with inflows increasing at an average of 3.7 per cent every year since 2007. In 2017, FDI represented 5.2 per cent of GDP and FDI per capita reached US$607.90. It is among the top countries in Latin America in both indexes, while FDI inflows have financed 100 per cent of the current account deficit.

The story of Intel in Costa Rica is widely seen as an illustration of modern Costa Rica and its evolving economic model.

In 1997 Intel set up an advanced light manufacturing facility, a real game changer for the country at the time. Intel was lured by favourable investment incentives, along with a highly skilled and low-cost work force. But in 2014 Intel closed its Costa Rican manufacturing operation, maintaining a research and development facility instead. Labour costs in Costa Rica have risen substantially over the past 10 years, but a dramatic shift to mobile devices was largely to blame for this decision.

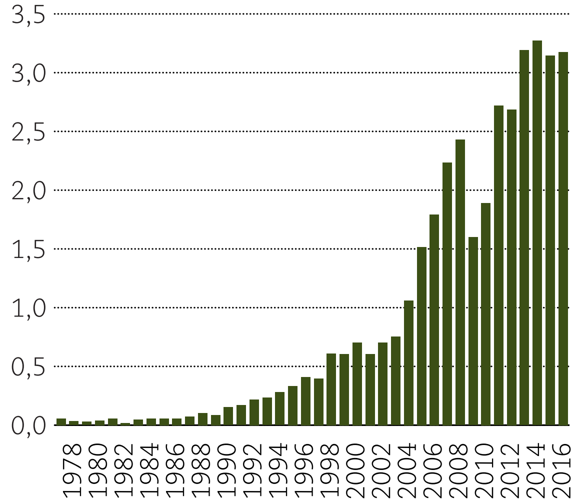
Marta Equival of PROCOMER insists that the move by Intel did not deliver a serious blow to manufacturing output and employment in the country. Rather, it opened an unexpected opportunity to diversify. Intel, she says, accounted for 25 per cent of Costa Rica's exports in 2013. Today that figure is represented by 60 different companies that have taken advantage of expertise built by Intel and are exporting medical devices, biotechnology and an increasing diversity of services.

Costa Rica is a classic example of export-led growth fuelled by increasing foreign investment. Total trade has increased well over tenfold since 1985, which translated into sustained levels of 'breakout nation' economic growth of more than 5 per cent for 30 years.

Today Costa Rica is one of the world's most traded economies, exporting around US$18.2 billion of products and services and importing close to US$18.5 billion. While a trade deficit has always existed in Costa Rica, given its dependency on imported capital goods and machinery, the growth of manufactured exports as a result of investments like Intel have altered the composition and course of Costa Rican trade. This has contributed significantly to correcting the trade balance in recent years.

Apart from its trade composition, Costa Rica's geographical scope of trading partners also increased substantially since 2000. Today Costa Rica exports 4 000 products to 150 countries worldwide.[18]

Figure 1: Costa Rica – Foreign Direct Investment, billion dollars

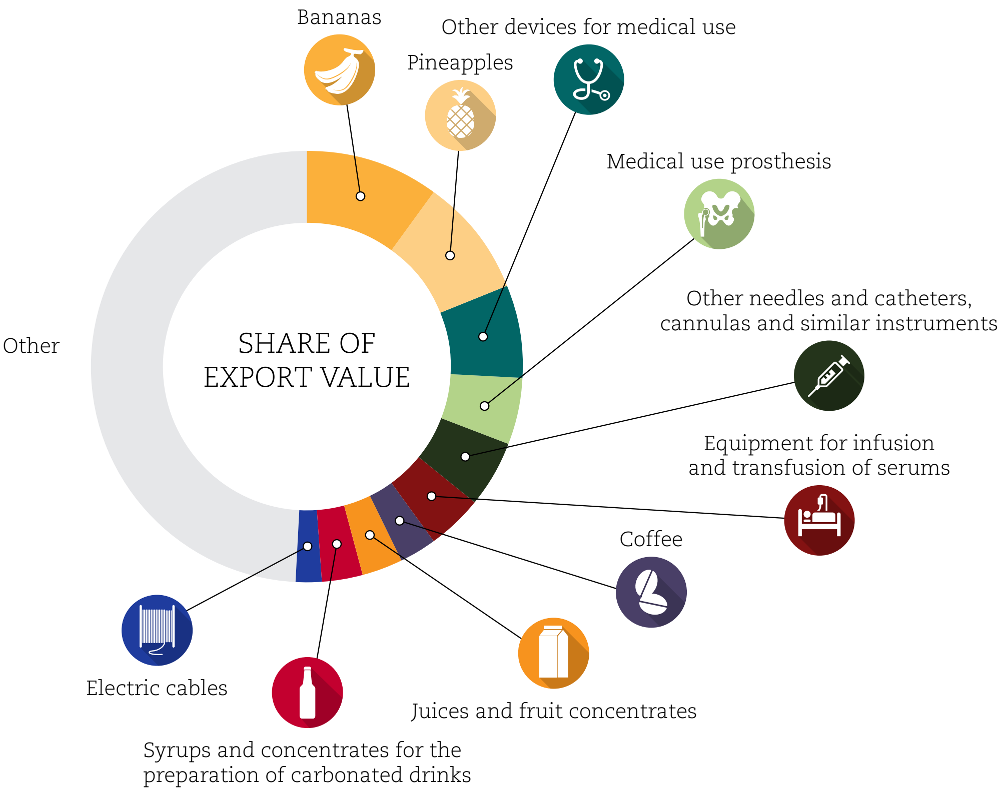


Despite progress made through various trade agreements alongside export and investment promotion geared toward export diversification, 10 products still account for 51 per cent of Costa Rica's exports, including traditional commodities like pineapples – which account for over 50 per cent of world markets – bananas and coffee. With a concerted effort to promote non-traditional exports through professional bodies like PROCOMER and CINDE, food commodities now represent around 34 per cent of total exports compared to well over 60 per cent in 1990. Agriculture, at around 25 per cent of exports, still accounts for the lion's share of Costa Rican trade with the rest of the world. And over half of all exports go to just two countries, the United States and the Netherlands. Forty-one per cent of Costa Rica's exports are to the United States.[19]

Further efforts to diversify export markets are underway – and needed – through agreements like the Trans Pacific Partnership (TPP) along with targeted discussions with other Latin American countries, and Asia in particular.

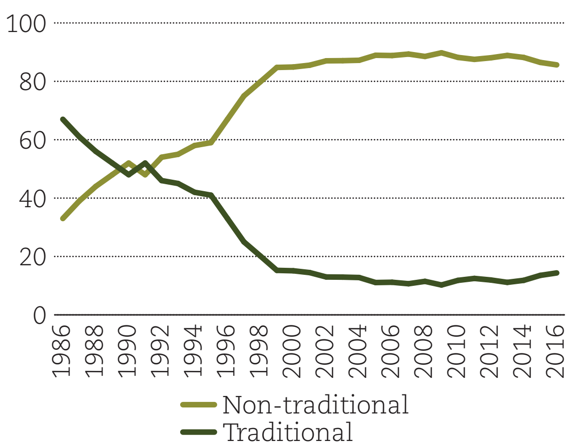
Costa Rica's real growth in exports and investment are in services. And while back office call centres were the story 10 years ago, today these services span tourism, including medical tourism, and specialised business and financial services. Although exports are growing at around 5 per

Figure 2: Costa Rica's Top Exports (Percentage Value)



cent per annum, growth of services exports grew 11 per cent and exports of specialised medical precision equipment grew by 14 per cent in 2016. Costa Rica is also positioning itself as a destination for specialised scientific and engineering testing, yet another sophisticated economic multiplier.[20]

Figure 3: Costa Rica: Traditional vs non-traditional goods exports 1986–2016 (% of total exports)



Emerging Challenges

But Costa Rica is not without its challenges. Much of this lies in maintaining a stable political environment capable of nurturing progressive policies and stronger institutions in an ever-changing local and global landscape.

Despite another successful election in 2018, a once seemingly flawless political system is showing signs of fatigue. With an array of divergent parties jockeying for limited political space, hairline cracks in a traditional two-party system that now houses nine competing parties in congress has become glaringly apparent. President Carlos Alvarado's unexpected landslide victory following a bitter contest called into question the constitutional order and traditional politics. While President Alvarado may not come from the usual leading parties in Costa Rica, he was a more conventional option and campaigned off a less populist platform than his opponents. This may be good news for now. But the election did reveal the fragility of political stability and the need to address a number of ongoing issues linked to the political system and resulting policy outcomes, essential for social inclusion and economic progress. It is little wonder that increasing bureaucracy and policy paralysis are frequently listed as growing constraints to doing business. Ironically, this tends to impede local business more so than their multinational counterparts who are able to circumvent increasing red tape.

More severe critics suggest that the liberal economic model that was pursued following the economic crisis of the 1980s, and subsequent period of reforms promoting increased economic openness and diversity, may have inadvertently left people behind. This created impetus for a motley crew of disgruntled and disenchanted opponents bent on altering the political map and the economic agenda. But with little in common apart from their opposition to a liberal trade agenda, a viable alternative is yet to be presented or constructively demonstrated.

In 2007 Costa Rica held a Central American Free Trade Agreement (CAFTA) referendum on whether it would support an expansion of the North American Free Trade Area (NAFTA) to the five Central American countries and the Dominican Republic. This was a watershed moment in Costa Rica's recent history. The 'yes' vote in favour of the expansion won the referendum by a marginal 1 per cent, which effectively split the country and marked the start of a subtle re-aligning of Costa Rica's internationalisation and commercial agenda.

Since the CAFTA referendum, with such a narrow margin of victory for the proponents of the FTA's expansion, critics insist that Costa Rica has been trapped in 10 years of political paralysis, which has failed to advance the country's international agenda and subsequently impacted on its competitiveness. There is hope that President Alvarado's victory may unlock congress through innovative approaches and a fresh mindset.

Critics of the liberal agenda are quick to point out that the bottom 15 per cent income bracket of the population seems to be structurally excluded from a system where taxes are described as neither regressive nor progressive. This group, which feels it has not benefitted from an open and modern Costa Rica of back-office services and call centres, has seen a substantial growth in the informal sector. Informality has ballooned from around 10 per cent of the economy to over 40 per cent in the last 15 years, and accounts for up to 80 per cent of employment in this lower income bracket.[21]

Costa Rica's state-centric economic history may also be to blame in hindering new and innovative approaches to competitiveness. Lawrance Pratt, faculty at INCAE, describes it as a 'low capital, high labour-intensive model', which has had positive ramifications socially. Pratt points out, 'The owners of capital do not control the country, as is the case in similar countries in the region and other parts of the world. This has helped place Costa Rica well ahead of others on social and environmental issues.'

Critics insist that Costa Rica has been trapped in 10 years of political paralysis, which has failed to advance the country's international agenda and subsequently impacted on its competitiveness

The 'social contract', which is repeatedly mentioned, is therefore not at the behest of capital. It is engrained in the systematic culture of the country, which is the essence of Costa Rica's competitive advantage, and a core differentiator. But along with this, the downside to its structural background is that 20 per cent of the economy today is still in the hands of State Owned Enterprises (SOEs). History has shown that this does not bode well for innovation and competitiveness, and speaks to the prevailing stasis and complacency in the country at present. More needs to be done to develop the private sector and to promote local Costa Rican businesses as the new drivers of an updated model of growth and development through connectedness, social inclusion and commercial talent.

What Next? Lessons in *Pura Vida* African-Style

By most counts, Costa Rica is a country that punches well above its weight. This is evident in its performance on the football field as a regular Fifa World Cup qualifier, having qualified for four of the previous five World Cup finals, including Russia in 2018, despite is size. But more notably in the areas of social progress and sustainable development. And this is no accident.

Having taken a pragmatic 'inside-out' approach to addressing societal needs in the context of the environment some decades ago, Costa Rica established a unique competitive advantage and positioning among its peers grappling with similar challenges of development and delivery. Innovative approaches to development and governance, geared toward strengthening its political institutions by nurturing its democratic stability, safety and, with time, its openness to the world provided a crucial foundation and head-start. This is clearly evident today, and the country continues to leverage off what appears to be an embedded advantage that has been conditioned through a concerted effort and strong, functioning institutions like CINDE over time.

Brand Costa Rica is well-established and respected. Companies and initiatives use this platform and continue to build off the image of a progressively open and ecologically friendly destination. This is an advantage the model, and the local firms that will drive it, need to use more productively going forward.

Maintaining and advancing this model requires continuous planning and ongoing efforts. New challenges are emerging. Protectionist rhetoric and politicking, apparently in the interest of preserving the 'social contract', is just one of many threats undermining the delicate Costa Rican balance.

Openness and connectedness are key virtues of Costa Rica's current competitiveness. This goes beyond simply the movement of goods, services and capital. The movement of people is a crucial component and driver of this model. So are costs. Rachir Sharma, author and economist at JP Morgan, speaks of the 'gears of success' behind nations that rise versus those that fall in a disrupted world. One such gear or variable he calls 'Cheap is Good'.[22] This refers to the normalising of costs and asset prices relative to others in the region. Twenty years of progress and the recent appreciation of the Costa Rican Colon, its local currency, has made the country an expensive destination, for visitors and investors alike. This is just one area in need of attention to ensure Costa Rica maintains its lead over others.

> The country continues to leverage off what appears to be an embedded advantage that has been conditioned through a concerted effort and strong, functioning institutions

For sustained competitiveness, and in the next phase of the ever-evolving Costa Rican model, the country needs to build off what it has achieved, and address its deficiencies with some urgency. This goes beyond normalising costs. Infrastructure is in a dire condition and has shown little-to-no improvement in the last 10 years. Costa Ricans like to say that when they do things well, they continue to do them very well. But those things they do poorly, they neglect and forget about. Infrastructure is a prime example of this, and is a crucial part of building connectedness both within Costa Rica and with the rest of the world.

Costa Rica needs to graduate to the next level of skills and education. A deeply bilingual and competent workforce will no longer cut it among increasingly competitive international markets. The country requires improved business acumen. Management education will be a crucial part of the next phase of development, in the public and private sector, for technocrats and rising entrepreneurs alike. This will encourage, with confidence, more productive and innovative small- and medium-sized businesses to take the lead on national priorities of development and growth.

Finally, politics and, more importantly, political institutions, need to keep pace with commercial developments and interests in Costa Rica and beyond its borders. The country cannot afford to be highjacked by populist rhetoric that opposes the virtues of connectedness, as so many others in the broader Latin America region have done to their socio-economic detriment. Costa Rica is well-positioned to leverage off its achievements in a world of investors seeking returns alongside social and environmental impact.

Herein lies the true takeaway for African countries, including South Africa, seeking inclusive growth, sustainable development and foreign investment in value-added productive sectors: Build off comparative advantages in resources and agriculture through the addition or extra dimension of services and quality. These are not mutually exclusive to higher-end manufacturing and specialised services in business, medicine and tourism. It is important to remain open and connected throughout. The movement of people is key, whether they are tourists, tertiary students or investors. Political institutions need to guide, support and nurture this model, starting with peaceful disposition, democratic values and broad-based stability. But this also involves a deep respect and integration with the environment that takes people along for the journey of shared value and collective impact. This model looks after its people and invests in future generations. In Costa Rica, they call this *Pura Vida*!

Endnotes

1. Dr. Greg Mills is the Director of the Brenthurst Foundation. Prof. Lyal White is the Senior Director of the Johannesburg Business School (JBS) at the University of Johannesburg.
2. Ruchir Sharma coined the concept of Breakout Nations in the excellent work he did on the impact of sustained economic growth and structural change in countries over an extended period of time. In short, Sharma describes economies that have achieved in excess of five percent per capita economic growth for four or five decades as exceptional, since there are only a handful. He suggests those that have had consecutive decades of growth and have subsequently undergone real change beyond simply linear economic measures are Breakout Nations. He discusses this in his book: Sharma, R (2012), "Breakout Nations: In Pursuit of the Next Economic Miracles." Allen Lane: London, 2012.
3. This is based on a presentation delivered by PROCOMER titled, "Costa Rica: Small country with huge vision." October, 2017. (www.procomer.com)
4. Alberto Trejos emphasis this point in various pieces of work he has delivered, including his comprising lessons from Colombia in, "Reforming for Competitiveness: Lesotho and comparative international experiences." The Brenthurst Foundation, 2008.
5. See *Encyclopedia Britannica* (https://www.britannica.com/place/Costa-Rica/Transition-to-democracy).
6. See *Encyclopedia Britannica* (https://www.britannica.com/place/Costa-Rica/Costa-Rica-from-1974-to-2000).
7. This information on the Panama Canal and observations of regional flights was mentioned during an interview with Alberto Trejos, a Dean at INCAE, in San Jose, October 2017.
8. A detailed description and report, with rankings for these indices, can be accessed at http://hdr.undp.org and http://worldhappiness.report/ed/2017/.
9. This was announced by President Carlos Alvarado during his inauguration in May 2018. (http://www.onegreenplanet.org/news/costa-rica-aims-become-first-fossil-fuel-free-country/)
10. This is based on the World Bank's *Ease of Doing Business Report* and ranking 2018 (http://www.doingbusiness.org/data/exploreeconomies/costa-rica).
11. The Dynamic Market Index (DMI) was compiled in 2014 and 2016 as an empirical measure of comparative institutional performance. The information on Costa Rica's 2016 score is based on the report: White, L, Kitimbo, A & Rees, L (2016), "The GIBS Dynamic Market Index 2016." The Gordon Institute of Business Science (GIBS), University of Pretoria.
12. For more background to concept and origins of 'shared value' and how it has evolved in recent years see: Porter, Michael E. and Kramer, Mark R. (2011). Creating Shared Value. *Harvard Business Review* January–February 2011. And, more recently, Kramer, Mark R and Pfitzer. Marc W. (2016). The Ecosystem of Shared Value. *Harvard Business Review* 3, October 2016.
13. Interview, Gabriela Llobet, May 2018.
14. This is based on a briefing given to the Brenthurst Foundation in San Jose, November 2017.
15. By the International Trade Centre, 2017.
16. By Development Counsellors International, 2017.
17. Interview, Gabriela Llobet, May 2018.
18. These figures were provided by PROCOMER (www.procomer.com).
19. These numbers are based on research and calculations by the Observatory of Economic Complexity at the MIT Media

Lab (https://atlas.media.mit.edu/en/profile/country/cri/#Exports).

20. The data and information on Costa Rica's exports and industrial diversifications were presented during an interview and discussion at PROCOMER in San Jose, Costa Rica, in October 2017. The information can be accessed from the PROCOMER website (www.procomer.com).
21. These figures on informality in the Costa Rican economy are based on an interview with Lawrance Pratt in San Jose in October 2017 and we elaborated on in further discussions with faculty at INCAE.
22. See Sharma R (2016), "The Rise and Fall of Nations: Ten rules of change in a post-crisis world." Penguin Random House: London.