OFFERING CIRCULAR

The Republic of Costa Rica
LEI: 549300S1EK2VN6XVJP58

U.S.$1,200,000,000 6.125% Notes due 2031
U.S.$300,000,000 7.158% Notes due 2045

The Republic of Costa Rica (the "Republic" or "Costa Rica") is offering U.S.$1,200,000,000 aggregate principal amount of 6.125% Notes due 2031 (the "2031 Notes") and U.S.$300,000,000 aggregate principal amount of 7.158% Notes due 2045 (the "2045 Notes" and, collectively with the 2031 Notes, the "Notes").

The 2045 Notes will be consolidated, form a single series, and be fully fungible, with the Republic's outstanding U.S.$1,000,000,000 7.158% Global Notes due 2045 issued on March 12, 2015 (the "Original 2045 Notes"). After giving effect to this offering, the total amount outstanding of the Republic's 7.158% Notes due 2045 will be U.S.$1,300,000,000.

Interest on the 2031 Notes will be payable semi-annually in arrears on February 19 and August 19 of each year, commencing on February 19, 2020. The 2031 Notes will mature on February 19, 2031 (the "2031 Maturity Date"). Principal on the 2031 Notes will be paid in three installments on February 19, 2029, February 19, 2030 and on the 2031 Notes Maturity Date. Interest on the 2045 Notes will be payable semi-annually in arrears on March 12 and September 12 of each year, commencing on March 12, 2020. The 2045 Notes will mature and principal thereon will be repaid in a single installment at par on March 12, 2045. The Republic may, at its option, redeem the Notes, in whole or in part, before maturity, on no less than 30 nor more than 60 days' notice 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 rank and 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 (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 $66^{2}/_{3}$% 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 list the 2031 Notes on the Official List of the Luxembourg Stock Exchange and to have the 2031 Notes admitted to trading on the Euro MTF Market. The Original 2045 Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market. This Offering Circular constitutes a prospectus for the purpose of the Luxembourg Law dated July 16, 2019 on prospectuses for securities, as amended.

See "Risk Factors" beginning on page 18 regarding certain risk factors you should consider before investing in the Notes.

Issue Price for the 2031 Notes: 99.077% plus accrued interest, if any, from November 19, 2019
Issue Price for the 2045 Notes: 98.925% plus accrued interest from September 12, 2019

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 19, 2019 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 ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), against payment in New York, New York.

Joint Book-Running Managers

Citigroup **HSBC**

The date of this Offering Circular is November 12, 2019.

http://www.oblible.com

Costa Rica

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 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.

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, Citigroup Global Markets Inc. or HSBC Securities (USA) Inc. (Citigroup Global Markets Inc., together with HSBC Securities (USA) Inc., the "Initial Purchasers") to subscribe to or purchase any of the Notes. 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 pursuant to Rule 144A 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 INITIAL PURCHASER 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.

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 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), each of which is equal to approximately 1.609 kilometers (km). Measures of area in this Offering Circular are stated in square miles (mi^2), 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 and data contained in this Offering Circular for 2015, 2016, 2017 and 2018, and any figures for 2019, 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 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").

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 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 2012 as the reference year. The reference interbank rate for the sale of U.S. dollars for colones at the close of business on November 4, 2019 was ¢587.50 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," "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 in the United States or elsewhere upon judgments against 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 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 under the Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a United States judgment, and that under the laws of the Republic, 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.

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, 2019, Costa Rica had an estimated population of approximately 5.05 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 gross domestic product ("GDP") for the first semester of 2019 was approximately U.S.$30.5 billion. In 2018, Costa Rica's GDP was U.S.$60.2 billion and its per capita GDP was U.S.$12,017.8, the second highest in Central America according to the World Bank. In 2017, 2016 and 2015 Costa Rica's GDP was U.S.$58.2 billion, U.S.$57.2 billion and U.S.$54.8 billion, respectively, and its per capita GDP was U.S.$11,758.4, U.S.$11,687.8 and U.S.$11,335.5, respectively. The Central Bank's 2019-2020 macroeconomic program, published on July 17, 2019, which is subject to periodical revisions (the "Central Bank 2019 Projections"), estimates that GDP will be U.S.$61.6 billion for 2019. 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."

According to the United Nations ("UN") Development Program's 2018 Human Development Report, the Republic is ranked fourth 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.

In 2018, 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: (i) government effectiveness, which captures public perception 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 those policies; (ii) political stability and absence of violence and terrorism, which measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism; and (iii) voice and accountability, which 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 freedom of the press. In addition, in 2018, Costa Rica had the second highest per capita income of Central America and the highest life expectancy of Latin America as a result of the Republic's investment in healthcare, safety and education.

According to the World Bank, Costa Rica is a world leader with respect to environmental policies. In the late 1980s, Costa Rica became the first tropical country to reverse the deforestation process by implementing environment protection policies, including the establishment of forest reserves and national parks, incentives to promote ecotourism and the implementation of the Environmental Services Payment Plan (*Programa de Pago de Servicios Ambientales*) ("Payment of Environmental Services Program"), a plan that compensates landowners for avoiding deforestation and providing environmental services in their forest lands. In 2018, 98.6% of the energy generated in Costa Rica was produced by renewable sources. As of December 31, 2018, 25.46% of the Costa Rican territory was designated environmentally-protected land. 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.

According to the World Bank, Costa Rica has one of the lowest poverty rates of Latin America. See "Republic of Costa Rica—Social Indicators."

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, Costa Rica has maintained sustained economic growth since 2009, although that trend has weakened in the last two years with growth rates of 3.4% in 2017 and 2.6% in 2018. The country's economy has grown at an average rate of 3.3% over the last decade. Further, the Republic's 21.0% poverty rate is one of the lowest in Latin America. Healthcare services are provided to all citizens and the 2019 budget approved by the Costa Rican Legislative Assembly (*Asamblea Legislativa de la República de Costa Rica*) (the "Legislative Assembly") allocates approximately 42.5% of public expenditures to fund social sectors such as education, social protection, the environment, health, housing, transport, recreation and cultural services.

  Proven monetary policy. Since the mid-1980's, 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. 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 the supply and demand in the local market, though the Central Bank can intervene in the exchange rate market for stabilization purposes, particularly to avoid sharp fluctuations in the exchange rate According to 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 2016, the Central Bank decreased the inflation target range from the 3% to 5% range then applicable to the current 2% to 4% range. The 2.03% annual inflation rate in 2018 was within the target range.

  During 2019, the monetary policy interest rate has been lowered five times. On October 30, 2019, the Central Bank reduced the monetary policy rate (*tasa de política monetaria*) ("MPR") by 50 basis points to 3.25%. This adjustment was carried out prospectively based on the Central Bank's analysis of the expected evolution of inflation and macroeconomic factors, including the analysis of the international and domestic context.

- *Commitment to foreign trade and foreign investment.* After the debt crisis in the early 1980's, 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. 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, 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.

  Additionally, Costa Rica has entered into 15 free trade agreements with more than 15 countries, including the United States, Canada, Mexico, Chile, Panama, Peru, Singapore, members of the Caribbean Community and China. Free trade agreements with South Korea and the Pacific Alliance are currently under negotiation. In addition, Costa Rica is a party to the United States-Dominican Republic-Central America Free Trade Agreement ("DR-CAFTA") and is a member of the World

Trade Organization ("WTO") and the Central American Integration System formed by Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama ("SICA").

Currently, Costa Rica has foreign investment treaties and/or treaties with investment provisions in effect with Argentina, Canada, Colombia, Central American countries, the Caribbean Community formed by Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago (jointly, "CARICOM"), Chile, China, Czech Republic, the Dominican Republic, France, Germany, Mexico, Netherlands, Paraguay, Peru, Singapore, South Korea, Spain, Taiwan, the European Union, Venezuela and Qatar.

- *Commitment to education.* Since the 19th century, elementary education in Costa Rica has been mandatory and publicly funded. The 2011 amendment to the Political Constitution of the Republic of Costa Rica (*Constitución Política de la República de Costa Rica*) dated November 7, 1949 (the "Constitution"), which requires that Costa Rica invest a minimum of 8% of its GDP in its elementary and higher education system since 2014, is an example of the country's commitment to education. 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.

  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. This law is expected to allow students to gain academic knowledge and practical skills to help them succeed in the workforce.

  In August 2018, the Alvarado Quesada administration 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*) ("INA") entered into the Alliance for Bilingualism with the Ministry of Labor and Social Security (*Ministerio de Trabajo y Seguridad Social*) ("Ministry of Labor"), 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 Telecom"). This interinstitutional agreement is intended to serve as the framework to increase the coverage of English teaching in Costa Rica. This project seeks 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 and promote public-private partnerships for English teaching. This initiative is supported by the Ministry of Labor, and seeks to promote English language education beginning in preschool in public schools, especially for low-income students. This initiative is designed to promote the development of qualified bilingual professionals in Costa Rica, which is expected to promote tourism, job creation and foreign investment.

- *Favorable business environment*. Costa Rica ranks 67th out of 190 countries and 4th in Latin America in ease of doing business. Costa Rica's highly educated work force, high levels of English proficiency, business friendly Government policies and relative political and social stability has fostered a favorable business environment that has made the country a regional hub for multinational corporations and entrepreneurial activity. This includes businesses across a variety of sectors such as manufacturing, information technology and life sciences. For example, Costa Rica's FTZs have attracted companies in the expanding medical device industry.

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. According to data from the International Center for the Development of Teleworking, about 12,000 people in Costa Rica work remotely in both the public and private sectors, and it is expected that companies can save ¢270,000 per year for each employee who works remotely and each such employee is expected to be able to save about ¢320,000 per year.

- *Global pioneer in environmental awareness*. Costa Rica is highly committed to sustainable development. Since 1997, Costa Rica has been pioneering a green economy through its Payment of Environmental Services Program that compensates landowners for environmental services they have provided using their forest lands. On February 9, 2019, President Alvarado Quesada (the "President") announced the National Decarbonization Plan, which sets medium- and long-term goals for transportation reform, energy production, land use and residual waste management, with a goal of reaching zero net greenhouse gas emissions by 2050. The National Decarbonization Plan is intended to serve as a roadmap for the decarbonization of the Costa Rican economy and its transformation into a bioeconomy focused on green growth.

  In addition, Costa Rica continues to focus on maximizing its energy production through renewable sources. According to the Costa Rican Institute of Electricity (*Instituto Costarricense de Electricidad*) ("ICE"), a Government-run electricity and telecommunications services provider in the Republic, 98.6% of the electricity generated in Costa Rica in 2018 was produced by renewable sources (73.5% from hydroelectric sources and 25.1% from other renewable sources such as wind, solar, biomass and geothermal). In addition, as of August 2019, 5,030.4 mi^2 (25.46%) of Costa Rican land and 5,718.9 mi^2 of Costa Rican waters (2.62% of the Republic's exclusive economic zone), were environmentally-protected land.

  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 emissions and combat climate change.

Political and Economic Context

2018 Presidential Elections

Costa Rica held presidential elections on February 4, 2018 (the "2018 Election"). Fabricio Alvarado Muñoz, from the National Restoration Party (*Partido Restauración Nacional*) (the "PRN") and Carlos Alvarado Quesada, from the then-ruling Citizens' Action Party (*Partido Acción Ciudadana*) (the "PAC") received the most votes, with 24% and 21% 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 1, 2018, which Carlos Alvarado Quesada won with 60.6% of the vote. President Alvarado Quesada began his four-year term on May 8, 2018.

Before the 2014 election, Costa Rica had a traditional bipartisan political system that had been dominated by the National Liberation Party (*Partido Liberación Nacional*) (the "PLN") and the Social Christian Unity Party (*Partido Unidad Social Cristiana*) (the "PUSC") for 32 years. In the 2014 election, neither party received enough votes to participate in the 2014 run-off election, and Luis Guillermo Solís Rivera, a member of the PAC, was elected President, resulting in a shift away from bipartisanship. New opposition political leaders of the PAC and Libertarian Movement campaigned against the traditional two-party systems attacked the PLN and the PUSC and were able to obtain widespread voter support.

Four years later, in the 2018 Election, the candidate from the PAC, Carlos Alvarado Quesada, was elected. President Alvarado Quesada appointed a diverse cabinet including members of the PAC, the PUSC, the Broad Front Party (*Partido Frente Amplio*) ("PFA") and the PLN. He also appointed 14 women to his 24-member cabinet. President Alvarado Quesada himself is the second youngest president in Costa Rican history, and his running mate, Epsy Campbell Barr, is the first person of African descent to be elected vice-president in Latin America. President Alvarado Quesada's campaign focused on maintaining political, economic and social stability, improving infrastructure and transforming Costa Rica into a carbon-neutral leader, that continues to be globally recognized for its environmental sustainability.

National Development Plan

In 2018, the Alvarado Quesada administration adopted a national development plan for the period from 2019 to 2022 (*Plan Nacional de Desarrollo y de Inversión Pública 2019-2022*) (the "National Development Plan"), which sets forth seven pillars with the following objectives:

(i) *Innovation, competitiveness and productivity*: Increase competitiveness, national productivity and the generation of formal employment in Costa Rica, through the promotion of innovation, entrepreneurship, training of human resources, integration into international markets and compliance with labor rights.

(ii) *Infrastructure, mobility and land planning*: Promote urban planning, land planning, infrastructure development and mobility. Establish resilient, sustainable and inclusive urban and rural spaces by (a) creating an orderly and efficient public transportation system; (b) implementing zoning rules and electronic tariff collection in public transportation systems; (c) using alternatives to fossil fuels; (d) improving and managing port infrastructure; and (e) building additional housing and implementing other measures to promote home ownership, including access to home mortgages among the most vulnerable segments of the population.

(iii) *Economic stability and inclusive growth*: Maintain inflation consistent with that of the Republic's main commercial partners and promote the consolidation of public finances, reducing the cost of living, reduce public debt and create conditions to facilitate the national productive sector's ability to make investment decisions.

(iv) *Security*: Guarantee people's right to live with dignity in safe, protected and inclusive environments, foster human development, poverty reduction and employability and promote sports and cultural events.

(v) *Healthcare and social security*: Improve the health of the population, permit them to live more disease-free and disability-free years by promoting healthy lifestyles and extending sickness and maternity insurance and disability, pensions and life insurance.

(vi) *Education for sustainable development and coexistence*: Develop human capital, by increasing the coverage and quality of the education system, contributing to the country's progress.

(vii) *Territorial development*: Increase employment within peripheral regions, through a collaboration model that promotes development.

The National Development Plan serves as a framework to guide the policies, objectives and priorities of the Government. The plan is binding on public entities, ministries and state organizations, and governs all sectoral and regional strategic planning, as well as institutional and operational planning.

Fiscal Reform

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 current debt to GDP ratio and (b) average nominal GDP growth rates in the last four fiscal years (the "Fiscal Rule"); (ii) instituting a value added tax ("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.

The Fiscal Rule applies to 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 officials responsible.

A Fiscal Council, regulated by Executive Decree No. 41,937-H, 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 will appoint the third candidate.

It is the Legislative Assembly's responsibility to monitor compliance with the Fiscal Rule and enforce the relevant consequences.

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 systems, to facilitate monitoring and enforcement and simplify the tax filing process.

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 performance-based compensation schemes. Moreover, it introduces a transparent, public and performance-based evaluation system applicable to all Government officials.

The Ministry of Finance expects the Public Finance Strengthening Law to generate public revenue in an amount representing 0.68% of GDP by the end of 2019 and 1.79% of GDP by the end of 2020, mainly due to VAT collection. The implementation of the Fiscal Rule is expected to improve fiscal results by an estimated 1.94% of GDP by the end of 2023. For additional information on the Public Finance Strengthening Law, see "Monetary System – Legal Reforms 2015-2019" and "Public Sector Finances." 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 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 in fact occur."

Amendment to the Central Bank Law

On February 28, 2019, the Legislative Assembly approved Law No. 9,670 which amends the Costa Rican Central Bank Law (*Ley Orgánica del Banco Central de Costa Rica*) ("Central Bank Law") in accordance with a recommendation of the Organization for Economic Cooperation and Development (the "OECD"). This amendment strengthens the independence of the Central Bank by: (i) reducing the term of the Central Bank president 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 and right to vote in 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 Law, see "Monetary System–Central Bank."

Legislative Assembly Rules Reform

Before the 2018 Election, Costa Rica's opposition parties took advantage of inefficiencies in the floor rules governing the legislative process 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. 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.

These modifications limited the use of delay tactics, making the Legislative Assembly a more agile and efficient body. Before the amended Legislative Assembly Rules were approved, the Legislative Assembly enacted 47 new laws between 2014 and 2015; 61 between 2015 and 2016; 92 between 2016 and 2017; 123 between 2017 and 2018; and 117 between 2018 and 2019. Between the approval of the amended Legislative Assembly Rules in March 2019 and the date of this Offering Circular, the Legislative Assembly enacted at least 56 new laws intended to implement fiscal, labor, financial and environmental reform, some of which had been initially proposed to the Legislative Assembly far back as 2015. These modifications to the Legislative Assembly Rules also facilitated the approval of new legislation critical for Costa Rica to become an OECD member state. For additional information on the Legislative Assembly Rule Reform, see "Monetary System–Legal Reforms 2015-2019."

Among the laws recently approved by the Legislative Assembly is the July 22, 2019 Law No. 9,708 on the Authorization to Issue Securities in the International Market and Contracting of Credit Lines (*Autorización para Emitir Títulos Valores en el Mercado Internacional y Contratación de Líneas de Crédito*) (the "Note Issuance Law") which approved the issuance of up to U.S.$1.5 billion in notes (including the Notes) in the international capital markets before July 22, 2020.

Draft Public Employment Framework Law

A draft Public Employment Framework Law (*Ley Marco de Empleo Público*) (the "Public Employment Framework Law") was submitted to the Legislative Assembly in April 2019 and is currently being discussed. 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 disparity among similarly ranked public officials; (ii) establish a clear salary scale to address the pay gap among public officials and reduce salary expenses; and (iii) attract the most qualified professionals to work for the Government by establishing a competitive public employment process. For additional information on the Public Employment Framework Law, see "Monetary System–Legal Reforms 2015-2019."

Accession to the OECD

In 2015, Costa Rica approved a plan to accede to the OECD (the "OECD Accession Action Plan"), which sets forth the Republic's commitment to adhere to OECD instruments, participate in OECD committees and conduct selected policy changes. As of the date of this Offering Circular, 22 OECD committees, together with the Costa Rican authorities, are evaluating Costa Rica's compliance with OECD standards and good practices in a variety of areas to identify those in need of public policy reform. Some of the areas being evaluated include investment, corruption, corporate governance, financial markets, competition, fiscal matters, environmental policy, education, employment and health. As of the date of this Offering Circular, Costa Rica had obtained approval from 16 of the 22 OECD committees. Costa Rica expects to become a full member of the OECD in the first semester of 2020. For additional information on Costa Rica's accession to the OECD, see "Republic of Costa Rica–Accession to the OECD."

2018-2050 National Decarbonization Plan

In February 2019, President Alvarado Quesada announced the 2018 to 2050 National Decarbonization Plan (*Plan Nacional de Descarbonización 2018-2050*) (the "National Decarbonization Plan"). 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, with a goal of reaching zero net greenhouse gas emissions by 2050. It is intended to serve as a roadmap that supports the Government's commitment to decarbonize the Costa Rican economy and transform it into a bioeconomy focused on green growth. For additional information on the National Decarbonization Plan, see "Republic of Costa Rica–Environmental Policy."

Recent Developments

Comptroller General's Investigation into Unbudgeted 2018 Debt Amortization Payments

On October 21, 2019, a research body created by the Office of the Comptroller General of the Republic (*Contraloría General de la República*) (the "Office of the Comptroller General") concluded an investigation involving local bonds amortization payments for approximately ¢401.0 billion (U.S.$691.4 million) made to the Republic's bondholders between January and August of 2018 (prior to the Legislative Assembly approval of the Extraordinary Budget described below) that had allegedly not been properly budgeted for during the administration of former President Luis Guillermo Solís Rivera. Pursuant to article 5(a) of Law No. 8,131 (*Ley de Administración Financiera y Presupuestos Públicos*), the Ministry of Finance is required to include in the National Budget the amount necessary to make all required debt payments in the relevant budget year. In case the original budget is insufficient to cover all the necessary payments, the Ministry of Finance is required to submit an Extraordinary Budget for approval of the Legislative Assembly. Under Law No. 6,227 (*Ley General de Administración Pública*) Government officials who fail to comply with this requirement face potential sanctions, including removal from office; however, under Law No. 8,131,failure to comply does not affect the validity of the payments made under the applicable indebtedness.

In July 2018, Mrs. Rocío Aguilar, who took office as Minister of Finance under President Alvarado Quesada on May 1, 2018, and Mr. Melvin Quiros, the new Director of Public Credit, appeared before the Legislative Assembly to submit an Extraordinary Budget bill requesting the necessary resources to make such local bond amortization payments noting the discrepancy between the required payments and budgeted payments. On September 7, 2018, the Legislative Assembly passed Law No. 9,604 (*Reforma Ley de Presupuesto Ordinario y Extraordinario de la República para el Ejercicio Económico del 2018*) approving the Ministry of Finance's request.

As a result of this investigation, on October 21, 2019, the Office of the Comptroller General recommended the suspension from public service for two to four year periods of certain Ministry of Finance officials who had served during the Solís Rivera administration, including (a) Helio Fallas, who served as Minister of Finance during the Solís Rivera administration, (b) Marta Cubillo Jiménez, who served as Vice-Minister of Finance during the Solís Rivera administration and currently serves as head of the National Treasury, (c) Melvin Quirós Romero, who served as Subdirector of Public Credit during the Solís Rivera administration and currently serves as Director of Public Credit, and (d) Julio Espinoza Rodríguez, who served as Director of Public Credit during the Solís administration and currently serves as director of the Bank of Costa Rica. All these officials have appealed the decision of the Office of the Comptroller General and such appeal is currently under review by the Office of the Comptroller General. In the event that the initial determination of the Office of the Comptroller General is confirmed, this confirmation is subject to further appeals before administrative or judicial courts of Costa Rica.

In addition, the Office of the Comptroller General recommended that Mrs. Aguilar be suspended without pay for 30 days. Following this announcement, on October 23, 2019, Mrs. Aguilar resigned as Minister of Finance.

Comptroller General's Report Relating to Unregistered Public Debt

On September 16, 2019, the Office of the Comptroller General issued a report (the "September 2019 Audit Report") in connection with a special audit of unregistered indebtedness and inconsistencies in the non-financial public sector as of December 31, 2018. This report analyzes the differences between the technical accounting criteria required by the Office of the Comptroller General and the criteria implemented by the Ministry of Finance. The September 2019 Audit Report includes the following findings:

- (i) that at least ¢129.7 billion in indebtedness had not been properly registered given that the accrual method of accounting was not applied to determine internal and external indebtedness of the Government, (ii) that three public institution trusts with leasing contracts for ¢120.7 billion had not reported such contracts to the Directorate of Public Credit, and (iii) a ¢190.1 billion discrepancy in Government debt reported to the Costa Rican Social Insurance Fund (*Caja Costarricense de Seguro Social*) ("CCSS") as compared to the Government financial statements published as of December

31, 2018, which could be due to reconciliation differences. These differences represent an aggregate ¢440.6 million, or 1.27% of GDP;

- a ¢22.13 million discrepancy between the information reported by the Directorate of Public Credit and the information obtained by the Office of the Comptroller General; and
- that the Ministry of Finance should determine the reasonableness of recording the Government's debt with the Government with the Fund for Social Development and Family Assistance (*Fondo de Desarrollo Social y Asignaciones Familiares*) ("FODESAF").

In addition, the September 2019 Audit Report noted that the presentation of Government debt figures on an aggregate basis rather than a consolidated basis did not accurately reflect indebtedness among Government entities and recommended that debt figures should be reflected on a consolidated basis. Furthermore, the report requires that the Office of the Comptroller General, the Director of Public Credit, the President of the Central Bank, the Minister of Finance and the Director General of FODESAF take certain actions to improve the reporting of debt statistics and the quality of published debt statistics. Such actions must begin to be implemented in 2020 and certain actions no later than 2023. If the foregoing officials do not comply with the recommendation of the Office of the Comptroller General to improve the reporting and quality of debt statistics, they could face possible sanctions.

Appointment of New Minister of Finance

Following former Minister of Finance Aguilar's resignation, on October 30, 2019, President Alvarado Quesada appointed Mr. Rodrigo Chaves Robles as Minister of Finance. Mr. Chaves obtained a PhD in economics from Ohio State University, has extensive experience with multilateral organizations and has worked at the World Bank for the last 27 years performing analytical and operational tasks in more than 45 countries in Latin America and the Caribbean, Eastern Europe, Central Asia, South Asia and East Asia. Mr. Chaves is expected to continue with the fiscal and economic policies that former Minister Aguilar was successfully implementing until her resignation, including the new policies established in the Public Finance Strengthening Law. Mr. Chaves Robles is expected to take office at the end of November 2019. Until such time, Mr. Rodolfo Cordero, who was serving as Vice Minister of Expenses, is acting as Minister of Finance *ad interim* and has the full power and authority of a permanent Minister of Finance.

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. This agreement was signed in response to the possibility of the United Kingdom leaving the European Union and will maintain preferential trade terms by retaining existing export and import tariffs when the United Kingdom exits the European Union and the trade agreement between Central America and the European Union ceases to apply to trade between United Kingdom and Central American countries.

The Costa Rican Economy

Economic Performance and Diversification

Costa Rica's GDP grew at a rate of 1.8% in the first semester of 2019, 1.4% lower than in the equivalent period in 2018, primarily as a result of reduced economic growth in certain Costa Rican trade partners, fueled in part by political and economic tensions in Nicaragua. The reduction in the prices of certain important agricultural exports, such as pineapple and coffee, as well as increased oil prices, contributed to this slowdown.

In 2018, Costa Rica's real GDP grew at a rate of 2.6%, 1.2% lower than the 3.4% real GDP growth 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 is 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 to the effect of a three-month public sector strike against the Public Finance Strengthening Law (the "2018 Public Sector Strike") that began in September

2018 and extended until December 2018. This strike affected production in the commercial, transportation and tourism sectors, which resulted in an estimated decrease of 0.4% in GDP growth by March 31, 2019.

As of September 30, 2019, the fiscal deficit was U.S.$3.0 billion, compared to U.S.$2.6 billion as of September 30, 2018. Government expenditures were U.S.$9.6 billion and total revenue was U.S.$6.6 billion. Government expenses increased from U.S.$8.4 billion in September 30, 2018 to U.S.$9.6 billion in September 30, 2019 as a result of the accrual of interest on Government debt. Government revenue increased primarily by increased collections of (i) income tax, largely 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, collection of taxes on customs and selective consumption declined, consistent with the slowdown in local economic activity and in the imports of final consumer goods. See "Public Sector Finances—Public Finance Strengthening Law."

In 2018, Costa Rica's fiscal deficit decreased to 5.9% of GDP (U.S.$3.5 billion) from 6.1% of GDP (U.S.$3.6 billion) in 2017 as a result of an increase in income tax revenue, partly due to the reduction of tax evasion and the approval of the Public Finance Strengthening Law. Total revenue increased in absolute terms from U.S.$8.4 billion in 2017 to U.S.$8.6 billion in 2018, but decreased as a proportion of GDP to 14.4% of GDP in 2018 from 14.7% of GDP in 2017. Total expenditures increased to 20.5% of GDP (U.S.$12.1 billion) in 2018 from 19.1% of GDP (U.S.$11.9 billion) in 2017, attributable in part to an increase in interest payments on public debt to 3.1% of GDP in 2018 from 2.8% of GDP in 2017 as a result of domestic borrowing requirements. In addition, capital expenditures decreased to 2.0% of GDP in 2018 from 2.8% of GDP in 2017, and current transfers increased to 7.8% of GDP in 2018 from 7.6% of GDP in 2017.

Over the past 25 years, Costa Rica has diversified its economy as strong growth in the manufacturing and tourism sectors has supplemented its historical production of agricultural goods. Costa Rica has diversified its exports, attracted investment in high value added manufacturing services and promoted tourism (primarily based on the country's environmental preservation and diversity). By the end of 2018, education, manufacturing and professional and technical services became the most important industries in the economy, accounting for 14.6%, 11.9% and 11.8% of GDP respectively.

Agriculture, one of Costa Rica's important economic sectors, has recently been affected by changes in rain and drought patterns caused by climate change and the effects of the *El Niño* phenomenon. The energy sector was also affected by the *El Niño* phenomenon, since rain patterns have altered the generation capacity of hydroelectric generation plants in the country. To reduce the effects of climate change, the Republic plans to transition to a green economy and has formulated a National Climate Change Adaptation Policy that is a strategic part of the National Decarbonization Plan. For additional information on the National Decarbonization Plan, see "Republic of Costa Rica–Environmental Policy."

Balance of Payments

On average, from 2015 to 2018, approximately 39.41% of Costa Rica's exports were sold to the United States, 21.59% to the European Union, 16.50% to Central American countries, 4.51% to Asia, and 16.65% to South America and the Caribbean. Costa Rica's foreign trade depends largely on the United States, the European Union and Central American countries, as approximately 80.90% of its exports were sent to these areas. For additional information on Costa Rica's exports and balance of payments, see "The Costa Rican Economy" and "Balance of Payments and Foreign Trade." As of June 30, 2019, Costa Rica's current account deficit was U.S.$557 million, an 18.0% decrease from U.S.$679 million as of June 30, 2018. As of June 30, 2019, Costa Rica's net international reserves were U.S.$8.3 billion, a U.S.$500 million decrease from U.S.$8.8 billion as of June 30, 2018. The deficit in Costa Rica's financial account was U.S.$291 million, a significant increase from U.S.$106 million in the six months ended June 30, 2018.

During 2018, Costa Rica's capital financial account surplus exceeded its current account deficit, resulting in a U.S.$390 million decrease in the Central Bank's net international reserves. This was mainly due to an increase in foreign investment in the country in this period. In 2018, net international reserves reached U.S.$7.49 billion, or approximately 6.3 months' worth of imports as compared to U.S.$7.15 billion, or approximately 5.9 months' worth of imports in 2017.

In 2018, Costa Rica's current account deficit of U.S.$1.9 million exceeded its capital account surplus of U.S.$32 million resulting in a U.S.$390 million decrease in the Central Bank's net international reserves. In 2018, net international reserves reached U.S.$7.49 billion, or approximately 6.3 months' worth of imports as compared to U.S.$7.15 billion, or approximately 5.9 months' worth of imports in 2017.

During 2018, the financial account deficit was U.S.$1.8 billion (3.0% of GDP), a 16.1% decrease, as compared to U.S.$2.1 billion (3.0% of GDP) in 2017. This decrease in capital inflows was mainly caused by increased net financing received by the private sector despite a slight decrease in direct investment into the Republic, which represented 4.5% of GDP, a 0.2% decrease from 4.7% in 2016 and 2017.

Over the past decade, Costa Rica has also diversified the geographic markets to which it exports, and as of the date of this Offering Circular, it exports to approximately 130 countries around the world. From 2015 to 2018, Costa Rica increased the value of its exports by an average of 5.44% each year, reaching total exports of U.S.$11.25 billion in 2018.

Monetary Policy

In 2018, the Central Bank's monetary policy was largely influenced by the worsening fiscal deficit, which resulted in high local interest rates and high exchange rate volatility. Increased Government debt reduced credit dollarization, and the exchange rate volatility increased inflation expectations, which, in turn, further increased volatility, as Costa Ricans used U.S. dollars to guard against higher future inflation.

To address these issues, on September 25, 2018 the Central Bank purchased ₡498 billion in Costa Rican Treasury Bills (*Letras del Tesoro*) ("Costa Rican Treasury Bills") issued by the Ministry of Finance to provide emergency liquidity to the Ministry of Finance. Costa Rican Treasury Bills are extraordinary financing instruments under which the Central Bank provides temporary financing to the Ministry of Finance. These financing instruments may not exceed 5% of GDP and must be repaid by the earlier of (i) the date that is three months after their issuance; and (ii) the last business day of the year in which they are issued. Over the course of 2018, the Central Bank intervened in the currency exchange market to avoid violent fluctuations in the exchange rate.

On May 31, 2019, the board of directors of the Central Bank agreed to apply a currency-differentiated reserve requirement (*encaje mínimo legal*) on financial institutions' liabilities, with a 12% differentiated rate for colón-denominated liabilities and a 15% rate for foreign currency-denominated liabilities. The differentiated reserve requirement applies to all liabilities of financial institutions, including public and private banks, non-bank financial institutions and savings and loan co-operatives operating in Costa Rica.

During 2019, the monetary policy interest rate has been lowered five times. On October 30, 2019, the Central Bank reduced the MPR by 50 basis points to 3.25%. This adjustment was carried out prospectively based on the Central Bank's analysis of the expected evolution of inflation and macroeconomic factors, including the analysis of the international and domestic context.

Fiscal Policy

As of June 30, 2019, the Government fiscal deficit was 3.0% of GDP, compared to 2.9% of GDP as of June 30, 2018. Despite the economic slowdown that has negatively affected tax revenues, the primary balance improved 0.03% as compared to the six months ended June 30, 2018 as a result of the Government's efforts to contain spending. These adjustments to the primary balance were generated without adjusting capital expenditures, which increased by 0.2% of GDP. Nevertheless, the financial deficit continues to increase due to high interest payments.

As of December 31, 2018, Costa Rica's fiscal deficit reached U.S.$3.5 billion or 5.9% of GDP. To address the fiscal deficit, the Legislative Assembly enacted the Public Finance Strengthening Law, a comprehensive fiscal reform law that seeks to improve tax collection, control Government expenditures and improve public sector finances. For additional information on the Public Finance Strengthening Law, see "Monetary System–Legal Reforms 2015-2019," and for additional information on Costa Rica's fiscal policy in previous years, see "Public Sector Finances–Government Finances."

Public Debt

As of August 31, 2019, total Government debt amounted to U.S.$34.7 billion. It is estimated that Government debt as of December 31, 2019 will amount to U.S.$35.4 billion (58.0% of GDP).

As of December 31, 2018, total Government debt totaled U.S.$30.5 billion (53.5% of GDP), a 8.2% decrease from U.S.$28.2 billion as of December 31, 2017 (48.7% of GDP).

Government debt in the last four years contributed the largest share to total public sector debt, averaging 74.3% of the total over the period from 2015 to August 31, 2019. Additionally, by the end of September 2019 some Government debt proceeds have been used to fund budgetary expenditures. Government debt set to expire in the next five years amounts to U.S.$16.64 billion or 48.1% of total Government debt. As of September 30, 2019, 89.4% of such debt corresponds to internal debt maturities while the remaining 10.6% to external debt. For additional information on Costa Rica's public debt, see "Public Sector Debt."

SELECTED ECONOMIC INDICATORS

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars, except where noted)				
Economic Data					
GDP					
Real GDP % change from prior year	3.6%	4.2%	3.4%	2.6%	1.4%
Nominal GDP	U.S.$54,776	U.S.$57,158	U.S.$58,175	U.S.$60,130	U.S.$30,205
Consumer Price Index (% change)					
End of period	(0.81)%	0.77%	2.57%	2.03%	2.53%[(1)]
Industrial production price index (% change)					
End of period	(0.43)%	0.29%	3.14%	4.28%	1.93%[(1)]
Unemployment Rate	9.6%	9.5%	9.3%	12.0%	11.92%
Balance of Payments Data					
Current account balance	U.S.$(1,921)	U.S.$(1,257)	U.S.$(1,717)	U.S.$(1,866)	U.S.$(557)
Current account balance (% GDP)	3.51%	2.20%	2.95%	3.10%	1.84%
Merchandise trade balance	(4,607)	(4,426)	(4,343)	(4,389)	(1,829)
Exports (f.o.b.)	9,452	10,100	10,808	11,474	5,876
Imports (f.o.b.)	14,059	14,526	15,150	15,863	7,705
Service trade balance, net	4,609	5,110	5,013	5,321	2,771
Primary income	(2,380)	(2,452)	(2,890)	(3,262)	(1,757)
Secondary income	457	510	503	463	258
Capital Account	31	87	41	31	15
Capital and financial account balance	(2,577)	(1,460)	(2,104)	(1,721)	(541)
Change in Central Bank's international reserves[(2)]	(717)	(376)	(468)	84	(1,012)
Net international reserves of the banking system	7,826	7,499	7,575	7,385	8,304.8[(3)]
Net international reserves of the Central Bank[(8)]	7,834	7,574	7,150	7,495	7,463
Import coverage reserves (months of imports)[(9)]	5.5	5.1	4.6	4.6	n/a
Public Finance[(10)]					
Government					
Total Revenue	U.S.$7,821	U.S.$8,386	U.S.$8,362	U.S.$8,591	U.S.$6,602 [(1)]
Total Expenditure	10,938	11,383	11,920	12,124	9,561[(1)]
Primary balance	(1,620)	(1,392)	(1,756)	(1,404)	905[(1)]
% of GDP	(3.0%)	(2.4)%	(3.0%)	(2.3%)	n/a
Fiscal balance	(3,117)	(2,998)	(3,557)	(3,533)	(2,959)
% of GDP	(5.7%)	(5.2%)	(6.1%)	(5.9%)	n/a
Consolidated Public Sector balance[(4)]	(3,176)	(2,700)	(3,098)	(3,056)	n/a
% of GDP	(5.8%)	(4.7%)	(5.3%)	(5.1%)	n/a
Public Debt					
Government					
External debt	U.S.$5,506	U.S.$5,796	U.S.$5,914	U.S.$6,143	6,198
% of GDP	10.1%	10.1%	10.2%	10.2%	n/a
Domestic debt	16,808	19,427	22,249	24,320	28,451
% of GDP	30.7%	34.0%	38.2%	40.4%	n/a
Total Public Sector[(18)]					
External debt	U.S.$8,134	U.S.$8,525	U.S.$8,638	U.S.$9,773	U.S.$9,845[(5)]
% of GDP	14.9.8%	15.2%	14.9%	17.2%	n/a
Domestic debt	23,371	26,702	28,672	30,376	34,735[(5)]
% of GDP	74.2%	75.8%	76.8%	75.7%	n/a

Sources: Ministry of Finance and Central Bank of Costa Rica

(1) As of September 30, 2019.

(2) A positive number represents a decrease in international reserves and a negative number represents an increase in international reserves.

(3) As of July 31, 2019.

(4) Includes the Government, public enterprises and the Central Bank, Data.

(5) As of August 2019.

THE OFFERING

Issuer	The Republic of Costa Rica.
The 2031 Notes	U.S.$1,200,000,000 aggregate principal amount.
The 2045 Notes	U.S.$300,000,000 aggregate principal amount.
Issue Price	For the 2031 Notes, 99.077% of the principal amount of the Notes, plus accrued interest, if any, from November 19, 2019. For the 2045 Notes, 98.925% of the principal amount of the Notes, plus accrued interest from September 12, 2019 to March 12, 2020, but excluding March 12, 2020, which equals U.S.$13.32 per U.S.$ 1,000 principal amount of the 2045 Notes for a total of U.S.$3,996,550.
Issue Date	November 19, 2019.
Maturity Date	For the 2031 Notes, February 19, 2031. For the 2045 Notes, March 12, 2045.
Interest	The 2031 Notes will bear interest from from November 19, 2019 at the rate of 6.125% per annum payable semi-annually in arrears on February 19 and August 19, of each year, commencing on February 19, 2020. The 2045 Notes will bear interest from September 12, 2019, the most recent interest payment date on the Original 2045 Notes, at the rate of 7.158% per annum payable semi-annually in arrears on March 12 and September 12 of each year, commencing on March 12, 2020.
Principal Payments	Principal on the 2031 Notes will be repaid in three installments, as follows:

Principal Payment Date	Principal Payment Amount
February 19, 2029	U.S.$400,000,000
February 19, 2030	U.S.$400,000,000
2031 Maturity Date	Remaining principal amount

On each principal payment date, the record holders of the 2031 Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of Notes, including as a result of a redemption as described under "Terms and Conditions of the Notes - Optional Redemption – The 2031 Notes," or increased as a result of the issuance of additional

	Notes as described under "Terms and Conditions of the Notes—Further Issues"). Principal on the 2045 Notes will be paid in a single installment on March 12, 2045.
Redemption	The Republic may, at its option, redeem the Notes, in whole or in part, before maturity, on not less than 30 nor more than 60 days' notice 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. See "Terms and Conditions of the Notes—Status of the Notes."
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 net expenses payable by the Republic) will be approximately U.S.$1,487,239,550. 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	Each Note 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), so that such additional notes may be consolidated and form a single series with the Notes, provided that such additional notes do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws), a greater amount of original issue discount than the Notes have as of the date of issuance of such additional notes.
Listing	Application will be made to list the 2031 Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market. The Original 2045 Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market.
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.
Luxembourg Transfer and Paying Agent	The Bank of New York Mellon S.A./N.V., Luxembourg Branch.
Risk Factors..	An investment in the Notes involves certain risks. Before deciding to purchase the Notes, you should read carefully all the information contained in this Offering Circular, including, in particular, the "Risk Factors" section of this Offering Circular.

RISK FACTORS

This section describes certain risks associated with investing in the Notes. 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

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 or impossible for investors to obtain or enforce judgments against Costa Rica whether in an investor's own jurisdiction or elsewhere. See "Enforcement of Civil Liabilities."

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," and "Monetary System - Legal Reforms 2015-2019"), 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, including its ability to implement and sustain the changes introduced by the Public Finance Strengthening Law;
- adverse climatic changes;
- the impact on the Costa Rican economy of migratory movements in the region; and
- 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.

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.

The United Kingdom held a referendum on June 23, 2016 in which a majority voted for the United Kingdom's withdrawal from the European Union ("Brexit"). On March 29, 2017, Article 50 of the Lisbon Treaty, which provides for a mechanism for the voluntary and unilateral withdrawal of a country from the European Union, was triggered. This triggering event initiated a two-year period of negotiation for the United Kingdom to leave the European Union. Recently, the United Kingdom government's plans to achieve a "soft Brexit" scenario has resulted in high-profile resignations which has led to increased uncertainty regarding the outcome of the Brexit negotiation and the prospect of a "no-deal Brexit" appears to have grown.

Depending on the terms of Brexit, the United Kingdom could lose access to the single European Union market and to the global trade deals negotiated by the European Union on behalf of its members. Should no deal be reached, Brexit and the perceptions as to its impact may adversely affect business activity and economic and market conditions in the United Kingdom, the Eurozone and globally, and could contribute to uncertainty in global financial and foreign exchange markets, as well as additional political, social and legal instability in the European Union.

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. In addition, the ongoing commercial and trade dispute between the United States and China following U.S. President Trump's increase of tariffs on Chinese goods have reduced and could continue to reduce the volume of trade worldwide and has harmed and could continue to harm global economic growth. Analysts, multilateral organizations and central banks have revised downward their projections for world economic growth for 2019 and 2020, citing global trade tensions as one of the drivers. In the case of Costa Rica, according to the Central Bank's Macroeconomic Program, the country's real GDP growth for 2019 and 2020 was expected to be 3.2% and 3.0%, respectively; in the Central Bank's Macroeconomic Program's mid-year review, however, this projection was revised downward to a GDP growth of 2.2% and 2.6% in 2019 and 2020, respectively. The lower estimated GDP growth of Costa Rica is mostly attributable to an expected reduction in global economic growth, largely due to the commercial and trade conflict between China and the United States.

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.

Costa Rica's former Minister of Finance Rocío Aguilar recently announced her resignation which may lead to uncertainty with respect to economic and fiscal policy.

On October 23, 2019, then Costa Rica Minister of Finance Rocío Aguilar announced her resignation, following the Office of the Comptroller General's recommendation that she be suspended without pay for one month as described under "Summary–Recent Developments–Comptroller General's Investigation into Budgeted 2018 Debt Payments." In addition, the Office of the Comptroller General recommended that President Alvarado Quesada suspend from public service for two to four year periods of certain Ministry of Finance officials who had served during the Solís Rivera administration, some of which continue to serve under the Alvarado Quesada administration. All of these officials appealed the initial decision of the Office of the Comptroller General, which is subject to final confirmation by the Office of the Comptroller General. In the event of final confirmation by the Office of the Comptroller General, this final decision is subject to further appeals before administrative and judicial courts of Costa Rica. See, "Summary–Recent Developments–Comptroller General's Investigation into Budgeted 2018 Debt Payments." Accordingly, although the officials have appealed the recommendation of the Office of the Comptroller General, there can be no assurance that at the end of this process, these officials will not eventually be suspended.

Following Mrs. Aguilar's resignation, on October 30, 2019, President Alvarado Quesada appointed Mr. Rodrigo Chaves Robles as Minister of Finance. Mr. Chaves, who has worked at the World Bank for the last 27 years, is expected to continue with the fiscal and economic policies that former Minister Aguilar was implementing until her resignation, including the new policies established in the Public Finance Strengthening Law. However, former Minister Aguilar's departure may nonetheless lead to market uncertainty with respect to the direction of Costa Rica's economic and fiscal policy.

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

United States President Donald Trump has made comments suggesting that he was not supportive of existing multilateral international trade agreements. President Trump has renegotiated the North American Free Trade Agreement ("NAFTA"), imposed steel tariffs, imposed tariffs on China and threatened tariffs on the European Union, Mexico and other trading partners. It remains unclear what President Trump would or would not do with respect to other such international trade agreements. If President Trump 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 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.

Any 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. On December 5, 2018, Moody's Investors Service ("Moody's") downgraded Costa Rica's long-term issuer and senior unsecured bond ratings to B1 from Ba2 and assigned a negative outlook to both ratings, concluding the previously initiated review for possible downgrade. Moody's stated that the downgrade to B1 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 December 21, 2018, Standard & Poor's Global Ratings ("Standard & Poor's") lowered its long-term foreign and local currency sovereign credit ratings for Costa Rica from BB- to B+ with a negative outlook. At the same time, Standard & Poor's affirmed its B short-term foreign and local currency sovereign credit ratings and lowered its transfer and convertibility assessment from BB+ to BB. In its ratings report, Standard & Poor's cited the slow pace of reforms intended to address a recent steady worsening of public finances and limited external, fiscal, and monetary flexibility as well as a high general Government debt burden as part of its rationale for the downgrade. In addition, Standard & Poor's noted the high level of dollarization of financial sector assets and of dollar-denominated sovereign debt as a proportion of total sovereign debt.

On January 24, 2019, Fitch Ratings Investors Service ("Fitch") lowered its long-term foreign and local currency ratings for Costa Rica to B+ from BB with a negative outlook. In its ratings report, Fitch cited a high

Government debt burden as part of its rationale, as well as the expectation that Costa Rica's debt to GDP ratio would continue to increase as a result of the high fiscal deficit, rising interest costs and a gradual timeline for consolidation measures. Finally, Fitch noted the high level of credit dollarization in the financial sector as a result of dollar earnings and derivative instruments and an increase in non-performing loans. See "The Monetary System–Monetary and Financial Policy."

On October 30, 2019, Fitch affirmed Costa Rica's long-term foreign currency rating at B+ with a negative outlook. In its rating report, Fitch cited the Republic's weaknesses in public finances and political gridlock that has prevented timely passage of reforms addressing public finances. Further, it mentioned that the Fiscal Rule is untested and the requirement of congressional authorization for incurrence of foreign debt constrains Costa Rica's financing flexibility. Fitch's negative outlook reflects downside risks related to high fiscal deficits and a steep amortization schedule, against a background of economic slowdown. Further, Fitch stated that Costa Rica's rapidly climbing interest expense will keep its fiscal deficit higher than that of its peers and its debt burden on a relatively steep upward trajectory.

Any further 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.

Furthermore, 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 between 2015 and 2017 caused approximately U.S.$173.8 million (0.3% of GDP), U.S.$ 358.3 million (0.6% of GDP) and U.S.$616.0 million (1.1% of GDP) in 2015, 2016 and 2017, respectively, in damages and losses in the affected areas in sectors such as agriculture, education, infrastructure, housing and health.

Furthermore, Costa Rica's economy is reliant on agriculture, hunting, forestry and fishing which accounted for 4.6% of Costa Rica's GDP in 2018. 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 44% of total exports in 2018, 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. This had a negative effect on agricultural production and, as a result, on the Costa Rican economy with economic losses estimated at approximately 0.05% of the agriculture sector.

Climate change has affected various productive sectors of the Costa Rican economy, including the agricultural sector, where it has negatively impacted production, and as a result the export, of pineapples and bananas. The energy sector has also been affected by climate change, particularly because Costa Rica's energy grid is highly dependent on hydroelectric power. The *El Niño* weather phenomenon has produced changes in rainfall patterns, thereby reducing the generation of electricity through hydroelectric power plants.

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. In 2018, the Government provided training to the tourism sector on limiting the risks associated with natural disasters through risk management and emergency care in tourist areas. In addition, an emergency and threat assessment plan was prepared under the National Emergency and Risk Prevention Law No. 8,488 (*Ley Nacional de Emergencias y Prevención de Riesgos*) which is effective since January 2006.

The Costa Rican economy has recently slowed and may continue to slow, or 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 3.6% in 2015, followed by growth of 4.2% in 2016, 3.4% in 2017, 2.6% in 2018, and according to the Central Bank projections, it is estimated that it will grow by 2.2% in 2019.

According to the Central Bank's 2019 forecasts, real GDP grew at an annual average rate of 3.5% and 3.2% from 2015 to 2018. The Costa Rican economy has recently experienced lower growth and a decrease in consumption and overall activity as a result of a lower level of confidence among Costa Rican consumers and the impact of the initial implementation of new austerity policies established in the Public Finance Strengthening Law. The Republic cannot assure investors that its economy will grow in the future, that the levels of confidence, economic activity and consumption will increase and/or that the implementation of the new policies established in the Public Finance Strengthening Law will promote economic growth. 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. A sustained recession and/or the continuation of lower levels of 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 could adversely affect Costa Rica's debt to GDP ratio, 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.

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 June 30, 2019, 41.5% of Costa Rica's public debt, 46% of loans and 40% of deposits were denominated in U.S. dollars. 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 2018, the average exchange rate of the colón depreciated by approximately 6.90% against the U.S. dollar due mainly to the appreciation of the U.S. dollar in the international markets. See "Monetary System–Foreign Exchange and International Reserves" for further details.

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 cheaper imports. A decrease in exports and an increase in imports may have a material adverse effect on Costa Rica's trade balance, economic growth, its financial condition and the ability of Costa Rica to service its public debt, 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.

Despite the implementation of the Public Finance Strengthening Law, Costa Rica's future tax revenue and fiscal results may be insufficient to meet its debt service obligations and 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. In the future, the Government may not be able or willing to access international or domestic capital markets, and, as a result, the Republic's ability to service its outstanding public debt, including the Notes, could be adversely affected.

Costa Rica relies on multilateral lenders, including the Inter-American Development Bank (the "IDB"), the CAF - Development Bank of Latin America (*Corporación Andina de Fomento – Banco de Desarrollo de América Latina*) ("CAF") and the World Bank, for budget support and the financing of certain projects. In 2019, Costa Rica expects to apply the proceeds of loans from the IDB and CAF to partially finance its fiscal deficit. As of October 31, 2019, Costa Rica had U.S.$350 million in outstanding loans from the IDB and U.S.$500 million in loans from CAF were pending approval by the Legislative Assembly. In addition, Costa Rica is negotiating new loans with the World Bank, the IDB, CAF and the French Development Alliance (*Agence Française de Développement*) (the "French Development Alliance") expected to be disbursed in 2020. Failure to comply with the terms of its debt agreements with multilateral lenders may result in the suspension of disbursements under any existing or future similar arrangements.

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.

The Alvarado Quesada administration may not be successful in implementing and/or sustaining its fiscal and other policy reforms.

The Alvarado Quesada administration has made fiscal discipline a priority and is implementing a comprehensive fiscal reform plan to reduce Costa Rica's fiscal deficit and regain competitiveness. To that end, on December 3, 2018, the Legislative Assembly passed the Public Finance Strengthening Law, which establishes a Fiscal Rule applicable not only to the Government but also to the non-financial public sector. The new Fiscal Rule limits the growth of public expenditures based on the Republic's debt to GDP ratio level and the average nominal GDP growth of the prior four fiscal years. The Republic's 2020 national budget already contemplates the expenditure limits of the new Fiscal Rule established in the Public Finance Strengthening Law. In addition, the Public Finance Strengthening Law introduced changes to improve tax collection, control expenditures and achieve public sector efficiencies through: (i) caps on high Government wages; (ii) a single compensation scheme for senior Government officers; and (iii) the conversion of the current annuity into a performance-based compensation taking into account compliance with each Governmental entity's mission and the National Development Plan. The implementation and sustainability of the fiscal reform plan and other policy reforms is, however, subject to social, political and/or legal uncertainties and potential setbacks. Political and social groups have and may continue to challenge different aspects of the fiscal reform and/or other policy changes being implemented. In addition, the continuation and sustainability of public policies is subject to the continued support of several political groups and, therefore, there is no assurance that existing and/or future political disagreements will not lead to deadlocks and setbacks in the implementation of its policy reforms. Therefore, there is no assurance that the Alvarado Quesada administration or any other future administration will be successful in implementing and/or sustaining the fiscal and other policy reforms.

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, may or may not be realized, and which 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.

Costa Rica may not complete the OECD Accession Action Plan to become an OECD member in the contemplated timeframe or otherwise be successful in implementing the sustainable policies promoted by the OECD.

The OECD has 36 member states and is tasked with the mission of promoting policies that improve economic and social well-being. The OECD offers a forum where governments can work together, share experiences and find solutions to their common problems, in different areas of sustainable development. In July 2015, Costa Rica approved the OECD Accession Action Plan, which sets forth the Republic's commitment to adhere to OECD instruments, participate in OECD committees and conduct selected policy changes. As of the date of this Offering Circular, 22 OECD committees, together with the Costa Rican authorities, are evaluating Costa Rica's compliance with OECD standards and good practices in a variety of areas to identify those in need of public policy reform. Some of the areas being evaluated include investment, corruption, corporate governance, financial markets, competition, fiscal matters, environmental policy, education, employment and health. As of the date of this Offering Circular, Costa Rica had obtained approval from 16 of the 22 OECD committees. Costa Rica expects to become a full member of the OECD in the first semester of 2020.

The Alvarado Quesada administration has prioritized completing the OECD Accession Action Plan to become an OECD member state in 2020. To that end, the Ministry of Foreign Trade (*Ministerio de Comercio Exterior*) ("COMEX") is actively coordinating the inter-institutional efforts and undertakings to complete the OECD Accession Action Plan and, so far, Costa Rica has completed the approval process in 16 of the 22 committees included in the OECD Accession Action Plan. The process involves commitments by Costa Rica to reach OECD standards and requires Costa Rica to submit progress reports even after obtaining specific committee approvals. There are a number of pending governmental actions including the passing of legislative bills, required to complete the process and obtain the pending committee approvals. Therefore, Costa Rica cannot be certain that it will complete the OECD Accession Action Plan in 2020 or at all. Even if successful in becoming an OECD member state, Costa Rica may not derive the expected benefits from such membership or otherwise be successful in implementing the sustainable policies promoted by the OECD.

The political and economic situation in Nicaragua 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, including affecting export levels to Nicaragua and other Central American countries and the level of migration of Nicaraguan nationals into Costa Rica. According to the Central Bank 2019 Projections, Costa Rica's GDP grew at a rate of 1.8% in the first semester of 2019, 1.4% lower than in the equivalent period in 2018, primarily as a result of reduced economic growth in certain of Costa Rica's trade partners, including political and economic tensions in Nicaragua. The reduction in the prices of certain important agricultural exports such as pineapple and coffee as well as increased oil prices have contributed to this slowdown. The economic stagnation or recession of Nicaragua could have a material adverse effect on Costa Rica's exports to that market. In addition, political instability in Nicaragua may negatively affect the ability of Costa Rica to export its products to other Central American countries through Nicaragua. During the first half of 2019, and by the end of 2018, 91% and 85% of Costa Rican road-transported exports to other Central American countries were routed through Nicaraguan territory, respectively. Furthermore, 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. Any of these factors may, in turn, adversely affect the Costa Rican economy and its ability to service its public debt generally, including the Notes.

Migratory patterns in Central America have varied depending on political, socio-economic and environmental conditions. In 2018, the majority of Costa Rica's immigrants were intra-regional immigrants, of which the majority came from Nicaragua. Nicaraguan immigrants to Costa Rica are predominantly young females with low education levels. In 2018, most Nicaraguan immigrants were between the ages of 13 and 40, and entered Costa Rica with the intention of obtaining work in the country. Unlike Nicaraguan immigrants, Colombian and Venezuelan immigrants generally have a higher level of education, frequently higher than Costa Ricans, and they obtain higher-paying jobs than their Nicaraguan counterparts.

Pursuant to the Immigration Law No. 8,764 (*Ley General de Migración y Extranjería*), which went into force in March 2010, irregular immigration status bars immigrants from access to healthcare. In Costa Rica there are four ways for an immigrant to access public healthcare: (i) direct insurance (payroll/salary payment) or voluntary insurance (self-employment); (ii) indirect insurance (through a relative, subject to regular immigration status); (iii) universal insurance (for children under six years of age, regardless of immigration status); and (iv) student insurance (for children under 18, regardless of immigration status).

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

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 manage its indebtedness obtaining financing at a reasonable and sustainable cost.

As further described under "Summary—Recent Developments—Comptroller General's Report Relating to Unregistered Public Debt," the Office of the Comptroller General recently issued the September 2019 Audit Report, in connection with a special audit of unregistered indebtedness and inconsistencies in the non-financial public sector as of December 31, 2018. The report identified certain differences between the technical accounting criteria required by the Office of the Comptroller General and the criteria implemented by the Ministry of Finance and requires that the Office of the Comptroller General to the Director of Public Credit, the president of the Central Bank, the Minister of Finance and the Director General of FODESAF take certain actions to improve the reporting of debt statistics and improve the quality of published debt statistics.

In addition, the September 2019 Audit Report noted that the presentation of Government debt figures on an aggregate basis rather than a consolidated basis did not accurately reflect indebtedness among Government entities and recommended that debt figures should be presented on a consolidated basis. If the revisions proposed in the September

2019 Audit Report by the Office of the Comptroller General are implemented, the total gross debt of the Public Sector could increase to account for certain debts identified in the report with CCSS, FODESAF and other public institutions. See "Summary—Recent Developments—Comptroller General's Report Relating to Unregistered Public Debt."

Risk Factors Relating to the Notes

An active trading market may not develop for the 2031 Notes, which may hinder the 2031 Notes' liquidity, and the price at which the Notes will trade in a secondary market is uncertain.

The 2031 Notes will be a new issue of securities with no established trading market. We will apply to list the 2031 Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. Certain of the Initial Purchasers may make a market in the 2031 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. Furthermore there can be no assurance that a secondary market in the 2045 Notes will be sustained.

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 only reoffer or resell Notes 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. "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 the Indenture and not other or future indentures. Under these provisions, which are described in the sections entitled "Terms and Conditions of the Notes—Events of Default" and "—Modifications, Amendments and Waivers—Collective Action," Costa Rica is entitled to amend the payment terms, including the maturity date, interest rate and other reserved matters listed in the Indenture, without the consent of all holders.

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 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.

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 net expenses payable by the Republic) will be approximately U.S.$1,487,239,550. 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. Such domestic and external indebtedness to be refinanced may include a significant portion of the indebtedness of Costa Rica maturing on or before December 2021.

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, 2019, Costa Rica had an estimated population of approximately 5.05 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 GDP for the first semester of 2019 was U.S.$31.3 billion and the Central Bank 2019 Projections estimate that it will be U.S.$61.6 billion by December 31, 2019. In 2018, Costa Rica's GDP was U.S.$60.2 billion and its per capita GDP was U.S.$12,017.8, the second highest in Central America according to the World Bank. In 2017, 2016 and 2015 Costa Rica's GDP was U.S.$58.2 billion, U.S.$57.2 billion and U.S.$54.8 billion, respectively, and its per capita GDP was U.S.$11,758.4, U.S.$11,687.8 and U.S.$11,335.5, respectively.

According to the UN Development Program's 2018 Human Development Report, the Republic is ranked fourth 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.

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. In 2018, tourism represented 6.4% of the country's GDP. Three million tourists visited Costa Rica in 2018, and as of June 30, 2019, 2.2 million tourists had visited Costa Rica during 2019. 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.

Territory and Population

The Costa Rican territory consists of approximately 19,700 mi^2, with a length of 290 miles and a width of 162 miles, largely covered by high, rugged mountains and hills, 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.

In February 2018, the International Court of Justice ("ICJ") ruled that 9,980 mi^2 of the Pacific Ocean and 4,200 mi^2 of the Caribbean Sea belong to Costa Rica. This ruling put an end to a territorial dispute between Costa Rica and Nicaragua that arose in 2014 after Nicaragua published a map to be used in a public auction process for the exploration and exploitation of oil and natural gas in part of what Costa Rica considered its territorial seas.

According to the National Institute of Statistics, Costa Rica had a population of approximately 5 million people in 2018. Population growth increased at an annual rate of 1.1% between 2017 and 2018. 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. In 2018 the provinces with the highest population in Costa Rica were San José with 1.6 million people and Alajuela with one million. In addition, 30.1% of Costa Rica's population was under the age of 19, approximately 34.1% was between the ages of 20 and 39, approximately 27.6% was between 40 and 64 years old, and approximately 8.2% was over 65 years old.

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	54.81	46.67	67.00
Bolivia	39.90	38.10	44.33
Brazil	36.06	31.90	60.59
Colombia	50.00	17.62	52.71
Costa Rica	67.79	62.38	84.73
Ecuador	42.79	43.33	47.29
El Salvador	36.54	33.33	35.47
Guatemala	23.56	27.14	31.53
Honduras	27.88	26.67	45.81
Mexico	47.60	25.71	18.72
Nicaragua	19.23	18.10	68.47
Panama	51.92	56.19	55.17
Peru	44.23	37.14	48.28
Uruguay	73.08	87.62	89.16

Source: World Bank Statistical Compendium.
(1) 2018 data.
(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.

According to the UN Development Program, Costa Rica is classified as a country of high human development. In 2018, it had a human development index of 0.79 and its population had an average of 15.4 years of schooling. In addition, the Republic was also ranked 62nd in the world and fifth in Latin America in the 2019 World Economic Forum's Global Competitiveness Index.

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 2019, approximately 42.5% 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 2018, this represents a decrease from an approximate 45.3% budgeted and an approximate 42.0% actually invested funds in the social sectors. In 2011, the Constitution was amended to require the investment of not less than 8% of GDP in education annually, compared to the previous requirement of 6% 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. Costa Rica's budget for the 2019 fiscal year provides for an investment of 7.25% of GDP in education, 0.5% short of the 8% 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. The 2019 budget introduces funding for approximately 670 new positions related to high school, pre-school, kindergarten and elementary school education, schools for gifted children, foreign language study, and other educational services. Sixty percent of the positions introduced in the 2019 budget are filled by the Ministry of Education. As of July 2019, a total of 314,637 persons or 6.6% of the total population above the age of five reported not having any kind of education. Of these, around 51.3% are men and 48.7% are women. Out of the total population above the age of five, 1,850,952 people or 38.83% reported only to have attended elementary school, 1,737,417 people or 36.45% reported to have attended both elementary and high school and 863,416 or 18.11% people reported to have attended college or university education.

As of July 31, 2019, Costa Rica's Gini coefficient was 0.514, remaining unchanged from the previous year. As of July 31, 2019, 336,000, or 21.0% of Costa Rican households had incomes below the poverty line, an insignificant change from 21.1% in 2018. Similarly, there was no significant change in poverty levels in urban versus rural households between 2018 and 2019. As of July 31, 2019, 19.8% of urban households and 24.2% of rural households had incomes below the poverty line. In the period between July 31, 2010 and July 31, 2019, the poverty rate among urban households remained in the range of 19.0% to 19.8%, and the poverty rate among rural households decreased from 27.4% as of July 31, 2010 to 24.2% as of July 31, 2019. As of July 31, 2019 the gap between households with incomes below the poverty line in urban areas as compared to rural areas was 4.4%, a 4.0% decrease from 8.4% in 2010. As of July 31, 2019, 93,542, or 5.8% of households had incomes below the extreme poverty line.

According to the National Household Survey performed by the National Institute of Statistics and Census (*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 level 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.

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

Poverty Rates of Latin American Countries

	2013	2014	2015	2016	2017
Argentina	8.2	8.9	n/a	8.5	7.7
Bolivia	26	24.9	25.6	25	24.7
Brazil	19.5	17.9	19.4	20.7	21
Chile	10.1	n/a	10.1	n/a	6.4
Colombia	32	29.8	28.7	28.5	27.6
Costa Rica	12.3	11.9	11.5	10.7	9.7
Dominican Republic	29.8	25.1	21.7	19.9	n/a
Ecuador	26.9	23.8	24.7	23.9	23.2
El Salvador	35.0	34.9	31.8	30.7	29
Guatemala	n/a	48.8	n/a	n/a	n/a
Honduras	55.3	53.9	53.8	50.4	52.6
Mexico	n/a	33.6	n/a	25.7	n/a
Nicaragua	n/a	34.8	n/a	n/a	n/a
Panama	18.2	16.9	15.4	14.6	14.1
Paraguay	20.4	19.3	20	20.1	18.6
Peru	26.0	25.1	24.2	24.3	23.9
Uruguay	5.0	4.3	4.0	3.7	2.9

Source: World Bank

Historically, Costa Rica has provided social assistance and housing to poor families through the FODESAF, which is funded primarily with payroll tax revenues. The Government has undertaken initiatives to restructure FODESAF in order to further strengthen its operations and empower it to reduce poverty levels. The Government's initiatives include program evaluations, financial auditing and cost controls designed to improve the efficiency of its anti-poverty efforts through decentralization and specialization of certain programs, and to monitor and evaluate the social programs supported by FODESAF. See "The Costa Rican Economy–Poverty."

The following table sets forth selected 2018 comparative social statistics for 2018 per capita GDP, 2017 life expectancy, and 2017 social statistics for adult literacy, in each case the most recent available data for the region, as reported in the World Bank Statistical Compendium.

Selected Comparative Social Statistics

	Per capita GDP	Life expectancy	Adult literacy rate[(2)]
	(in U.S.$)[(1)]	*(in years)*[(2)]	
Costa Rica	U.S.$12,027	80.0	99.1[(5)]

	Per capita GDP	Life expectancy	Adult literacy rate[(2)]
Uruguay	17,278	77.6	98.7[(1)]
Panama	15,575	78.2	97.6[(6)]
Argentina	11,653	76.7	99.5[(3)]
Mexico	9,698	77.3	99.1[(3)]
Brazil	8,921	75.5	93.3[(1)]
Peru	6,947	75.2	99.1
Colombia	6,651	74.6	98.7[(3)]
Ecuador	6,345	76.6	92.8
Guatemala	4,549	73.7	94.4[(4)]
El Salvador	4,058	73.8	98.0
Bolivia	3,599	71.0	92.5[(8)]
Honduras	2,483	73.8	96.1[(3)]
Nicaragua	2,029	75.7	87.0[(7)]

Source: World Bank Statistical Compendium.
(1) 2018 data.
(2) 2017 data, unless otherwise indicated.
(3) 2016 data.
(4) 2014 data.
(5) 2011 data.
(6) 2010 data.
(7) 2005 data.
(8) 2015 data.

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; 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 the welfare state. Since 1949, the Constitution has been amended (*reformada*) 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 ticket 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*) (the "Supreme Electoral Tribunal"), 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*) (the "Supreme Court"), 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 will elect 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, and in the Ministers, whose terms may not exceed that of the President. The last presidential election and run-off, held on February 4, 2018 and April 1, 2018, respectively, was won by Mr. Carlos Alvarado Quesada of the PAC. President Alvarado Quesada's term ends on May 8, 2022. The Constitution provides that the President may not serve 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 form the Government Council (*Consejo de Gobierno*) (the "Government Council").

Legislative authority is vested in the Legislative Assembly, composed of 57 Deputies. Deputies serve four-year terms and may not 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 composed of four appellate divisions (one of which is the constitutional chamber), as well as criminal courts, civil courts and other specialized courts. The Supreme Court has 22 justices, elected by the Legislative Assembly for eight-year terms. The term of each justice 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 6% 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 by elected officials in the form of municipal governments. The next municipal election will be held on February 2, 2020.

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 PLN, founded in 1951, is 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 PAC split from the PLN with the goal of providing broader representation of social organizations, including solidarity associations (*asociaciones solidaristas*), the first legally recognized associations that seek to improve the socio-economic condition of its members, and municipal governments. 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). The PUSC and PLN have been alternating presidential terms for the past three decades before 2014. The PAC won the presidency in the 2014-2018 and 2018-2022 terms. The Libertarian Movement Party (*Partido Movimiento Libertario*) is a political party based on classical liberalism in Costa Rica. The PRN is an evangelical party with representation in the Legislative Assembly.

The table below sets out the composition of the 2018-2022 Legislative Assembly.

Legislative Assembly Composition Government 2018-2022

	Delegate Composition[(1)]
Partido Liberación Nacional (PLN)	17
Partido Acción Ciudadana (PAC)	10
Partido Unidad Social Cristiana (PUSC)	9
Partido Restauración Nacional (PRN)	7
Partido Integración Nacional (PIN)	3
Partido Republicano Social Cristiano (PRSC)	2
Partido Frente Amplio (PFA)	1
Independent Party	8

Source: Legislative Assembly.
(1) 2019 data.

2018 Presidential Elections

Costa Rica held the 2018 Election on February 4, 2018. Fabricio Alvarado Muñoz, from the PRN and Carlos Alvarado Quesada, from the then-ruling PAC received the most votes, with 24% and 21% 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 1, 2018, which Carlos Alvarado Quesada won with 60.6% of the vote. President Alvarado Quesada began his four-year term on May 8, 2018.

Before the 2014 election, Costa Rica had a bipartisan political system dominated by the PLN and the PUSC. Because neither party received enough votes to participate in the 2014 run-off election, the 2014 election resulted in a shift away from bipartisanship. In that opportunity, Luis Guillermo Solís Rivera, from the PAC was elected President after 32 years of uninterrupted power divided among the PLN and the PUSC. In the following 2018 Election, the candidate from the PAC, Carlos Alvarado Quesada was elected. President Alvarado Quesada appointed a diverse cabinet including members of the PAC, the PUSC, the PFA and the PLN. He also appointed 14 women to his 24 members cabinet. President Alvarado Quesada himself is the second youngest president in Costa Rican history, and his running mate, Epsy Campbell Barr, is the first person of African descent to be elected vice-president in Latin America.

President Alvarado Quesada's campaign focused on maintaining political, economic and social stability, improving infrastructure and transforming Costa Rica into a carbon-neutral leader, that continues to be globally recognized for its environmental sustainability.

In 2018, the Alvarado Quesada administration adopted the National Development Plan, which sets forth seven pillars: (i) innovation, competitiveness and productivity; (ii) infrastructure, mobility and land planning; (iii) economic stability and growth; (iv) security; (v) healthcare and social security; (vi) education for sustainable development and coexistence; and (vii) territorial development.

To strengthen the seven pillars of the National Development Plan, the PAC issued the 2018-2022 Generational Pact (*Pacto Generacional*), which commits to:

- defend and respect human rights;
- lead Costa Rica into becoming a country known for its solidarity;
- build a modern country with safe and sustainable transport infrastructure;
- ensure safety;
- promote an open and modern management of the state;
- encourage sustainable cities and affordable housing;
- strengthen environmental sustainability nationally;
- exercise regional leadership;
- promote arts, culture and humanity;
- ensure welfare with sports and recreation; and
- protect education as a right.

One of the key priorities of the Alvarado Quesada administration is to restore sustainable growth to the Costa Rican economy. Accordingly, the Government has enacted laws, taken executive and administrative actions and issued guidelines aimed at containing public spending by committing to maintain 0% growth in the 2019 budget, and reducing and reforming the compensation regime for public officials. These measures are expected to reduce the fiscal deficit by between 1.6% and 1.7% of GDP.

The 2020 budget was prepared according to the Fiscal Rule. The growth of current expenditure for 2020 was set at 3.91%, therefore complying with the Fiscal Rule which mandates that current expenditure may not exceed 4.67%.

In December 2018, the Legislative Assembly enacted the Public Finance Strengthening Law, which seeks to improve tax collection, control Government expenditures and improve public sector finances by: (i) establishing a 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. For additional information on the Public Finance Strengthening Law, see "Monetary System–Legal Reforms 2015-2019."

The Government's financing strategy includes budgetary support from international development agencies, including a U.S.$350 million loan from the IDB granted in 2019, a U.S.$500 million loan from CAF that is pending approval by the Legislative Assembly and a prospective U.S.$250 million from the World Bank which is expected to be approved in 2020. In addition, on July 22, 2019, the Legislative Assembly approved Note Issuance Law, which authorizes the Ministry of Finance to issue up to U.S.$1.5 billion in notes (including the Notes) in the international capital markets before July 22, 2020.

In August 2018, the Alvarado Quesada administration 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 INA entered into the Alliance for Bilingualism with the Ministry of Labor, Ministry of Education, the Costa Rican Development Unit, and the Ministry of Science, Tech and Telecom. This interinstitutional agreement is intended to serve as the framework to increase the coverage of English teaching in Costa Rica. This project seeks 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 and promote public-private partnerships for English teaching. This initiative is supported by the Ministry of Labor, and seeks to promote English language education beginning in preschool in public schools, especially for low-income students. This initiative is designed to promote the development of qualified bilingual professionals in Costa Rica, which is expected to promote tourism, job creation and foreign investment.

By the end of the first semester of 2019, the Government completed 76% of the goals set out in the National Development Plan, including 96.2% of the goals related to healthcare and social security, 92.5% of the goals related to security, 50% of the goals related to education and 54.5% of the goals related to infrastructure. The remaining 14% of goals were delayed, and 10% were at risk of not being completed. The 50% completion rate for education-related goals was due primarily to delays in the completion of new works, maintenance, repair of educational centers and delays in connecting educational centers to an educational network known as the Bicentennial Education Network (*Red Educativa del Bicentenario*). The 54.5% completion rate for infrastructure-related goals was mainly due to delays in installation of electric vehicle charging stations.

The Alvarado Quesada administration also intends to use the FTZ regime to attract foreign investment. 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.

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 (the "OAS"), the International Monetary Fund (the "IMF"), the World Bank, the IDB, CAF, the Central American Bank for Economic Integration ("CABEI") and the WTO, among others.

Over the last twenty 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 SICA.

On May 28, 2004, the United States signed a free trade agreement with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Subsequently, in August 5, 2004, the Dominican Republic also became a party to the 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 administration of United States President Donald Trump has raised uncertainty for Costa Rica. In the beginning of Trump's administration, there was speculation regarding the potential negative effect of certain of President Trump's polices on human rights, environmental protection and trade. However, diplomatic relations between the two countries have remained stable. At the beginning of 2019, in response to the work of the Ministry of Public Security (*Ministerio de Seguridad Pública*) ("Ministry of Public Security") and the local police force in the fight against drug trafficking and organized crime, President Trump included U.S.$40.72 million in the United States budget to be used by the International Operations division of the United States Department of State for security cooperation with Costa Rica, a 33% increase as compared to 2018.

The 2018 United States-China trade negotiations reduced growth expectations for Costa Rica and for the global economy generally. In June 2019, the World Bank projected a slowdown in the growth of the U.S. economy in 2019 and 2020. Because the United States is Costa Rica's largest export destination and the largest proportion of tourists from Costa Rica hail from the United States, exports and tourism expectations were negatively affected as a result of the United States-China trade negotiations.

The following table sets forth historical and forecasted economic growth for Central American countries in light of the United States-China trade negotiations, tensions with Nicaragua and the slowdown of the global economy.

	2016	2017	2018	2019 (Estimated)
Costa Rica	4.2	3.3	2.7	2.7
El Salvador	2.6	2.3	2.8	2.5
Guatemala	3.1	2.8	2.7	2.9
Honduras	3.8	4.8	3.6	3.8
Nicaragua	4.7	4.9	(3.8)	(0.5)
Panamá	5.0	5.3	4.0	6.0

Source: World Bank

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 imports into 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 at an average annual rate of 7.1%. In particular, Costa Rican exports increased on average by 8.7% per year and imports from Canada increased on average by 6.2% per year. 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 July 18, 2019, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama signed a Trade and Political Continuity Agreement with the United Kingdom. This agreement was signed in response to the possibility of the United Kingdom leaving the European Union, and maintain preferential trade terms by retaining existing export and import tariffs. This agreement will become effective if and when the United Kingdom exits the European Union and the trade agreement between Central America and the European Union ceases to apply to trade between United Kingdom and Central American countries.

Costa Rica maintains amicable 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 mi^2 of Pacific Ocean and 4,200 mi^2 of Caribbean Sea territory from Nicaragua.

In August 2019, Nicaraguan military personnel allegedly entered northern Costa Rican territory in pursuit of a criminal suspect who was ultimately killed by the Nicaraguan military inside Costa Rican territory. In response, the Government, acting through the Ministry of Foreign and Religious Affairs (*Ministerio de Relaciones Exteriores y Culto*) sent a letter of protest against the invasion to the Minister of Foreign Affairs of Nicaragua.

Furthermore, the political and economic situation of Nicaragua has historically had an impact on 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. In the six months ended June 30, 2019, the Costa Rican GDP is estimated to have grown 1.8%, a significant decrease with respect of the GDP growth experienced in the six months ended June 30, 2018, mainly as a result of the negative impact that the economic and political situation in Nicaragua had on the levels of commercial trade activity of Costa Rica with Nicaragua and, indirectly, other Central American countries. Costa Rican domestic exports were also negatively impacted, causing an adverse effect on the national economic growth which is estimated to have contracted by 0.2%.

Further, 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. According to data provided by Costa Rican immigration authorities, around 135,654 Nicaraguans entered Costa Rica between February and June 2019, a significant number of whom were refugees. 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.

Relationship with the IMF

The last Article IV consultation with the IMF occurred in March 2019, with a report issued in April 2019. In that report, the IMF highlights that Costa Rica suffered multiple shocks during 2018, which reduced growth from 3.2% in 2017 to 2.7% in 2018. This slowdown reflected the impact of the 2018 Public Sector Strike, the political and economic tensions in Nicaragua, rising global interest rates and tighter domestic financial conditions, and uncertainty surrounding the fiscal reform that eroded consumer confidence. The unemployment rate increased to nearly 12% in the fourth quarter of 2018 due to an increase in workforce participation, uncertainty over the approval of the Public Finance Strengthening Law and the low momentum in the economy which was exacerbated by the 2018 Public Sector Strike. In addition, on December 5, 2018, December 21, 2018 and January 24, 2019, Moody's, Standard & Poor's and Fitch, respectively, downgraded Costa Rica's credit ratings and announced negative outlooks. The IMF expects fiscal consolidation and restrictive financial conditions to keep growth moderate in 2019 at approximately 2.75% to 3%.

The IMF Executive Board commended Costa Rica for the significant progress made in improving living standards and reducing poverty, enacting the Public Finance Strengthening Law and amending the Central Bank Law to increase the independence of the Central Bank, and welcomed Costa Rica's efforts to implement structural reforms in line with the OECD accession process. In addition, the IMF noted that while Costa Rica's medium-term economic outlook is generally positive, it faces downside risks. The IMF encouraged Costa Rican authorities to continue efforts to address fiscal and financial vulnerabilities, strengthen the economy's resilience and continue to advance structural reforms to foster inclusive growth.

In April 2018, the IMF published its Review of the Stability of the Financial System, in which it made a series of recommendations to improve Costa Rica's financial stability. Some of these recommendations included: (i) strengthening Costa Rica's financial regulatory authorities and legal framework; (ii) promoting secondary financial markets to improve valuation and liquidity; (iii) strengthening financial safety nets; (iv) mitigating risks linked to high dollarization; and (v) advancing financial inclusion. In response to these recommendations and to OECD accession requirements, in April 2019 and October 2019, the Alvarado Quesada administration submitted a draft Deposit Insurance System and Bank Resolution Law (*Ley del Sistema de Garantía de Depósitos y Resolución Bancaria*) and a draft Law for the Creation of a Deposit Guarantee Fund and Mechanisms for the Resolution of Financial Intermediaries (*Ley de Creación del Fondo de Garantía de Depósitos y de Mecanismos de Resolución de Intermediarios Financieros*), respectively, to the Legislative Assembly. The purpose of the Deposit Insurance System and Bank Resolution Law is to protect depositors, particularly smaller ones and strengthen financial stability in the event of a bank failure by ensuring timely payment to insured depositors. The foregoing measures is intended to address the recommendation made by the IMF in 2008 to strengthen the financial sector's security with the creation of a deposit guarantee fund.

The table below sets out the status of implementation of the recommendation made by the IMF in its most recent Article IV consultation as of the date of this Offering Circular:

Recommendation	Status
Implement an emergency liquidity assistance facility at the Central Bank to provide timely support to illiquid but solvent banks	Complete
Allow for higher exchange rate volatility	Complete
Introduce held-to-maturity valuation for some pension fund assets	Complete
Align primary markets with secondary markets' liquidity needs	In progress
Implement a deposit insurance system for all deposit-taking institutions	In progress
Create a crisis management committee to formalize decision-making	In progress
Finalize the law that allows SUGEF to exercise effective consolidated supervision	In progress
Enhance legal and regulatory frameworks that support corrective measures	In progress
Implement fit-and-proper rules	In progress
Provide legal protection for the supervisors	In progress
Consolidate the newly introduced risk-based supervision approach	In progress
Strengthen insurance and pension risk-based supervision with stress testing and forward-looking tools	Under consideration
Implement specific market trading mechanisms for fixed-income securities	In progress
Review current valuation and price formation processes	In progress
Improve post-trading settlement failures management	Under consideration
Use purchase and acquisition resolution transactions to avoid delaying payment of insured deposits	In progress
Promote reduction of dollarization through regulatory measures	In progress
Increase liquidity and reserve requirements in foreign exchange	In progress
Introduce reforms for sustainability of first pillar with solutions that consider the second pillar	In progress
Close critical gaps in the regulation and supervision of the first pillar pension plans	In Progress
Introduce held-to-maturity valuation for some pension fund assets	Incomplete
Improve coordination mechanisms and information-sharing arrangements	In progress
Empower the newly created Financial Stability Commission	In progress
Establish a matrix of responsibilities for macroprudential policy	Under consideration
Create a national coordination mechanism for financial inclusion	In progress
Develop and approve a National Strategy for Financial Inclusion	Pending
Review SUGEF's regulatory framework	Under consideration

Environmental policy

According to the World Bank's country overview, Costa Rica is a world leader with respect to environmental policies. In 2018, 98.6% of the energy generated in Costa Rica was produced by renewable sources. Approximately 73.5% of the electricity consumed in the country is produced by hydroelectric power plants, 15.8% by wind power and 8.5% by geothermal. 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, 2018, 25.46% of the Costa Rican territory was designated environmentally-protected land.

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. Costa Rica has created a national park system consisting of 143 protected wilderness areas, covering approximately 28% of the total area of the Costa Rican territory, out of which 132 are either state-owned or under mixed administration, and 11 are privately managed. Out of the 28% total environmentally-protected areas, 25.46% are located on the mainland, while the remaining 2.62% are located in Costa Rica's exclusive 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 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 Understandings 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 source 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.

In October 2019 Costa Rica hosted a pre-conference to the Conference of the Parties to the Framework Convention on Climate Change to be held in December 2019. The pre-conference addressed (i) sustainable cities, including mobility; (ii) solutions based on nature; and (iii) the blue economy.

As a result of its international environmental policy, including the implementation of the National Decarbonization Plan, Costa Rica received the 2019 Earth Champions Award, the UN's highest environmental award, in September 2019. 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.

Additionally, in September 2019 President Carlos Alvarado Quesada called for the formation of a High Ambition Coalition of Nations to push for the so called "Deal for Nature" that provides for the creation of environmentally protected areas that cover 30% of the planet by 2030. The governments of the Seychelles, the United Arab Emirates, Monaco, Gabon, and Mozambique joined the initiative.

On February 9, 2019, President Alvarado Quesada announced the National Decarbonization Plan. In line with the Paris Climate Change Agreement, the National Decarbonization Plan aims to eliminate the use of fossil fuels in the entire 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, with a goal of reaching zero net greenhouse gas emissions by 2050. The National Decarbonization Plan is intended to serve as a roadmap that supports the Government's commitment to decarbonize the Costa Rican economy and transform it into a bioeconomy focused on green growth.

The National Decarbonization Plan is founded on 10 focus areas to minimize the increase of greenhouse gas emissions, as well as to encourage the modernization and revitalization of the economy through a green growth vision. The focus areas are: (i) green and efficient public transportation; (ii) conversion of light duty vehicle fleet to zero-emissions; (iii) zero emission freight and transportation logistics; (iv) resilient renewable electrical grid, (v) energy efficient buildings; (vi) modernization of the industrial sector; (vii) waste management; (viii) energy efficient agriculture; (ix) eco-competitive livestock; and (x) ecofriendly territory management. Further, the National Decarbonization Plan's policy packages are divided in three periods: beginning (2018-2022), inflection (2023-2030) and massive deployment (2031-2050). Finally, 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 aims to: (i) reduce the carbon footprint of agriculture and increase forest areas to 60% by 2030; (ii) convert 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.

Costa Rica, along with Chile, actively promoted and led the negotiation process for the Regional Agreement on Access to Environmental Information, Public Participation and Access to Justice in Latin America and the Caribbean (*El Acuerdo Regional sobre el Acceso a la Información, la Participación Pública y el Acceso a la Justicia en Asuntos Ambientales en América Latina y el Caribe*), known as the "Escazú Agreement", signed on September 27, 2018. As of the date of this Offering Circular, this agreement has been signed by 21 countries from Latin America and the Caribbean, and it represents an advance into multilateralism and regional environmental democracy. This is the first binding regional agreement on human rights and the environment. Its objectives are to ensure access to information in a timely manner, to promote participation in decisions that affect the environment, and to enable access to justice when these rights are violated.

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 Government views tourism as a priority for social and economic development in Costa Rica.

Costa Rica's tourism industry has steadily grown over the past 35 years. Records from 1984 report the arrival of 273,000 visitors to the country and it receives just under three million visitors each year. As of October 31, 2019, 2.2 million tourists had visited Costa Rica in 2019. Seventy-seven percent of visitors arrived by air, while the remaining 23% arrived by sea or land. In 2018, 3.01 million tourists visited the country. The largest proportion of tourists came from the United States, followed by Nicaragua, and then Canada. According to Costa Rican immigration data, as of December 31, 2018 there were around 26,000 United States expatriates, temporary residents or retirees residing in Costa Rica. In 2017, 2.96 million people visited Costa Rica, an increase from the 2.92 million visitors received in 2016 and the 2.66 million visitors received in 2015.

The constant and growing influx of tourists has generated significant returns for Costa Rica. By 2000 tourism-related revenue amounted to U.S.$1.4 billion, a figure that has consistently increased to reach U.S.$3.8 billion by the end of 2018. Tourism is expected to continue to increase despite regional pressures including those generated by trade tensions between the United States and China.

Since 2009, the tourism sector has presented a growing trend, partly due to public policies that promote this sector. In April of 2017 the Costa Rican Institute of Tourism (*Instituto Costarricense de Turismo*) ("ICT") published its 2017-2021 National Tourism Development Plan, which establishes various guidelines for the sustained development of the tourism sector. According to the plan, Costa Rica aims to increase the number of visitors it receives to 3.94 million by the end of 2021 by: (i) improving tourism prospects, which entails avoiding tourism massification; (ii) innovating, which considers new uses to the touristic resources the country offers; (iii) gaining distinction for highly ethical and professionalized tourism services; and (iv) branding as an attractive destination in the market.

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.

Accession to the OECD

The OECD unites 36 member states and is tasked with the mission of promoting policies that improve economic and social well-being. The OECD offers 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, progressively more grounded in knowledge, that provides well-being to its citizens that can successfully cope with and benefit favorably the fourth industrial revolution.

In July 2015, Costa Rica approved the OECD Accession Action Plan, which sets forth the Republic's commitment to adhere to OECD instruments, participate in OECD committees and conduct selected policy changes. As of the date of this Offering Circular, 22 OECD committees, together with the Costa Rican authorities, are evaluating Costa Rica's compliance with OECD standards and good practices in a variety of areas to identify those in need of public policy reform. Some of the areas being evaluated include investment, corruption, corporate governance, financial markets, competition, fiscal matters, environmental policy, education, employment and health. As of the date of this Offering Circular, Costa Rica had obtained approval from 16 of the 22 OECD committees. Costa Rica expects to become a full member of the OECD in the first semester of 2020.

The Alvarado Quesada administration has prioritized completing the OECD Accession Action Plan to become an OECD member state in 2020. To that end, COMEX is actively coordinating the inter-institutional efforts and undertakings to complete the OECD Accession Action Plan and, so far, Costa Rica has completed the approval process in 16 of the 22 committees included in the OECD Accession Action Plan. The process involves commitments by Costa Rica to reach OECD standards and requires Costa Rica to submit progress reports even after obtaining specific committee approvals. There are a number of pending governmental actions including the passing of legislative bills, required to complete the process and obtain the pending committee approvals.

THE COSTA RICAN ECONOMY

General

Costa Rica has expanded the scope of its economic activity from its historical dependence on the production of agricultural goods for export in the years 1960 to 2000. It has sought to diversify its exports since 1950. Costa Rica attracts investment in high value added manufacturing and promotes tourism based primarily on the country's environmental preservation and diversity. Due to this diversification strategy, the composition of Costa Rica's exports has changed substantially during the past decade, with industrial exports increasing significantly. Industrial exports (including exports from the FTZ and in-bond industries) represented approximately 71.5% and 72.6% of Costa Rica's total exports for 2017 and 2018, respectively, while agricultural exports represented approximately 25.6% and 24.5% of total exports over the same periods. The main sectors of Costa Rica's economy are industrial manufacturing (high technology), tourism (commerce, hotels and restaurants), services, and agriculture, forestry and fishing. For more information on their contribution to Costa Rica's GDP, see "—Principal Sectors of the Economy."

In recent years, Costa Rica's economic development has been mainly driven by: (i) the development of wireless telephone services and the Internet, both of which have stimulated information and communication-related activities; (ii) human resources management, marketing and advertising which have boosted professional and technical personnel development; (iii) the increased demand for housing loans and the increased demand for deposits, which have stimulated financial activities; and (iv) the role of private sector activities such as the purchase of cars, food, appliances and textiles.

According to the World Bank's 2019 Doing Business indicator, Costa Rica ranks 67th out of 190 countries and 4th in Latin America by ease of doing business. In 2019, Costa Rica scored 68.89, which means that in 2019, Costa Rica was 17.7 percentage points away from the best performing economy in the world.

The Government has identified more than 40 action plans for the period from 2019 to 2022, all of which seek to promote economic revival, including more support for small and medium-sized enterprises, public investment, promotion of foreign direct investment and a three-month grace period on the implementation of the new VAT. Below are five actions that are part of the Government's economic reactivation plan: (i) creation of the Construction Project Manager platform to digitize previous construction and property registries; (ii) modernization of the National Environmental Technical Secretary (*Secretaría Técnica Nacional Ambiental*) to expedite procedures that currently slow down construction projects in the country; (iii) streamlining the process for obtaining the water availability letter from the Governmental water authority; (iv) working with 15 municipalities to implement land management policies around the construction of large urban transport projects; and (v) reduction of the time to obtain the sanitary operation permits from the Ministry of Health (*Ministerio de Salud*) for commerce, services and industry companies.

In 2019, increased trade disputes (especially between the United States and China), Brexit and the overall slowdown in international trade led multilateral organizations, central banks and specialized firms to report reductions in global growth projections for the 2019 to 2020 period. Furthermore, the severe economic recession caused by political and social tensions in Nicaragua has also impacted Costa Rican exports to Nicaragua and to other Central American countries.

The approval of the Public Finance Strengthening Law has contributed to the reduction of legal uncertainty related to taxes that prevailed in the second semester of 2018. This lower uncertainty helped stabilize the foreign currency exchange market with a cumulative variation of negative 4.7% in the six months ended June 30, 2019 and 2.3% as between June 30, 2018 and June 30, 2019. The foregoing also increased Costa Rica's access to the local, long-term financing market in the first semester of 2019 and lowered financing rates further in the second semester of 2019.

Developments from 2015 to June 30, 2019

Six months ended June 30, 2019

According to the Central Bank data, Costa Rica's GDP grew at a rate of 1.8% in the six months ended June 30, 2019, 1.4% lower than in the equivalent period in 2018, primarily as a result of reduced economic growth in certain of Costa Rica's trade partners including political and economic tensions in Nicaragua. The reduction in the prices of certain important agricultural exports such as pineapple and coffee as well as increased oil prices have contributed to this slowdown. Costa Rican's spending capacity was affected by trade contraction due to external factors. Domestic factors such as uncertainty and pessimism among consumers and investors eroded consumer confidence during the first five months of 2019 despite the recent approval of the Public Finance Strengthening Law.

In the first semester of 2019, the Costa Rican economy continued to face adverse conditions, both external and internal, that influenced its performance, though economic activity was mainly driven by companies operating under the FTZ regime. These companies' production increased since 2018 mainly due to the increased international demand for medical devices, computer and business services. One of the main engines of growth in the economy, especially in the FTZ is the life sciences sector dedicated to the manufacturing of precision equipment and medical devices (such as needles, catheters, syringes, devices and prostheses). As of June 30, 2019, the manufacturing sector grew by 1.7% compared to June 30, 2018 primarily as a result of increased external demand for medical devices which accounted for 12% of the manufacturing production as of June 30, 2019. The chemical and pharmaceutical sectors also contributed to growth in the six months ended June 30, 2019.

In the six months ended June 30, 2019, Costa Rica's trade balance in goods showed a deficit of U.S.$2.3 billion, representing 3.7% of GDP for 2019 compared to 4.2% of GDP for the same period in 2018. This was mainly as a result of an increase in exports due to an increased demand for medical devices, medical and therapeutic electronic equipment, and preparations for soft drinks. This was offset by a decrease in the export of bananas and pineapples and the falling prices of those products. The decrease in imports was determined, to a large extent, by the decrease in oil expenses, despite the increase in oil prices from their level at the end of 2018.

From June 2018 to June 2019, the manufacturing sector grew by 1.7% primarily as a result of increased external demand for medical devices. In the services sector, teaching and healthcare services grew by 2.6%; and real estate activity grew by 2.9%.

From June 2018 to June 2019, agricultural activity decreased 3.4%, mainly due to lower production of pineapple, bananas, potatoes, vegetables, root vegetables and tubers. In addition, construction decreased by 7.5%, mainly due to lower residential and commercial construction work, which was caused by the uncertainty generated by the tax reforms imposed by the Public Finance Strengthening Law.

Professional, scientific technical, administrative and support service activity grew by 3.5% from June 2018 to June 2019 due to the greater external demand for products such as financial management consulting, customer service and design of dental treatment devices.

Information and communications services grew by 5.5% from June 2018 to June 2019 as a result of greater international and domestic demand for software development.

Year 2018

In 2018, Costa Rica's real GDP grew at a rate of 2.6%, which was 0.8% lower than the 3.4% growth rate for 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 is 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 to the effect of the 2018 Public Sector Strike that began in late September 2018 and extended until December 2018. This strike affected production in the commercial, transportation and tourism sectors, which resulted in an estimated decrease of 0.4% in GDP growth by March 31, 2019.

The sectors that contributed the most to real GDP growth were education, healthcare and social services, which accounted for 14.6% of real GDP growth, manufacturing, which accounted for 11.9%, professional, scientific, technical, administrative, and support services which accounted for 11.8%, and wholesale, retail trade and vehicle repairs which accounted for 9.3%.

The construction sector grew by 8.2% in 2018, compared to the 2.1% decline in 2017, primarily due to the acceleration of private construction, particularly of commercial and industrial buildings. In addition, in 2018 real estate activity grew by 2.4%.

The information and telecommunications services sector grew by 6.6% in 2018 compared to 6.7% in 2017 primarily due to the increased demand for information, programming, computer consulting, wireless telephone and Internet services.

The professional, scientific, technical and administrative services sector grew by 4.2% 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 2.5% 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 education and healthcare services sector grew by 0.3% in 2018, compared to 3.0% in 2017. The 2.7% decline is due to the effect of the 2018 Public Sector Strike that took place between September and December of 2018 and which substantially reduced the education and healthcare services provided by the Government within that timeframe. The 2018 Public Sector Strike also generally affected production in the trade, transport, hotel and tourism sectors, which as of March 2019 negatively impacted the GDP by 0.4% and also generated an increased risk perception in Costa Rica.

The agricultural sector grew by 2.0%, compared to 3.7% in 2017. This represents lower growth in 2018 than in 2017, but related to the fact that real GDP growth was also lower in 2018 than 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.

Year 2017

In 2017, Costa Rica's annual real GDP grew by 3.4%, compared to 4.2% in 2016. Reduced growth was mainly attributable to a moderate domestic demand, especially due to a contraction in private investment, rising interest rates and expectations of exchange rate volatility. In addition, in the second semester of 2017, Costa Rica experienced excess rain and was struck by tropical storm Nate, which caused losses in the agriculture sector, infrastructure destruction and construction delays. The sectors that contributed the most to real GDP growth were education, healthcare, and social services, which accounted for 14.8% of the real GDP growth, manufacturing, which accounted for 11.7% and professional, scientific, technical, administrative and support services which accounted for 11.6%.

In 2017, commercial activity showed a growth of 3.0%, which highlighted the greater commercialization of household electrical appliances, food and milling products and bread. This increase in sales was mainly due to the diversification of products and marketing strategies. However, commercial activity slowed its growth by 1.2 percentage points compared with 2016, mainly due to the reduction in the sale of vehicles. Real estate activity grew by 1.7% in 2017, compared to the 0.7% growth recorded in 2016.

The financial and insurance services sector grew by 7.6%, compared to 14.9% in 2016. The decline in growth was mainly due to the contraction of bank credit, as well as the reduced activity in ancillary insurance services, pension administration, credit cards and currency exchange. Other factors that impacted this sector were the increase in the basic passive rate, uncertainty generated by the increase in the U.S. dollar exchange rate.

The information and telecommunication services sector grew by 6.7% in 2017, compared to 5.0% in 2016 due to increased demand for wireless telephone and Internet services.

The professional, scientific, technical, administrative and support services sector grew by 5.6% in 2017, compared to 6.2% in 2016, mainly due to the higher demand for financial management consulting services, human resources, marketing, advertising and market research services.

The agricultural sector grew by 3.7% in 2017, compared to 5.2% in 2016. The growth was caused by increased sales to external markets, as well as a recovery in palm oil production.

The education, healthcare and social services sector grew by 3.0% in 2017, compared to 3.1% in 2016 as a result of the hiring of medical professionals and private school professors.

The manufacturing sector grew by 3.3% in 2017, compared to 4.5% in 2016, mainly due to the increased production of companies located in the FTZ.

The construction sector declined by 2.1% in 2017, compared to a contraction of 3.4% in 2016 due to private construction reductions. In addition, in 2017 real estate activity grew 1.7%.

Year 2016

In 2016, Costa Rica's annual real GDP grew by 4.2%, compared to 3.6% in 2015. Growth was mainly due to increased demand for services (including financial services), manufacturing and commercial activity. The sectors that contributed the most to real GDP growth were education, healthcare and social services which accounted for 14.6% of the real GDP growth, manufacturing, which accounted for 11.4% and professional, technical, administrative and support services which accounted for 11.4%.

The education, healthcare and social services sector grew by 3.1% in 2016 compared with the 2.2% in 2015. The Ministry of Education and the CCSS provided more education, healthcare and social services in 2016 due to Government funding provided to universities and social security.

The manufacturing industry registered a 4.5% growth associated with the positive performance of companies under the special export regimes which faced greater international demand for products such as: therapeutic and prophylactic medications, as well as medical and dental devices, including electrical diagnostic devices used in medicine, surgery, dentistry and veterinary.

Information and communications services grew by 5.0% in 2016, compared with the 11.1% growth recorded in 2015. The growth was due to the increased demand for wireless telephone and Internet services coupled with the favorable evolution of information, programming and computer consulting services, as well as software development for domestic and international clients.

The financial and insurance services sector grew by 14.9% in 2016, compared to 8.4% in 2015, primarily due to increased demand for credit (for consumption, housing and services) and deposits and by the increase of credit card and currency exchange fees.

The professional, scientific, technical, administrative and support services sector grew by 6.2% in 2016, compared to 9.9% in 2015, mainly due to the higher demand for administrative and business support activities, financial management consulting, human resources, marketing and advertising services.

The agricultural sector grew by 5.2% in 2016, compared to a 2.7% contraction in 2015, mainly due to the improvement of weather conditions and a greater supply of agricultural products such as bananas and pineapples, which allowed for greater sales to international markets.

The wholesale and retail sector grew by 4.2% in 2016, compared to 4.1% in 2015, mainly due to the increase in sales of automobiles, food products, electronics and household appliances and textiles.

The construction sector contracted by 3.4% in 2016, compared to 9.4% growth in 2015, due to a decrease in private building works, especially commercial and residential projects. Additionally, public construction also decreased as a result of the completion of the Reventazón hydroelectric plant in 2016. In 2016 real estate activity grew by 0.7%.

Year 2015

In 2015, Costa Rica's annual real GDP grew by 3.6%, compared to 3.5% in 2014 as a result of the momentum caused by increased domestic demand in the services industry. The sectors that contributed the most to real GDP growth in 2015 were education, healthcare and social services, which accounted for 14.6% of real GDP growth, manufacturing, which accounted for 11.4%, professional, scientific, technical, administrative and support service which accounted for 11.3% and wholesale, retail trade and vehicle repairs, which accounted for 9.5%.

The wholesale and retail trade grew by 4.1% in 2015, compared with 3.6% in 2014, mainly due to higher vehicle, food, iron, machinery and plastic product sales.

The education, healthcare and social services sector grew by 2.2% in 2015, mainly due to the increased consumption of private education and health services.

The construction sector grew by 9.4% in 2015, compared to 2.1% in 2014, mainly due to the expansion of commercial and industrial activities caused by the start of construction works at the container terminal located in Moín Port and the execution of electricity generation and road infrastructure projects. In addition, the completion of several private office and commercial buildings also contributed to the growth of this sector in 2015.

The manufacturing sector contracted by 5.1% in 2015, compared to a growth of 0.8% in 2014, mainly due to the replacement of the human workforce with high-tech manufacturing equipment beginning in 2014. This contraction of the manufacturing sector was partially offset by increased production by companies located in the FTZ and those involved in the construction industry. In addition, in 2015 real estate activity grew 1.2%.

The agricultural sector contracted by 2.7% in 2015, compared to a growth of 1.5% in 2014 as a result of the impact of the *El Niño* phenomenon on pineapple and banana farming and a decreased production of flowers and foliage.

Gross Domestic Product

Costa Rica's real GDP grew at an average annual rate of 3.5% between 2015 and 2018.

The following table sets forth real GDP by expenditure for the periods indicated in millions of chained colones and U.S. dollars. Chained colones refers to a metric used by the Central Bank that measures production taking into consideration production volumes tied to 2012 values.

Real GDP by Expenditure

Chained volume at previous year prices, reference 2012, in colones and U.S. dollars

	For the Year Ended December 31,								For the Six Months Ended June 30,	
	2015		2016		2017		2018		2019	
	(In millions of		(In millions of		(In millions of		(In millions of		(In millions of	
	Colones	*U.S.$)*	*Colones*	*U.S.$)*	*Colones*	*U.S.$)*	*Colones*	*U.S.$)*	*Colones*	*U.S.$)*
Gross Domestic Product	25,640,496	47,962	26,729,189	49,068	27,637,228	48,699	28,365,189	49,162	14,427,447	24,160
Consumption	21,700,261	40,594	22,485,562	41,278	23,127,140	40,754	23,504,014	40,737	11,967,677	20,041
Private Consumption	17,363,659	32,482	18,051,306	33,138	18,554,932	32,695	18,915,827	32,785	9,589,947	16,059
Government Consumption	4,340,194	8,119	4,442,195	8,155	4,579,432	7,974	4,600,625	7,974	2,377,730	3,982
Gross investment	5,101,498	9,543	5,346,591	9,815	5,180,546	9,267	5,346,603	9,267	2,575,715	4,313
Goods and Services Exports	8,365,827	15,650	9,153,265	16,803	9,606,461	17,349	10,009,928	17,349	5,330,656	8,927
Goods and Services Imports	9,384,524	17,555	10,223,353	18,767	10,548,033	18,003	10,555,117	18,294	5,302,075	8,879

Source: Central Bank of Costa Rica.

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

GDP by Expenditure

As a percentage of total real GDP

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
	(% of total GDP)				
Consumption	82.4	81.4	81.1	80.5	80.3
Private Consumption	65.0	64.2	63.8	63.5	63.0
Government Consumption	17.5	17.2	17.3	17.0	17.3
Gross investment	18.6	18.2	17.2	17.6	17.2
Goods and Services Exports	30.8	32.1	33.1	33.7	35.0
Goods and Services Imports	31.7	31.8	33.0	33.2	33.0

Source: Central Bank of Costa Rica.
Note: Forecast 2019 used in the Macroeconomic Program Review 2019-2020.

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

Real GDP by Expenditure

Percentage change from previous year

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
	(% change from previous year, at chain linked volume)				
Gross Domestic Product	3.6%	4.2%	3.4%	2.6%	1.4%
Consumption	4.1%	3.6%	2.9%	1.6%	1.6%
Private Consumption	4.6%	4.0%	2.8%	1.9%	1.6%
Government Consumption	2.4%	2.4%	3.1%	0.5%	1.6%
Gross investment	3.0%	4.8%	(3.1%)	3.2%	(4.3%)
Goods and Services Exports	2.6%	9.4%	5.0%	4.2%	2.7%
Goods and Services Imports	4.5%	8.9%	3.2%	0.1%	0.7%

Source: Central Bank of Costa Rica.

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

Per Capita GDP and Per Capita Disposable Income

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
	(in U.S. dollars, at current prices)				
Per capita GDP	U.S.$11,335.5	U.S.$11,687.8	U.S.$11,758.4	U.S.$12,017.8	U.S.$5,983.3
Per capita disposable income[(1)]	10,835.8	11,180.4	11,159.5	11,355.3	n/a

Source: Central Bank of Costa Rica.
(1) Disposable income measures resources available to residents of a country. It is calculated by deducting the amount of consumption of fixed capital and adding the net factor income from the rest of the world to GDP. Net factor income is the difference between payments from the foreign sector to residents of a country and payments to foreigners employed to provide domestic goods or services.

According to the World Bank, foreign direct investment in Costa Rica in 2018 was 4.5% of GDP, among the highest in Latin America, as compared to the regional average of 3.8% of GDP. From 2015 to 2018, compound annual foreign direct investment contracted by 7%. This decline is mainly due to decreased investment activities such as construction, financial and insurance activities, professional, scientific, technical, administrative and support services.

In 2018, foreign direct investment totaled approximately U.S.$2.2 billion (3.7% of GDP), a 18.4% decrease from U.S.$2.7 billion recorded in 2017, primarily as a result of a 95.4% decrease in hospitality and food services from U.S.$443.6 million in 2017 to U.S.$20.6 million in 2018. According to COMEX, the decline in investment flows in 2018 was a result of a challenging international environment of deceleration in global flows and growing competition.

In 2017, foreign direct investment reached U.S.$2.7 billion (4.7% of GDP), a 24.4% increase from U.S.$2.2 billion (3.9% of GDP) in 2016, primarily as a result of an important recovery of the manufacturing sector which increased from U.S.$953.4 million in 2016 to U.S.$1.3 billion in 2017, and the hospitality and food services sector, which grew from U.S.$87.2 million in 2016 to U.S.$443.6 million in 2017.

In 2016, foreign direct investment reached U.S.$2.2 billion, a 19.9% decrease from U.S.$2.7 billion (5.0% of GDP) recorded in 2015, mainly due to low commodity prices and its impact on investment targeting natural resources, reducing foreign direct investment in the agriculture, forestry and fishing sector from U.S.$402.7 million in 2015 to U.S.$ 54.0 million in 2016, as well as the contraction of various economies worldwide.

In 2015, foreign direct investment reached U.S.$2.7 billion (5.0% of GDP), a 6.0% decrease from U.S.$2.9 billion in 2014 (5.8% of 2014 GDP), partially due to the impact of the closure of computer-chip maker Intel's manufacturing and test operation plant located in the city of Heredia, Costa Rica.

The real GDP growth projection for the end of 2019 is currently set at 2.2% according to the Central Bank. This growth is expected as a result of the policies put in place to reduce the fiscal deficit and access to multilateral external financing and the capital markets. These factors are expected to decrease interest rates and reduce financing needs. In addition, the expected acceleration in the development of road infrastructure projects is also expected to contribute to the growth in public investment.

The Central Bank 2019 Projections were last reviewed in July 2019 with the adjustment of Costa Rica's projected economic growth to 2.2% for 2019 and 2.6% growth for 2020. These projections are 1.1% down compared to the early 2019 projections made by the Central Bank. 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."

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

Gross Foreign Direct Investment, by activity

	2015	2016	2017	2018
	(millions of U.S. dollars)			
Total Direct Investment in the reporting economy	2,751.9	2,203.9	2,742.2	2,236.5
Agriculture, forestry and fishing	402.7	54.0	1.5	66.4
Mining	N/A	55.6	(2.7)	23.4
Manufacturing	622.2	953.4	1,279.8	1,142.1
Electricity and water	18.0	216.5	30.1	5.7
Construction	317.9	269.0	81.0	90.6
Wholesale and retail trade	149.7	82.8	138.8	76.5
Transportation and storage	1.0	6.7	1.7	(23.7)
Accommodation and food services	53.3	87.2	443.6	20.6
Information and communications	186.0	106.2	145.7	345.2
Financial and insurance activities	311.6	112.8	162.1	146.1
Real estate	449.0	302.7	250.5	269.8
Professional, scientific, technical, administrative and support services	239.4	(35.5)	197.4	66.8
Public administration and compulsory social security	N/A	N/A	N/A	N/A
Education, health and social services	N/A	(10.5)	19.1	2.1
Other activities	1.1	3.1	(6.4)	5.0

Source: Central Bank of Costa Rica.

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

	2015	2016	2017	2018
		(as percentage of GDP)		
Nicaragua	7.4%	6.8%	5.6%	2.7%
Honduras	6.3%	5.3%	5.5%	5.7%
Costa Rica	5.4%	4.6%	4.9%	4.5%
Colombia	4.0%	4.9%	4.4%	3.3%
Brazil	3.3%	4.1%	3.4%	4.7%
Guatemala	1.8%	1.7%	1.3%	1.3%
Mexico	3.2%	3.3%	2.7%	3.0%
Venezuela, R	-	-	-	-
El Salvador	2.1%	2.0%	2.0%	1.6%
Argentina	2.0%	0.6%	1.8%	2.3%
Chile	8.6%	4.8%	2.1%	2.0%
Dominican R	3.2%	3.5%	4.7%	3.4%
Panama	9.5%	9.6%	7.7%	10.1%
Peru	4.4%	3.6%	3.2%	-
Uruguay	4.6%	(0.9)%	4.6%	4.1%

Source: World Bank.

Principal Sectors of the Economy

In recent years, Costa Rica has experienced a process of economic transformation by replacing its previous reliance on trade and manufacturing for 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.

According to the Central Bank, the following sectors contributed most to Costa Rica's GDP as of June 30, 2019: (i) education, healthcare and social services (15.1% of GDP); (ii) professional, scientific, technical, administrative and support services (11.9% of GDP); (iii) manufacturing (11.6% of GDP); (iv) wholesale and retail trade and vehicle repairs (9.1% of GDP); and (v) real estate (8.1% of GDP).

In 2018, the principal sectors of the Costa Rican economy were: manufacturing; other business services; information and telecommunications services; and construction. In 2017, the fastest growing sectors of the Costa Rican economy were: other business services and manufacturing. From 2015 to 2018, compound annual growth rates of the largest sectors of the Costa Rican economy were as follows: the financial and insurance services sector grew by 9.2%; the professional, scientific, technical, administrative and support services sector grew by 5.3%; the agriculture, forestry and fishing sector grew by 3.6%; the manufacturing sector grew by 3.4%; the wholesale and retail sector grew by 2.9%; the education, healthcare and social services sector grew by 2.1%; the real estate sector grew by 1.6%; and the construction sector grew by 0.8%. The drivers of these increases were: (i) the development of wireless telephone services and the Internet which stimulated activities related to information and telecommunications; (ii) the growth of companies that supported businesses, human resource management, marketing and advertising, which in turn increased the demand for professional and technical professionals, for bank loans, housing services and for bank deposits; and (iii) a higher purchase power by the private sector which had an impact on the purchase of cars, home appliances and textiles.

In 2018, education, healthcare and social services was the largest sector of the economy, accounting for approximately 14.6% of real GDP. In 2018, manufacturing, the second largest sector of the economy, accounted for approximately 11.9% of real GDP. The professional, scientific, technical, administrative and support services sector, Costa Rica's third largest sector, accounted for approximately 11.8% of real GDP. The wholesale and retail commerce sector, the fourth largest sector, accounted for 9.3% of real GDP.

From October 2010 to October 2018, the amount of credit cards in the country increased by 125%, representing a total of 2,984,769 credit cards in circulation by October 2018, out of which 1,976,522 were primary cardholders and 1,008,247 are additional cardholders. The lowest compound credit card annual growth (4.3%) between 2010 and 2018 was recorded in October 2011. Since October 2011, the number of issued credit cards has grown steadily up to a peak compound annual growth of 13.5% in October 2018. As of July 31, 2019 there were 2,904,537 active credit cards, which represents a 3.2% increase from the number of active credit cards as of the same period in 2018 (3,000,232 active credit cards).

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

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	**2016**	**2017**	**2018**	**2019**
	(in millions of chained colones, at constant 2012 prices)				
Taxes on products and imports (net of subsidies)	2,188,638.51	2,332,409.61	2,394,269.53	2,404,311.98	1,195,264.11
Agriculture, forestry and fishing	1,249,991.14	1,315,093.67	1,364,163.80	1,391,454.14	708,943.60
Mining and quarrying	78,743.84	81,801.88	77,495.86	81,329.00	38,419.18
Manufacturing	3,022,341.96	3,158,779.74	3,263,655.86	3,345,587.71	1,715,132.37
Electricity, water supply, waste management and remediation activities	642,376.77	676,700.25	700,414.95	700,970.70	359,785.87
Construction	1,265,768.42	1,223,205.81	1,197,509.08	1,296,244.52	598,028.00
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,504,124.72	2,609,494.15	2,686,517.78	2,725,658.78	1,344,191.38
Transportation and storage	1,005,841.88	1,029,059.39	1,067,912.56	1,095,927.89	559,569.09
Accommodation and food service activities	789,189.71	819,895.27	828,469.12	857,215.91	454,561.59
Information and communication	1,054,734.42	1,107,474.99	1,181,556.87	1,258,966.42	660,498.69
Financial and insurance activities	1,387,275.30	1,593,588.12	1,714,335.39	1,808,807.52	920,358.80
Real estate activities	2,129,704.93	2,145,033.59	2,181,840.78	2,234,065.75	1,139,452.10
Professional, scientific technical, administrative and support service activities	2,932,012.27	3,113,335.59	3,287,046.37	3,425,894.92	1,745,984.19
Public administration and compulsory social security	1,062,289.70	1,073,018.76	1,094,227.24	1,109,428.59	558,178.15
Education, healthcare and social services	3,551,659.65	3,662,961.25	3,772,415.81	3,785,487.31	1,987,202.93
Other service activities	753,203.17	794,393.84	846,149.11	880,074.79	448,538.94
Total	**25,640,496.19**	**26,729,189.07**	**27,637,228.19**	**28,365,188.62**	**14,427,447.47**

Source: Central Bank of Costa Rica.
Note: Forecast 2019 used in the Macroeconomic Program Review 2019-2020.

GDP by Industry

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	**2016**	**2017**	**2018**	**2019**
	(as a percentage of total GDP, at current prices)				
Taxes on products and imports (net of subsidies)	8.2%	8.2%	7.9%	7.6%	7.5%
Agriculture, hunting, forestry and fishing	5.0%	5.1%	5.0%	4.6%	4.4%
Mining	0.3%	0.3%	0.3%	0.3%	0.3%
Manufacturing	11.4%	11.4%	11.7%	11.9%	11.6%
Electricity and water	2.8%	2.9%	2.7%	2.8%	2.8%
Construction	4.9%	4.6%	4.3%	4.5%	4.1%

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
Wholesale and retail trade	9.5%	9.1%	9.2%	9.3%	9.1%
Transportation and storage	4.4%	4.4%	4.4%	4.4%	4.4%
Accommodation and food service activities	3.0%	3.2%	3.2%	3.2%	3.5%
Information and communication	4.2%	4.2%	4.3%	4.4%	4.6%
Financial and insurance activities	4.6%	4.8%	4.9%	5.1%	5.1%
Real estate activities	8.3%	8.2%	8.1%	8.1%	8.1%
Professional, scientific technical, administrative and support service activities	11.3%	11.4%	11.6%	11.8%	11.9%
Public administration and compulsory social security	4.5%	4.4%	4.4%	4.3%	4.2%
Education, healthcare and social services	14.6%	14.6%	14.8%	14.6%	15.1%
Other service activities	3.1%	3.1%	3.2%	3.2%	3.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Central Bank of Costa Rica.

GDP by Industry

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
	(percentage change from previous year, at chain linked volume)				
Taxes on products and imports (net of subsidies)	4.6%	6.6%	2.7%	0.4%	(0.2)%
Agriculture, forestry and fishing	(2.7)%	5.2%	3.7%	2.0%	(3.4)%
Mining	7.7%	3.9%	(5.3)%	4.9%	(6.1)%
Manufacturing	(5.1)%	4.5%	3.3%	2.5%	1.7%
Electricity and water	11.0%	5.3%	3.5%	0.1%	1.7%
Construction	9.4%	(3.4)%	(2.1)%	8.2%	(7.5)%
Wholesale and retail trade	4.1%	4.2%	3.0%	1.5%	(0.6)%
Transportation and storage	5.2%	2.3%	3.8%	2.6%	2.3%
Accommodation and food service activities	5.3%	3.9%	1.0%	3.5%	2.0%
Information and communication	11.1%	5.0%	6.7%	6.6%	5.5%
Financial and insurance activities	8.4%	14.9%	7.6%	5.5%	4.6%
Real estate activities	1.2%	0.7%	1.7%	2.4%	2.9%
Professional, scientific technical, administrative and support service activities	9.9%	6.2%	5.6%	4.2%	3.5%
Public administration and compulsory social security	0.3%	1.0%	2.0%	1.4%	0.2%
Education, healthcare and social services	2.2%	3.1%	3.0%	0.3%	2.6%
Other service activities	3.8%	5.5%	6.5%	4.0%	2.7%
Total	**3.6%**	**4.2%**	**3.4%**	**2.6%**	**1.4%**

Source: Central Bank of Costa Rica.

The construction sector grew by 8.2% in 2018 compared to negative 2.1% in 2017. This was mainly driven by economic uncertainty in 2017, including uncertainty with respect to the potential provisions of the Public Finance Strengthening Law, the outlook for which improved in 2018.

Education, health and social services

The education, healthcare and social services sector accounted for 15.1% of GDP as of June 30, 2019.

Between 2015 and 2018, the education sector accomplished important achievements, such as strengthening of preschool education with the implementation of a preschool education curriculum and the increase in the teaching of foreign languages such as English, Portuguese and Mandarin.

In August 2018, the Government announced the opening of the Alliance for Bilingualism and called on all sectors of the economy to contribute to significantly increasing the coverage of the teaching of English as a second language in Costa Rica. For more information on the Alliance for Bilingualism, see "Republic of Costa Rica–2018 Presidential Elections."

In 2018, public education services declined due to the effect of the 2018 Public Sector Strike. This also affected production in the trade, transport, hotel and tourism sectors in general, reaching a negative impact estimated at 0.4% of GDP, which also increased the risk perception in Costa Rica.

In 2017, the education, healthcare and social services sector grew by 3.0%, mainly due to the hiring of medical professionals by the Costa Rican social security fund and the increased hiring of teachers by the private sector.

In 2016, the education, healthcare and social services sector grew by 3.1%, mainly due to the recruitment of new positions in the Ministry of Education, as well as the addition of more professionals in medical sciences.

Manufacturing

As of June 30, 2019, the manufacturing sector grew by 1.7% compared to June 2018 primarily as a result of increased external demand for medical devices which accounted for 12% of the manufacturing production as of June 2019.

In May 2019, the American medical devices company, Thermo Fisher Scientific opened a new 15,000 square feet distribution center in the Coyol Free Zone (*Zona Franca Coyol*) at Alajuela. This is Thermo Fisher Scientific's third distribution center in Costa Rica. In the six months ended June 30, 2019, medical devices were one of Costa Rica's main exports. Costa Rica hosts more than 70 companies in the life sciences sector. Thermo Fisher Scientific is part of that medical devices manufacturing sector, which at the end of 2018 registered a total of 24,600 jobs in the country.

In 2018, the manufacturing sector was the second largest sector in Costa Rica's economy, representing 11.9% of real GDP. In 2018, this sector grew by 2.5%, mainly attributed to the increased activity of companies operating under the FTZ regime during the first semester. The increased production destined to the external market, in particular medical devices, compensated for the decline in production of companies that are not under the special export regime.

Costa Rica has established a special export regime to boost the country's exports and to attract foreign companies. Costa Rica's special export regime considers the operation of companies by foreign or domestic investors (i) within a FTZ; or (ii) under the AFR.

The FTZ 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, as well as other goods required for a company's business operations. Companies operating within the FTZ must comply with the provisions of the November 23, 1990 Free Trade Zones Regime Law No. 7,210 (*Ley de Régimen de Zonas Francas*).

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. 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) must pay the relevant import duties.

During 2017, the manufacturing sector grew by 3.3%, mainly due to the production of companies subject to special trade regimes most prominently the production of medical devices (such as catheters, transfusion equipment, implants of breasts, eye prostheses and syringes), food such as palm oil, fruit concentrate, and juices.

During 2015, 2016, 2017 and 2018 the real estate sector grew, with respect to the previous year by 1.2%, 0.7%, 1.7% and 2.4%, respectively. The lower rate of growth in 2016 was due to consumer and investor uncertainty regarding the country's economy due to the discussions in connection with the Public Finance Strengthening Law, which led to a lower demand for loans, which in turn impacted long term indebtedness. The same factors also affected the low growth recorded between 2017 and 2018.

Between 2015 and 2018, 93 companies began operations under the FTZ regime. During this same period, exports from the FTZ accounted for, on average, 46.5% of total exports. The value of exports from the FTZ increased by 11.9% in 2018, compared to 2017, mainly due to increased demand for medical devices. The value of exports from the FTZ increased by 8.4% in 2017, compared to 2016, mainly due to the seven new investment projects in the country, among them the Edwards Lifesciences company, located at the Cartago FTZ. The value of exports from the FTZ increased by 13.5% in 2016, compared to 2015, mainly due to increased sales of precision and medical devices. In 2015, the value of exports from the FTZ decreased by 13.5%, compared to 2014, due to the impact of computer-chip maker Intel closing its manufacturing and test operation plant located in the city of Heredia, Costa Rica.

Transportation and Telecommunications

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. The transportation sector grew 2.26% from June 2018 to June 2019, which is 0.34 percentage points less than the 2.6% growth recorded as of December 31, 2018. The decrease is attributable primarily to the Nicaraguan crises which affected Costa Rican exports and had a significant adverse effect on the economy's growth.

In 2018, the transportation sector grew at a rate of 2.6%, 1.2% lower than in 2017, primarily as a result of the 2018 Public Sector Strike.

In 2017, the transportation sector grew at a rate of 3.8%, 1.5% higher than in 2016, which is partially explained by the evolution of services linked to foreign trade such as mobilization of goods and complementary storage services and public transport by road, including buses and taxis. The increase in goods handled by the Moín port on the Caribbean Sea was also a factor that impacted on the transportation sector's growth.

In 2016, the transportation sector grew at a rate of 2.3%, 2.9% lower than 2015, which is partially explained by a decrease in activities related to public road transport (buses, taxis and freight service), aviation (inbound tourism) and ports (handling of foreign trade products).

In 2015, the transportation sector grew 5.2%, 1.3 percentage points more than 2014. This growth is due to an increased in road transport activities related to inbound tourism (aviation, rental cars and travel agencies) and those linked to foreign trade (docks).

In 2018, the telecommunications sector received 809 billion colones in aggregate revenue, and accounted for 2.3% of GDP, a 0.3%, increase as compared to 807 billion colones, which accounted for 2.5% of GDP in 2017. The increase in revenues is mainly due to the greater demand for wireless and Internet telephone services, which was offset however, in general terms by a slight decrease in the fixed telephone and text message services.

In 2017, the telecommunications sector grew 6.7%, a 1.7% increase from 5.0% in 2016, mainly as a result of the decision to open the sector to private investment, which resulted in increased demand for wireless telephone and Internet services.

In 2016, revenues in the telecommunications sector amounted to ¢775 billion, a 3% increase compared with the ¢752 billion revenue recorded in 2015.

Growth in the telecommunications sector is mainly attributable to greater demand for Internet and wireless telephone services. Between 2014 and 2018, the number of mobile internet subscribers increased by 29.79% to 4.8 million in 2018 from 3.7 million in 2014. Similarly, fixed internet subscribers increased by 63.20% to 834,000 subscribers in 2018 from 515,000 in 2014. These growth figures are driven by the demand for internet in homes.

The telecommunications sector.

As of December 31, 2018, 152 telecommunications carriers were registered with the Costa Rican Telecommunications Superintendence (*Superintendencia de Telecomunicaciones)* ("SUTEL"), the telecommunications regulator in Costa Rica. In 2018 there was an increase of nine operators and suppliers as compared to 2017. From 2014 to 2018 there was an increase of 30 companies engaged in the provision and sale of telecommunications services.

In 2018, the Government presented the 2018-2022 Digital Transformation Strategy (the "DTS"), a digital technology action plan that aims to accelerate productivity, competitiveness and socio-economic development by taking advantage of the fourth industrial revolution and knowledge societies. The DTS includes short, medium and long term vision and strategic actions to be implemented over the medium to longer term in Costa Rica to achieve a transformation into a digitally inclusive, technologically-connected and innovative country. The DTS seeks to improve the way that the Government plans, acquires and delivers digital services to citizens and businesses.

The DTS applies new tools, such as 5G connectivity, the Internet of things, cloud computing, artificial intelligence, data mining, blockchain, large volumes of data, 3D printing, data analytics, machine learning, sensors and actuators, and geographic information systems, among others in strategic sectors, such as education, health, social development, security, economy and commerce, innovation, transportation and digital government.

Fixed telephone services. The national fixed telephone network controlled, owned and operated exclusively by ICE 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 fixed telephone network decreased from approximately 881,000 fixed lines as of December 31, 2014 to approximately 774,000 fixed lines as of December 31, 2018.

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

Fixed Telephone Service

	2015	2016	2017	2018
Fixed telephone lines in service	859,857	838,346	814,910	774,303
Fixed telephone lines in service per 100 inhabitants	18	17	17	15
Number of public telephones	5,726	4,731	4,674	4,581

Source: SUTEL.

Wireless telephone services. Until November 2011, ICE was the sole wireless telephone service provider in Costa Rica. ICE's wireless telephone services have been active since April 1994. In 2010, the ICE wireless telephone network had an installed capacity of 1.5 million lines. Since November 2011, ICE lost its monopoly over wireless telephone services after the market opened to private operators such as Claro and Movistar. As of 2018, ICE still controls the largest number of wireless telephone subscriptions with a 53.6% market share.

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, 2018, there were a total of 8.5 million wireless telephone subscribers. This represents a wireless telephone density of 170 subscribers per 100 inhabitants.

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

Wireless Telephone Revenues

Year	Wireless Telephone Subscribers	Wireless Telephone Subscribers	Wireless Telephone Revenue
		(per 100 inhabitants)	*(in millions of colones)*
2015	7,535,599	156	358,377
2016	8,330,664	170	347,713
2017	8,840,342	179	347,492
2018	8,495,585	170	333,466

Source: SUTEL.

The transportation sector.

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. See "The Costa Rican Economy–Government Participation in the Economy; Deregulation and Concessions" for a description of certain airport concessions.

Costa Rica has witnessed an increased arrival of new airlines, reaching a total of 28 international commercial airlines and four cargo airlines at all airports in 2019. The Daniel Oduber Quirós International Airport has increased the number of new airlines it receives from 13 in 2015 to 19 airlines in 2019, with a total of 23 destinations.

In 2018, a state-of-the-art cargo center (*Centro de Carga*) was opened in the 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 whole Central America region.

Since airport concessions entered into operation in Costa Rica in 1999, the influx of passengers has increased at a compound growth rate of about 10% more passengers per year.

Roads. In 2019, the following road projects were launched: (i) construction of the U.S.$22.4 million Route 32 three-lane bridge over the Virilla River; and (ii) construction of a U.S.$17.6 million, 0.54 mile overpass freeway at the Garantías Sociales roundabout.

The Route 32 project operates as a cantonal boundary between Santo Domingo de la Provincia de Heredia and the Canton of Tibás. Work is expected to be completed by September 2020. This project is an important step to improve the slow traffic experienced from the town of Tibás to Guápiles. The CABEI has been the project's main source of financing. In 2019, 61 road works are expected to be carried out in all the cantons of the country, out of the 180 road works that make up the second phase of the IDB-Cantonal Program, which represents an investment of U.S.$144 million (including municipal staff training and reinforcement of staff proficiency).

As of May 2019, Costa Rica's national road network was composed of 4,952.9 miles of roads, out of which 67% are paved. As of May 2019, the Republic recorded 22,811.8 miles of cantonal road networks, out of which 19% are paved. The rest of the system in both national and cantonal road network is covered with ballast.

Port facilities. The Costa Rican Institute of Pacific Ports (*Instituto Costarricense de Puertos del Pacífico*) ("INCOP") manages the Caldera and Puntarenas Ports. 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.

During the 2017-2018 season, Costa Rican ports received 228 cruise ships.

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, 7 days a week, 365 days a year.

The Moín Container Terminal was being developed and is maintained pursuant to a concession agreement entered into on February 13, 2012, which went into operation in February of 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 by removing 1,186 employees from the payroll and limiting benefits and salary incentives.

See "The Costa Rican Economy–Government Participation in the Economy; Deregulation and Concessions" for a description of certain port concessions.

Rail facilities. The railway system opened 150 years ago and 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: (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.

Since 2009, the Government has been working to overhaul certain sections of the railway system connecting the largest metropolitan areas of the country to unite the four provinces of the Central Valley by rail. The current Government administration is committed to modernizing the greater San José metropolitan area rail passenger transport system. As a result, one of the largest public infrastructure projects in the pipeline is the design, financing, construction and operation of a high speed passenger electric rail system. The project entails the construction and operation of a safe, efficient and clean electric train that will connect San José with the cities between the main cities of Cartago to the south and Heredia and Alajuela to the north. The project will also reduce users' travel times and alleviate road congestion. In 2018, CABEI donated U.S.$1,000,000 and has been providing technical support to develop the project's feasibility report. According to INCOFER, this project will require an investment of approximately U.S.$1.3 billion and it is currently under a feasibility review. The project is expected to be developed under the Public Private Partnership regime, where a private sector contractor will be responsible for the project's design, construction, operation and maintenance. CABEI has committed to support the Government in this project with the funds required to develop it.

Wholesale and Retail Commerce

On July 24, 2019, the Government announced the completion and start of operations of the first portion of the Chorotega Regional Wholesale Market (*Mercado Regional Mayorista de la Región Chorotega*) which is intended to establish a wholesale market in the province of Guanacaste for the sale of vegetables, fruits and other agricultural goods. The project is ongoing and is expected to require a total investment of approximately U.S.$52 million, of which U.S.$48 million is financed by CABEI and the remaining U.S.$4.5 million is funded by the Government.

In 2018, the wholesale and retail commerce sector was the fourth largest sector of Costa Rica's economy. In that year this sector grew by 1.5%, compared to 3.0% in 2017. The decline in growth in this sector from 2017 to 2018 is mainly due to lower electrical appliances and vehicle sales. This was due to the increase in interest rates and exchange rate of the U.S. dollar, particularly given that most vehicle sales are priced in U.S. dollars. Moreover, the uncertainty caused by the 2018 Election and the discussions regarding the Public Finance Strengthening Law also contributed to the decline.

During 2017, commercial activity grew by 3.0%, due to the increased sale of electronic household appliances, food and milling products and bread. This was stimulated by product diversification and market strategies developed in that year. Commercial activity in 2017 was less than that recorded in 2016 (4.2%) mainly due to the decline in the sale of vehicles.

The 4.2% growth in 2016 was due to an increase in private consumption, which was, in turn, caused by a marked increase in marketing activities along with favorable conditions for financing and access to U.S. dollar funding to purchase cars, food, electronics, household appliances and textiles. In addition, several new businesses opened in 2016.

During 2015, the sector grew by 4.1%, mainly due to the increase sales of vehicles, various food products, iron and machinery, in addition to the marketing of processed plastics.

Hotels and Restaurants

Costa Rica's hotel and restaurants services sector, which captures a substantial share of Costa Rica's gross tourism revenue, grew by 3.5% in 2018. This growth was mainly due to the Government's commitment to the tourism sector in recent years. For example, on August 21, 2018 the Government announced the launch of ICT's Comprehensive Tourist Destinations Management Program (*Gestión Integral de Destinos Turísticos*), a public private partnership to promote sustainable development and promote employment in each of the country's 32 tourist development centers.

The tourism sector remains the country's main source of foreign exchange. From 2015 to 2018 tourism was consolidated as an engine for social and economic development for the country. The ICT is the main Governmental entity responsible for the promotion and regulation of the tourism industry.

The Government has developed a number of initiatives to promote tourism over the past two decades. In 2018 there were 32 tourism marketing campaigns carried out between the ICT, airlines and wholesale agencies. In addition, the country participated in 16 international tourism fairs.

During 2018, Costa Rica hosted approximately 3.02 million foreign tourists, an increase of 1.9% compared with 2017. During 2017, Costa Rica received approximately 2.96 million foreign tourists, an increase of 1.2% compared with 2016. In 2016, Costa Rica received approximately 2.92 million foreign tourists, an increase of 9.7% compared with 2015. In 2015, Costa Rica received approximately 2.66 million foreign tourists, an increase of 5.5% compared with 2014. According to ICT's surveys, in 2018, each tourist spent an average of approximately U.S.$1,105 per visit, while in 2017, 2016 and 2015 average surveyed tourists reported they spent U.S.$1,240, U.S.$1,047 and U.S.$1,074 per visit, respectively.

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

Tourism

	(in millions of U.S.$)	*% of GDP*	*Tourists (in thousands)*
2015	U.S.$3,258.9	5.9%	2,665.6
2016	3,638.6	6.4%	2,925.1
2017	3,715.8	6.4%	2,959.9
2018	3,823.7	6.4%	3,016.7
2019(1)	n/a	n/a	2,220.6

Source: Central Bank of Costa Rica.
(1) As of August 31, 2019.

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 2018, accounting for 11.8% of real GDP. This sector grew by 4.2% in 2018, mainly due to the demand for consulting services in financial management, human resources and marketing, and business support and security services. Moreover, this growth was encouraged by the recovery of legal and accounting services.

In 2017, this sector grew an estimated 5.6%. This was mainly attributed to consultancies in financial management, human resources, marketing, advertising and market research. In addition, the evolution of companies not under the special export regime, especially those companies dedicated to advertising and market research, as well as rental and leasing activities, had a positive impact in the sector's growth in 2017. Administrative and office support services companies under the special export regime also contributed to the sector's growth.

In 2016, the sector grew by 6.2% mainly due to the increased demand for administrative and business support activities, consulting in financial management, human resources, and advertising.

In 2015, the sector grew by 9.9%, mainly driven by the call center services, software, digital animation, and legal services. Machinery leasing increased due to design and engineering growth in construction.

Agriculture, Forestry and Fishing

The agricultural, forestry and fishing sector generated approximately 4.6% of real GDP in 2018. Costa Rica's main cash crops in 2018 were bananas, pineapples, palm oil and coffee (unroasted or decaffeinated). Bananas and pineapples were the most important products among the total exports of that year, with bananas reaching 8.8% and pineapples reaching 8.4%. Other main agricultural products in Costa Rica include beef, milk and cheese.

In 2018, the agricultural, forestry and fishing industry recorded a growth of 2.0%. The increase was due to heightened external demand for pineapples, driven by the application of best practices for pest and disease control, which increased fruit productivity and quality. In addition, the sector's growth was driven also by the production of goods for domestic consumption, including beans, onions, mango and orange.

In 2017, this sector accounted for approximately 28.5% of total exports. In 2017, the agricultural, forestry and fishing sector grew by 3.7%, mainly due to the sale of products destined for the external banana and pineapple market, and by the rebound in palm oil production.

During 2016, the agricultural sector grew by 5.2%, compared to a 2.7% decline in 2015. The recovery of this sector in 2016 was due to the improved weather conditions and the increase in product supply.

In 2015, this sector decreased by 2.7%, mainly due to the effect of the *El Niño* phenomenon on agricultural production of pineapple and banana crops, as well as to the decrease in flower and foliage production.

Bananas

Historically, banana exports have been subject to fluctuating prices in the international markets. Costa Rica's banana plantations are located on the Caribbean plain and on the South Pacific coast.

According to data provided by the Promoter of Foreign Trade of Costa Rica (*Promotora de Comercio Exterior de Costa Rica*) ("PROCOMER"), a public non-state entity that is responsible for promoting Costa Rican exports, the volume of banana exports in 2018 was 2.4 million tons compared to approximately 2.5 million tons in 2017. The volume of banana exports in 2016 was 2.4 million tons, compared to approximately 2.0 million tons in 2015.

During 2018, the value of banana exports (F.O.B.) decreased by 1.7% to U.S.$1.02 billion as compared to 2017, representing 8.8% of total value of exports (F.O.B.). The negative performance shown in 2018 in banana exports was mainly due to irregular precipitation and less heat, both of which negatively impacted productivity.

In 2017, the value of banana exports (F.O.B.) increased by 4.6% to U.S.$ 1.05 billion as compared to 2016, representing 9.5% of the total value of exports (F.O.B.). This increase in banana production was the result of the promotion of plantation renovation programs and the effective care of farms.

In 2016, the value of banana exports (F.O.B.) increased by 20.0% to U.S.$1 billion as compared to 2015, representing 9.7% of the total value of exports (F.O.B.). This increase was due to better weather conditions in 2016.

In 2015, the value of banana exports (F.O.B.) decreased by 7.8% to U.S.$833.9 million, representing 8.6% of the total value of exports (F.O.B.), mainly due to the impact of the *El Niño* phenomenon on agricultural production of bananas, as well as to excess rainfall in the Caribbean and the northern area of the country.

Pineapples

According to a study carried out by the INCAE Business School in 2017, for more than two decades Costa Rica has been the number one pineapple producer and exporter in the world. There are currently 44,000 acres of pineapple plantations in the country.

In 2018, pineapple export revenues reached U.S.$985.1 million, a 4.6% increase compared to 2017, representing 8.4% of the total value of exports (F.O.B.). In 2018, pineapple exports accounted for 34.9% of the total value of exports from the agricultural sector.

During 2017, pineapple export revenues reached U.S.$941.4 million, a 7.7% increase compared to 2016, representing 8.5% of the total value of exports (F.O.B.). In 2016, pineapple export revenues reached U.S.$874.2 million, a 8.8% increase compared to 2015, representing 8.5% of total value of exports (F.O.B).

In 2015, pineapple export revenues reached U.S.$803.2 million, a 6.9% decrease compared to 2014, representing 8.3% of the total value of exports (F.O.B). The decline in growth in 2015 is mainly due to the impact of the *El Niño* phenomenon on agricultural production of pineapples.

The work of the National Chamber of Pineapple Producers and Exporters (*Cámara Nacional de Productores y Exportadores de Piña - CANEP*) ("CANEP") to stimulate pineapple exports has since its creation in 2003 has been key to achieve the number one ranking as pineapple exporter. The CANEP is also charged with supervision of the pineapple sector in the national territory to ensure compliance with national and international regulations and standards.

Financial and Insurance Services

As of May 2019, financial services grew by 4.1% due to increased use of credit and debit cards, as well as the increase in deposits and bank fees.

The financial intermediation and insurance sector grew by 5.5% in 2018, mainly due to the increase in currency exchange fees and the use of credit cards. In that year, financial and insurance activities accounted for 5.1% of real GDP.

In 2017, the financial services and insurance sector grew by 7.6% compared to 14.9% in 2016. The slowdown in growth shown in 2017 is mainly due to the increase in interest rates and the exchange rate that negatively impacted bank credit, in addition to the decrease in fees for the provision of ancillary credit card services and currency exchange.

During 2016, the financial and insurance sector grew by 14.9%, mainly due to an increase in demand for consumer and housing credit and an increase in deposits. The increase was also due to higher credit card fees and more foreign exchange transactions.

In 2015, the financial and insurance sector grew by 8.4% due to developments in fundraising and demand for credit by the private sector. The increase in revenue generated by credit card and currency exchange fees also influenced growth.

The National Insurance Institute (*Instituto Nacional de Seguros*) ("INS"), an autonomous entity of the Costa Rican Government, was established in 1924 to operate the insurance and reinsurance industry in Costa Rica. Until 2008, INS was the only insurance company authorized to operate in Costa Rica. INS offers a wide range of products and services, including life insurance, health insurance and property and casualty insurance. INS also operates the mandatory workers' compensation insurance program.

Prior to 2008, the INS's only competitor was the Educator's Life Insurance Association (*Asociación de Seguros de Vida del Magisterio Nacional*) ("ELIA"), though ELIA's operations were limited to the sale of insurance policies to teachers and other education professionals. After the opening of the insurance market in 2008, ELIA stopped offering voluntary insurance policies and currently only sells mandatory mutual policy for teachers and other professionals in the education field.

In 2010, Mapfre Seguros Costa Rica was the only non-life insurance company that operated in the Costa Rican market, and in 2011 it was transformed into a composite insurance company. During the 2011 to 2012 period, the only non-life insurance company operating in Costa Rica was Quálitas Insurance Company until Oceánica de Seguros entered the market in 2013. In 2014, Seguros Lafise became the third non-life insurer operating in Costa Rica. From 2009 to 2015, a total of 13 insurance licenses were granted by SUGESE. One of these insurance companies, Alico Costa Rica, ceased operations in 2012 and transferred its portfolio to Pan American Life Insurance Costa Rica. As of 2017, there were three non-life insurance companies operating in Costa Rica, and 10 composite insurance companies.

As of December 31, 2018, the INS had total revenues of U.S.$2.5 billion. INS invests its assets mainly in Government bonds, Central Bank and debt securities of companies listed on the National Stock Exchange (*Bolsa Nacional de Valores S.A.*) ("National Stock Exchange").

Construction

The construction sector is strategic for the development of other sectors of the economy, because it promotes manufacturing, trade and real estate activities, among others.

During 2018, the construction sector grew by 8.2% compared to the 2.1% decline in 2017, mainly due to private construction of commercial and industrial buildings.

During 2017, the construction sector declined by 2.1%, mainly due to the effect of excess rain and tropical storm Nate in the second semester of 2017, which decreased the number of applications for building permits and discouraged bank credit.

To strengthen Costa Rica's competitiveness through the modernization of infrastructure, equipment and its border system, on May 16, 2017, the Legislative Assembly approved a U.S.$100 million loan granted by the IDB to carry out the Costa Rican Border Integration Program (*Programa de Integración Fronteriza de Costa Rica*). This program seeks to ensure efficient and effective coordination of border controls through advanced technology. Pursuant to this program, border control facilities are expected to be built or rehabilitated in the cities of Peñas Blancas, Pasos Canoas, Sixaola and Las Tablillas. The Government expects to achieve a 42% completion rate by the end of 2019 and a 94% completion rate by the end of 2022.

During 2016, the construction sector declined by 3.4%, compared to the 9.4% growth achieved in 2015. The decline in the growth rate from 2015 to 2016 was due to the reduction of building projects in the private sector, especially commercial and residential projects and less development of public works.

The construction sector also plays an important role in the domestic labor market. According to the 2016 National Household Survey (*Encuesta Nacional de Hogares*) conducted by the National Institute of Statistics, an estimated 6.76% of the employed population was engaged in construction-related activities. In addition, the construction sector also controls an important segment of the national banking system's credit portfolio (including private and state banks), as depicted by the rise of housing credit from 5.7% in 1991 to 28.1% in 2017.

In 2015 the construction sector grew by 9.4%, mainly due to the construction of the container terminal at the Moín Port, as well as the development of power generation projects and road infrastructure.

Electricity and Water

According to ICE, as of December 2017 the installed capacity of the Costa Rican electricity system was 3,530 MW, of which 66% consists of hydroelectric plants; 16% of thermal plants, 6% of geothermal plants; 11% of wind power plants; 1% of biomass and 0.2% of solar energy.

On August 28, 2019, the Government announced the Water Treatment Program in Priority Zones (*Programa de Saneamiento en Zonas Prioritarias*), a project to build wastewater collection systems and treatment plants in four cities throughout Costa Rica to improve the population's access to affordable and adequate sanitation services. This project is further designed to be environmentally sustainable and improve the public health. This project is currently in progress and is estimated to require an investment of approximately U.S.$100.4 million, out of which U.S.$90.4 million is funded by a loan granted by the German KfW Bank, and the remaining U.S.$10 million is to be funded by the Government. This project is currently in the early stages of execution.

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 aims to increase the availability of water on the right bank of the Tempisque River through the construction of infrastructure that seeks 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.

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 will produce enough energy to supply an average of 137,000 households. The Las Pailas II geothermal plant is located approximately 10.6 miles northwest of the city of Liberia. This project was awarded the best project in the region at the 2019 Geothermal Congress for Latin America and the Caribbean.

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.

In 2018, the electricity and water sector grew by 0.1%, a lower growth rate than in 2017 (3.5%). The sector grew by an estimated 5.3% in 2016, and 11.0% in 2015. The compound annual growth rate for this sector between 2015 and 2018 was approximately 3.0%.

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 which have historically been controlled by the Government to private participation and supporting private sector participation in the economy generally. Since 2008, the Government has:

- opened the insurance industry to private participation;
- opened the telecommunications 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, the 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 "The Costa Rican Economy– Commercial Banking." In addition, the Government also operates some of the principal ports in the country. Nevertheless, the Republic 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 5.0% of GDP in 2018, compared to 4.4% in 2017, 3.9% in 2016 and 4.6% in 2015.

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 4.5% of Costa Rica's GDP in 2018. 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, fixed telephone line services are also offered by different cable television carriers. ICE has also introduced new telecommunications services television content over Internet Protocol - IPTV and voice 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. As of December 2018, telecommunication carrier's revenue derived mainly from Internet services, representing 44% of total income, while voice-only wireless services represented the second source of revenue. By the end of December 2018, investment in the telecommunications sector amounted to 0.5% of GDP, and the industry employed 11,804 employees, representing around 0.5% of the Republic's labor force.

Since 2011 the wireless telephone service landscape 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 30, 2019, SUTEL approved the acquisition of Telefónica de Costa Rica S.A. (commercially known as Movistar) by Millicom Spain. The pre-paid subscriptions increased from 2.8 million in 2011 to 6.2 million by the end of December 2018. Post-paid subscriptions increased from 1.2 million in 2011 to 2.2 million users in 2018.

The number of companies engaged in telecommunications also rose from 108 to 152 carriers. ICE has made efforts to maintain its dominant position over the wireless telephone market share, keeping around 53.6% of the market, followed by Movistar (26.6%) and Claro (19.2%). The remaining 0.6% of the market share is distributed among smaller carriers.

With regard to fixed telephone services, the amount of minutes consumed by users decreased form 3.4 billion minutes in 2014 to 2.3 billion minutes in 2018 (equivalent to an average annual reduction of 8.8%).

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 and an 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 for the purchase of 100% of the project's production.

As of December 31, 2018, Costa Rica held the second position in electricity generation in Central America after Guatemala, reaching 11,355 GWh, and the first position in renewable energy generation with 98.6% of Costa Rica's total energy derived from renewable sources. As of July 31, 2019, 98.5% of Costa Rica's total energy came from renewable sources.

In May 2019, ICE published its 2019-2034 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 establish energy security, limit energy importation, diversify sources of energy, promote environmental sustainability and lower service costs. ICE aims to generate around 15,645 GWh of electricity by the end of 2034.

Insurance

Until 2008, all insurance activities (insurance and reinsurance) were conducted by the INS, which had revenues representing 4.2% of GDP in 2018, 4.7% in 2017, 5.4% in 2016 and 5.8% in 2015. As a result of compliance with DR-CAFTA, the Government opened the insurance sector to competition and ended the INS's monopoly on April

2008. As a result, the number of insurance companies increased from one to 13 by the end of June 2019, and insurance premiums rose from U.S.$793.9 million in 2011 to U.S.$1.27 billion in 2018. However, as of December 31, 2018 the INS was still the dominant insurance company in Costa Rica, holding 71.8% of the market's insurance premiums, followed by ASSA Compañía de Seguros with 6.4%, Pan American Life Insurance with 5.8%, Aseguradora del Istmo (ADISA) with 3.9%, MAPFRE Seguros Costa Rica with 3.3%, Quálitas Compañía de Seguros with 1.8%, Oceánica de Seguros with 1.7%, Aseguradora Sagicor Costa Rica with 1.2%, Seguros del Magisterio with 1% and other smaller insurance companies.

Commercial Banking

Up until 2018, the Government participated in the financial services sector in competition with the private sector through three independent commercial banks: National Costa Rican Bank (*Banco Nacional de Costa Rica*), BCR and the Cartago Agricultural Credit Bank (*Banco Crédito Agrícola de Cartago*) ("BCAC"). These three banks' combined total revenue represented approximately 3.40% of GDP in 2018, 3.42% of GDP in 2017, 3.36% of GDP in 2016 and 3.34% of GDP in 2015.

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 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 only be purchased 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 Agriculturas 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. According to the law, the merger must be completed within 18 months counted from September 19, 2018.

The following table sets forth certain information with respect to the principal entities controlled by the Government and their revenues and expenditures as of December 31, 2018.

Principal State-Owned Corporations and Autonomous Institutions

		For the Year Ended December 31, 2018					
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	1,737,884	5.0%	1,669,849	4.8%	68,035	0.2%
Instituto Nacional de Seguros (INS)	Insurance	1,448,511	4.2%	987,469	2.8%	461,042	1.3%
Banco Nacional de Costa Rica (BNCR)	Commercial Bank	691,995	2.0%	577,562	1.7%	114,433	0.3%
Banco de Costa Rica (BCR)	Commercial Bank	470,841	1.4%	381,028	1.1%	89,813	0.3%
Junta de Protección Social de San José (JPSS)	Lotteries and social services	298,694	0.9%	238,924	0.7%	59,770	0.2%
Instituto Costarricense de Acueductos y Alcantarillados (ICAA)	Water and social services	222,754	0.6%	172,754	0.5%	50,001	0.1%
Consejo Nacional de la Producción (CNP)	Marketing of agricultural products	78,679	0.2%	72,394	0.2%	6,285	-
Banco Crédito Agrícola de Cartago (BCAC)	Commercial Bank	18,368	0.1%	11,291	-	7,076	-
Instituto de Puertos del Pacífico (INCOP)	Ports	13,679	-	5,094	-	8,605	-

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

Concessions

The 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 of public infrastructure concession projects.

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 concession scheme is governed by the Concessions Law, which was substantially revamped in 2008. 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") issued by Presidential decree No. 39,965-H-MP dated December 15, 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; (v) assignability, among others.

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

One of the main international airports in Costa Rica is the Juan Santamaría International Airport, an airport serving the city of San José with IATA code SJO. This airport's concession was awarded in 1999, by the Contract for the Management of Airport Services at the Juan Santamaría International Airport) (*Contrato para la Gestión Interesada de los Servicios Aeroportuarios prestados en el Aeropuerto Internacional Juan Santamaría*) (the "San José International Airport Concession Contract").

The airport was recognized from 2013 to 2015 as the third best airport in Central America, and was recognized in an award as the second best airport in the region in 2019 by SKYTRAX, an international air transport rating organization. Additionally, on September 4, 2019 the Juan Santamaría International Airport was recognized by the Airport Council International (the "ACI") in the context of the Airport Services Quality Awards as one of the most improved airports in Latin America and the Caribbean.

In 2009, AERIS, a joint-venture formed by American HAS Development Corporation, Canadian Airport Development Corporation and Brazilian Andrade Gutierrez Concessões S.A., obtained an assignment of the rights and obligations to the San José International Airport Concession Contract. Hence, AERIS has since been responsible for the Juan Santamaría International Airport's operation, management, maintenance, rehabilitation, financing, construction and promotion. The improvement and extension of the airport has continued throughout the years.

The Juan Santamaría International Airport's has expanded over the past five years. An estimated 5.3 million passengers have transited through this airport. In February 2019 the expansion and modernization works of Juan Santamaría International Airport was inaugurated. A new 6,000 m², four-story building with four new boarding rooms was built, expanding the airport to the west. In addition, the new building boasts a restaurant, a lounge and a 45 m² designated pet area. The works represent a U.S.$23.5 million investment, of which U.S.$22.5 million correspond to the concessionaire's expansion plans and U.S.$1 million corresponds to funds contributed by the Civil Aviation Directorate General for the expansion of aircraft parking ramps.

In May 2018, the Juan Santamaría International Airport opened its a new domestic terminal. The domestic terminal project, valued at more than U.S.$12 million is part of the concessionaire's expansion and investment plan. The domestic terminal is a LEED (Leadership in Energy & Environmental Design) certified building, an internationally recognized green building certification system which recognizes that the building was designed and built with environmentally sustainable practices.

Another main international airport in Costa Rica is the Daniel Oduber Quirós International Airport, also known as Liberia and identified with IATA code LIR. This airport is located 6.8 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 the Daniel Oduber Quirós International Airport. The new terminal, opened in 2012, significantly expanded the capacity for passengers and has also 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.

In March of 2019, the Daniel Oduber Quirós International Airport registered 166,240 passengers, setting a monthly record, and in 2018, it registered annual traffic of 1,125,170 passengers. In 2019 the airport was recognized by the ACI as the second best terminal in Latin America and the Caribbean in terms of quality of airport services in the category of airport terminals with less than 2 million passengers per year.

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.

Autopistas del Sol S.A., is developing the project for the design, planning, financing, construction, rehabilitation, extension, repair, maintenance and conservation of Ruta 27 pursuant to a 25.5-year concession agreement. Construction on the full corridor making up Ruta 27 has been completed and Ruta 27 went into operation on January 28, 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 finish 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, increasing the effective docking length of the port by approximately 50%, from 490 m^2 to 730 linear meters of berthing. The new dock is expected to increase traffic load efficiency, decrease waiting times, increase trade and generate employment.

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 SPGC, 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, vehicles and looting, 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 construction since 2015 and in operation since February 2019, accounts for about 47% of Costa Rica's total exports according to COMEX. The concession is expected to increase Costa Rica's growth and international competitiveness. Total investment in the project amounted to approximately U.S.$1.0 billion. The terminal works 24 hours a day, 7 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 8,500 TEUs and is operational all year.

Employment, Labor and Wages

As of August 31, 2019, the Costa Rican labor force, 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 49.0% of the total population.

As of December 31, 2018, the Costa Rican labor force consisted of approximately 2.4 million persons, representing approximately 49.0% of the total Costa Rican population.

As of December 31, 2018, the unemployment rate increased to 12.0% from 9.3% in 2017. This increase is attributed to the sharp increase in the labor supply and the low demand for the labor force. According to data provided by INEC, as of December 31, 2018 approximately 222,000 unemployed persons lived in urban areas and 72,000 unemployed persons lived in rural areas.

In 2017, the unemployment rate decreased to 9.3% from 9.5% in 2016. In 2016, the unemployment rate decreased to 9.5% from 9.6% in 2015. In 2015, the unemployment rate decreased to 9.6% from 9.7% in 2014, mainly as a result of the slowdown in production. The sectors that recorded the highest growth in the number of hired employees were the financial, manufacturing, electricity, gas and water sectors.

In an effort to reduce unemployment, on June 10, 2019 President Alvarado Quesada issued Decree No. 41,776-MTS-MEP-MIDEPLAN-MDHIS-MCM which created the National Employment System (*Sistema Nacional de Empleo*) and the National Employment Agency (*Agencia Nacional del Empleo*), both run by the INA. This public policy is focused on the development and improvement of work skills and is designed to enhance the Costa Rican people's qualifications in order to increase their chances of finding jobs. The system has four stages: (i) registration and orientation; (ii) formation and skill development; (iii) intermediation and communication with potential employers'; and (iv) continuity in employment.

During 2019, CINDE announced more than 2,000 new job openings by more than 30 multinational companies.

During 2018, 20 new companies were established in the country and 28 previously established ones increased their local operations. From January to May 2019, CINDE announced the deployment of 14 new investment ventures that are expected to generate approximately 1,660 new jobs.

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,				As of June 31,
	2015	2016	2017	2018	2019
	(number of persons, except for unemployment rate)				
Labor Force	2,242,919	2,280,989	2,200,092	2,459,237	2,478,775
Employed	2,027,518	2,063,366	1,995,640	2,165,323	2,183,195
Unemployed	215,401	217,623	204,452	293,914	295,580
Unemployment Rate	9.6%	9.5%	9.3%	12.0%	11.9%

Source: National Institute of Statistics; Continuous Employment Survey.

The labor force is made up of the employed and unemployed population aged 15 or over. Unemployed individuals are those persons willing and able to produce goods or render services who have been actively searching for a job for at least one month, but are unable to obtain one. Changes in labor participation can be attributed mainly to variations in labor supply and demand, as well as variations in the population. In 2018, labor participation calculated as the number of persons participating in the labor force over the number of persons within the Legal Working Age was estimated at 62.9%, an increase of 5.8% as compared with the previous year. The national employed population increased by 170,000 people compared to the fourth quarter of 2017.

As of December 31, 2018, economic activity employed 2.16 million people, representing 88.0% of the labor force. As of December 31, 2017, economic activity employed approximately 1.99 million people, representing 90.7% of the labor force, compared to 2.0 million people in 2016, representing 90.5% of the labor force at that time. As of December 31, 2015, economic activity employed approximately 2.02 million people, representing 90.4% of the labor force, compared to 2.0 million people in 2014, representing 90.3% of the labor force at that time. According to INEC's Continuous Employment Surveys, the unemployment rate was 12% in 2018, 9.3% in 2017, 9.5% in 2016 and 9.6% in 2015.

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 health care 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 in January 1st 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. Wages and salaries of public sector employees are subject to two annual cost of living adjustments. In addition, in 1993 the Supreme Court of Costa Rica eliminated arbitration as a venue to settle public sector employment disputes.

The following table sets forth the evolution of nominal wages for the periods indicated.

Average Monthly Wages(1)

	As of December 31,			
	2015	2016	2017	2018
	(in U.S. dollars)			
All sectors	U.S.$903.5	U.S.$925.2	U.S.$933.9	U.S.$955.3
Private enterprises	866.9	892.4	894.4	912.4
Domestic services	312.6	322.1	323.2	309.0
Autonomous institutions	1,992.0	1,992.7	1,980.3	1,951.3
Government	1,486.5	1,518.6	1,515.0	1,555.9
Self-employed	490.3	531.0	563.6	609.4
Special agreements	361.2	393.8	419.8	458.9

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 for the period indicated.

Poverty

Costa Rica has the third lowest poverty rate in Latin America after Uruguay and Chile, primarily as a result of its investment in social programs. Historically, Costa Rica has provided social assistance and housing to poor families through 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 evaluating the social programs supported by FODESAF including through program evaluations, financial auditing and cost controls.

The 2015 Government administration created the National Strategy Against Poverty: Bridge to Development (*Estrategia Nacional de Lucha contra la Pobreza: Puente al Desarrollo*), a strategy that aims to coordinate among several Government entities and existing poverty alleviation programs to maximize access to education, housing, new capability development and technology to people in extreme poverty. The purpose of this strategy is to guarantee 27,300 families on extreme poverty access to different social programs and services that would allow them to overcome poverty. The strategy does not require new expenses, as it is funded with each entity's existing financial resources pursuant to its budgetary allotment. This strategy is backed by the current Alvarado Quesada administration.

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

Poverty Rates

	As of December 31,				As of June 30,
	2015	2016	2017	2018	2019)
Total Population	100.0%	100.0%	100.0%	100.0%	100.0%
Non-poverty	76.4%	77.1%	77.9%	77.1%	76.1%
Poverty	23.6%	22.9%	22.1%	22.9%	23.9%
Non-extreme poverty	15.8%	15.8%	15.9%	15.7%	17.2%
Extreme poverty	7.8%	7.0%	6.2%	7.2%	6.7%

Source: National Institute of Statistics

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

As of June 30, 2019, Costa Rica's current account deficit was U.S.$557 million, an 18.0% decrease from U.S.$679 million as of June 30, 2018. The deficit in Costa Rica's financial account was U.S.$291 million, a significant increase from U.S.$106 million in the six months ended June 30, 2018.

In 2018, Costa Rica's current account deficit of U.S.$1.9 million exceeded its capital account surplus of U.S.$32 million resulting in a U.S.$390 million decrease in the Central Bank's net international reserves. In 2018, net international reserves reached U.S.$7.49 billion, or approximately 6.3 months' worth of imports as compared to U.S.$7.15 billion, or approximately 5.9 months' worth of imports in 2017.

During 2018, the financial account deficit was U.S.$1.8 billion (3.0% of GDP), a 16.1% decrease, as compared to U.S.$2.1 billion (3.0% of GDP) in 2017. This decrease in capital inflows was mainly caused by increased net financing received by the private sector despite a slight decrease in direct investment into the Republic, which represented 4.5% of GDP, a 0.2% decrease from 4.7% in 2016 and 2017.

In 2017, Costa Rica's capital account surplus of U.S.$2.1 billion was less than its current account deficit of U.S.$1.7 billion, resulting in a U.S.$419 million decrease in the Central Bank's net international reserves. In 2017, net international reserves reached U.S.$7.1 billion, equivalent to approximately 5.9 months of imports and 12.3% of GDP.

In 2016, Costa Rica's capital account surplus of U.S.$1.5 billion was less than its current account deficit of U.S.$1.3 billion, resulting in a U.S.$235 million increase in the Central Bank's net international reserves. In 2016, net international reserves reached U.S.$7.6 billion, equivalent to approximately 6.5 months of imports for that year and 13.2% of GDP.

In 2015, Costa Rica's capital account surplus of U.S.$2.6 billion exceeded its current account deficit of U.S.$1.9 billion, resulting in a U.S.$644 million increase in the Central Bank's net international reserves. In 2015, net international reserves reached U.S.$7.8 billion, equivalent to approximately 7.0 months of imports for that year and 14.3% of GDP.

According to the Central Bank 2019 Projection, Costa Rica's international reserves are expected to increase by U.S.$1.7 billion in 2019, as a result of the issuance of the Notes for up to U.S.$1.5 billion in the international capital markets pursuant to the Note Issuance Law. The projected net international reserves for 2019 are U.S.$9.28 billion, equivalent to approximately 7.5 months' worth of imports and 15.2% of GDP. In the six months ended June 30, 2019, international reserves reached U.S.$7.8 billion, equivalent to approximately 6.3 months' worth of imports and 12.8% of GDP. 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."

Current Account

During 2018, Costa Rica's current account deficit was U.S.$1.87 billion (3.1% of GDP) compared to a current account deficit of U.S.$1.72 billion in 2017. Imports increased at a rate of 4.7% during this period compared to the corresponding period in 2017. Exports of goods increased 6.2% in 2018 compared to 2017.

During 2017, Costa Rica's current account deficit was U.S.$1.71 billion (3.0% of GDP) compared to a current account deficit of U.S.$1.26 billion for the corresponding period in 2016. Imports grew at a rate of 4.3% during this period in 2017 compared to 2016. Exports of goods grew a 6.6% in the 2017 compared to 2016, primarily due to an increase in non-traditional exports under special export regimes.

In 2016, Costa Rica's current account deficit was U.S.$1.26 billion (2.2% of GDP). Imports grew at a lower rate of 1.6% in 2015 in comparison with the previous year's growth of 20.2%, primarily due to a deceleration in the growth rate of fossil fuel imports. Exports grew by 7.4% in 2016 compared to 2.5% growth in 2015, primarily due to increased exports under the special export regimes, mainly in the services sector.

In 2015, the current account deficit increased to U.S.$1.9 billion (3.5% of GDP), from U.S.$2.45 billion (4.9% of GDP) in 2014. The decrease in the deficit is mainly due to the 2.75% decrease in imports as a result of lower international oil prices. Exports increased by 2.5% in 2014, mainly as a result of an increase in exports under the special export regimes.

The Central Bank 2019 Projections estimate that the current account deficit for 2019 will be U.S.$1.46 billion (2.4% of GDP), compared to a current account deficit of U.S.$1.87 billion (3.1% of GDP) in 2018. Imports are projected to increase at a rate of 0.3% during this period compared to the corresponding period in 2018. Exports of goods are projected to increase by 3.9% in 2019 compared to 2018. 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."

During the first semester of 2019, the current account deficit was U.S.$557 million, compared to U.S.$679 million in the six months ended June 30, 2019, driven by the reduction in imports.

Capital Account

During 2018, the capital and financial account surplus was U.S.$1.8 billion (3.0% of GDP), compared to U.S.$2.1 billion (3.0% of GDP) in 2017. The decrease in capital inflows is primarily explained by lower operations of the private sector.

During 2017, the capital and financial account surplus was U.S.$2.1 billion (3.0% of GDP), compared to U.S.$1.5 billion (2.7% of GDP) in 2016. These flows financed the current account deficit and resulted in an increase of net international reserves.

In 2016, the capital and financial account surplus was U.S.$1.5 billion (2.7% of GDP), compared to U.S.$2.6 billion (3.5% of GDP) in 2015. The decrease in surplus is primarily explained by a reduction in foreign direct investment, which was U.S.$2.6 billion in 2017 compared to U.S.$2.1 billion in 2016.

In 2015, the capital and financial account surplus increased to U.S.$2.6 billion (4.8% of GDP) from U.S.$3.0 billion (5.9% of GDP) in 2014.

The Central Bank 2019 Projections estimate that the capital and financial account surplus for 2019 will be U.S.$1.4 billion (2.3% of GDP), compared to U.S.$1.8 billion (3.0% of GDP) in 2018. The decrease in capital inflows is primarily explained by lower operations by the private sector. The observed capital and financial account surplus for the first semester of 2019 was of U.S.$291 million (0.5% of GDP). 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."

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

Balance of Payments

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars)				
Current Account	U.S.$(1,921)	U.S.$(1,257)	U.S.$(1,717)	U.S.$(1,866)	U.S.$(557)
Goods Trade Balance	(4,607)	(4,426)	(4,343)	(4,389)	(1,829)
Exports (F.O.B.)	9,452	10,100	10,808	11,474	5,876
Imports (F.O.B)	14,059	14,526	15,150	15,863	7,705
Services Balance	4,609	5,110	5,013	5,321	2,771
Primary income	(2,380)	(2,452)	(2,890)	(3,262)	(1,757)
Secondary income	457	510	503	463	258
Capital Account	31	87	41	31	15

	For the Year Ended December 31,				For the Six Months Ended June 30,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars)				
Net lending (+) /net borrowing (-)	(1,891)	(1,171)	(1,677)	(1,835)	(541)
Financial Account	(2,608)	(1,547)	(2,145)	(1,752)	(291)
Direct investment	(2,541)	(2,127)	(2,583)	(2,183)	(1,012)
Portfolio investment	(573)	(416)	(392)	1,042	(11)
Financial derivatives	(1)	(8)	(8)	(8)	(4)
Other investment	(136)	1,239	1,257	(993)	462
International Monetary Reserves(1)	644	(235)	(419)	390	273
Errors and Omissions	(717)	(376)	(468)	84	250

Source: Central Bank of Costa Rica.

(1) A positive number represents a decrease in international reserves and a negative number represents an increase in international reserves.

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 and beef. Today, the country exports over 3,000 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. As a result, agricultural goods accounted for only 21% of Costa Rica's total exports in the eight months ended August 31, 2019 and 22% in 2018.

In the agricultural sector, pineapples (41.6% of agricultural exports in 2018 and 40.4% in the eight months ended August 31, 2019) and bananas (41.4% of agricultural exports in 2018 and 39.6% in the eight months ended August 31, 2019) were the main exports. Pineapples and bananas together accounted for approximately 9% of total exports in 2018 and 8% in the eight months ended August 31, 2019. Coffee represented 2.8% of total exports in 2018 and 3.3% in August 2019.

The industrial sector's exports amounted to 24.9% of total exports in the eight months ended August 31, 2019 and 25.8% in 2018. Medical devices and supplies' exports amounted to 27.8% of total exports in the eight months ended August 31, 2019 and 26.6% in 2018. The remaining sector's exports reached 26.3% in the eight months ended August 31, 2019 and 25.6% in 2018.

Costa Rica has also increased its market diversification during the past decade. It exports to approximately 130 countries around the world. As of August 31, 2019, approximately 41% of Costa Rica's exports were sent to the United States, 22% to the European Union, 15% to Central America, 6% to Asia and 12% to countries in South America and the Caribbean. In 2018, approximately 39% of Costa Rica's exports were sent to the United States, 22% to the European Union, 15% to Central America, 6% to Asia and 12.2% to countries in South America and the Caribbean.

Foreign trade in Costa Rica largely depends on the economies of the United States, the European Union and other Central American countries, because approximately 79% of the Republic's total exports are shipped to these territories.

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

Merchandise Trade Balance

	Exports (F.O.B.)	Imports (C.I.F.)	Merchandise Trade Balance
	(in millions of U.S. dollars)		
For the year ended December 31, 2015	U.S.$9,197	U.S.$14,746	U.S.$(5,549)
For the year ended December 31, 2016	9,924	15,231	(5,307)
For the year ended December 31, 2017	10,607	15,902	(5,295)
For the year ended December 31, 2018	11,256	16,566	(5,310)
For the eight months ended August 31, 2019	7,657	10,690	(3,033)

Source: Central Bank of Costa Rica.

Exports

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 5.4% annually from 2014 to 2018. The expansion of high-tech manufacturing in Costa Rica has been enhanced by the arrival of Thermo Fisher Scientific and many other companies which have assisted in the expansion and diversification of the country's production for the local and external markets.

As of August 31, 2019, exports were boosted by the medical devices and supplies sector and the agricultural and industrial sector, which represented 54% and 46% of total exports, respectively.

In 2018, total exports (including goods and services) increased by 5.5% compared to an increase of 4.8% in 2017. Service exports increased by 4.6% in 2018 compared to an increase of just 2.2% in 2017, primarily due to the influx of tourists.

Total exports (including goods and services) grew by 8.7% in 2016 as compared to 2015, mainly due to the expansion of foreign investment and the related increase in international sales by companies under the special export regime. Services exports increased by 10.9% in 2016, compared to 8.3% in 2015, primarily due to increased sales of business support services and inbound tourism.

In 2015, total exports (including goods and services) increased by 3.5%, primarily due to increased exports of medical devices. Services exports increased by 8.3%, primarily due to growth in sales from business support services and inbound tourism.

In 2014, total exports (including goods and services) grew by 5.6%. The growth in exports was led by manufactured goods and bananas. Exports of services related to business centers also increased.

The following table sets forth the value of exports (F.O.B.) by principal products for the periods indicated.

Value of Exports (F.O.B.) by Principal Products and Percentages of Total

	For the Year Ended December 31,				For the Year Ended June 30,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars, except percentages)				
Total	**U.S.$9,197.4**	**U.S.$9,924.2**	**U.S.$10,607.1**	**U.S.$11,255.8**	**U.S.$7,657.0**
Traditional	**4,886.5**	**5,016.2**	**5,279.5**	**5,385.7**	**3,518.7**
Agricultural	2,079.3	2,317.3	2,443.7	2,485.9	1,613.4
Banana	833.7	996.5	1,042.2	1,028.2	638.6
Pineapple	818.5	903.8	975.8	1,033.4	652.3
Other agricultural	427.0	416.9	425.7	424.3	322.5
Industry	2,807.2	2,698.9	2,835.9	2,899.8	1,905.3

	For the Year Ended December 31,				For the Year Ended June 30,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars, except percentages)				
Non-Traditional-Special	**4,310.9**	**4,908.0**	**5,327.6**	**5,870.1**	**4,138.3**
Medical supplies	2,038.5	2,377.0	2,598.8	2,991.3	2,126.2
Other	2,272.4	2,530.9	2,728.8	2,878.8	2,012.1

Source: Central Bank of Costa Rica.

Since the mid-1980's, 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. 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 principal 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 the supply and demand in the local market, though the Central Bank may intervene in the exchange rate market for stabilization purposes, particularly to avoid sharp fluctuations in the exchange rate. According to 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 2016, the Central Bank decreased the inflation target range from the 3% to 5% range applicable since 2014 to 2% to 4%. The inflation target range since 2016 to 2019 has been 2% to 4%. The 2.03% annual inflation rate in 2018 was within the target range.

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 2018, 2017, 2016 and 2014 the levels of Costa Rican imports increased while their composition changed. As of August 31, 2019, Costa Rica imported U.S.$10.7 billion in goods, primarily raw materials and intermediate products, which represented 33.7% of the total exports, and capital goods for the electrical and telecommunications industry, which represented 13.2% of the total.

In 2018, imports (including goods and services) increased by 4.2% compared to an increase of 4.4% in 2017. Purchases of goods decreased by 0.4%, mainly due to a reduced amount of imported hydrocarbons and in consumer goods. Services imports decreased by 0.5%, due to a decline in outbound tourism, consistent with the lower overall consumption.

Imports of goods and services increased by 4.7% in 2016, while they decreased by 1.2% in 2015. Imports increased in 2016 primarily due to an increase in the import of consumer durable goods. Additionally, imports of raw materials and capital goods and transportation equipment accounted for a significant portion of the growth, reflecting increased growth of the manufacturing sector, which has contributed to the overall expansion of the economy. Imports of raw materials and capital goods accounted for 24.9% of the growth, reflecting increased growth of the industrial manufacturing sector, which has contributed to the overall expansion of the economy.

In 2015, imports of goods and services decreased by 1.2%, primarily due to a reduction in imports of fossil fuels and lubricating oils.

Costa Rica 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 importation of crude oil and other fossil fuels.

The following table sets forth the value of imports (C.I.F.) by principal products for the periods indicated.

Value of Imports (C.I.F.) by Economic Sectors and Percentage of Total

	For the Year Ended December 31,				For the Eight Months Ended August 31,
	2015	**2016**	**2017**	**2018**	**2019**
	(in millions of U.S. dollars, except percentages)				
Non-durable consumer goods	U.S.$2,210.1	U.S.$2,342.0	U.S.$2,516.7	U.S.$2,520.3	U.S.$1,701.5
Semi-durable consumer goods	969.5	986.0	991.9	997.3	613.7
Durable consumer goods	1,670.4	1,822.1	1,771.3	1,644.6	946.4
Fuels, lubricants and prod. Related	1,290.2	1,147.5	1,436.1	1,646.9	1,104.1
Raw materials and prod. Interm. For agriculture	537.8	476.4	479.8	520.9	352.9
Raw materials and prod. Interm. For industry	4,539.2	4,744.9	5,030.4	5,410.6	3,599.8
Construction materials	720.3	737.3	774.7	861.0	529.5
Capital goods for agriculture	102.2	110.7	103.7	289.5	142.2
Capital goods for indust. Electric and telecomunic.	2,173.1	2,234.0	2,271.0	2,148.3	1,413.7
Transportation Equipment	533.3	626.7	523.5	523.5	284.3
Miscellaneous	0.1	3.3	2.5	3.5	1.9
Total	**U.S.$14,746.1**	**U.S.$15,230.9**	**U.S.$15,901.7**	**U.S.$16,566.3**	**U.S.$10,689.9**

Source: Central Bank of Costa Rica data and percentages prepared by Ministry of Finance.

Direction of Trade

The United States is Costa Rica's most important trading partner. Preliminary data as of August 31, 2019, indicates that imports from the United States represented 38.5% of total imports, and exports to the United States was 41.3% of total exports. In 2018, trade with the United States accounted for approximately U.S.$6.4 billion, or 39% of total imports, and approximately U.S.$4.4 billion, or 39% of total exports.

United States President Donald Trump has made comments suggesting that he was not supportive of existing multilateral international trade agreements. United States President Trump has renegotiated NAFTA, imposed steel tariffs, imposed tariffs on China and threatened tariffs on the European Union, Mexico and other trading partners. It remains unclear what United States President Trump would or would not do with respect to other such international trade agreements. If United States President Trump takes action to withdraw from or materially modify the DR-CAFTA or certain other international trade agreements, Costa Rica's economy could be adversely affected.

Trade with members of the Central American Common Market formed by Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua ("CACM") has increased over the past 10 years as the economies of these countries have become more stable, until 2018, when social conflicts in Nicaragua decreased the volume of trade. Preliminary data as of August 31, 2019 indicates that exports to CACM countries reached U.S.$1.1 billion and imports reached U.S.$610 million. Exports to CACM countries increased only by U.S.$25 million in 2018, reaching U.S.$1.74 billion, compared to U.S.$1.71 billion in 2017. Imports from CACM decreased by U.S.$6 million during 2018 plummeting to U.S.$916 million, compared to U.S.$922 million in 2017.

The following table sets forth the value of exports (F.O.B.) by country for the periods indicated.

Value of Exports (F.O.B.) by Country and Percentage of Total

	For the Year Ended December 31,				For the Eight Months Ended August 31,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars, except percentages)				
Central America	U.S.$1,661.0	U.S.$1,643.4	U.S.$1,716.3	U.S.$1,742.1	U.S.$1,146.9
Guatemala	522.8	516.8	525.9	570.9	386.5
El Salvador	284.9	274.4	286.6	295.8	201.6
Honduras	331.7	334.9	366.0	394.2	260.1
Nicaragua	521.7	517.4	537.7	481.2	298.6
North America	3,877.0	4,306.2	4,557.6	4,802.5	3,386.7
Canada	100.3	85.5	77.2	80.4	73.3
United States	3,545.7	3,962.8	4,205.7	4,437.2	3,163.9
Mexico	231.0	257.9	274.7	285.0	149.5
Caribbean Countries	179.1	183.1	216.1	192.6	130.4
Others Latin America	1,257.3	1,238.6	1,220.7	1,289.5	806.0
Europe	1,867.1	2,170.3	2,330.7	2,480.8	1,721.1
Germany	147.9	130.8	126.5	128.8	122.2
Spain	127.1	153.0	158.7	176.6	114.4
Belgium and Luxembourg	430.4	532.0	684.0	678.3	476.5
Italy	170.7	207.8	157.1	178.7	108.8
United Kingdom	167.7	181.6	205.8	202.7	158.8
Other Europe	823.3	965.1	998.5	1,115.7	740.3
Asia	307.4	327.2	506.3	707.4	435.0
Japan	96.3	114.0	171.9	240.8	160.9
South Korea	32.4	34.3	37.7	36.2	23.2
Others	178.7	178.9	296.6	430.3	250.9
Oceania	35.1	43.3	50.9	30.4	22.1
Africa	13.3	12.1	8.6	10.4	8.9
Others	-	-	-	-	-
Total	**U.S.$9,197.4**	**U.S.$9,924.2**	**U.S.$10,607.1**	**U.S.$11,255.8**	**U.S.$7,657.0**

Source: Central Bank of Costa Rica and percentages prepared by Ministry of Finance.
(1) Preliminary Data To August.

The following table sets forth the value of imports (C.I.F.) by country for the periods indicated.

Value of Imports (C.I.F.) by Country and Percentage of Total

	For the Year Ended December 31,				For the Eight Months Ended August 31,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars, except percentages)				
Central America	U.S.$867.3	U.S.$900.7	U.S.$922.2	U.S.$916.3	U.S.$610.6
Guatemala	399.1	416.8	422.0	415.2	269.9
El Salvador	234.8	236.1	247.4	242.3	155.2
Honduras	103.5	106.0	101.1	109.7	80.3
Nicaragua	129.8	141.7	151.8	149.1	105.1
North America	6,916.8	6,828.1	7,352.3	7,767.7	4,941.4
Canada	159.8	155.5	157.5	154.4	102.0
United States	5,605.2	5,605.9	6,072.1	6,446.4	4,118.5
Mexico	1,151.8	1,066.7	1,122.7	1,166.9	720.9
Caribbean Countries	47.3	27.0	12.6	21.0	7.5
Others Latin America	1,458.2	1,489.4	1,522.7	1,514.7	949.3
Europe	1,672.9	1,756.6	1,886.1	1,965.1	1,455.4
Germany	376.9	387.4	404.5	414.8	241.5
Spain	217.4	222.8	281.9	259.7	175.5
Belgium and Luxembourg	49.8	76.2	81.3	81.1	39.6

	For the Year Ended December 31,				For the Eight Months Ended August 31,
	2015	2016	2017	2018	2019
	(in millions of U.S. dollars, except percentages)				
Italy	179.1	199.0	206.7	214.6	125.1
United Kingdom	132.5	127.1	127.9	126.0	81.2
Other Europe	717.2	744.0	783.8	869.0	792.5
Asia	3,416.6	3,741.7	3,676.0	3,910.0	2,352.6
Japan	397.2	416.8	380.8	372.1	222.6
South Korea	283.7	257.1	232.2	189.2	108.0
Others	2,735.7	3,067.8	3,062.9	3,348.7	2,021.9
Oceania	15.7	18.5	16.1	19.6	9.8
Africa	15.0	15.9	17.2	40.1	14.5
Others	336.4	452.9	496.6	411.8	348.9
Total	**U.S.$14,746.1**	**U.S.$15,230.9**	**U.S.$15,901.7**	**U.S.$16,566.3**	**U.S.$10,689.9**

Source: Central Bank of Costa Rica and percentages prepared by Ministry of Finance.

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 the rest of Latin America. While most other Latin American countries attract foreign direct investment channeled to 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.

During 2018, Costa Rica received U.S.$2.76 billion in foreign direct investment, representing a decrease of 3.2% as compared to 2017.

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.

According to statistics compiled by COMEX, foreign direct investment in the manufacturing sector accounted for 50.5%, 46%, 42.4% and 28.6% of total foreign direct investment in 2018, 2017, 2016 and 2015, respectively. Foreign direct investment in the services sector accounted for 29.0%, 22.3%, 31.5% and 31.3% of total foreign direct investment in 2018, 2017, 2016 and 2015, 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.

During 2018, inflows of foreign direct investment accounted for a total of U.S.$2.76 billion (3.9% of GDP). These resources were invested in service activities (29%), manufacturing industries (50.5%) and real estate (11.2%).

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

Gross Foreign Direct Investment by Economic Sector and Percentage of Total

	For the Year Ended December 31,							
	2015		2016		2017[(1)]		2018[(1)]	
	(in millions of U.S. dollars, except percentages of total)							
Agriculture	U.S.$387.5	14.1%	U.S.$53.4	2.4%	U.S.$38.8	1.4%	U.S.$90.1	4.0%
Manufacturing	786.4	28.6%	935.4	42.4%	1261.2	46.0%	1130.0	50.5%
Commerce	355.7	12.9%	149.3	6.8%	137.9	5.0%	93.9	4.2%
Tourism	41.1	1.5%	102.6	4.7%	443.3	16.2%	23.2	1.0%
Real Estate	320.0	11.6%	270.0	12.3%	250.0	9.1%	250.0	11.2%
Services	861.2	31.3%	693.2	31.5%	610.9	22.3%	649.4	29.0%
Others	-	-	-	-	-	-	-	-
Total	**U.S.$2,751.9**	**100.0%**	**U.S.$2,203.9**	**100.0%**	**U.S.$2,742.2**	**100.0%**	**U.S.$2,236.5**	**100.0%**

Source: Central Bank of Costa Rica.
(1) Preliminary Information.

During 2018, the United States accounted for 67.5% of total foreign direct investment in Costa Rica, compared to 57.8% in 2017. Between 2013 and 2018, an average of approximately 51% of the foreign direct investment received by Costa Rica originated from the United States.

In 2018, Switzerland accounted for 9.0% of total foreign direct investment (the second largest source of foreign direct investment) in Costa Rica, compared to 14% in 2017. Mexico accounted for 4% of the foreign direct investment in 2018, same figure as in 2017. Central American countries, collectively, were the source of U.S.$33.8 million in foreign direct investment as of August 31, 2019 and U.S.$69 million in foreign direct investment in 2018. The services sector received U.S.$202 million as of August 31, 2019 and U.S.$595.5 million in foreign direct investment in 2018, while the industrial sector received U.S.$1.6 billion in foreign direct investment in 2018. Most of this foreign direct investment takes the form of medical devices manufacturing plants and hotel development projects.

The industrial sector absorbed U.S.$1.3 billion of foreign direct investment in 2016 while the tourism sector absorbed U.S.$443 million of foreign direct investment in 2017. The United States accounted for 44% of total foreign direct investment in 2016, compared to 55% in 2015. In 2016, Colombia accounted for 4% of total foreign direct investment, compared to 5% in 2015. In 2014, the Netherlands accounted for 15% of total foreign direct investment (the second largest source of foreign direct investment), compared to 14% in 2015.

Currently, Costa Rica has foreign investment treaties and/or treaties with investment provisions in effect with Argentina, Canada, Colombia, Central American countries, the CARICOM, Chile, China, Czech Republic, the Dominican Republic, France, Germany, Mexico, Netherlands, Paraguay, Peru, Singapore, South Korea, Spain, Taiwan, the European Union, Venezuela and Qatar. Furthermore, DR-CAFTA contains foreign investment provisions similar to those typically included in bilateral investment treaties.

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. In addition, the Central Bank manages international reserves and is responsible for the supervision of foreign exchange regulations applicable to financial institutions.

The Costa Rica Central Bank Law, effective since 1995, grants the Central Bank a high level of autonomy. The Central Bank is restricted from financing Government activities, except for the special circumstance where the Central Bank may purchase Government securities 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 Law, 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.

In addition, the eight members of the board of directors of the Central Bank, except for the President of the Central Bank, are appointed by the Government Council for terms of 90 months. Such appointment must be ratified by the Legislative Assembly. Central Bank board members (including the President) may not be removed except under certain limited circumstances.

On February 28, 2019, the Legislative Assembly approved an amendment to the Central Bank Law in accordance with a recommendation of the OECD. This amendment promotes the independence of the Central Bank by: (i) reducing the term of the Central Bank president from five 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 and right to vote in the board of directors of the Central Bank but retaining his or her right to attend and participate in those meetings.

The Central Bank Law stipulates that the Central Bank must publish its macroeconomic program during the first 30 days of each semester. The macroeconomic program 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 for the periods indicated.

Summary Balance Sheet of the Central Bank

	As of December 31,				As of September 30,
	2015	2016	2017	2018	2019
	(in millions of current colones)[(1)]				
Net international reserves	¢4,167,265	¢4,151,802	¢4,049,800	¢4,529,902	¢4,298,777
Total Domestic Credit	(121,518)	(238,212)	(114,545)	(16,095)	(96,800)
Government	(121,518)	(238,212)	(114,545)	(16,095)	(96,800)
Rest of the Public Sector	0	0	0	0	0
Other Net Assets	923,190	1,145,169	970,250	1,035,103	797,782
Monetary Base	2,332,103	2,482,171	2,749,482	2,812,517	2,494,523
Open Market Operations	2,511,435	2,452,399	2,021,938	1,993,363	1,942,525
External Debt	125,399	124,189	134,085	743,031	562,711

Source: Central Bank of Costa Rica.

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

Summary Balance Sheet of the Central Bank

	As of December 31,				As of September 30,
	2015	2016	2017	2018	2019
			(in millions of current U.S. dollars)[(1)]		
Net international reserves	U.S.$7,834	U.S.$7,574	U.S.$7,150	U.S.$7,495	U.S.$7,463
Total Domestic Credit	(228)	(435)	(202)	(27)	(168)
Government	(228)	(435)	(202)	(27)	(168)
Rest of the Public Sector	0	0	0	0	0
Other Net Assets	1,736	2,089	1,713	1,713	1,385
Monetary Base	4,384	4,528	4,854	4,653	4,330
Open Market Operations	4,721	4,474	3,570	3,298	3,372
External Debt	236	227	237	1,229	977

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

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. The 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.

The 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 Superintendence (*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 Superintendence (*Superintendencia General de Seguros*) ("SUGESE") supervises insurance providers.

The IMF's 2018 Financial Sector Stability Report made key recommendations and set out a roadmap of possible technical assistance. The 2019 IMF Article IV consultation followed up on the 2018 recommendations and concluded that significant vulnerabilities persist in the Costa Rican financial system, mainly from the weak fiscal position and sizable foreign currency lending to unhedged borrowers. IMF staff argued that although substantial progress has been made in adopting risk-based supervision, advances toward the implementation of other key recommendations, such as crisis management and the bank resolution framework, have been slow due to the crowded legislative agenda. IMF staff also argued that the regulatory and risk management frameworks would benefit from gradually introducing Basel III capital requirements and liquidity standards, and that plans to act upon high and medium priority recommendations, such as enacting a deposit insurance and consolidated banking supervision laws, should be undertaken. According to the IMF consultation, structural reforms, including those planned under the OECD accession process, should be implemented to improve competitiveness and foster inclusive growth.

SUGEF has already introduced supervision 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; (iii) SUGEF 23-17 which established regulation on the management of market risk, interest rates and exchange rates; and (iv) SUGEF 17-13 which sets forth the regulation of the liquidity risk administration.

As part of its financial supervision effort, the Central Bank's financial stability commission, headed by the president of the Central Bank, will publish by the end of the 2019, a report assessing the financial risk of the Costa

Rican system. The content of this report is still in discussion and has to be approved by the board of directors of the Central Bank before its publication.

Monetary and Financial Policy

Costa Rica's principal 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. In 2018, the inflation rate as measured by the consumer price index ("CPI") was 2.03%, which is within the Central Bank's 2% to 4% target range. In its ongoing transition to an inflation targeting regime, Costa Rica's monetary policy has shifted from a focus on monetary targets to an inflation target. Instruments used to conduct monetary policy have also shifted, with short term interest rates acquiring more relevance. Costa Rica's monetary policy has included the absence of controls on foreign exchange convertibility or remittance in Costa Rica.

From 1983 to 2004, the Central Bank guided its monetary policy by targeting monetary aggregates. Central Bank bills (mostly with 6- and 12-month maturity) 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. Over the last twelve years, the Central Bank has shifted the reference for the monetary policy rate toward shorter-term instruments. 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 1-day deposits at the Central Bank and in 2008 the reference rate shifted to the rate on 1-day Central Bank credit in the interbank market. In November 2010, an interest range for the 1- day rate was formed between the permanent credit facility rate (1-day lending rate) and the Permanent Deposit.

With respect to loan liquidity, the facility (1-day deposit rate) applies. In April 2011, the reference rate shifted to the mid-point of a range defined by the rates on 1-day deposit and credit facilities of the Central Bank. The range is currently 200 basis points wide, with 2.75% as the floor and 5.75% as the ceiling.

In addition to the floor and ceiling rates established by the 1-day deposit and credit facilities, the Central Bank manages liquidity through 1-day auctions that allow it to keep the market interest rate close to the policy rate level. 7- and 14-day auctions are used as a complement to 1-day auctions when stronger corrections in the stock of liquidity are required.

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 pursuant to weekly auctions by the Central Bank.

On August 27, 2019 the Central Bank announced that it would publish a financial stability report during the last quarter of 2019. This report aims to diagnose the performance of the financial system over the past year. This report will be issued pursuant to the Central Bank's financial system stability surveillance functions.

During 2019, the monetary policy interest rate has been lowered five times. On October 30, 2019, the Central Bank reduced the MPR by 50 basis points to 3.25%. This adjustment was carried out prospectively based on the Central Bank's analysis of the expected evolution of inflation and macroeconomic factors, including an analysis of the international and domestic context.

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 still-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.

During 2009, after the 2008 economic crisis, the dollarization of deposits in the national banking system reached 55% of total deposits, and as the exchange rate flexibilization process progressed, this ratio began to decrease. In 2015, the dollarization rate for deposits decreased to 40.4%. The following years the percentage of dollarized deposits increased and fluctuated, starting with 41.7% in 2016, going on to 42.3% in 2017, 43.9% in 2018 and finally ending with 43.7% in June 2019. Most of dollarized deposits as of June 2019 were held by private domestic and foreign banks. This has historically led to higher intermediation spreads, high market segmentation and weakened monetary policy transmission. Similarly, as of June 2019, about 46% of credit to the non-financial private sector in Costa Rica was denominated in a foreign currency, and over 70% of that credit was granted to unhedged borrowers.

The high dollarization of credit in Costa Rica has amplified credit growth volatility due to the pass-through of exchange rate changes, and created a currency-induced credit risk in the financial system. As a result of the Central Bank shift toward greater exchange rate flexibility since the second half of 2018, credit has tilted toward local currency-denominated loans, reducing the high levels of bank loan dollarization.

High dollarization generates systemic risks, solvency risks and liquidity risks in the banking system. These risks stem from the Central Bank's limited capacity to be a lender of last resort in providing dollar liquidity, and with solvency risk 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 would, in turn, significantly undermine the quality of the banking sector's credit portfolio.

There has been an increase in foreign bank liabilities, particularly after the global financial crisis, the availability of cheaper foreign currency funding for banks, the high liquidity in foreign markets and the local opportunity created by high intermediation margins of the state-owned banks. More recently, with the increase in uncertainty about the fiscal situation and a fall in the premium on local currency instruments, there has been a slight reallocation of savings into foreign-currency financial instruments.

Reserve Requirements

The Central Bank Law authorizes the Central Bank's board of directors to set the reserve requirements applicable to deposits and other obligations in the financial system up to a maximum of 15%. The reserve requirements generally apply to all types of deposits within institutions supervised by SUGEF regardless of the type of financial institution, except for those expressly exempted from this obligation by the Central Bank's board of directors. Different reserve requirements may apply to obligations in local and foreign currency.

On May 31, 2019, the board of directors of the Central Bank agreed to apply a currency-differentiated reserve requirement (*encaje mínimo legal*) on financial institutions' liabilities, with a 12% differentiated rate for colón-denominated liabilities and a 15% rate for foreign currency-denominated liabilities. The differentiated reserve requirement applies to all liabilities of financial institutions, including public and private banks, non-bank financial institutions and savings and loan co-operatives operating in Costa Rica. The Central Bank implemented these measures to stimulate the economy. As a result, commercial banks are now required to keep smaller deposits in the Central Bank and their liquidity has increased by approximately U.S.$650 million.

In 2011, the Central Bank extended the application of minimum reserve requirements to liabilities arising from short-term external debt after the Central Bank determined that short-term capital from abroad are similar to bank deposits. Minimum reserve requirements took effect gradually, starting at a 5% rate in September of 2011, and increased to 10% and 15% in October and November 2011. Long-term external loans remain exempt from reserve requirements.

Additionally, in 2019, the Central Bank gradually reduced its monetary policy rate to 3.25%, which is 50 basis points less than the last fix. This adjustment was carried out prospectively based on the Central Bank's analysis of the expected evolution of inflation and macroeconomic factors, including the analysis of the international and domestic context.

Recent Developments in Monetary Policy

During 2019, the MPR has been lowered six times: 25 basis points on March 28, 25 basis points on May 23, 2019; 25 basis points on June 20, 2019; 50 basis points on July 23, 2019; 25 basis points on September 19,2019; 50 basis points on October 31, 2019, from 5.25% at the beginning of the year to 3.25% as of the date of this Offering Circular. These adjustments were carried out prospectively based on the Central Bank's analysis of the expected evolution of inflation and macroeconomic factors, including the analysis of the international and domestic context.

Inflation in the 12-month period ended August 31, 2019, was 2.86%, 0.62% higher than 2.24% for the 12-month period ended August 31, 2018. An estimated 27% of the inflation for the 12-month period ended August 31, 2019 was due to the newly imposed VAT regime. Core inflation in the 12-month period ended August 31, 2019 as well as expected inflation for the following 12-month period remains near the 3% target.

During 2018, monetary policy was largely influenced by the worsening fiscal situation. This situation created high local interest rates and high exchange rate volatility. The former led to a reduction in credit dollarization while the latter led inflation expectations to higher levels, which in turn accentuated exchange rate volatility as residents used U.S. dollars as a safe asset against higher future inflation. As of December 28, 2018, the average exchange rate reported by MONEX was ¢609.57 per U.S.$1.00.

By 2017, inflation levels continued to rise to reach similar levels as that of the Republic's main trade partners while still below the Republic's target range. Most of this increase was due to the rise of international prices, local currency depreciation and the evolution of the local economy.

During 2016, inflation continued to be in the negative range for the first semester the year, and by the end of 2016 increased to 0.8%. The low inflation phenomenon was not related to a restrictive monetary policy but rather to low international prices and to high exchange rate stability.

In February 2015, Costa Rica began its transition to a managed floating exchange regime by eliminating the crawling band exchange regime that had been in place since 2006. However, with the managed floating regime, Costa Rica kept its right to intervene in the exchange market to prevent sharp fluctuations in the exchange rate. Additionally, the Central Bank has continued enacting and enforcing regulations aimed at achieving stabilization of exchange operations. According to 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.

Throughout 2015, the Republic's monetary policy was characterized by the beginning of economic deceleration and inflation levels that fell below 0%. Such low inflation was mostly due to external factors, such as low commodity prices as well as accommodative monetary policy by central banks throughout the world.

Recent Financial Policy

On May 31, 2019, the board of directors of the Central Bank agreed to apply a currency-differentiated reserve requirement (*encaje mínimo legal*) on financial institutions' liabilities, with a 12% differentiated rate for colón-denominated liabilities and a 15% rate for foreign currency-denominated liabilities. The differentiated reserve requirement applies to all liabilities of financial institutions, including public and private banks, non-bank financial institutions and savings and loan co-operatives operating in Costa Rica.

Since 1995, Costa Rican authorities have used a reserve requirement, although not differentiated by currency, as per Article 63 of the Central Bank Law, as one of the main tools of monetary policy. The instrument was initially set at the highest level (15%) foreseen in the law, and then, from 1999 forward, it was gradually reduced until it reached a minimum rate of 5% in 2002. Between 2003 and 2005, it was again raised gradually, until it reached 15% in August 2005. Prior to May 2019 the requirement was set to 15% for both local currency and foreign currency-denominated operations–therefore without a differentiated treatment in relation to the currency of the operation.

The introduction of a differentiation in the reserve requirements rate was done by lowering the rate on colón-denominated liabilities and not by increasing the rate on foreign currency liabilities. This has the implication of easing credit conditions by diminishing the cost of funding in local currency of banks, with expected repercussion on lower lending rates. This objective is to be seen in the context of weakening GDP growth, historically high unemployment and subdued credit growth. The foreseen boost in credit is expected to help the growth outlook.

The Central Bank considers the differentiated reserve requirements as complementary to the other policy tools in force to reduce dollarization. Beyond the move to greater exchange rate flexibility, which is a crucial part of the de-dollarization strategy (discussed in the next section), Costa Rica already maintains a series of measures designed to reduce dollarization.

On the banking sector specifically, Costa Rica maintains a loan loss provisioning requirement that was further strengthened in 2018. Costa Rica also maintains the Basel liquidity coverage ratio, differentiated by currency set at 100% minimum for each significant currency (January 2019). Since 2017, bank's net foreign currency position (% capital) were to be no more than plus or minus 100% of total capital. The daily variation in the ratio of net foreign currency position ratio to core capital may not exceed plus or minus 2% of core capital. Also since 2016, the credit risk for home mortgage loans and for individual loans differed depending on the loan-to-value ratio of the exposure and on whether the individuals were hedged or not (generate revenues in foreign currency).

Inflation and Interest Rates

During the 2015 to 2018 period, average inflation rate was 1.1%; just below the inflation rates observed in Costa Rica's main commercial partners. 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 then eventually 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.

According to provisional data, as of September 30, 2019, the interannual inflation rate as measured by CPI was 2.5%, 0.3% lower than the inflation rate of 2.86% as of August 31, 2019, mainly due to a fall in the prices of fuel and agricultural goods. The 2.5% provisional 2019 inflation is within the Central Bank's 2% to 4% target range. In 2018, the inflation rate as measured by the CPI was 2.03%, which is within the Central Bank's 2% to 4% target range.

The money supply grew in accordance with the inflation target and the level of economic activity. While the broad monetary aggregates and credit to the private sector grew more than expected, the trend component suggests that monetary factors did not generate excess aggregate demand that caused inflationary pressure. Inflationary expectations diminished from 6.8% to 3.4% between September 2014 and August 2019, but are still slightly above the trend of inflation.

In 2017, the inflation rate as measured by the CPI was 2.57%, which was within the Central Bank's 2% to 4% target range. This inflation rate is a result of the actions undertaken by the Central Bank aimed at stabilizing the exchange rate.

In 2016, the inflation rate as measured by the CPI was 0.77%, which was below the Central Bank's 2% to 4% target range. The decrease in the inflation rate was mainly due to the behavior of regulated prices of goods and services, consistent with the deflation process of the Costa Rican economy and the stability of the exchange rate of the colón to the U.S. dollar. However, producer prices increased by 0.29% due to the stability in international oil and commodity prices.

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

Inflation

	Consumer Prices	Industrial Producer Prices
	(percentage change from previous year at period end)	
2015	-0.81%	-0.43%
2016	0.77%	0.29%
2017	2.57%	3.14%
2018	2.03%	4.28%
September 2019	2.53%	1.93%

Source: Central Bank of Costa Rica.

Interest Rates

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

	BEM 12-month rate	1-day market rate	Monetary Policy Rate
March 31, 2015	5.7%	4.0%	4.5%
June 30, 2015	5.1%	3.2%	3.5%
September 30, 2015	4.4%	2.9%	3.0%
December 31, 2015	3.7%	2.2%	2.3%
March 31, 2016	3.1%	1.6%	1.8%
June 30, 2016	N/A	1.3%	1.8%
September 30, 2016	N/A	1.5%	1.8%
December 31, 2016	N/A	2.0%	1.8%
March 31, 2017	N/A	1.5%	1.8%
June 30, 2017	N/A	5.6%	4.5%
September 30, 2017	N/A	4.8%	4.5%
December 31, 2017	N/A	4.7%	4.8%
March 31, 2018	N/A	5.0%	5.0%
June 30, 2018	N/A	5.1%	5.0%
September 30, 2018	N/A	5.3%	5.0%
December 31, 2018	N/A	5.8%	5.3%
March 31, 2019	N/A	5.1%	5.0%
June 30, 2019	N/A	4.5%	4.5%
September 30, 2019	5.8%	3.8%	3.8%

Source: Central Bank of Costa Rica.
N/A.: Figure not available.

Monetary Policy Rates

In 2014, the Central Bank's monetary policy rate became more influential as a benchmark in the national economy as the Central Bank decided to concentrate all short term or liquidity operations on a single platform or system. The Integrated Market Liquidity (*Mercado Integrado de Liquidez*) (the "MIL") system provides the Central Bank with a direct link to the national banking system for the implementation of monetary policy in the currency market. The Central Bank's board of directors increased the monetary policy rate two times during 2014. On March 13, 2014, the rate was increased from 3.75% to 4.75%; and on May 7, 2014 it was further increased to 5.25%. Further, on February 2, 2015, the rate was reduced from 5.25% to 4.75%, and then by September 2015 it was finally reduced to 2.25% after several reductions.

In 2016, due to the economic slowdown, the Central Bank's board of directors reduced the monetary policy rate even further to 1.75%. Due to exchange rate volatility and a strong intervention by the Central Bank in the exchange rate market during the first semester of 2017, the monetary policy rate was increased from 1.75% to 4.75% by the end of 2017. Pursuant to the macroeconomic program 2018-2019, the Central Bank sought to restore the premium for saving in colones, improve the transmission mechanism of monetary policy and stabilize the conditions of the exchange market, in light of the risk that higher exchange rate expectations would be transmitted to domestic prices and deteriorate the stability of the financial system. The Central Bank identified this risk because of the concentration presented by foreign currency credit in debtors whose main source of income is in colones. See "Monetary System–Monetary and Financial Policy–Dollarization" and "Risk Factors–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."

The one-day rate at the Central Bank (as shown above) remains close to the monetary policy rate. This is part of a strategy to keep the one-day rate close to the midpoint of the interest rate corridor, with the Central Bank carrying out absorption and injection auctions in the MIL.

Liquidity and Credit Aggregates

According to the Central Bank, the evolution of key monetary aggregates during the last five years reflected a loose monetary position given the low inflation levels and the lack of strong demand pressures from economic growth. During the 2015 to 2018 period, monetary aggregates grew at rates well above nominal GDP. Quasi-money (which is formed by less liquid financial instruments such as term deposits, investment certificates and checks) during 2017 to 2018 grew at 13.2% and 5.0%, respectively, which was well below the growth rate of 10.7% over the two-year period before 2017. The deceleration is explained partly by a deceleration in domestic currency deposits that resulted partly from the volatility in the exchange rate experienced since mid-year 2018, due to fiscal concerns.

Total bank credit also slowed during the previous four years. Consistent with that trend, both public and private components also showed similar reductions. By 2015, private sector credit gained momentum, and increased by 12% (a similar growth rate observed in the next period of 13%). A 12.8% higher preference for U.S. dollar operations was observed in 2016, mainly due to the lower U.S. dollar interest rates and lower expectations in exchange rate variation. The increased demand for U.S. dollars was also in response to the greater demand for credit (consumption, housing and services). During 2017, the banking system credit to the private sector began to slow down and grew only around 8%. In 2018, credit to the private sector increased 6.1%, when preferences for U.S. dollar operations were drastically reduced due to higher exchange rate volatility and more stringent regulations for loans to unhedged borrowers. Additionally, in 2018 interest rates increased both in local as well as in foreign currency.

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 for the periods indicated.

Monetary Base and the Central Bank's International Reserves

	As of December 31,				As of September 30,
	2015	**2016**	**2017**	**2018**	**2019**
	(in millions of U.S. dollars)[1]				
Net international reserves of Central Bank	U.S.$7,834	U.S.$7,574	U.S.$7,150	U.S.$7,495	U.S.$7,463
Total credit	(228)	(435)	(202)	(27)	(168)
Domestic credit	(228)	(435)	(202)	(27)	(168)
Government	(228)	(435)	(202)	(27)	0
Official Entities	0	0	0	0	0
Foreign Credit	0	0	0	0	0
Other Net Assets	1,736	2,089	1,713	1,713	1,385
Total	**U.S.$9,341**	**U.S.$9,228**	**U.S.$8,661**	**U.S.$9,181**	**U.S.$8,679**
Monetary Base	4,384	4,528	4,854	4,653	4,330
Central Bank Control Instruments	4,721	4,474	3,570	3,298	3,372
Long-Medium run foreign financing	236	227	237	1,229	977
Total	**U.S.$9,341**	**U.S.$9,228**	**U.S.$8,661**	**U.S.$9,181**	**U.S.$8,679**

Source: Central Bank of Costa Rica.

(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 selected monetary indicators for the periods indicated.

Selected Monetary Indicators

	As of December 31,				As of September 30,
	2015	**2016**	**2017**	**2018**	**2019**
	(annual percentage change, except as indicated)				
M1	13.4%	8.2%	(2.8)%	7.1%	15.7%
Quasi-money	10.2%	11.2%	13.2%	5.0%	1.6%
In foreign currency	3.4%	14.5%	11.3%	9.6%	4.1%
In domestic currency	15.3%	8.9%	14.5%	1.8%	(0.1)%

	As of December 31,				As of September 30,
	2015	2016	2017	2018	2019
	(annual percentage change, except as indicated)				
Total Net Credit	13.6%	12.7%	9.0%	5.6%	1.2%
Government	30.2%	10.1%	15.1%	1.3%	4.1%
Private Sector	11.9%	12.8%	8.4%	6.1%	0.7%

Source: Central Bank of Costa Rica.

The total outstanding credit of the domestic component of the national banking system amounted to ¢23.6 trillion at December 31, 2018. At December 31, 2018, current account deposits in colones in the banking system amounted to ¢2.3 trillion.

Liquidity and Credit Aggregates

	As of December 31,				As of September 30,
	2015	2016	2017	2018	2019
	(in millions of current colones)				
Liquidity aggregates	¢16,707,062	¢18,487,371	¢20,433,329	¢21,514,356	¢ 21,819,580
M1	2,838,956	3,070,600	2,983,265	3,196,375	3,346,626
NPP	740,581	786,922	836,831	870,409	780,161
Current account deposits in colones	2,098,374	2,283,677	2,146,434	2,325,966	2,628,161
Quasi-money	13,868,106	15,416,771	17,450,064	18,317,981	18,472,955
In foreign currency	5,560,132	6,367,859	7,086,431	7,770,153	7,735,397
In domestic currency	8,307,974	9,048,912	10,363,633	10,547,828	10,737,558
Total net credit	18,246,037	20,556,546	22,407,084	23,660,767	23,511,341
Net Government	1,704,371	1,876,555	2,159,132	2,186,703	2,385,033
Rest of Public Sector	223,479	276,472	291,939	291,293	285,669
Non-financial Private Sector	16,318,187	18,403,519	19,956,013	21,182,770	20,806,643

Source: Central Bank of Costa Rica.

Liquidity and Credit Aggregates

	As of December 31,				As of September 30,
	2015	2016	2017	2018	2019
	(in millions of current U.S. dollars)(1)				
Liquidity aggregates	U.S.$31,408	U.S.$33,725	U.S.$36,075	U.S.$35,597	U.S.$37,878
M1	5,337	5,601	5,267	5,289	5,810
NPP	1,392	1,436	1,477	1,440	1,354
Current account deposits in colones	3,945	4,166	3,789	3,848	4,562
Quasi-money	26,071	28,124	30,808	30,308	32,068
In foreign currency	10,453	11,616	12,511	12,856	13,428
In domestic currency	15,618	16,507	18,297	17,452	18,640
Total net credit	34,301	37,500	39,559	39,148	40,815
Net Government	3,204	3,423	3,812	3,618	4,140
Rest of Public Sector	420	504	515	482	496
Non-financial Private Sector	30,677	33,572	35,232	35,048	36,120

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

Financial Sector

As of October 31, 2019, the Costa Rican banking system was composed of 48 entities under the supervision of SUGEF: two state-owned commercial banks created by special laws (the *Banco Popular y de Desarrollo Comunal*, a full service commercial bank and the *Banco Hipotecario de la Vivienda*, which provides only mortgage loans and is responsible for managing and distributing the Government's housing loans and subsidies), 11 private banks, five non-bank financial firms, one savings and loan association, 22 credit cooperatives, two foreign exchange firms and two housing savings (*mutuales de vivienda*) and loans associations.

Local regulators, including SUGEF, SUPEN, SUGEVAL, and SUGESE, supervise 93% of total assets of financial groups. See "Monetary System–Financial Sector Supervision" for a description of the responsibilities of each regulator. Of these financial groups, Grupo Financiero BCT and Conglomerado Financiero Banco de Costa Rica are the only two reporting a non-resident bank entity with significant asset value.

As of August 31, 2019, assets of the national banking system amounted to U.S.$57.5 billion. Public banks (including those created by special laws) accounted for 46.8% of total assets, while private banks and savings and loan associations accounted for 33.3% and 10.9%, respectively. Performing loans accounted for 92.1% of the financial system portfolio, while investments in securities and non-productive assets accounted for 16% and 15.3%, respectively of the total assets. Asset dollarization in the financial system decreased slightly from 40.5% in 2014 to 37.4% in August 2019. Private bank assets remained fairly dollarized as of August 31, 2019 at 68.3%.

As of December 31, 2018, assets of the national banking system amounted to U.S.$55.5 billion. Public banks (including those created by special laws) accounted for 46.8% of total assets, while private banks and savings and loan associations accounted for 34.5% and 10.3%, respectively. Performing loans accounted for 93.2% of the financial system portfolio, while investments in securities and non-productive assets accounted for 12.4% and 16.0%, respectively, of the financial system portfolio. Asset dollarization in the financial system decreased slightly from 40.5% in 2014 to 38.9% in 2018. Private bank assets remained fairly dollarized as of December 31, 2018 at 69.0%.

During 2018, the U.S. dollar loan portfolio of private banks accounted for 71.4% (71.7% in 2017) of their total loan portfolio, while the U.S. dollar loan portfolio of state-owned banks and other non-banking depositary institutions represented 34.4% and 7.9%, respectively, of their loan portfolios. The reduction in U.S dollar-denominated credit in 2018 is directly related to the lower demand for credit in U.S. dollars. This was mainly caused by the low economic activity and the depreciation of the colón in October 2018 which generated an expectation of greater depreciation and has reduced the already weak demand for credit in U.S. dollars.

Dollarization of credit portfolios and bank balances have been longstanding issues of the national banking system, and the financial sector's regulatory and supervisory authorities have taken action to mitigate currency risk resulting from credit given to colón-denominated income earners. As a result, both the Central Bank and the supervisory agencies (CONASSIF and SUGEF) considered measures to ensure that economic agents (i.e., debtors/creditors) internalize this risk and thereby mitigate the effects it could have on the stability of the financial system. One of the most important actions taken in 2016 was the creation of an additional reserve, equivalent to 1.5% of the foreign currency credit, that is required when credit is granted to a non-U.S. dollar income earner.

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. However, since 2006 to 2016, macroeconomic measures have been implemented that have modified this scheme through the search for greater inflation control and greater exchange flexibility.

In August 2013 CONASSIF implemented a set of rules aimed at strengthening the position of the financial system against the adverse effects of a significant increase of the foreign currency rate on the performance of U.S. dollar-denominated loans granted to unhedged foreign currency debtors. One of the rules implemented requires lenders to consider increased risks on loans granted to debtors exposed to currency risk. The increased risk mandate for foreign currency loans to unhedged borrowers was eliminated in June 2016. Starting June 2016, residential mortgages risk were to be analyzed according to each currency's liquidity coverage ratios and increased risks were to be given to foreign currency mortgages with unhedged borrowers.

CONASSIF also implemented a stress test for credit quality and risk appetite, as well as credit policies concerning foreign currency-denominated credit to unhedged borrowers. Stress tests will also need to test for foreign exchange and interest rate impact. In addition, liquidity gap ratios at one and three months are now calculated by currency (domestic or foreign) with specific thresholds. Another measure was the establishment of best practices on liquidity risk management, including individual liquidity management for each currency and the implementation of the liquidity coverage ratio. These policies require banks to hold cash reserves in the same currency as the corresponding liability and they forbid excess reserves in one currency from covering a different currency.

The implementation of the Basel committee recommendations has been gradual. The regulation on liquidity risk management and the implementation of the liquidity coverage ratio began in 2013. The regulatory road map includes the new definition of principal, the leverage ratio and the conservation of principal buffers. In June 2016, Costa Rica adopted a countercyclical provision framework, instead of a countercyclical principal buffer. The IFRS accounting regulations for the financial sector will be effective starting January 2020.

The goals of SUGEF are to prevent financial and banking crises and to give information to depositors to aid in the depositors' decisions regarding allocation of financial risk. 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 Law 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*) passed 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 previously obtain a license issued by CONASSIF. Once a foreign banking entity is licensed to operate as a financial entity in Costa Roca, 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.

Additionally, as part of the commitments assumed by Costa Rica to enter the OECD, on July 30, 2019, the Legislative Assembly approved a modification to the National Banking System Law (*Ley Orgánica del Sistema Bancario Nacional*) ("National Banking System Law"), which enables branches of foreign banks to operate in the Costa Rican banking sector with equal rights and obligations as any other domestic Costa Rican private banks. In addition, branches of foreign banks would also be subject to the Costa Rican banking laws and regulations and the supervision of SUGEF, CONASSIF and the Central Bank. This law is pending further regulations to be issued by CONASSIF in the coming months as well as the negotiation of information exchange agreements between SUGEF and its international counterparts.

Anti-Money Laundering

On October 10, 2019, the European Union removed Costa Rica from its tax havens grey list after concluding that the Republic implemented necessary reforms to comply with the European Union's good governance principles. In addition, the European Union also concluded that Costa Rica met all three criteria of the EU fiscal transparency policy. Costa Rica implemented various actions that enabled this to take place. For instance, the Financial Intelligence Unit of the Costa Rican Institute on Drugs, adopted risk matrix reports of suspicious operations that are to be issued by banks within the Costa Rican financial system. This entity also provides assistance on investigations to other national and foreign authorities and issues newsletters and alerts mainly addressed to banks within the Costa Rican financial system. In addition, with respect to cross-border money control, the programming, coordination and development of the different intensified control meetings and exercises was maintained jointly with the authorities present at border posts and airports. Since October 2010, Costa Rica is a party and has access to the electronic platform of the Asset Recovery Network.

Additionally, on November 7, 2017 Costa Rica was removed from the Financial Action Task Force's Non-Cooperative Countries or Territories grey list.

In addition, the Central Bank allocated more than U.S.$10 million and established action plans for the development of four new technology platforms, which will allow progress in the implementation of the new approved legal frameworks on fundamental issues to strengthen transparency and the fight anti-money laundering crimes:

- Final Beneficiaries, companies must provide information on the composition of their share capital and the identification of final beneficiaries;

- Non-Financial Activities and Professions, to prevent the concealment and mobilization of funs of doubtful origin and other transactions to legitimize funds or finance terrorist activities or organizations;

- Know Your Client, unifies and simplifies the application of the know your client policy to reinforce the work of prevention and supervision of the legitimization of funds and financing of terrorism; and

- Single Account Register, the IBAN (International Bank Account Number) is a standardized structure that identifies fund accounts both nationally and internationally that allows users to perform financial transactions quickly and safely. This program is carried out by SUGEF, the Costa Rican Drug Institute and the Ministry of Finance.

The following table sets forth the amounts of assets and liabilities corresponding to each category of financial institutions of August 31, 2019.

Structure of the Regulated Financial System as of August, 2019

	Assets										Liab		
	Total		Loans(1)		Investment		Other Productive		Non Productive Assets		Total		Cost
	Millions of U.S. dollars	% of total	Millions of U.S. dollars	% of total	Millions of U.S. dollars	% of total	Millions of U.S. dollars	% of total	Millions of U.S. dollars	% of total	Millions of U.S. dollars	% of total	Millions U.S. doll
	(in millions of U.S. dollars and percentages of total)												
Commercial State Banks	U.S.$20,751.9	36.0%	U.S.$12,231.9	32.0%	U.S.$4,124.0	43.5%	U.S.$237.3	22.3%	U.S.$4,158.7	47.0%	U.S.$18,523.3	37.8%	U.S.$15,6
BNCR	12,252	21.3%	7,355	19.3%	2,288	24.1%	62	5.8%	2,548	28.8%	11,055	22.6%	9
BCR	8,500	14.8%	4,877	12.8%	1,836	19.4%	176	16.5%	1,611	18.2%	7,468	15.3%	6
Banks created by special laws	6,221.9	10.8%	4,732.2	12.4%	1,062.6	11.2%	0.4	-	426.8	4.8%	4,833.4	9.9%	4,4
Banco Hipotecario de la Vivienda	285	0.5%	246	0.6%	28	0.3%	-	-	11	0.1%	109	0.2%	
Banco Popular y Desarrollo Comunal	5,937	10.3%	4,486	11.8%	1,034	10.9%	-	-	416	4.7%	4,724	9.7%	4
Private Banks	19,159	33.3%	12,847	33.7%	2,062	21.7%	805	75.5%	3,445	38.9%	17,099	34.9%	14
Foreign Exchange Houses	3	-	-	-	-	-	-	-	3	-	1	-	
Credit Unions	6,266	10.9%	4,437	11.6%	1,582	16.7%	-	-	246	2.8%	5,186	10.6%	4
Non-bank Financial Institutions	644	1.1%	455	1.2%	70	0.7%	23	2.2%	96	1.1%	561	1.1%	
Authorized Entities of the National Financial Housing System	2,118	3.7%	1,422	3.7%	332	3.5%	-	-	363	4.1%	1,939	4.0%	1
Savings Bank and ANDE Loan	2,411	4.2%	2,047	5.4%	253	2.7%	-	-	111	1.3%	808	1.7%	
Total	57,574.5	100.0%	38,172.4	100.0%	9,486.2	100.0%	1,065.6	100.0%	8,850.2	100.0%	48,951.5	100.0%	42,6

Source: General Superintendency of Financial Institutions

(1) Includes loans that are current or up to 90 days past due.

The quality of the loan portfolio of the regulated financial system deteriorated from 2017 to 2019, as a result of the domestic economy's deceleration. The ratio of past due loans to total loans increased by 1.56% in 2016 to 2.13% by December 2018. At the end of August 2019 the past due loans to total loans ratio was at 2.36%, an increase compared to December 2018. The loan portfolio deterioration occurred in public and private banks and also in non-bank entities.

The capital adequacy ratio ("CAR") measures the percentage of risk-weighted assets (loans and investment) covered by capital. SUGEF considers an institution with a CAR above 10% to be within a normal risk category. The following table summarizes the average CAR for public and private banks for the periods indicated.

Capital Adequacy Ratio of Public and Private Banks

	As of December 31,				As of August 31,
	2015	**2016**	**2017**	**2018**	**2019**
Public Banks	13.21	13.52	13.50	13.71	14.18
Private Banks	13.11	13.27	13.48	13.26	14.19

Source: SUGEF

Past Due Loan Portfolio of the Financial System as of August 2019

(in millions of U.S. dollars and percentages of total)

	Total loans		Current loans		1-30 days		31-60 days		61-90 days		91-180 days		M
Commercial State Banks	**U.S.$11,557**	**100.0%**	**U.S.$10,708**	**92.6%**	**U.S.$419**	**3.6%**	**U.S.$237**	**2.0%**	**U.S.$125**	**1.1%**	**U.S.$19**	**0.2%**	**U.S**
BNCR	6,918	100.0	6,541	94.6	184	2.7	115	1.7	68	1.0	2	0.0	
BCR	4,640	100.0	4,166	89.8	236	5.1	122	2.6	57	1.2	17	0.4	
Banks created by special laws	**4,480**	**100.0**	**3,933**	**87.8**	**344**	**7.7**	**123**	**2.7**	**45**	**1.0**	**11**	**0.2**	
Banco Hipotecario de la Vivienda	231	100.0	231	100.0	-	-	-	-	-	-	-	-	
Banco Popular y Desarrollo Comunal	4,249	100.0	3,702	87.1	344	8.1	123	2.9	45	1.1	11	0.3	
Private Banks	**12,174**	**100.0**	**11,437**	**93.9**	**391**	**3.2**	**137**	**1.1**	**101**	**0.8**	**46**	**0.4**	
Credit Unions	**4,196**	**100.0**	**3,873**	**92.3**	**153**	**3.6**	**88**	**2.1**	**53**	**1.3**	**8**	**0.2**	
Non-bank Financial Institutions	**432**	**100.0**	**377**	**87.3**	**27**	**6.3**	**8**	**2.0**	**15**	**3.5**	**1**	**0.3**	
Authorized Entities of the National Financial Housing System	**1,347**	**100.0**	**1,071**	**79.5**	**145**	**10.7**	**68**	**5.0**	**52**	**3.9**	**2**	**0.2**	
Savings Bank and ANDE Loan	**1,931**	**100.0**	**1,873**	**97.0**	**32**	**1.7**	**14**	**0.7**	**4**	**0.2**	**3**	**0.1**	
Total	**36,118**	**100.0**	**33,271**	**92.1**	**1,511**	**4.2**	**676**	**1.9**	**395**	**1.1**	**90**	**0.2**	

Source: General Superintendency of Financial Institutions.

Absorption of BCAC by BCR

Due to the financial performance of the BCAC in its recent years, the Government decided to cease its operations in 2017. The BCAC, part of the national banking system, ceased to operate commercially on July 14, 2017 and was merged into the Bank of Costa Rica, also a member of the national banking system. This operation was approved by the Cartago Agriculturas Credit Bank Merger Law.

The absorption was completed on November 30, 2018, on which date the BCAC ceased to exist as a legal entity and its net assets were transferred to the BCR. The Ministry of Finance capitalized the BCR with ¢31 billion, and extended a ¢132 billion loan to BCR.

Foreign Exchange and International Reserves

Foreign Exchange

Since 1992, there have been no controls on foreign exchange convertibility or remittances in Costa Rica. Costa Rican residents can buy or sell foreign exchange without restriction, and there are no restrictions on the repatriation in foreign currency of capital or dividends by foreign investors. In addition, the Central Bank authorized state-owned and private commercial banks to participate freely in the foreign exchange market. Participants in the exchange market are authorized to maintain a net position in foreign exchange of up to 100% of capital, with daily changes restricted to 2% of the previous day's position.

In 2006, the exchange rate regime shifted from a crawling peg exchange regime – prevalent between 1992 to 2006 – to a crawling band. Initially, the width of the band was set to increase daily with the ceiling increasing by 0.14 colones and the floor decreasing by 0.06 colones per day. In 2008, the band floor was fixed at the current level of 500 colones per U.S. dollar and the ceiling was set to increase by 20 cents per business day. In 2009, the exchange rate remained at the top of the crawling band. During 2009, the exchange rate policy aimed at promoting flexibility and increasing the level of integration and efficiency in the foreign exchange market by incorporating additional participants in Foreign Currency Market (*Mercado de Monedas Extranjeras*), the foreign currency market organized by the Central Bank that provides participants with an electronic platform to negotiate and liquidate foreign currency in real time.

In 2015, the Central Bank abandoned the band regime in favor of a managed floating exchange regime. Under this new policy, the Central Bank allows the value of the exchange rate to be determined by the supply and demand in the local market, though it can intervene the exchange rate market to attend to its needs, the needs of the Government or to avoid sharp fluctuations in the exchange rate. This was one of the steps needed to eventually adopt an inflation targeting monetary regime. At the end of 2015, the exchange rate was set at ¢538.41 per U.S.$1.00, which was less than the ¢539.42 per U.S.$1.00 recorded at the end of 2014.

At the end the year 2016, the exchange rate was set at ¢554.64 per U.S.$1.00. During 2016, the exchange rate showed relative stability and ended up with a small depreciation of 3.3% due to a lower availability of foreign currency from the private sector along with a deterioration of trade terms and higher net requirements from the Government.

Between the months of April and May 2017, there was a short period of tension in the exchange rate market due to lower capital inflows, a greater deficit in the current account and an increase in local savings in U.S. dollars along with lower premiums for savings in local currency. The Central Bank responded to this tension by reestablishing the premium for saving in local currency, thus increasing the monetary policy rate six different times up to 300 basis points higher than before the tension arose. Additionally, in October 2017, the Latin American Reserve Fund (*Fondo Latinoamericano de Reservas*) ("FLAR") approved a U.S.$1.0 billion balance of payments support loan requested by the Central Bank to rebuild net foreign reserves.

During 2018, the exchange rate market was influenced by the uncertainty derived from the fiscal situation in the country, the difficulty of reaching an agreement that could give financial stability to the Government, along with the 2018 Public Sector Strike, all of which increased the risk perception of Costa Rica. This affected the market in two different ways, first the Government went from being a net supplier of foreign currency to a net demander. Second, the local uncertainty increased the expectations of higher exchange rates in the future which in turn meant higher dollarization of savings in the domestic financial market. This two-phased phenomenon led to higher exchange rates in several years. During January 2019, with the Republic's fiscal situation restored to a sustainable path, the exchange rate has returned to the levels observed by the end of 2017: approximately 580 colones per each U.S. dollar.

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

	Average	End of Period
	(colones per U.S. dollar)	
December 2010	506.37	512.97
December 2011	505.47	511.84
December 2012	499.75	508.20
December 2013	499.73	501.41
December 2014	535.27	539.42
December 2015	534.34	538.41
December 2016	552.50	554.64
December 2017	566.63	569.49
December 2018	601.11	608.07
January 2019	606.14	611.01
February 2019	610.06	607.89
March 2019	603.76	599.20
April 2019	599.81	598.25
June 2019	591.99	587.33
July 2019	586.42	580.18
August 2019	570.30	576.93
September 2019	571.40	568.50

International Reserves

As of June 30, 2019, international reserves at the Central Bank stood at around U.S.$7.8 billion, equivalent to 6.5 months of imports. The net financial flows to the Costa Rican economy were lower compared to 2018. In March 2018, Costa Rica's public sector was positively impacted when it received a U.S.$1 billion FLAR loan to support the balance of payments. Although the inflows of direct investment increased and continue to exceed the current balance of payments account deficit, other financial flows by the private sector showed a greater net outflow of resources compared to 2018, but were able to pay off most of their external liabilities with private banks.

International reserves at the Central Bank have been stable from 2015 to 2018, fluctuating between U.S.$7.49 billion in 2018, U.S.$7.15 billion in 2017, U.S.$7.57 billion in 2016 and U.S.$7.84 billion in 2015. Positive net accumulation of reserves took place in 2018, which brought reserves up to U.S.$7.5 billion. The average level of international reserves for 2018 was U.S.$7.5 billion.

International reserves decreased by U.S.$260 million in 2016. As of December 31, 2016, net international reserves at the Central Bank amounted to U.S.$7.57 billion and a 1.7 ratio relative to the money base.

According to the Central Bank 2019 Projections, Costa Rica's international reserves are expected to increase by U.S.$1.8 billion, taking into account the U.S.$1.5 million external debt. The projected net international reserves for 2019 are U.S.$9.28 billion. 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."

Securities Markets

Costa Rica has one stock exchange, the National Stock Exchange. The laws regulating the securities market were enacted in 1990 and 1998, the first of which was designed to stimulate the development of the securities market, in part through the creation of the National Securities Commission (*Comisión Nacional de Valores*) ("National Securities Commission"), an entity under the authority of the Central Bank with supervision authority over the securities market in Costa Rica. The second of such laws, which became effective on March 27, 1998, restructured the National Securities Commission as SUGEVAL.

SUGEVAL is responsible for promoting and regulating the Costa Rican securities markets. Its functions include authorizing public offerings of securities, issuing securities regulations and supervising the operation of stock exchanges. SUGEVAL regulates and supervises the securities markets, including setting professional ethics standards, requiring information such as annual reports from listed companies, setting controls and penalties and regulating the relationship between issuers and investors in the securities market. The securities market is dominated by trading in debt securities (principally Government bonds), while trading in equity securities is limited. The equity securities issuers with the highest traded volume within 2018 and the first 10 months of 2019 are Florida Ice & Farm, Banco Promerica, S.A., Banco LAFISE, S.A. and Holcim de Costa Rica, S.A.

During 2011, the National Stock Exchange worked with the SUGEVAL to participate actively on a proposal that would boost the market, eliminate regulatory barriers and expand opportunities both for new issuers and for financing investment projects.

The main regulatory changes in the securities market approved by CONASSIF in the last three years include reforms to corporate governance regulations, which are a balance between principles and compulsory rules that apply to banks, broker agencies, fund managers and insurance companies and listed companies, securities clearing and settlement regulations. Other regulations enacted during that period were the Regulation on Financial Information, applicable to financial entities supervised by the four financial sector supervisors, to update accounting rules to the most recent version of IFRS. This regulation's purpose is to establish the content, preparation, referral, presentation and publication 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 each entity's behavior and make decisions accordingly. This regulation will enter into force in January 2020.

The Rules on Securities Intermediation and Complementary Activities (*Reglamento de Intermediación y Actividades Complementarias*), in force since 2016, regulates services offered by brokers and banks such as securities advisory, trade execution, underwriting, and others. This regulation aims to provide greater legal certainty, so that entities and individuals have clear guidance on the essential elements that they should consider in the structuring of the business they intend to carry out, whether they market to the public or operate privately. These rules introduce qualitative and quantitative elements that generate a presumption that a public offer of intermediation services is being made. Therefore, the 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.

Pursuant to OECD recommendations, on October 16, 2019 the Legislative Assembly enacted a comprehensive law that reforms the Securities Market Regulatory Law, Judiciary Law, Central Bank Law, Penal Code, Commerce Code, Insurance and Private Pensions Law No. 9,746 (*Ley de Reforma de la Ley Reguladora del Mercado de Valores, Ley Orgánica del Poder Judicial, Ley Orgánica del Banco Central de Costa Rica, Código Penal, Código de Comercio, Ley Reguladora del Mercado de Seguros, Régimen Privado de Pensiones Complementarias*). Some of the reforms introduced by this law enable SUGEVAL to become a party to the IOSCO Multilateral Memorandum of Understanding (the "MMoU"). The reform also allows SUGEVAL to share information with its foreign counterparts who are also parties to the MMoU. Additionally, it broadens SUGEVAL's powers, allowing it to launch inquiries and gather evidence to collaborate with its foreign counterparts in compliance with investigations. Also, the legal reforms allow SUGEVAL to regulate derivatives and to access information of beneficial ownership of listed companies. Finally, the legal reforms revamped the sanctions scheme, allowing SUGEVAL to impose sanctions on auditors when irregularities or other defects are detected, hence promoting greater oversight over auditors.

The following table sets forth trading volume for the National Stock Exchange for the periods indicated.

Stock Exchange Trading Volume

Debt market

	For the Year Ended December 31,								For the Nine Months Ended September 30,	
	2015		2016		2017		2018		2019	
	(in millions of U.S. dollars, and percentage of total)[1]									
National Stock Exchange										
Public sector issuers										
Short term (Commercial paper)	U.S.$654	1.2%	U.S.$197	0.4%	U.S.$512	1.1%	U.S.$1,172	2.1%	U.S.$473	1.2%
Long term (bonds)	4,807	8.9	6,297	12.8	4,924	10.5	6,548	11.8	6,079	15.6
Total primary market	5,461	10.2	6,494	13.2	5,436	11.6	7,720	14.0	6,551	16.9
Short term (Commercial paper)	69	0.1	295	0.6	107	0.2	599	1.1	122	0.3
Long term (bonds)	7,330	13.6	7,126	14.5	6,206	13.2	3,175	5.7	5,280	13.6

	For the Year Ended December 31,								For the Nine Months Ended September 30,	
	2015		2016		2017		2018		2019	
	(in millions of U.S. dollars, and percentage of total)[1]									
Repos [2][3][4]	31,326	58.3	25,835	52.5	23,828	50.7	33,673	60.9	21,948	56.5
Total secondary market	38,725	72.0	33,256	67.6	30,141	64.2	37,448	67.7	27,350	70.4
Public sector total	44,186	82.2	39,750	80.8	35,577	75.7	45,168	81.7	33,902	61.3
Financial sector issuers										
Short term (Commercial paper)	1,875	3.5	1,107	2.2	2,716	5.8	2,027	3.7	1,409	3.6
Long term (bonds)	730	1.4	793	1.6	1,285	2.7	724	1.3	933	2.4
Total primary market	2,605	4.8	1,900	3.9%	4,001	8.5	2,750	5.0	2,341	6.0
Short term (Commercial paper)	1,350	2.5	1,406	2.9	1,306	2.8	1,406	2.5	779	2.0
Long term (bonds)	375	0.7	243	0.5	414	0.9	260	0.5	196	0.5
Repos [2][3][4]	4,303	8.0	4,982	10.1	5,031	10.7	4,962	9.0	1,303	3.4
Total secondary market	6,028	11.2	6,631	13.5	6,752	14.4	6,629	12.0	2,278	5.9
Financial sector total	8,633	16.1	8,531	17.3	10,753	22.9	9,379	17.0	4,620	8.4
Private sector issuer										
Short term (Commercial paper)	-	-	-	-	-	-	-	-	-	-
Long term (bonds)	-	-	91	0.2	61	0.1	46	0.1	83	0.2
Total primary market	-	-	91	0.2	61	0.1	46	0.1	83	0.2
Short term (Commercial paper)	-	-	-	-	-	-	-	-	-	-
Long term (bonds)	104	0.2	89	0.2	63	0.1	25	-	30	0.1
Repos [2][3][4]	725	1.3	728	1.5	438	0.9	392	0.7	160	0.4
Total secondary market	829	1.5	817	1.7	501	1.1	417	0.8	190	0.5
Private sector total	829	1.5	908	1.8	561	1.2	463	0.8	273	0.5
International issuers										
Short term (Commercial paper)	-	-	-	-	33	0.1	-	-	-	-
Long term (bonds)	46	0.1	-	-	-	-	119	0.2	-	-
Total primary market	46	0.1	-	-	33	0.1	119	0.2	-	-
Short term (Commercial paper)	-	-	-	-	-	-	-	-	-	-
Long term (bonds)	9	-	11	-	7	-	13	-	3	-
Repos [2][3][4]	45	0.1	24	-	49	0.1	144	0.3	47	0.1
Total secondary market	54	0.1	35	0.1	56	0.1	158	0.3	50	0.1
International issuer total	100	0.2	35	0.1	89	0.2	277	0.5	50	0.1
Debt market total	53,747	98.5	49,224	98.2	46,981	97.8	55,287	98.2	38,844	98.3
Stock market	U.S.$55	0.1	40	0.1	58	0.1	61	0.1	25	0.1
Others	736	1.3	875	1.7	1,001	2.1	945	1.7	640	1.6
National Stock Exchange total	54,538	100.0	50,139	100.0	48,040	100.0	56,293	100.0	39,509	100.0
Market capitalization	1,954		2,300		2,410		2,156		2,242	
Number of listed companies[5]	39	-	42	-	45	-	43	-	40	

Source: SUGEVAL

(1) Figures in colones have been translated into U.S. dollars at the Central Bank in effect on the date of the transaction.
(2) Repurchase agreements or repos.
(3) Consider the buying and selling position in the traded volume on repos.
(4) Repos includes interest on the transaction.
(5) Issuers authorized by the SUGEVAL to list securities on the stock exchange. Includes operations in the secondary market with share participations.

Legal framework

The regulatory framework for the Costa Rican securities market consists mainly of: (i) the Securities Market Regulatory Law, and its reforms, which creates SUGEVAL and aims to regulate stock markets, natural and legal persons directly or indirectly involved in them, acts or contracts relating to such markets and the securities traded on those markets; (ii) the Central Bank Law, in which the audit of financial institutions was declared in the public interest; (iii) 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; (iv) 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 (v) the Minority Investor Protection Law (*Protección al Inversionista Minoritario*) (the

"Minority Investor Protection Law"), 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.

Legal Reforms 2015-2019

Note Issuance Law

On July 22, 2019, the Legislative Assembly passed the Note Issuance Law which approved the issuance of up to U.S.$1.5 billion in notes (including the Notes) in the international capital markets before July 22, 2020.

Public Employment Framework Law

A draft Public Employment Framework Law was submitted to the Legislative Assembly in April 2019 and is currently being discussed. 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 disparity among similarly ranked public officials; (ii) establish a clear salary scale to address the pay gap among public officials and reduce salary expenses; and (iii) attract the most qualified professionals to work for the Government by establishing a competitive public employment process.

The draft Public Employment Framework Law grants broad powers to the Ministry of Planning and Economic Policy (*Ministerio de Planificación Nacional y Política Económica*) ("Ministry of Planning") to take measures for the unification, simplification, and consistency of the public sector's employment framework. It also seeks to address recommendations given by different national and international entities, such as the Office of the Comptroller General of the Republic and the Organization for Cooperation and Development. One of these recommendations called for the creation of performance, merit and productivity evaluation regime applicable to public officials. Another one was to address public official's accountability against society, and another was the establishment of a formal employee management system. Finally, this draft law implements the OECD's recommendation to impose a single salary regime for new staff. In addition, the bill stipulates that non-monetary incentives may be granted to public officials based on performance-based evaluations.

The draft Public Employment Framework Law also seeks to rearrange the different powers and divisions of the state, such as: (i) the powers of the Republic (Executive, Legislative and Judicial), its ancillary and affiliated bodies and the Supreme Electoral Tribunal; (ii) the institutional decentralized public sector consisting of autonomous institutions and their affiliated bodies (including banks and universities, Costa Rica's main social security institution: the CCSS, ICE and the INS), and state-owned public enterprises; and (iii) municipalities, municipal district councils and their companies into a single employer with a consistent legal framework.

Since May 2019, the draft Public Employment Framework Law has been under review by a legislative committee at the Legislative Assembly. A recommendation for this bill is expected soon, after which the bill is to be sent to the Legislative Assembly floor for final voting. Due to timing constraints, the Government does not foresee this bill being approved in 2019.

Strike Law

A draft Law to Provide Legal Certainty on Strikes (*Ley para Brindar Seguridad Jurídica sobre la Huelga y sus Procedimientos*) was submitted to the Legislative Assembly in October 2018 and is currently being discussed. On September 3, 2019, the draft law was preliminarily approved in the first round of debates at the Legislative Assembly, but is still subject to further review. The draft law aims to regulate strikes by safeguarding the provision of public services at all times during the duration of strikes. Some of the safeguarded public services are: hospital services, electricity, water, fuel, security, air and sea traffic control, school canteens, emergency care, among others. In the current legislation, there are serious gaps in the procedure for declaring a strike illegal. The proposed bill seeks to bridge that gap and adjust the procedure to make it reasonable and clear. To achieve this goal, the bill declares strikes in essential services illegal, and defines which services are contemplated within that concept. Another element that is incorporated in the bill provides that workers who join an illegal strike will face a retroactive wage reduction counted from the date the illegal strike began. This draft bill was submitted to the Legislative Assembly in response to the 2018 Public Sector Strike and the adverse effects it caused across the whole economy by obstructing essential services in the country.

The bill includes a novel notification system that seeks to address the historical inability of demonstrators to announce strikes ahead of time. The bill establishes trade union's obligation to maintain an electronic address registered with the Judiciary and the Ministry of Labor, to speed up the notification in order to limit the effects of strikes on citizens.

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 towards 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 type 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.

Legislative Assembly Rules reform

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

In March of 2019, Costa Rica's 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.

These modifications limited the use of delay tactics, making the Legislative Assembly a more agile and efficient body. Before the amended Legislative Assembly Rules were approved, the Legislative Assembly enacted 47 new laws between 2014 and 2015; 61 between 2015 and 2016; 92 between 2016 and 2017; 123 between 2017 and 2018; and 117 between 2018 and 2019. Since the amended Legislative Assembly Rules were approved in March 2019 to the date of the Offering Circular, the Legislative Assembly enacted at least 56 new laws intended to implement fiscal, labor, financial and environmental reform, some of which had been initially proposed to the Legislative Assembly as far back as 2015. These modifications to the Legislative Assembly Rules also facilitated the approval of new legislation critical for Costa Rica to become an OECD member state.

Public Finance Strengthening Law

On December 3, 2018, the Legislative Assembly enacted the Public Finance Strengthening Law, which seeks to improve tax collection, control Government and non-financial public sector spending to improve public sector finances 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.

The Fiscal Rule applies to 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.

A Fiscal Council, regulated by Executive Decree No. 41,937-H, 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 will appoint the third candidate.

It is the Legislative Assembly's responsibility to monitor compliance with the Fiscal Rule and enforce the relevant consequences.

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 systems, to facilitate monitoring and enforcement and simplify the tax filing process.

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 performance-based compensation schemes. Moreover, it introduces a transparent, public and performance-based evaluation system applicable to all Government officials.

After the Public Finance Strengthening Law was enacted, VAT collection increased by 53% (¢33.04 million increase) as September 2019 VAT collections reached ¢95.80 million, compared to income sales tax collections of ¢62.76 million as of September 2018. Income and profit tax collection increased by 5% (¢9.59 million increase) as September 2019 collections reached ¢208.40 million, compared to ¢198.81 as of September 2018. Government expenditure also reached its lowest point since 2012, with current expenditures (without interest) amounting to 10.77% of GDP. As of September 2019, primary deficit improved by half a point of GDP, compared to September 2018, mainly due to the increase in income and containment of Government expenditure. As an effect to the increased profile of the Government's debt management after the enactment of the Public Finance Strengthening Law, Government debt interest rates (in domestic and foreign currency) decreased by 310 basis point as of September 2019. This reduction stimulated economic recovery with an increased demand for credit.

The Government has also made efforts to improve its indebtedness profile by extending the terms of its placements in the local market (in addition to debt rollover), thereby reducing the concentration of short term maturities. This strategy improved the management of refinancing risk and avoided additional pressure on interest rates in the local market.

The Ministry of Finance expects the Public Finance Strengthening Law to generate public revenues in an amount representing 0.68% of GDP by the end of 2019 and 1.79% of GDP by the end of 2020, mainly due to VAT collection. The implementation of the Fiscal Rule is expected to improve fiscal results by an estimated 1.94% of GDP by the end of 2023. 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 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 in fact occur."

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.

Movable Collateral Law

In May of 2015, the Legislative Assembly passed the Movable Collateral Law No. 9,246 (*Ley de Garantías Mobiliarias*). This law aims to increase access to credit by expanding the universe of property that can be provided as security to lenders. This law establishes that a security interest is a preferred right of dealing over movable property granted as collateral that can be conferred on a secured creditor and created in contract or by operation of law. These guarantees may encumber personal property or generic groups of personal property or real or contractual rights.

Under the Movable Collateral Law, a security interest may be constituted on any personal property or right over personal property, except those whose sale, exchange, lease, pledge or use as a security interest is prohibited by law. The transferable guarantees granted on vehicles that need to be registered in the Public Registry to circulate on public roads, aircraft, aircraft engines, helicopters, railway equipment, space elements and other categories of traffic will be exempt from the provisions of this law. Finally, the Movable Collateral Law expressly authorizes the deposit of money in guarantee, when the depositary is the creditor of the depositor.

Information exchange regulations

In connection with Costa Rica's accession to the OECD, an OECD committee reviewed Costa Rica's commitment in the effective exchange of information in accordance with OECD standards and recommended certain actions. In accordance with these recommendations, Costa Rica has developed: (i) three agreements, two of which are in force, to avoid double taxation, each containing an information exchange clause; and (ii) 20 tax information exchange agreements, 12 of which are in force and (iii) a Central American Agreement with four signatories, including Costa Rica. The signatories of the Convention on Mutual Administrative Assistance are 117, which is equivalent to having signed agreements with each of those countries.

Financial consumer protection law

A draft Financial Consumer Protection Law was submitted to the Legislative Assembly under bills No. 20.883 and No. 21.666, which are currently being discussed, aiming to increase confidence in formal financial services and take advantage of them through the creation of a specific legal framework for financial consumer protection. The purpose of this law is to strengthen the principles of financial consumer protection in the financial system 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 the Financial consumer Protection Law, was also a recommendation made by the OECD in connection with Costa Rica's process of accession to the OECD.

National statistics system strengthening law

In line with the OECD's recommendations in connection with Costa Rica's accession process to the OECD, 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:

(i) funds from the national budget for an annual amount no less than ¢3.6 billion;

(ii) 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;

(iii) funds collected in accordance with the provisions of Law No. 8,228 on the Costa Rican Fire Department dated March 19, 2002; and

(iv) revenue from the sale of services and goods generated by INEC.

Law of Promotion of Competition and Effective Defense of the Consumer

On December 20, 1994, the Legislative Assembly passed the Competition Promotion and Effective Consumer Defense Law (*Ley de Promoción de la Competencia y Defensa Efectiva del Consumidor*). This law furthers the provisions of article 46 of the Constitution which stipulates the prohibition of monopolies and grants consumers and users the right to access information and to be provided with health, environment, security and economic interest protection.

This law adds new definitions and concepts such as harassment, electronic commerce, collective interest and interest diffuse, Global Rate Cash floor rate, usury rate. It also reforms certain concepts, for example, the definition of consumer, right to be forgotten, mass public spectacle, safe product, among others and with which it is intended to give greater clarity in the application of consumer protection standards.

The law also imposes certain penalties for early cancellation of debts, indicating minimum rates in all types of contracts, which introduce abusive clauses, the general contracting conditions to the detriment of the consumer in consumer contracts are varied and that abusive practices of harassment and harassment are implemented in the efforts of supply, placement or collection of goods and services.

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.

Reform of the Central Bank Law and National Banking System Law

The Reform of the Central Bank Law and National Banking System Law reforms the regulatory and supervisory powers of the banking and financial system, which seeks to provide increase the power of regulatory and supervisory bodies so they are able to perform their functions in a more effective way. This reform includes a section on SUGEF and its functions, and addresses the issue of banking supervision generally. It also introduces reforms to the National Banking System Law.

The Reform of the Central Bank Law and National Banking System Law: (i) modifies the type of regulation that is exercised on the audited entities, to allow the so-called risk supervision, which is not limited to the objective verification of requirements but goes beyond establishing and detecting systemic risks, and which allows the SUGEF to take or order precautionary measures; (ii) establishes a consolidated supervision system over economic groups to permit the supervisor to exercise comprehensive control over the entire group as a system, and not only over each of the individualized entities that make up that group; and (iii) strengthens the character of the Central Bank Law and its application and reforms the sanctions regime.

Risk-Based Supervision Methodology

On May 20, 2016, SUGEF, which supervises financial intermediaries and certain other entities, chose to apply to all of its supervised entities a risk-based supervision methodology.

This risk-based supervision methodology is based on the prospective, continuous and comprehensive analysis of the risks assumed by supervised entities and it 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.

The Law on the Creation of the Deposit Guarantee Fund and Financial Intermediary Resolution Mechanisms

The draft Law for the Creation of the Deposit Guarantee Fund and Resolution Mechanisms of Financial Intermediaries, which was submitted to the Legislative Assembly and is currently being discussed, establishes a deposit insurance fund to protect depositors, particularly small ones, and strengthens financial stability in the event of a bankruptcy of a financial intermediary by providing for timely payment to insured depositors. This initiative was introduced at the recommendation of the IMF and the OECD.

The deposit insurance fund will cover deposits for up to ¢6 million, and will apply by deposit, by person and by entity, independently of the currency in which it is constituted. Insured deposits will only be paid to the original holder, therefore bearer deposits, securities issues of entities, as well as deposits of persons connected to the financial entity are excluded from coverage.

The deposit insurance fund will be financed by mandatory contributions from the covered financial entities and will also be supported by the minimum reserve and liquidity reserve requirements of financial intermediaries. In addition, it may receive contributions and donations from persons or public or private, national or international institutions, as well as receive contingent credits or lines from the Central Bank or from national or international entities.

Labor Procedure Reform Law

On January 25, 2016 the Legislative Assembly passed the Labor Procedure Reform Law No. 9,343 (*Ley de Reforma Procesal Laboral*). This procedural law regulates important areas of labor law, such as: (i) the right to strike; (ii) collective dispute resolution; (iii) collective negotiations in the public sector; (iv) labor union protections and antidiscrimination; (v) work penalty prosecution; and (vi) dismissal regime. The law also establishes greater state participation (through the Ministry of Labor) in the labor sector. Following the law, the Ministry of Labor created six conciliation and arbitration centers across the country. The law stipulates the employer and the employee's rights and obligations.

In addition, pursuant to the law, employees have three different labor protection mechanism. Firstly, if an employer wishes to dismiss an employee, the former is required to deliver to the latter a letter of dismissal. This letter must clearly state the facts that justify the dismissal. The employee is entitled to refuse receipt of the letter. The employer must deliver a copy of the letter of dismissal to the Ministry of Labor within 10 days of its issuance.

Secondly, the legislation provides protection to employees through antidiscrimination policies. Antidiscrimination at the work place include a prohibition on being discriminated against, dismissed, or change in working conditions based on the employee's gender, religion, sexual or political orientation, nationality or disability.

The third level of protection granted to employees under the law are special privileges, such as those enjoyed by trade union leaders, pregnant or breastfeeding women and working teenagers (between 15 and 18 years old).

Initiatives to boost the stock market

The Working Group for the Monitoring of Technical Assistance for Improvement in Public Debt Management (*Equipo de Trabajo de Mejoramiento de Gestión de Deuda*), an inter-agency working group was formed under the direction of the Ministry of Finance, the participation of SUGEVAL as market supervisor, the National Stock Exchange as the stock market organizer and the Central Bank. The purpose of this working group is to implement the recommendations received from multilateral agencies such as the World Bank, IMF and the OECD in relation to the management of public debt. The group's members act jointly to provide support for the development of a more robust primary and secondary market. It meets at least once per month and it is currently working on improving communications between the Ministry of Finance and the Central Bank, the reform of the structure of the primary stock market's and on the improvement of secondary market's liquidity.

Market evolution

In 2018, the total traded volume increased to U.S.$56.91 billion, representing an increase of 17.3% compared to 2017 and the largest trading volume since 2013. This was mainly due to the momentum of liquidity market operations, buybacks and increased operations in the primary securities market, including Government issuances to fund Government expenses. However, the secondary market experienced a 28% contraction during 2019. The total volume to GDP ratio recorded was 100.3% in 2018, exceeding the levels observed in 2016 and 2017 which reported a ratio of below 90%.

PUBLIC SECTOR FINANCES

The Costa Rican public sector is composed of the Government, non-financial public sector institutions (including state-owned companies), and financial public sector institutions (including the Central Bank and the state-owned banks). Government expenditures are financed through the collection of income taxes, sales taxes, other minor taxes and tariffs, as well as through 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.

Public Finance Strengthening Law

In recent years, the Government has implemented a comprehensive tax strategy that is expected to help improve tax administration, control and improve the quality of spending, modernize its information systems and introduce several revenue-boosting laws. As part of this tax design and management modernization program, in early 2018, the Government began to require high income taxpayers to use electronic invoices (*facturas electrónicas*), which improved traceability and solidified the Government's efforts to fight tax evasion.

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 improve tax collection, control Government expenditures and improve public sector finances by: (i) establishing ceilings for Government 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. In addition, the Public Finance Strengthening Law increased the income rate for high-income taxpayers and modified the basic food basket to be consistent with the consumption of low-income groups. The public employee compensation portion of the Public Finance Strengthening Law entered into force in December 2018, the tax liability aspects became effective in January 2019 and the VAT and income tax provisions became effective in July 2019. In the first six months of 2019, the Government consulted, drafted, passed and published 14 new regulations required to implement the Public Finance Strengthening Law.

As of September 30, 2019, the Republic had a primary balance deficit of U.S.$0.9 billion, U.S.$0.2 billion less than U.S.$1.1 billion deficit recorded as of September 30, 2018. The improvement in the deficit was primarily caused by increased revenues from VAT collection and income tax as well as a reduction in current, interest-free expenditures by the Government. Government expenditures grew 10.8% as of September 2019, while total revenues increased by 11.1% as a result of increased revenue. Improved Government expenditure (excluding interest) resulting from the administrative containment measures adopted by the Ministry of Finance since mid-2018, along with increased capital transfers were enough to partially offset the contraction in the sales of goods and services, the slowdown in current transfers and the decrease in public employee's compensation.

The Ministry of Finance expects the Public Finance Strengthening Law to generate public revenue in an amount representing 0.68% of GDP by the end of 2019 and 1.79% of GDP by the end of 2020, mainly due to enhanced VAT collection.

Expected increased public revenue due to the implementation of the Public Finance Strengthening Law

	2019	2020
	(as a percentage of GDP)	
Fiscal Rule	0.01%	0.89%
Remuneration	0.07%	0.28%
Acquisition of goods and services	0.01%	-
Current transfers	(0.07)%	0.61%
Capital expenditure and others	-	-
Taxes and Income	0.67%	0.90%
Value Added Tax (VAT)	0.23%	0.25%
VAT tax by tax basket	0.06%	0.06%
Taxes over income and utilities	0.34%	0.33%
Impact of globalization and subcapitalization in ISR	0.00%	0.20%
Performance due to collateral effect of VAT	0.04%	0.06%
Tax Amnesty	0.38%	-
Total (without amnesty)	**0.68%**	**1.79%**

Source: Ministry of Finance, based on internal data.

The fiscal projections and expectations above are based on internal data of the Ministry of Finance and assume (i) certain macroeconomic indicators of growth, currency devaluation and inflation rates, which are derived from the Central Bank's 2019-2020 macroeconomic program https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPolticaMonetariaInflacin/Revision_Programa_Macroeconomico2019-2020.pdf, (ii) the Ministry of Finance's estimates of expected interest rate fluctuations, (iii) full implementation of the Public Finance Strengthening Law in general and the Fiscal Rule, in particular, which has already been implemented in the formulation of the Project of the 2020 Budget of the Government, (iv) recent data collection derived from the implementation of the fiscal reform, and (v) expected budgetary support financing from multilateral organizations such as IDB, CAF, World Bank and the French Development Agency-IDB, among others.

These projections and expectations are based on numerous assumptions relating to factors that are outside of 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 in fact occur."

Limits on Government Spending

The Public Finance Strengthening Law establishes a series of fiscal tools, which the Ministry of Finance can use to maintain the debt to GDP ratio within a prudent range to avoid compromising the country's fiscal sustainability and macroeconomic stability.

Among these tools, 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 prior to 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 will begin operations in 2020. All non-financial public sector institutions and, in particular, those that depend on Government funds or which can become a contingent liability for public finances are required to comply with the Fiscal Rule. The Fiscal Rule applies on an aggregate basis with respect to the national budget and on an individualized basis in respect of each non-financial public sector entity to which it applies.

The Government spending limit for 2020 is calculated by reference to the ratio of Government debt to nominal GDP as of December 31, 2018 and the nominal GDP figures for 2015, 2016, 2017 and 2018. In 2018, the Government debt to nominal GDP ratio was greater than or equal to 45% of GDP but less than 60% of GDP; therefore, under the Public Finance Strengthening Law, the increase in spending by the Government and the non-financial public sector in 2020 may not exceed 75% of the average nominal GDP growth rate for 2015 to 2018. Accordingly, spending by the Government and the non-financial public sector under the national budget for 2020 may not exceed 4.67%.

VAT Regime

The VAT regime has increased the tax base and the amount of goods and services subject to tax. The replacement of the previous sales tax (applicable 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 potentially capture Costa Rica's informal economy, a previously undertaxed sector. Before the Public Finance Strengthening Law was enacted, services were generally not subject to any tax; therefore, because of VAT's applicability to most services, it is expected that the VAT will capture economic activity that had avoided taxation under the previous sales tax regime. In an effort to reduce tax evasion, the Republic has also modernized its tax management and information systems, to facilitate monitoring and enforcement and simplify the tax filing process.

The Public Finance Strengthening Law maintained the 13% tax rate applicable to all previously-taxed transactions and establishes reduced rates for certain previously untaxed services. A 4% rate was set for air tickets and private health services; 2% for goods or services such as medicine, raw materials, supplies, private education services, personal insurance premia; 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 from palm oil and items derived from these products, among others.

In addition, the new VAT regime allows for VAT to be collected in both 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 internationalizations 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 (*autoconsumo*) 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 internationalizations of intangible goods and services made available to the final consumer, at the time of payment, billing, provision or delivery, whichever occurs first. Pursuant to article 1 of Decree No. 41,779 which regulates VAT, self-consumption (*autoconsumo*) is defined as the usage of a good or service for a taxpayer's own personal use.

In the first two months since July 2019 after which the VAT regime entered into effect, collections increased by 48% as compared to the same period in 2018.

Income Tax Reform

The Public Finance Strengthening Law also substantially amends the Income Tax Law (*Ley del Impuesto sobre la Renta*) by:

- establishing the following additional 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 tiered 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 above ¢5,000,000 and below ¢7,500,000; (iii) 15% for annual net income that is over ¢7,500,000 and below ¢10,000,000; and (iv) 20% for annual net income that is over ¢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, 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

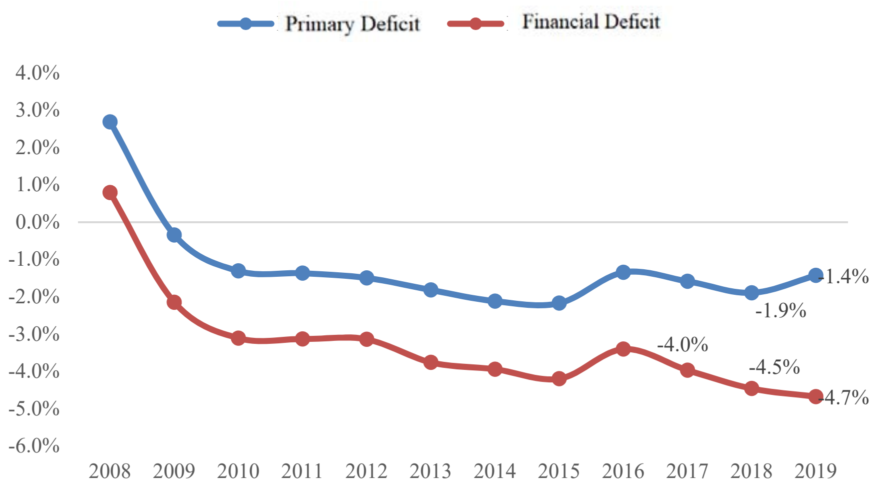
- increasing from 15% to 25% tax payable on remittances related to fees, commissions, allowances and other personal services.

The assets that make up the basic food basket taxes were redefined on March 18, 2019. The tax was defined based on consumption in the first two income tranches of basic necessity goods and services according to studies carried out by the National Institute of Statistics, and will be updated each time a new Income and 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.

In the first two months since their implementation in July 2018, these changes to the income tax regime have increased income tax revenue by 10% as compared to the same period in 2018.

The Public Finance Strengthening Law also provided for tax amnesty, which allowed taxpayers who satisfied certain conditions to extinguish existing tax liabilities by paying the full principal amount of their overdue taxes together with a portion of the applicable fees and penalties by a certain date. Taxpayers who satisfy these conditions and made the required payment by the applicable deadline would not be required to pay interest on or the remaining portion of the penalties applicable to their overdue tax liabilities.

The tax amnesty provisions, which were effective until March 4, 2019, allowed taxpayers to regularize their tax situations, facilitate payment over outstanding tax obligations and avoid litigation. Applying the tax amnesty provision of the Public Finance Strengthening Law, Costa Rica recovered ¢82,981.7 million in 2018 and ¢149,229.57 million through March 31, 2019.



Ongoing Policy Objectives

While public finances balance is not an objective in itself, the Government sees it as the means to contribute to the stability, growth and social equity in the country. As part of the next reform consolidation, the Government intends to focus on:

- The incorporation of the decentralized entities into the national budget in compliance with Law No. 9,524 for the Strengthening of the Budgetary Control of the Government's Decentralized Entities (*Fortalecimiento del Control Presupuestario de los Órganos Desconcentrados del Gobierno Central*). The Central Bank is not included among the Government's decentralized entities.

- The formulation of the 2021 national budget with a focus on the results-based budget, which is a commitment made by the Office of the Comptroller General to the OECD, along with the Ministry of Education, the Ministry of Planning and the Ministry of Finance.

- The modernization of tax and financial administration technological systems, including platforms related to non-intrusive inspection of goods passing through the borders and the construction of a risk model tax customs using predictive tools.

- The Fiscal Council (*Consejo Fiscal*), which has already been created and will enter into operation in 2020.

- The implementation of the Costa Rican Public Sector Debt Policy (*Política de Endeudamiento Costarricense*) adopted in August 2019 (described further below), which seeks to help policymakers optimize the use of public indebtedness and consider reforms to strengthen the quality of public debt management to reduce the country's vulnerability to internal and external crises.

In addition to these initiatives, there are other bills that require the Legislative Assembly's approval and would have a positive impact on public finances by allowing better management of public debt, better control of tax spending, strengthening the Fiscal Rule and consolidating a more sustainable public employment model.

In making policy decisions and other measures to strengthen the country's fiscal profile, practical debt management requires a wide range of traditional and creative measures. Policies for the recovery of the country's fiscal sustainability should be taken into account, while policies are complementarily in place to regain consumers' and investors' confidence. Although so far there has not been a very noticeable impact, the implementation of monetary policies has already been tested leading to the downgrading of interest rates, and thus the promotion of consumption and investment.

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 improve matters not covered by the previous indebtedness policy by incorporating explicit mentions of transparency, accountability and access to international markets. It also purports to adopt a medium- and long-term strategy that disciplines the distribution of maturities and the composition of debt by currency. Additionally, it seeks to focus on the prioritization of the fixed domestic market rate, prudent risk management, diversification of financing sources, strengthening and deepening domestic primary debt markets. Finally, the policy seeks to prioritize secondary debt by strengthening the secondary market so that securities have more liquidity and are sold at better reference better price. The foregoing are also intended to stabilize the debt to GDP ratio and to improve the efficiency and quality of spending. These measures are expected to strengthen the country's fiscal profile through practical debt management.

- Bill No. 19,531. Law on Tax Exemption and Non-Payment Regimes, their Grant and Control on Their Use and Destination (*Ley de Regímenes de Exenciones y No Sujeciones del Pago de Tributos, su Otorgamiento y Control sobre su Uso y Destino*), which aims to regulate the procedure for granting, releasing, liquidating, transferring and controlling the use and destination of tax exemptions are under the supervision of the Directorate-General of Finance, as well as the creation of an enforcement regime applicable to non-compliance with the regulations governing this matter.

- Bill No. 21,449. Approval of the U.S.$500 million Loan Agreement to Finance the Support Program for the Strengthening of Public Finances signed between Costa Rica and the CAF (*Aprobación del contrato de préstamo para financiar el programa de apoyo para el fortalecimiento de las finanzas públicas suscrito entre la República de Costa Rica y la CAF*), which aims to contribute, through freely available resources, to the Government's efforts to consolidate a public policy to ensure long-term fiscal sustainability, through improved management of the tax system and greater discipline in public spending. Having financing resources outside the domestic market improves the debt profile and eases pressures on domestic market interest rates, contributing to long-term fiscal sustainability.

- Bill No. 20,179. Reform of Articles 176 and 184, Adding a Transitional to the Political Constitution, for Economic and Budgetary Stability (*Reforma de los Artículos 176 y 184, y Adición de un Transitorio a la Constitución Política para la Estabilidad Económica y Presupuestaria*), to progress from a fiscal deficit to a balanced budget and more generally a more balanced and transparent public spending policy.

- Bill No. 21,336 Public Employment Framework Law, as referenced to above, which aims to direct public service towards a more homogeneous legal order, aimed at reducing general distortions of fragmentation, in a context of effectiveness and efficiency.

In addition to these projects, on October 1, 2019, a U.S.$350.0 million loan agreement to finance the fiscal sustainability support program between the Republic and the IDB was approved by the Legislative Assembly. This program is supported by the implementation of a policy reform agenda aimed at strengthening fiscal sustainability through spending control and the modernization of the tax system.

Similarly, on July 22, 2019, the Legislative Assembly approved the Note Issuance Law, which authorizes the Ministry of Finance to issue up to U.S.$1.5 billion in notes (including the Notes) in the international capital markets before July 22, 2020. This measure is designed to continue improvements in the composition of public debt by diversifying funding sources, lengthening placement times and lowering rates compared to potential domestic market offerings.

Government Finances

The following table sets forth a summary of the Government accounts and their percentage of GDP for the periods indicated.

Government Finances[1]

	For the Year Ended December 31,								For the Nine Months Ended September 30,	
	2015		2016		2017		2018		2019	
	(in millions of U.S. dollars and percentage of GDP)									
Total revenue	$7,821.1	14.3%	$8,385.8	14.7%	$8,362.4	14.4%	$8,590.8	14.3%	$6,602.3	n/a
Current income	7,819.7	14.3	8,373.2	14.6	8,350.0	14.4	8,536.4	14.2	6,428.1	n/a
Tax revenues	7,224.4	13.2	7,650.9	13.4	7,737.0	13.3	7,915.7	13.2	5,941.1	n/a
Income tax	2,333.3	4.3	2,599.8	4.5	2,752.5	4.7	2,945.1	4.9	2,306.4	n/a

	For the Year Ended December 31,								For the Nine Months Ended September 30,	
	2015		2016		2017		2018		2019	
	(in millions of U.S. dollars and percentage of GDP)									
On imports	326.6	0.6	340.6	0.6	315.7	0.5	303.9	0.5	208.4	n/a
On exports	8.4	-	9.3	-	9.9	-	9.5	-	7.0	n/a
Sales	2,499.4	4.6	2,596.4	4.5	2,560.9	4.4	2,578.3	4.3	2,026.3	n/a
Consumption	420.1	0.8	468.7	0.8	429.5	0.7	383.4	0.6	249.1	n/a
Other tax revenues	1,636.7	3.0	1,636.1	2.9	1,668.4	2.9	1,695.4	2.8	1,143.9	n/a
Social contributions	118.7	0.2	267.9	0.5	125.4	0.2	148.0	0.2	99.3	n/a
Non-taxes revenues	95.7	0.2	81.8	0.1	132.1	0.2	112.5	0.2	112.4	n/a
Transfers	380.9	0.7	372.7	0.7	355.6	0.6	360.2	0.6	275.3	n/a
Capital revenue	1.4	-	12.6	-	12.4	-	54.4	0.1	174.2	n/a
Total expenditure	10,938.0	20.0	11,383.5	19.9	11,919.9	20.5	12,123.9	20.2	9,561.3	n/a
Current expenditure	9,947.0	18.2	10,327.4	18.1	10,774.6	18.5	11,291.7	18.8	8,862.7	n/a
Wages and salaries	3,953.3	7.2	3,997.3	7.0	4,035.5	6.9	4,150.5	6.9	3,027.3	n/a
Goods and services	362.0	0.7	362.8	0.6	383.5	0.7	388.4	0.6	237.0	n/a
Interest on public debt	1,496.5	2.7	1,605.5	2.8	1,801.5	3.1	2,129.6	3.5	2,054.1	n/a
Domestic	1,229.4	2.2	1,273.4	2.2	1,459.2	2.5	1,774.5	3.0	1,740.3	n/a
External	267.0	0.5	332.1	0.6	342.2	0.6	355.1	0.6	313.8	n/a
Current transfers	4,135.2	7.5	4,361.7	7.6	4,554.1	7.8	4,623.2	7.7	3,544.4	n/a
Public sector	2,712.6	5.0	2,902.8	5.1	3,050.4	5.2	3,108.3	5.2	2,467.6	n/a
Private sector	1,391.2	2.5	1,413.3	2.5	1,411.8	2.4	1,475.0	2.5	1,043.1	n/a
External sector	31.4	0.1	45.5	0.1	91.9	0.2	39.9	0.1	7.4	n/a
Capital expenditure	983.7	1.8	1,048.8	1.8	1,144.1	2.0	831.1	1.4	644.0	n/a
Fixed investment	182.5	0.3	174.5	0.3	173.5	0.3	116.8	0.2	50.7	n/a
Capital transfers	801.2	1.5	228.6	0.4	106.4	0.2	57.4	0.1	593.3	n/a
Capitalization of banks	-	-	-	-	-	-	-	-	-	n/a
Fiscal balance (deficit)/surplus	(3,116.9)	(5.7)	(2,997.7)	(5.2)	(3,557.4)	(6.1)	(3,533.1)	(5.9)	(2,959.0)	n/a
Current balance (deficit)/surplus	(2,127.3)	(3.9)	(1,954.1)	(3.4)	(2,424.6)	(4.2)	(2,755.3)	(4.6)	(2,434.6)	n/a
Primary balance (deficit)/surplus	$(1,620.4)	(3.0)%	$(1,392.2)	(2.4)%	$(1,756.0)	(3.0)%	$(1,403.5)	(2.3)%	(904.9)	n/a

Source: Ministry of Finance.
(1) Amounts in U.S. dollars were converted from colones using historical average exchange rate for the period indicated.

As of September 30, 2019, the fiscal deficit was U.S.$3.0 billion, compared to U.S.$2.6 billion as of September 30, 2018. Government expenditures were U.S.$9.6 billion and total revenue was U.S.$6.6 billion. Government expenses increased from U.S.$8.4 billion in September 30, 2018 to U.S.$9.6 billion in September 30, 2019 as a result of the accrual of interest on Government debt. In addition, Government revenue increased primarily by increased collections of (i) income tax, largely 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, collection of taxes on customs and selective consumption declined, consistent with the slowdown in local economic activity and in the imports of final consumer goods.

The month of September 2019 was the first month since 2016 in which the Government recorded an intra-month surplus. In addition, Government expenditures as of September 30, 2019 as a percentage of GPD reached the lowest level in seven years.

In 2018, Costa Rica's fiscal deficit decreased to 5.9% of GDP (U.S.$3.5 billion) from 6.1% of GDP (U.S.$3.6 billion) in 2017 as a result of an increase in income tax revenue, partly due to the reduction of tax evasion and the approval of the Public Finance Strengthening Law. Total revenue increased in absolute terms from U.S.$8.4 billion in 2017 to U.S.$8.6 billion in 2018, but decreased as a proportion of GDP to 14.4% of GDP in 2018 from 14.7% of GDP in 2017. Total expenditures increased to 20.5% of GDP (U.S.$12.1 billion) in 2018 from 19.1% of GDP (U.S.$11.9 billion) in 2017, attributable in part to an increase in interest payments on public debt to 3.1% of GDP in 2018 from 2.8% of GDP in 2017 as a result of domestic borrowing requirements. In addition, capital expenditures decreased to 2.0% of GDP in 2018 from 2.8% of GDP in 2017, and current transfers increased to 7.8% of GDP in 2018 from 7.6% of GDP in 2017.

In 2017, the fiscal deficit increased in absolute terms to U.S.$3.6 billion in 2017 from U.S.$3.0 billion in 2016, but decreased as a percentage of GDP to 5.2% of GDP in 2017 from 5.7% of GDP in 2016. This change was due primarily to a slowdown of the economy that contributed to a decrease in revenue from consumption and sales and, in particular, car imports. In 2017, total revenue remained stable at U.S.$ 8.4billion, which represented an increase to 14.7% of GDP in 2017 from 14.3% of GDP in 2016. Total expenditures increased on absolute terms to U.S.$11.9 billion in 2017from U.S.$11.4 billion in 2016, and decreased as a proportion of GDP to 19.9% of GDP in 2017 from 20.0% of GDP in 2016. This relative decrease in total expenditures was due primarily to progress made in controlling public employee salary increases, which was offset in part by increases in interest payments on public debt to 2.8% of GDP in 2017 from 2.7% of GDP in 2016, and current transfers to 7.6% of GDP in 2017 from 7.5% of GDP in 2016.

In 2016, the fiscal deficit decreased in absolute terms to U.S.$3.0 billion in 2016 from U.S.$3.1 billion in 2015, but increased as a percentage of GDP to 5.7% of GDP in 2016 from 5.6% of GDP in 2015. In 2016, total revenue increased to 14.3% of GDP (U.S.$8.4 billion) in 2016 from 14.0% of GDP (U.S.$7.8 billion) in 2016. Total expenditures increased to 20.0% of GDP (U.S.$11.4 billion) in 2016 from 19.6% of GDP (U.S.$10.9 billion) in 2015.

In December 2016, the Law to Improve the Fight Against Tax Fraud No. 9,416 (*Ley para Mejorar la Lucha contra el Fraude Fiscal*) was enacted. This law aimed to improve controls against tax evasion and rationalize spending increase revenue from tax collection. The main reform introduced by this law is that the Ministry of Finance is granted access to the information that financial institutions send to SUGEF, particularly the data related to each natural or legal person. The information to which the Ministry of Finance is granted access will be only the information related to the domicile, legal capacity and representation, occupation or corporate purpose, as well as the identification data of frequent clients. The Ministry of Finance will not have access to the financial information of legal or natural persons under this law.

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 is made up by the Voluntary Pensions Regime (*Régimen Voluntario de Pensiones*) and the care system is made up by 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 for the IVM from 0.58% to 1.24% for the subsequent year. The 2018 budget did not incorporate this increase and allocated U.S.$142.6 million for the IVM. However, despite the persistent fiscal situation, the 2019 draft budget allocated U.S.$267.9 million to meet this obligation. The increase also impacts the Government's contributions to the occupational regimes applicable to teachers, members of the Judiciary and firefighters.

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 essentially purported to limit high pensions. The Pension Contribution Law (*Porcentaje de Cotización de Pensionados y Servidores Activos para los Regímenes Especiales de Pensiones*) passed in July 2016 aimed to stabilize the pension regime by setting a pension contribution floor at 9.0% of the salary or pension which can only be modified by the executive branch following the recommendations resulting from technical studies and which are limited to a 16% ceiling. The Special Pensions Regimes Reform Law (*Reforma normativa de los Regímenes Especiales de Pensiones con cargo al presupuesto para contener el gasto de pensiones*) passed in August 2016 aimed to impact public finances with amendments to the way pensions were calculated, the maximum amount for retirement benefits, reinforcing pension adjustments and strengthening controls exercised by the Government. The effects of these laws in the 2017 fiscal results were not as expected.

In 2015, the Government's fiscal deficit was 5.7% of GDP, very close to the 5.6% of GDP recorded in 2014. The 2015 deficit was mainly due to improvements in tax revenues and a public spending containment policy. Tax revenues improved slightly in 2015 to 13.2% of GDP, compared to 12.9% in 2014. Total expenditures grew from U.S.$9.9 billion in 2014 to U.S.$10.9 billion in 2015 (an increase of 10.5%) while total revenue grew from U.S.$7.1

billion in 2014 to U.S.$7.8 billion in 2015 (an increase of 10.8%). The increase in total expenditure was mainly due to a 15.7% increase in interest payment compared to 2014.

In November 2015, the Legislative Assembly approved Law No. 9,328 to Improve the Fight Against Smuggling (*Ley para Mejorar la Lucha contra el Contrabando*). This law essentially increases criminal punishment for different types of contraband.

In 2014, the Government took several measures to contain public spending such as the issuance of the Presidential Guideline (*Reforma Directriz*) No. 009-2014, which: (i) limited the creation of new positions in the Government; (ii) authorized the relevant Ministries to sell all idle, unnecessary or very expensive assets; and (iii) limited the transfer of funds to decentralized entities only to cover previous wage commitments made by the Government. The Ministries also incurred cuts that amounted to approximately 20% of their budgets, and were mandated to follow stringent vehicle purchase policies. Also in 2014, the Directorate General of Customs and the Costa Rican Chamber of Commerce signed a cooperation agreement on trade transparency, to combat illicit trade and smuggling.

The following table sets forth the consolidated public sector deficit as a percentage of GDP for the periods indicated.

Consolidated Public Sector Deficit

	For the Year Ended December 31,			
	2015	**2016**	**2017**	**2018**
	(percentage of GDP)			
Government	(5.7)	(5.2)	(6.1)	(5.9)
Central Bank	(0.7)	(0.6)	(0.4)	(0.4)
Remainder of non-financial public sector	0.6	1.1	1.2	1.2
Total	**(5.8)**	**(4.7)**	**(5.3)**	**(5.1)**

Source: Ministry of Finance.
Notes: Figures include a sample of public institutions, as defined by International Monetary Fund.

The following table sets forth the composition of the Government's tax revenues for the periods indicated.

Composition of Tax Revenues

	For the Year Ended December 31,				For the Nine Months Ended September 30,
	2015	**2016**	**2017**	**2018**	**2019**
	(percentage of total)				
Tax Revenues	100.0	100.0	100.0	100.0	100.0
Sales	34.6	33.9	33.1	32.6	34.1
Domestic	18.1	17.8	17.2	17.1	19.6
Customs	16.5	16.2	15.9	15.5	14.5
Income tax	32.3	34.0	35.6	37.2	38.8
Other taxes	22.7	21.4	21.6	21.4	19.3
Consumption	5.8	6.1	5.6	4.8	4.2
Domestic	0.6	0.5	0.5	0.4	0.2
Customs	5.3	5.6	5.0	4.4	4.0
On imports	4.5	4.5	4.1	3.8	4.6
On exports	0.1	0.1	0.1	0.1	2.9

Source: Ministry of Finance.
(1) Prepared by Ministry of Finance.

In 2018, tax revenues grew by 2.3% compared to 2017. Tax revenue growth was mainly due to income tax revenue collection that increased by 7.0% (0.2% of GDP). These increases are a result of the increased income and profit taxes as well as other revenues and transfers with growth rates of 1.6% and 1.3%, respectively. However, tax revenues decreased by 0.1% of GDP, compared to 2017, as a result of the slowdown in the economy.

In 2017 and 2016 tax revenues grew mainly as a result of: (i) income and legal persons profit tax collections; (ii) the increase in goods and services tax; and (iii) property tax. Tax revenues in 2017 increased by 1.1%, compared to 2016 mainly due to increased income tax collections. However, the 2017 growth rate declined considerably compared to the 11.4% growth recorded between 2016 to 2015 and to the 5.9% growth recorded between 2017 to 2016. This decline is explained by lower domestic economic activity and the decline in the economic growth Costa Rica's major trading partners. Income and sales tax contributions were low in 2017 due to tax evasion, a limited tax base and low marginal tax rates. The reforms established in the Law on Strengthening Public Finances are expected to increase tax collection.

Tax revenues in 2016 recorded an increase mainly due to: (i) income and legal persons profit tax collections; (ii) the increase in goods and services tax; and (iii) foreign trade and international transactions tax. Tax revenues in 2016 increased by 5.9%, compared to a 10.4% increase in 2015 and a 0.7% decrease in 2014. The 2016 tax revenue increase, compared to 2015 was mainly due to income and legal persons profit tax collections which reached 11.4%, consumption tax with 11.6% and sales tax with 5.9%.

During 2015, most tax revenue categories increased in response to: (i) income and legal persons profit tax collections; (ii) the increase in goods and services tax; and (iii) foreign trade and international transactions tax.

The following table sets forth the composition of Government's expenditures for the periods indicated.

Composition of Government Expenditures

	For the Year Ended December 31,				For the Nine Months Ended September 30,
	2015	2016	2017	2018	2019
	(percentage of total expenditures)				
Total expenditures	100.0	100.0	100.0	100.0	100.0
Wages and salaries	36.1	35.1	33.9	34.2	31.8
Current transfers	37.8	38.3	38.2	38.1	37.2
Private	12.7	12.4	11.8	12.2	10.9
Public	24.8	25.5	25.6	25.6	25.8
Foreign	0.3	0.4	0.8	0.3	0.1
Interest on the public debt	13.7	14.1	15.1	17.6	21.6
Domestic	11.2	11.2	12.2	14.6	18.2
Foreign	2.4	2.9	2.9	2.9	3.3
Capital expenditures	9.0	9.2	9.6	6.9	6.9
Goods and services	3.3	3.2	3.2	3.2	2.5
Capitalization of banks	-	-	-	-	-

Source: Ministry of Finance.

The following table sets forth Government borrowings for the periods indicated.

Government Funding[(1)]

	For the Year Ended December 31,								For the Nine Months Ended September 30,
	2015		2016		2017		2018		2019
	(in millions of U.S. dollars and percentage of GDP)								
Total revenues	$7,821.1	14.3%	$8,385.8	14.7%	$8,362.4	14.4%	$8,590.8	14.3%	6,602.3
Total expenditures	10,938.0	20.0	11,383.5	19.9	11,919.9	20.5	12,123.9	20.2	9,561.3
Overall balance	(3,116.9)	(5.7)	(2,997.7)	(5.2)	(3,557.4)	(6.1)	(3,533.1)	(5.9)	(2,959.0)
Net Funding Required	3,116.9	5.7	2,997.7	5.2	3,557.4	6.1	3,533.1	5.9	2,959.0
Net External Funding	1,128.2	2.1	294.6	0.5	109.2	0.2	244.0	0.4	50.0
Net Domestic Funding	1,988.7	3.6	2,703.1	4.7	3,448.2	5.9	3,289.2	5.5	2,908.9
Net Central Bank	(48.6)	(0.1)	(220.4)	(0.4)	220.0	0.4	156.3	0.3	(146.2)
Banking system	261.2	0.5	(7.8)	-	(206.6)	(0.4)	49.4	0.1	52.4

	For the Year Ended December 31,								For the Nine Months Ended September 30,
	2015		2016		2017		2018		2019
	(in millions of U.S. dollars and percentage of GDP)								
Other domestic funding	1,776.1	3.2	2,931.4	5.1	3,434.8	5.9	3,083.4	5.1	3,002.7
Net loans	1,487.9	2.7	2,664.1	4.7	3,151.6	5.4	3,085.8	5.1	2,959.5
Other	288.2	0.5	267.3	0.5	283.2	0.5	(2.5)	-	43.2

Source: Ministry of Finance.
(1) Amounts in U.S. dollars were converted from colones using historical average exchange rate for the period indicated.

2019 National Budget

On November 28, 2018, the Legislative Assembly approved the 2019 National Budget Law (*Ley de Presupuesto Ordinario y Extraordinario de la República para el Ejercicio Económico 2019*) for a total of ¢10.94 billion. The budget was drafted in light of Costa Rica's fiscal situation in recent years, while considering the commitments that the Government made with the different sectors of the population, the guidelines set by the National Budget Directorate General (*Dirección General de Presupuesto Nacional*), and the expenditure and indebtedness containment guidelines and regulations issued by the President. Some of these commitments are: (i) maintaining the value of public employee's salary linked to a nominal amount (in thousands of colones) and not to a percentage; (ii) maintaining the value of public employee's annuity; (iii) maintaining a nominal amount regardless of the salary basis and not a percentage; (iv) decrease salary bonuses; (v) establish a fixed salary increase of ¢3,750 on the basis for the next 12 months and not linked to a percentage; (vi) restrict Government institutions' restructuring if they involve additional expenses; (vii) reduce the percentage of vacancies; (viii) restrict job reassignments; and (ix) refrain from creating new salary bonuses or incentives.

The 2019 national budget allocates 42.5% of expenditures to social sectors such as education, social protection, the environment, health, housing, transport, recreation and cultural services. This represents 12.8% of GDP, and as such remains virtually unchanged compared to the 2018 budget. However, in light of the tight fiscal situation, the absence of new income, the high debt level and the Government's legal and constitutional commitments, the allocation of fund to most institutions remained unchanged compared to the 2018 budget.

Pursuant to the constitutional requirement to increase education sector expenditures to reach 8% of GDP, the 2019 budget includes allocations to the Ministry of Education in an amount of ¢2,648 billion to the education sector, which represents a 0.5% decrease compared to the 2018 budget. This 2019 budget allocation corresponds to 7.2% of GDP, an increase of 0.2%.

The following are the principal assumptions made in the 2019 budget.

Assumptions Underlying 2019 Budget

Inflation	3.0%
Exchange rate (colones per U.S.$1.00)	¢598
Real growth in GDP	3.4%
Nominal growth in GDP	6.7%
Imports growth rate	7.9%
Nominal GDP (millions of colones)	¢ 36,922
Implied public debt interest rate	8.2%

Source: Ministry of Finance.

The 2019 budget assumes that total current revenue for 2019 will be 13.8% of GDP, or U.S.$8.5 billion, implying that current revenue are expected to decline by 0.2%. Total expenditures are anticipated to be 21.8% of GDP, or U.S.$13.4 billion, implying that expenditures are expected to grow by 11.1%. Total expenditure as a percentage of GDP are expected to be 1.6 percentage points more in 2019 than in 2018. Budgeted interest expenditure for 2019 is expected to increase by 20.8% compared to the 2018 budget. For 2019, interest expense on debt is estimated to represent 4.2% of GDP, while in 2020 it is expected to amount to approximately 5.1% of GDP.

Current expenditure in the 2019 budget is estimated at ¢7.5 billion higher than current expenditure in the 2018 budget, representing a 5.8% growth; which is substantially lower to the 10.2% recorded in 2018. The 2019 budget allocates ¢2.9 billion (39.4%) of current expenditures to different entities, including a (i) ¢511 billion to the Special Fund for Higher Education (*Fondo Especial para la Educación Superior*), (ii) ¢255 billion to the Fund for Social Development and Family Allowances (*Fondo de Desarrollo Social y Asignaciones Familiares*) to provide supplementary contributions to the household income and social development programs, (iii) ¢99 billion to the Education Boards (*Juntas de Educación*) to improve transportation, food and sports and arts merit subsidies and (iv) ¢37 billion to the National Scholarship Fund (*Fondo Nacional de Becas*) to grant scholarships for special-needs students.

The 2019 budget anticipates that capital expenditures will fall to 1.4% of GDP, a decrease of 12.5% compared to 2018. This capital expenditure decrease is the result of the Government's prioritization of previous financial commitments, resulting in less resources having been allocated to the infrastructure sector.

The 2019 budget includes allocations for the following projects:

- *Infrastructure*. Second Phase of the IDB Cantonal Road Network Program, a U.S.$144 million infrastructure development program financed by the IDB that aims to improve the road infrastructure in the Republic's cantonal road network and bridges. The program considers approximately 39 projects, out of which approximately 14 are currently under execution.

- *Transportation*. Contract for the design, financing, construction and operation of a high speed passenger electric rail system in the greater San José metropolitan area. The project entails the construction and operation of a safe, efficient and clean electric train that will connect San José with the cities between the cities of Cartago to the south and Heredia and Alajuela to the north. The project will improve public transportation with a fast, safe and environmentally-friendly solution that will also reduce users' travel times and road congestion. In 2018, the CABEI donated U.S.$1,000,000 to develop the project's feasibility report. In addition, on October 30, 2019, President Carlos Alvarado announced that the CABEI had approved a U.S.$550 million loan for the development of this project. According to INCOFER, this project will require an investment of approximately U.S.$1.3 billion and it is currently under a feasibility review.

- *Security*. The Tropical Storm Nate Emergency Response Program (*Programa de Emergencia en Respuesta a la Tormenta Tropical Nate*) is a U.S.$20 million program financed by the IDB which aims to restore some of the road infrastructure and basic drinking water services affected by Tropical Storm Nate.

- *Public Sanitation*. The Water Supply System for the Tempisque River Basin And Coastal Communities (*Sistema de Abastecimiento de Agua para la Cuenca Media del Río Tempisque y Comunidades Costeras*) is a U.S.$457.8 million project that is partially financed by CABEI and is aimed to enhance the water availability of the province of Guanacaste by making better use of water from the Arenal-Dengo-Sandillal Hydroelectric System (*Complejo Hidroeléctrico Arenal-Dengo-Sandillal*) and other available sources to promote environmental sustainability.

Despite the limitations marked by Costa Rica's fiscal situation, the 2019 budget reflects a Government priority to protect social spending since it allocates 75.6% of its resources to three budgetary lines, out of which 41.7% is allocated to cover the debt service, 24.2% is allocated to the Ministry of Education and 9.7% is allocated for Pension Regimes. The remaining 24.4% of the budget is distributed among the remaining 24 budgetary lines. The sectors that contribute the most to the 2019 budget growth compared to 2018 are the presidency of the Republic (272.9%), debt service (53.1%), Ministry of Finance (15.6%) and Pensions Regime (11.2%). The 2019 budget reduced public employee compensation to 7.2% of GDP, a 0.4% reduction compared to the 7.6% of GDP on the 2018 budget.

In recent years, the Government's gross financing needs have been met and financing has been raised mostly with debt placed on the local market since there had been no prior authorization to issue debt in the international markets. From 2010 to 2017, the Government's financing needs accounted for an average of 10.5% of GDP. However, in 2018 and 2019, it is estimated to reach 12.2% and 12.0% of GDP respectively.

Despite efforts in recent years to contain spending and improvements in tax collection, current revenues in 2019 are not expected to be sufficient to finance all current expenses. Therefore, most of these resources (53.5% of total budget expenditure in 2019) are expected to be financed with public debt. For every colón received, the Government will spend ¢2.1, which means that it will have to borrow 1.1 to cover its commitments.

In September 2019, the Government announced an investment in public works amounting to U.S.$3 billion. These investments are mainly focused on road works, some of which are already in execution, such as the North Beltway (*Circunvalación Norte*), overpass freeway at the Garantías Sociales roundabout (*Paso a desnivel en la rotonda de las Garantías Sociales)*, improved bridges, Sixaola Binational Bridge (*Puente Binacional Sixaola*), ballast track care (*atención de vías en lastre*), paving of crossing routes (*pavimentación de rutas de travesía*), implementation of exclusive lanes (*implementación de carriles exclusivos*).

Additionally, the Republic seeks to conclude a series of projects that have been classified as urgent projects (*Obras Impostergables*) ("OBIS") and which are in different stages of execution. These projects are expected to create positive medium-term impacts, improve mobility and decrease road travel time. Some of the OBIS projects include: the improvement of the San José-San Ramón highway, Taras and the Lima intersections, expansion of the Santa Ana highway, Guadeloupe overpass, extension of Route 27, San José-Cartago concession and the San José-Río Frio concession.

The Government is implementing other actions and programs which are included in the 2019 national budget, which includes the following key initiatives:

- *Agriculture*: drought care for the Chorotega and Central Pacific regions.
- *Education*: school canteens, scholarships and transportation for students in poverty, extreme poverty and vulnerable situations.
- *Environment*: completion of the technical assistance and institutional strengthening project to implement groundwater monitoring and evaluation and an information system for integrated water resource management. Furthermore, the purchase and installation of a weather radar systems for the province of Limón, which would enable extreme weather (like hurricane) tracking.
- *Governance*: strengthening immigration policy for the care of immigrants in vulnerable conditions.
- *Health*: payment to the CCSS to meet health insurance commitments and special pension schemes.
- *Presidency*: emergency care by the National Emergency Commission.
- *Public Security*: funding granted to the Ministry of Public Security to set up more than 23,000 police posts. Furthermore, the construction of the Anti-Drug Police Complex in Puntarenas and the Alajuela Police Building. Strengthening of the Police Information Platform called DATAPOL.
- *Public Works and Transport*: conservation and maintenance of roads of the national road network, as well as the maintenance of the port facilities of the Gulf of Nicoya and Paquera Terminals.
- *Work and Social Security*: the Get a Job Program (*Programa Empléate*) which aims to improve the employability of people through technical and occupational training and that is expected to benefit more than 7,000 young people in Costa Rica. This program supplements the National Employment Programme (*Programa Nacional de Empleo*), which is expected to benefit around 3,000 unemployed citizens.

2020 National Budget

On August 30, 2019, the executive branch submitted the draft 2020 national budget law (*Ley de Presupuesto Ordinario y Extraordinario de la República para el Ejercicio Económico 2020*) for a total of ¢10.5 billion (27.2% of GDP) to the Legislative Assembly. The 2020 national budget law is still under consideration by the Legislative Assembly and it represents a 4.3% decrease compared to 2019 national budget law. This 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.

The 2020 budget allocates 44.5% of total expenditure to social sectors such as education, social protection, environment, health, housing and transport. In comparison with the 2019 national budget's allocation of funds to the social sector, which granted 42.5% of the total budget for such purposes, the 2020 budget includes an amount that is 0.33% higher than the nominal amount allocated in 2019. The 2019 national budget allocation to fund social sectors such as education, social protection, the environment, health, housing, transport, recreation and cultural services, is two percentage points less than the amount budgeted for in the 2020 national budget. However, the 44.5% of funds allocated to the social sector in 2020 is less than the 45.3% of the total budget amount that was allocated to the same sector in the 2018 national budget.

The largest portion of the 2020 budget, ¢4.01 billion colones (10.4% of GDP and 38.2% of the total budget) is allocated to debt service, representing a 11.1% reduction compared to 2019. The second largest portion ¢2.67 billion (6.9% of GDP and 25.4% of the total budget), is allocated to the Ministry of Education, representing a 0.8% growth compared to 2019. In third place, pensions are allocated ¢1.12 billion (2.9% of GDP and 10.7% of the total budget), representing a 6.4% growth compared to 2019. The remaining 25.81% of the total budget is distributed between 24 different ministries and institutions with a participation of less than 5%.

For the preparation of the 2020 budget, the Ministry of Education's budget was increased by 0.8% of GDP, reaching ¢2.67 billion colones.

The following are the main assumptions used in the 2020 budget.

Assumptions Underlying 2020 Budget
(percentages, except as indicated)

Inflation	3.0%
Exchange rate (colones per U.S.$1.00)	¢ 628
Real growth in GDP	2.6%
Nominal growth in GDP	5.9%
Imports growth rate	6.7%
Nominal GDP (millions of colones)	¢38,586
Implied public debt interest rate	8.4%

Source: Ministry of Finance

The 2020 budget assumes that the total current income for 2020 will amount to ¢5.45 billion (14.14% of GDP) or around U.S.$8.6 billion. On the other hand, according to projected data revenue, the 2020 Budget will have a 4.0% growth rate compared to the 2019 income. Out of the total current income, 93.3% correspond to tax revenues, 4.1% to transfers, 1.4% to social contributions and the remaining 1.2% to non-tax revenues. Within tax revenues, the main sources are: income tax accounts for 38.2%, sales taxes for 34.8% and fuel tax for 10.5%.

The amount budgeted in 2020 for current expenditure amounts to ¢7.8 billion, a 3.79% growth compared to 2019. Current expenditure are dedicated to transfers (36.9%), public employee's compensation (33.9%), interest on public debt (25.2%) and the acquisition of goods and services (4.0%).

The 2020 budget anticipates that capital expenditures will increase to ¢640 billion, which represents a 16.1% (¢88 billion) increase compared to 2019. This growth is mainly caused by lower current expenditures, particularly public employee's compensation and transfers, as well as lower amortizations. Capital expenditures represent 6.1% of the total budget (1.7% of GDP). Current revenues in 2020 are not expected to be sufficient to fund all current expenditures. Therefore, a percentage of these resources, 48% of total budget expenditure in 2020, is expected to be financed with public debt.

Pursuant to the applicable local laws, each and every expense and/or payment (including the payment of debts and liabilities incurred by the Republic) made by the Government must be included in the national budget. The national budget is approved by the Legislative Assembly by way of an ordinary law. Any extra 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 new law, commonly referred to as an extraordinary budget law.

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 the commercial state-owned banks or the rights and obligations arising from these. These may only be purchased by multilateral development banks or by bilateral development agencies.

Further, according to the Attorney General's office, state 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 normal operation of the state bank. However, the Republic's guarantee is not intended to guarantee the fulfillment of specific debt obligations by the state 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. In addition, in the case that 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 Costarrican 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 remains around 75% of total debt, as a result of the previous legal inability to issue debt on international capital markets.

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 2018, approximately 2.18% of the indebtedness of the non-financial public sector was guaranteed by the Government.

Costa Rica's total gross public sector debt fluctuated from 55.47% of GDP in 2014 (U.S.$28.0 billion) to 70.58% of GDP in 2018 (U.S.$42.4 billion). As of August 2019, the debt of the non-financial public sector totaled U.S.$44.6 billion. This was the result of weak national and international economic growth generated by uncertainty in global financial conditions, structural problems in public finances, the stagnation of tax collection mainly due to the population's non-compliance with tax law before the approval of the Public Finance Strengthening Law.

The Republic's total gross public sector debt was 55.47% of GDP in 2014 (U.S.$28.0 billion); 57.86% of GDP in 2015 (U.S.$ 31.5 billion); 62.95% of GDP in 2016 (U.S.$35.2 billion); 64.47% of GDP in 2017 (U.S.$37.3 billion); and 70.58% of GDP in 2018 (U.S.$42.4 billion).

The Republic's primary balance is expected to become balanced as a result of the enactment of the Public Finance Strengthening Law and positive in the medium term after the Public Finance Strengthening Law is fully implemented and certain additional administrative measures are taken, primarily to reduce Government expenditures.

Other Government entities that have issued debt internationally are ICE, BCR and the Banco Nacional de Costa Rica.

Legal limitations on issuing debt on international markets forced the Government to rely almost entirely in recent years (since 2016) on domestic resources to finance its fiscal deficit, which did not allow it to take advantage of low interest rates and long maturity when placing in international markets. The share of total public sector debt remains unchanged in recent years: 75.80% in 2016, 76.85% in 2017 and 75.66% in 2018.

With regard to debt maturities, in recent months efforts have been made to extend debt terms and improve maturity profiles, to achieve this objective, liability management operations were used that have involved redemptions and the placement of debt over longer terms, which has limited some of the pressures of maturity payments in the short term.

Of the total Government debt, 48.6% is due within five years. As of August 2019, 89.4% corresponds to domestic debt maturities while the remaining 10.6% to external debt. Improvements in the composition of the debt portfolio as a result of the positive effects of tax reform and lower financing needs are expected, as well as the placement of external debt at longer terms than can be placed on the domestic market.

On July 22, 2019, the Legislative Assembly passed the Note Issuance Law which authorizes the Government to issue up to U.S.$1.5 billion in notes (including the Notes) in the international capital markets before July 22, 2020. The main objective of the Note Issuance Law is for the Government to replace expensive domestic debt with cheaper external debt, which would generate savings in the payment of interest and improve the maturity profile, this interest payment has now become one of the Government spending triggers. Legislative approvals are expected to be obtained in the next few months to access debt markets internationally more consistently, with a view to improving the borrowing strategy, extending placement times and lowering costs relative to the local market.

The Government's 2019-2023 financing plan includes the issuance of U.S.$6.0 billion international bonds, of which the Legislative Assembly has already approved the issuance of U.S.$1.5 billion. The Executive Branch will file the request with the Legislative Assembly for an authorization to permit the issuance of U.S.$4.5 billion to finance the needs of the next four years.

One of the differences between the current proposal for needs financing is the tax reform adopted in December 2018, which has allowed an improvement in tax revenues and the containment of expenditures, particularly as a result of the Fiscal Rule referred to previously, which was implemented as a result of the formulation of the 2020 budget.

In addition to bond issues, this plan includes budget support from multilateral agencies amounting to U.S.$850 million for 2019 and U.S.$1.24 billion by 2020. On October 16, 2019 the IDB disbursed a U.S.$350 million loan that will be used for this purpose and a U.S.$500 million loan from the CAF is pending approval by the Legislative Assembly. It is estimated that about 10% of GDP will be financed by the domestic and international market in that period. The Republic is also currently negotiating several loans for the 2020 period. Current negotiations are being held with the World Bank for a U.S.$250 million loan, with the IDB and French Development Alliance for an estimated U.S.$140 million loan, with the IDB for a U.S.$350 million loan and with the CAF for a U.S.$500 million loan.

On September 4, 2012, the Legislative Assembly approved Law 9,070, which authorizes the Government to issue in international markets up to U.S.$4.0 billion of debt over the following ten years, with a maximum of U.S.$1.0 billion (or its equivalent in other external currency) of debt per calendar year. The main objective of Law 9,070 is for the Government to substitute expensive domestic debt with cheaper external debt. On November 21, 2012, the Republic issued U.S.$1 billion aggregate principal amount of its Notes due 2023. On April 30, 2013, the Republic issued U.S.$500 million aggregate principal amount of its Notes due 2025 and U.S.$500 million of its Notes due 2043, the Republic issued U.S.$1.0 billion aggregate principal amount of its Notes due 2044 and finally, in 2015 it issued U.S.$1 billion aggregate principal amount of its Notes due 2045.

Government debt reached U.S.$19.4 billion in 2014 (38.4% of GDP), U.S.$22.4 billion in 2015 (40.9% of GDP), U.S.$25.6 billion in 2016 (44.8% of GDP), U.S.$28.4 billion in 2017 (48.9% of GDP) and U.S.$32.2 billion in 2018 (53.5% of GDP). The cumulative amount for August 2019 was U.S.$34.6 billion, by the end of 2019 the debt is estimated to increase to a debt to GDP ratio of close to 58.0% of GDP. Public debt would be expected to increase by approximately 20.0% of GDP from 2014 to 2019, mainly due to declining tax revenues and inflexible spending that are growing and tied to various regulatory, legal or even constitutional requirements.

Government debt contributed most of the total public sector debt, averaging 75.9% of total Public Sector debt during 2014 and 2018.

In addition, there is a higher growth in domestic debt in the period 2014 to 2018, as a result of the constraints of issuing debt on the international markets.

The following table sets forth the composition of public sector debt between domestic and external debt.

Total Public Sector Debt

	As of December 31,								As of August 31,	
	2015		2016		2017		2018		2019	
	(in millions of U.S. dollars and as a percentage of total)									
Domestic Public Debt	23,371	74.2	26,702	75.8	28,672	76.8	30,376	75.7	34,735	77.9
Foreign Public Debt	8,134	25.8	8,525	24.2	8,638	23.2	9,773	24.3	9,845	22.1
Total	**31,505**	**100.0**	**35,227**	**100.0**	**37,310**	**100.0**	**40,149**	**100.0**	**44,580**	**100.0**

Source: Ministry of Finance.
(1) Amounts in U.S. dollars were converted from colones using historical average exchange rate for the period indicated.

The composition of the public sector debt, shows an increase in the percentage that corresponds to the Government. This segment increased from 69.4% to 77.7% in the period from 2014 to August 2019. This increase is compensated mainly due to the decline in Central Bank balance that declined by just over 5%.

The following tables set forth the public sector debt of the Government, non-financial public sector and the Central Bank at the end of each year between 2014 and 2018 and through August 2019.

Total Public Sector Debt

	As of December 31,								As of August 31,	
	2015		2016		2017		2018		2019	
	(in millions of U.S. dollars and as a percentage of total)									
Government	22,314.3	70.8	25,222.3	71.6	28,162.7	75.5	30,462.1	75.9	34,648.6	77.7
Non-Financial Public Sector	4,489.0	14.2	5,578.6	15.8	5,586.5	15.0	5,406.9	13.5	5,523.7	12.4
Central Bank	4,701.3	14.9	4,425.8	12.6	3,560.2	9.5	4,279.6	10.7	4,407.6	9.9
Total	**31,504.6**	**100.0**	**35,226.6**	**100.0**	**37,309.5**	**100.0**	**40,148.6**	**100.0**	**44,580.0**	**100.0**

Source: Ministry of Finance.

Public Sector debt growth is mainly driven by Government growth, this growth is higher than the average growth of the economy, which is why the growth of public sector debt relative to GDP 2014 and 2018 by approximately 13.9%.

Total Public Sector Debt

	As of December 31,			
	2015	2016	2017	2018
	(as a percentage of GDP)			
Government	41.0	45.1	48.7	53.6
Non-Financial Public Sector	8.2	10.0	9.7	9.5
Central Bank	8.6	7.9	6.2	7.5
Total	**57.9**	**63.0**	**64.5**	**70.6**

Source: Ministry of Finance

Comptroller General's Report Relating to Unregistered Public Debt

On September 16, 2019, the Office of the Comptroller General issued the September 2019 Audit Report in connection with a special audit of unregistered indebtedness and inconsistencies in the non-financial public sector as of December 31, 2018. This report analyzes the differences between the technical accounting criteria required by the Office of the Comptroller General and the criteria implemented by the Ministry of Finance. The September 2019 Audit Report includes the following findings:

- (i) that at least ¢129.7 billion in indebtedness had not been properly registered given that the accrual method of accounting was not applied to determine internal and external indebtedness of the Government, (ii) that three public institution trusts with leasing contracts for ¢120.7 billion had not reported such contracts to the Directorate of Public Credit, and (iii) a ¢190.1 billion discrepancy in

Government debt reported to the CCSS as compared to the Government financial statements published as of December 31, 2018, which could be due to reconciliation differences. These differences represent an aggregate ¢440.6 million, or 1.27% of GDP;

- a ¢22.13 million discrepancy between the information reported by the Directorate of Public Credit and the information obtained by the Office of the Comptroller General; and
- that the Ministry of Finance should determine the reasonableness of recording the Government's debt with the Government with the FODESAF.

In addition, the September 2019 Audit Report noted that the presentation of Government debt figures on an aggregate basis rather than a consolidated basis did not accurately reflect indebtedness among Government entities and recommended that debt figures should be reflected on a consolidated basis. Furthermore, the report requires that the Office of the Comptroller General, the Director of Public Credit, the President of the Central Bank, the Minister of Finance and the Director General of FODESAF take certain actions to improve the reporting of debt statistics and the quality of published debt statistics. Such actions must begin to be implemented in 2020 and certain actions no later than 2023. If the foregoing officials do not comply with the recommendation of the General Comptroller's Office to improve the reporting and quality of debt statistics, they could face possible sanctions.

Domestic Debt

From 2014 to 2019 most of Costa Rica's public sector domestic debt was issued through bonds.

Costa Rica's public sector deficits are financed mainly through Costa Rican Treasury Bills. In addition, the National Treasury met its financing needs by placing net domestic debt bonds, expanding domestic collection mechanisms with the figure of foreign currency placement contracts and implementing an internal debt redemption program in 2018. The foreign currency placement contracts program (*Contratos de Colocación*) is part of the new steps that the Ministry of Finance carries out to attract funds. Through this program, the Government places its issues through an authorized intermediary, who provides the services of placement and distribution of securities. This process is part of the coordination that has been carried out for several years with the Central Bank in public debt management, and progress has already been made in minimizing possible effects on the foreign exchange market.

These instruments are sold primarily through public auctions with a portion being placed with state-owned institutions and enterprises.

In addition, during the last quarter of 2018, on September 25, 2018, the board of directors of the Central Bank purchased Costa Rican Treasury Bills issued by the Ministry of Finance, amounting to ¢498.8 billion. The issuance of such an instrument had not been used since 1994, when part of the rescue of Banco Crédito Agrícola was conducted in this manner.

Such operations are unusual and are used as a temporary financing mechanism. They were used for the first time in 25 years because there was an unprecedented need for their use in that specific moment in time. Costa Rican Treasury Bills are covered by Article 52, subsection D of the Central Bank Law and Article 75 of the Law on Financial Management of the Republic and Public Budgets. In line with these legal provisions, Costa Rican Treasury Bills will have a term of ninety days and an interest rate equivalent to the passive base rate. The issuance of Costa Rican Treasury Bills allowed the Government to finance itself in an orderly manner in the subsequent months, and reduce the pressure on the financial market and interest rates. The total payment of this operation by the Ministry of Finance was made in advance on December 20, 2018, in the amount of ¢506 billion, corresponding to the cancellation of the entire principal and interest of the Costa Rican Treasury Bills.

Unlike in September 2018, when the Government had to be financed with Costa Rican Treasury Bills, as of July 2019, the liquidity indicator was higher than that observed in the last 5 years, with resources equal to 20.7% of Government maturities of less than a year.

Central Bank debt is issued through stability bonds (*Bonos de Estabilización Monetaria*) ("BEM") and certificates of deposit.

The non-financial public sector used the domestic market to finance itself in relatively small amounts before 2008. However, from 2009, the non-financial public sector began to increase its use of the domestic market. Non-financial public sector domestic debt increased from U.S.$1.64 billion in 2014 to U.S.$2.86 billion in 2016 and to U.S.$2.78 billion in 2018, these changes represent cumulative growth between 2014 and 2018 of approximately 69%.

As of December 31, 2014, the Central Bank's domestic debt obligations amounted to U.S.$4.3 billion, or 20.8% of total public sector gross domestic debt. This balance has increased over time, however, its relative weight has declined 18.4%.

Currently the Central Bank and the Government hold coordinated auctions, which allows better resources by reducing competition, resulting in lower interest rates and longer catch-up periods. In the past there was a competition for resources in similar terms by the Central Bank and the Ministry of Finance, which resulted in an increase in interest rates. This has been alleviated with the current coordination of auctions. These more favorable terms in the local market are partly the result of the passage of the Public Finance Strengthening Law at the end of 2018 and the decrease in uncertainty that has been presented in recent months.

It is noted that the Government maintains its relative weight within the domestic debt structure, the increase in Government debt for the period 2014-2019 is more than 90.0%.

The following table sets forth the gross public sector domestic debt as of the dates indicated.

Gross Public Sector Domestic Debt

	As of December 31,								As of August 31,	
	2015		2016		2017		2018		2019	
	(U.S.$)	*(%)*[1]	*(U.S.$)*	*(%)*[1]	*(U.S.$)*	*(%)*[1]	*(U.S.$)*	*(%)*[1]	*(U.S.$)*	*(%)*[1]
Government	16,808.4	69.5	19,426.5	69.2	22,248.7	71.7	24,319.6	73.1	28,450.6	76.0
Non-Financial Public Sector	1,879.9	7.8	2,865.7	10.2	2,876.4	9.3	2,788.4	8.4	2,761.9	7.4
Central Bank	5,505.9	22.8	5,795.7	20.6	5,914.1	19.1	6,142.5	18.5	6,198.1	16.6
Total	**24,194.2**	**100**	**28,088.0**	**100**	**31,039.2**	**100**	**33,250.5**	**100**	**37,410.6**	**100**

Source: Ministry of Finance.
(1) Percentage of total gross public sector domestic debt.

At the level of domestic debt there is an increase in Government bonds, from 78.7% in 2015 to 89.5% by the end of August 2019, this increase reflects by the participation of the domestic private sector, which increased its participation by approximately 10.8 percentage points.

With regard to holders of BEMs issued by the Central Bank, there is a significant contraction, from 24.3% in 2014 to 10.5% by 2019, the reduction in amounts is presented in all sectors: national banking system, public institutions and private sector institutions.

The following table sets forth the holdings of gross public sector domestic debt as of the dates indicated.

Holdings of Gross Domestic Debt

	As of December 31,				As of August 31,
	2015	2016	2017	2018	2019
	(percentage of total gross domestic debt)				
Government bonds	**78.7**	**81.8**	**86.4**	**88.7**	**89.5**
Central Bank[1]	-	-	-	-	-
National Banking System[2]	16.8	19.9	16.6	13.4	13.7
Public institutions	28.6	30.4	30.9	32.8	32.1
Internal private sector	31.5	30.1	35.8	37.6	38.7
External sector	1.8	1.5	3.0	4.9	5.0
Central Bank bonds (BEMs)	**21.3**	**18.2**	**13.6**	**11.3**	**10.5**
National Banking System[2]	5.3	5.5	4.3	3.5	3.5
Public institutions	7.9	6.0	4.4	3.6	3.0
Internal private sector	8.1	6.7	4.9	4.2	4.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Ministry of Finance and Central Bank of Costa Rica.

(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 (saving and loans associations and cooperatives, credit unions and other non-banking financial private companies).

As of August 31, 2019, Government debt is mainly composed of colón denominated debt (60.4% of the total debt). From 2014 to 2019, U.S. dollar-denominated Government debt increased mainly after the placement of domestic debt in U.S. dollars. By the end of 2018, investors sought U.S. dollar denominated securities as a protection mechanism against the uncertainty around the approval of the Public Finance Strengthening Law. The expectation of securities placement in the international market in 2018 adjusted interest rates downward, both in colón and U.S. dollar denominated securities.

The following table sets forth the aggregate principal amount of Government bonds in circulation as of the dates indicated.

Government Bonds in Circulation

	Debt Denominated in							
	Total		Colones		U.S. dollars		Other Currencies	
	U.S.$	*%*(1)	*U.S.$*	*%*(1)	*U.S.$*	*%*(1)	*U.S.$*	*%*(1)
	(in millions of U.S. dollars at book value, except percentages(1))							
As of December 31, 2010	10,851.3	100%	7,170.6	66.1%	3,499.0	32.2%	181.8	1.7%
As of December 31, 2011	12,489.2	100%	8,790.3	70.4%	3,552.5	28.4%	146.4	1.2%
As of December 31, 2012	15,744.0	100%	10,911.8	69.3%	4,720.3	30.0%	111.9	0.7%
As of December 31, 2013	17,782.5	100%	12,305.5	69.2%	5,393.5	30.3%	83.5	0.5%
As of December 31, 2014	19,355.6	100%	12,339.4	63.8%	6,943.7	35.9%	72.5	0.4%
As of December 31, 2015	22,314.3	100%	14,070.2	63.1%	8,153.8	36.5%	90.3	0.4%
As of December 31, 2016	25,222.3	100%	15,684.6	62.2%	9,372.9	37.2%	164.8	0.7%
As of December 31, 2017	28,162.7	100%	16,889.5	60.0%	11,093.7	39.4%	179.6	0.6%
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 August 31, 2019	34,648.6	100%	20,916.3	60.4%	13,545.3	39.1%	186.9	0.5%

Source: Ministry of Finance.
(1) Percentage of total Government debt.

The Government's debt management strategy has reduced the risk of refinancing short-term debt (less than one year) from 15.2% of the total debt in 2015 to 8.5% in August 2019.

In contrast, debt that expires within five years increased, since as of December 2015 it represented 30.5% of total debt and as of August 2019 it represented 39.1%. Debt payable in more than five years decreased from 54.3% in 2015 to 52.3% in August 2019. During the first eight months of 2019, the Government has made significant efforts to extend the terms in the placement of securities. As a result, in 2018 this proportion of debt with a maturity of more than five years was 47.2% and as of August 2019 it represents 52.3% of the total Government debt portfolio.

The following table sets forth the maturities for Government bonds in circulation as of the dates indicated.

Government Bonds in Circulation, by Maturity

	As of December 31,				As of August 31,
	2015	2016	2017	2018	2019
	(percentage of total Government debt)				
From 8 to 30 days..	1.3	1.9	3.3	2.5	1.1
From 31 to 90 days..	3.1	3.4	2.5	1.8	1.5
From 91 to 180 days..	3.4	2.9	3.8	4.2	2.0
From 181 to 360 days..	7.0	3.3	4.7	4.2	3.4
From 361 to 720 days..	9.3	10.4	8.2	7.1	7.7

	As of December 31,				As of August 31,
	2015	2016	2017	2018	2019
	(percentage of total Government debt)				
From 721 to 1440 days	14.3	13.7	14.4	21.9	23.3
More than 1441 days	55.9	58.2	56.3	51.3	57.1
Total	**94.4%**	**93.9%**	**94.0%**	**93.8%**	**96.2%**

Source: Ministry of Finance.

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 instruments with set deadlines to one, three, five, seven, ten and fifteen years, promoting better price formation in the domestic market and deepening the secondary debt market by placing debt with focal dates.

External Debt

Gross public sector external debt was U.S.$6.9 billion as of December 31, 2014. By August 2019 this amount stood at U.S.$9.8 billion, an increase of 42% compared with 2014. Gross public sector external debt increased by 23% to U.S.$8.5 billion as of December 31, 2016 compared with 2014.

In 2016, Banco de Nacional Costa Rica issued U.S.$ 500 million, which contributed to the overall growth of the debt. Gross public sector external debt increased by 21% to U.S.$4.8 billion as of December 31, 2012, primarily due to the issuance by the Republic on November 21, 2012 of its Notes due 2023 in an aggregate principal amount of U.S.$1 billion. Gross public sector external debt increased by 24.9% to U.S.$6.0 billion as of December 31, 2013, primarily due to the issuance by the Republic on April 30, 2013 of its Notes due 2025 in an aggregate capital amount of U.S.$500 million and its Notes due 2043 in an aggregate principal amount of U.S.$500 million. Gross public sector external debt increased by 16.6% to U.S.$7 billion as of December 31, 2014, primarily due to the issuance by the Republic in April 2014 of its Notes due 2044 in an aggregate principal amount of U.S.$1 billion. Gross public sector external debt increased by 16.73% to U.S.$8.1 billion as of December 31, 2015, primarily due to the issuance by the Republic in March 2015 of its Notes due 2045 in an aggregate principal amount of U.S.$1 billion.

For the next five years, maturities are expected to average U.S.$0.3 billion per year, which amount has been revised downwards in recent months as a result of higher-term debt placements and adequate debt management through the extension of the debt, these positive effects have resulted from the decrease in uncertainty by local and international investors, after the approval of the fiscal reform and the consent obtained to issue bonds in the international markets.

Total Amortization Public Debt

	At of December 31,				
	2019	2020	2021	2022	2023
	(in millions of U.S. dollars)				
Total	3,397.19	4,108.58	5,434.73	4,579.60	3,668.26

Source: Ministry of Finance.

By September 30, 2019, 68.7% of total external debt corresponds to bonds issued in international debt markets, at fixed rates.

As of September 30, 2019, approximately 97.05% of the public sector external debt was denominated in U.S. dollars, approximately 1.42% in Japanese yen, 1.35% was denominated in Chinese yuan, and the remaining 0.21% was denominated in other currency.

From 2014 to 2018, the ratio of non-financial public sector external debt to GDP increased from 13.7% in 2014 to 16.2% in 2018.

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

	As of December 31,				As of August 31,
	2015	**2019***	**2017**	**2018**	**2019**
	(in millions of U.S. dollars)				
Total gross public external debt	8,134	8,525	8,638	9,773	9,845
Less: gross international reserves	7,834	7,574	7,150	7,501	7,719
Total public external debt, net of reserves	299.5	950.8	1488.1	2271.8	2,125.8

Source: Ministry of Finance
(1) Gross international reserves as of December, 2018.

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. Commercial bank creditors, bondholders of bonds issued in the international capital markets and multilateral organizations accounted for 96% of total gross public sector external debt outstanding as of the end of 2018. The IDB and the World Bank are Costa Rica's largest creditors, accounting for 11.6% and 9.3%, respectively, of the gross public external debt as of the end of 2018. There has been a change in the structure of external debt over the last four years, with multilateral organizations increasing their share from 30.6% in 2015 to 40.8% by August 31, 2018.

The following table sets forth the total gross public sector external debt, by creditor and percentage of total, as of the dates indicated.

Gross Public External Debt, By Creditor and Percentage of Total

	As of December 31,								As of August 31,	
	2015		**2016**		**2017**		**2018**		**2019**	
	(in millions of U.S. dollars and as a percentage of total)									
Multilateral	U.S.$2,491.6	30.6%	U.S.$2,812.5	33.0%	U.S.$2,921.1	33.8%	U.S.$4,029.5	41.3%	4,018.9	40.8%
World Bank	601.5	7.4	736.0	8.6	788.2	9.1	903.4	9.3	970.7	10%
Inter-American Development B	1,003.0	12.3	1,048.4	12.3	1,078.7	12.5	1,137.1	11.6	1,111.3	11%
Central American Bank for Eco	630.3	7.7	792.7	9.3	842.3	9.8	821.0	8.4	894.1	9%
Others	256.8	3.2	235.5	2.8	211.9	2.5	1,177.7	12.1	1,042.8	11%
Bilateral	255.4	3.1	346.1	4.1	383.7	4.4	405.3	4.2	421.4	4%
Commercial Banks	136.6	1.7	116.0	1.4	83.1	1.0	78.1	0.8	154.8	2%
Bonds and floating rate notes	5,250.0	64.5	5,250.0	61.6	5,250.0	60.8	5,250.0	53.8	5,250.0	53%
Total	**U.S.$8,133.6**	**100%**	**U.S.$8,524.6**	**100%**	**U.S.$8,638.0**	**100%**	**U.S.$9,762.9**	**100%**	U.S.$9,845.12	100%

Source: Ministry of Finance.

There is a significant increase in payments in 2020 and 2023, which coincide with the payments of external debt maturities, if these amounts were excluded from the debt projection, the debt trend would remain without further fluctuations compared to previous years.

The following table sets forth the amortization schedule of Costa Rica's consolidated public sector external debt for the next four years ending December 31, 2023, excluding interest payments on such debt.

Amortization of Gross Public External Debt

	2015	2016	2017	2018	2019	2020	2021	2022	2023
	(in millions of U.S. dollars)								
Multilateral	**38.67**	**79.18**	**83.37**	**85.77**	**84.33**	**86.00**	**100.71**	**158.21**	**205.59**
Inter-American Development Bank	19.28	38.82	40.72	41.23	40.02	40.19	56.63	60.63	63.17
World Bank	12.91	32.25	34.03	35.43	35.00	33.76	32.04	37.96	46.08
Central American Bank for Economic I	4.28	5.14	5.23	5.23	5.23	7.98	7.98	15.72	38.38
Others	2.20	2.97	3.39	3.87	4.07	4.07	4.07	43.90	57.96
Bilateral	**12.56**	**12.90**	**12.72**	**11.18**	**8.92**	**8.70**	**11.65**	**14.60**	**14.04**
Commercial Banks	-	-	-	-	-				
Bonds and floating rate notes	-	-	-	-	-	250.00	-	-	1,000.00
Total	**51.23**	**92.07**	**96.10**	**96.95**	**93.25**	**344.70**	**112.37**	**172.81**	**1,219.63**

Source: Ministry of Finance.

There is a decrease in longer term maturities, as a result of not being able to increase maturity dates in the local and international markets, as there is no replacement for longer-term securities, each year the maturities in the short and medium term, decrease the duration of the portfolio as shown below. The highest point in terms of portfolio duration coincides with the end of the period during which placements were made in international markets under Law 9,070.

The following table sets forth public sector external debt by maturity.

Public Sector External Debt, by Maturity

	As of December 31,				As of August 31,
	2015	**2016**	**2017**	**2018**	**2019**
	(as a percentage of total)				
Less than a year	3.31%	3.62%	3.43%	6.47%	11.2%
2 to 5 years	14.37%	19.99%	19.82%	34.28%	29.2%
6 to 10 years	33.78%	27.72%	28.17%	15.27%	15.6%
More than 11 years	48.54%	48.67%	48.58%	43.97%	44.0%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.0%**

Source: Ministry of Finance.

The following table sets forth Costa Rica's total public sector external debt service for the periods indicated.

Total Public External Debt Service

	As of December 31,				As of August 31,
	2015	**2016**	**2017**	**2018**	**2019**
	(in millions of U.S. dollars, except percentages)				
Interest payments	392.9	465.6	486.4	546.7	441.6
Amortization	443.6	323.2	296.6	342.9	457.5
Total	836.5	788.8	783.0	889.6	899.1
Total Exports	9,659.7	10,344.9	11,059.7	11,683.1	8,131.4
Foreign Debt Services as % of Gross Public Debt	2.7%	2.2%	2.1%	2.2%	2.0%

Source: Ministry of Finance.

As in previous years, the majority of public external debt is denominated in U.S. dollars, followed by Japanese yen.

The following table sets forth public external debt denominated in foreign currency, by currency for the dates indicated.

Summary of Public External Debt Denominated in Foreign Currency, by Currency

	As of December 31,								As of August 31,	
	2015		2016		2017		2018		2019	
	(in millions of U.S. dollars, except percentages)									
U.S. dollar	7,927.4	97.5%	8,227.1	96.5%	8,295.0	96.0%	9,400.9	96.2%	9,454.8	96.0%
IADB unit of account	14.5	0.2%	4.8	0.1%	1.2	-	-	-	-	-
Japanese yen	166.1	2.0%	190.2	2.2%	231.4	2.7%	262.9	2.7%	283.9	2.9%
Swiss Franc	0.1	-	-	-	-	-	-	-	-	-
Sterling	0.1	-	-	-	-	-	-	-	-	-
Euro	25.5	0.3%	23.0	0.3%	23.6	0.3%	20.4	0.2%	18.5	0.2%
Other Currency	-	-	79.4	0.9%	86.7	1.0%	88.5	0.9%	87.9	0.9%
Total	**8,133.7**	**100.0%**	**8,524.7**	**100.0%**	**8,638.0**	**100.0%**	**9,772.7**	**100.0%**	**9,845.1**	**100.0%**

Source: Ministry of Finance.

IMF, World Bank, CAF and IDB Financial Support

As part of the debt service payment reduction strategy, legislative approval has been requested for the processing of various budget support loans with international agencies, the first being signed with the IDB for U.S.$350 million, in addition, another is managed with the CAF for U.S.$ 500 million. These loans are part of a series of measures seeking the consolidation of the Public Finance Strengthening Act, passed in December 2018.

As of December 2018, loans to the Government of multilateral agencies amounted to U.S.$4.0 billion, of which U.S.$1.1 billion (11.6%) from the IDB, U.S.$903 million (9.3%) from the World Bank and the balance from other multilateral agencies.

As of December 2017, loans to the Government from multilaterals amounted to U.S.$2.9 billion, of which U.S.$1.0 billion (12.5%) from the IDB, U.S.$788.2 million (9.1%) from the World Bank and the balance from other multilaterals.

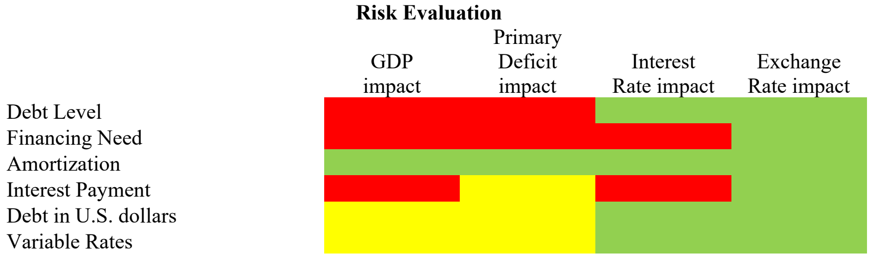
The Government's debt trend with various multilaterals has experienced sustained growth between 2014 to 2018. Debt has increased from U.S.$2.2 billion in 2014 to U.S.$4.0 billion in 2018. Other multilateral lenders to the Government include the European Investment Bank, CAF, FLAR, the National Bank for Economic and Social Development - BNDES, among others. The loans provided by these lenders are granted under favorable conditions for infrastructure development. Budgetary support loans are complemented by the issuance of sovereign bonds in the international capital markets to meet Government obligations. The balance of borrowings increased by more than 300%.

Debt Risk Management

Indebtedness management involves conducting an analysis covering both portfolio risks and the cost associated with portfolio risks. In order to verify which variables can directly impact the debt, an analysis was undertaken of the portfolio focusing on the following variables: production, primary deficit, interest rates and exchange rate. The risks associated with each variable can be classified into different segments: high (red), moderate (yellow), or low (green).

The strongest impacts on debt occur when the primary production levels or deficits are changed, as shown in the heat map. These two variables are the ones that can generate the greatest deviations on the Government's debt trend in the medium term.

Government Debt Risk Map



Source: Public Credit Division – Ministry of Finance.

The Ministry of Finance uses certain debt management tools including the Public Indebtedness Policy, which was approved and published by executive decree No. 41,935-H dated August 28, 2019. It contains guidelines on the regulatory framework and criterion of credit allocation, management of the public sector debt portfolio, local public debt market, international financial markets, transparency and accountability. These are designed to help policy makers optimize the use of public borrowing and consider reforms to strengthen the quality of public debt management and reduce the country's vulnerability to internal and external crises.

In addition, the definition of a medium-term debt strategy (EDMP) allows the reduction of the risks and costs associated with obtaining resources. The Ministry of Finance carried out the exercise of modeling an EDMP considering the evaluation, quantification and evolution of the risks inherent in the debt portfolio, debt management strategy of use, budget formulation and estimation of the repayment, interest and balances of Government debt in the medium term.

Successful redemptions

During 2019 the Government has managed to redeem approximately ¢833.26 million/U.S.$1.4 billion in previously outstanding debt. These redemptions have allowed short-term debt maturities to be extended and re-distributed between 2023 and 2051 (the largest portion was located in 2030 with ¢204.38MM).

Risk of refinancing

During 2019, the Government has managed to reduce debt maturing within less than a year from 13% of GDP to 8.5% of GDP.

Indebtedness diversification

After not issuing bonds in the international capital market for almost five years, the Ministry of Finance has obtained the Legislative Assembly's approval of the Note Issuance Law, which authorizes the Ministry of Finance to issue up to U.S.$1.5 billion in notes (including the Notes) in the international capital markets before July 22, 2020 and similarly has negotiated budget support loans with multilateral agencies in the order of U.S.$ 850MM.

Global Depositary Notes

The Government has access to international investors through Global Depository Notes (GDN), through which U.S.$1.1 billion of international investors' funds have been raised in public sector debt securities.

Funding Needs

Government financing needs for 2019 represent 12.0% of the expected GDP. As of September 30, 2019, the Government had financed 97% of financing needs and 3.0% remained to be financed. This amount is expected to be financed primarily through incurrence of external debt, including Notes and loans from CAF and IDB. The table below sets out Costa Rica's financing needs and funding sources for the periods indicated.

	As of December 31,		As of September 30,
	2018	2019(1)	2019
		(% of GDP)	
Financing Needs	**12.2%**	**12.0%**	**9.1%**
Fiscal Balance	5.9%	6.2%	4.0%
Amortization	6.3%	5.9%	5.1%
Funding Sources	**12.2%**	**12.0%**	**9.1%**
Domestic	11.6%	9.1%	9.1%
External	0.7%	2.9%	-

Source: Ministry of Finance.
(1) Expected 2019 figures based on Ministry of Finance projections.

It is estimated that financing needs for 2020 will be 10.0% of GDP, and it is expected to be financed primarily with debt placed in the domestic market. However, the Republic may elect to issue a bond in the international capital markets or incur loans from multilateral institutions.

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, and The Bank of New York Mellon S.A./N.V., Luxembourg Branch, as paying and transfer agent in Luxembourg (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 and at the offices of the paying agents specified on the back cover of this Offering Circular. The definitions of certain capitalized terms used in this section are set forth under "—Defined Terms."

The Notes issued under this Offering Circular contain provisions regarding acceleration and voting on amendments, modifications and waivers that differ from the provisions governing the series of notes issued by the Republic in the past. These provisions are commonly referred to as "collective action clauses." Under these provisions, the Republic may amend certain key terms of the Notes, including the maturity date, amounts payable and other payment terms, with the consent of fewer than all the holders of the Notes. These collective action clauses are described below.

Principal and Interest

The 2031 Notes will:

- be issued in an aggregate principal amount of U.S.$1,200,000,000;
- be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;
- have a final maturity date of February 19, 2031 (the "2031 Maturity Date") and be repaid at par in three installments, as follows:

Principal Payment Date	Principal Payment Amount
February 19, 2029	U.S.$400,000,000
February 19, 2030	U.S.$400,000,000
2031 Maturity Date	Remaining principal amount

  On each principal payment date, the record holders of the 2031 Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of 2031 Notes, including as a result of a redemption as described under "—Optional Redemption" or increased as a result of the issuance of additional 2031 Notes as described under "—Further Issues" (with any principal payment date's principal payment amount resulting from such decrease or increase for any principal payment date being on a pro rata basis and rounded upwards to the next U.S.$0.01)); and

- bear interest from November 19, 2019 at a rate of 6.125% per annum, payable semi-annually in arrears on each February 19 and August 19, commencing on February 19, 2020 to the holders of record on February 4 and August 4 immediately preceding the interest payment date.

The 2045 Notes will:

- be consolidated, form a single series, and be fully fungible, with the Republic's outstanding U.S.$1,000,000,000 7.158% Global Notes due 2045 issued on March 12, 2015 (the " Original 2045 Notes");

- be issued in an aggregate principal amount of U.S.$300,000,000, and considering the amount of the Original 2045 Notes outstanding, the aggregate principal amount of this series of notes will be U.S.$1,300,000,000;

- be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;

- mature and be repaid at par (unless previously repaid) on March 12, 2045; and

- bear interest from September 12, 2019, the most recent interest payment date on the Original 2045 Notes, at a rate of 7.158% per annum, payable semi-annually in arrears on each March 12 and September 12, commencing on March 12, 2020 to the holders of record on February 25 and August 28 immediately preceding the interest payment date.

Interest on the Notes will 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.

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 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.

Replacement, Exchange and Transfer

The global notes may be presented for registration of transfer or exchange at the corporate trust office of the registrar, or at the office of any transfer agent referred to above, including the Luxembourg 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 any transfer agent referred to above, including the Luxembourg 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, including the Luxembourg transfer agent. 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 INTERNATIONAL MONETARY FUND (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 OFFICIAL LIST OF THE LUXEMBOURG 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 on any Notes when due and such failure continues for a period of 30 calendar days; or

- The Republic fails to pay 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 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 to above, means a modification by which holders of debt securities of any 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.

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 in a western European city for payments on Notes (which will be Luxembourg, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require), a registrar having a specified office in the

City of New York, a paying agent having a specified office in the City of New York and a transfer agent in Luxembourg (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require).

The Republic has initially appointed The Bank of New York Mellon, as trustee, registrar, principal paying agent and transfer agent for the Notes, and The Bank of New York Mellon S.A./N.V., Luxembourg Branch, as paying agent, transfer agent and listing agent in Luxembourg. 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

The 2031 Notes

The 2031 Notes will be redeemable, in whole or in part, at any time and from time to time, at the Republic's option, on not less than 30 nor more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2031 Notes and (2) 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 Yield (as defined below), plus 50 basis points, plus accrued and unpaid interest to, but excluding, the redemption date.

The 2045 Notes

The 2045 Notes will be redeemable, in whole or in part, at any time and from time to time, at the Republic's option, on not less than 30 nor more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2045 Notes and (2) 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 Yield (as defined below), plus 50 basis points, plus accrued and unpaid interest to, but excluding, the redemption date.

For the foregoing purposes, the following terms have the following meanings:

"Treasury Yield" means, with respect to the redemption date, the rate per year equal to the semi-annual equivalent yield to maturity or interpolated (on a day-count basis) yield to maturity of the applicable Comparable Treasury Issue, assuming a price for such Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker appointed by the Republic as having an actual or interpolated maturity comparable to the remaining term of the Notes, or such other maturity that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of investment grade debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations for such redemption date, or (2) if the Republic obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

"Independent Investment Banker" means either Citigroup Global Markets Inc. or HSBC Securities (USA) Inc. or their respective successors or, if such firms are unwilling or unable to select the Comparable Treasury Issue, one of the remaining Reference Treasury Dealers appointed by the Republic.

"Reference Treasury Dealer" means (1) each of (a) with respect to the 2031 Notes, any of Citigroup Global Markets Inc. and HSBC Securities (USA) Inc. or their affiliates and any other primary U.S. Government securities dealer in the United States (a "2031 Notes Primary Treasury Dealer") designated by, and not affiliated with, Citigroup Global Markets Inc. and HSBC Securities (USA) Inc., (b) with respect to the 2045 Notes, any of Deutsche Bank Securities Inc. and HSBC Securities (USA) Inc. or their affiliates and any other primary U.S. Government securities dealer in the United States (a "2045 Notes Primary Treasury Dealer" and together with any 2031 Notes Primary Treasury Dealer, a "Primary Treasury Dealer") designated by, and not affiliated with, Deutsche Bank Securities Inc. and HSBC Securities (USA) Inc.; provided, however, that if any Primary Treasury Dealer or any of their respective affiliates shall cease to be a Primary Treasury Dealer, the Republic will appoint another Primary Treasury Dealer as a substitute for such entity and (2) any other Primary Treasury Dealer selected by the Republic.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Republic, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to the Republic by such Reference Treasury Dealer at 3:30 p.m. (New York time) on the third business day preceding such redemption date.

The Republic will mail, or cause to be mailed, a notice of redemption to each holder by first-class mail, postage prepaid, at least 30 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.

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

Notices will be mailed to holders of Notes at their registered addresses and shall be deemed to have been given on the date of such mailing. DTC, Euroclear and Clearstream will communicate such notices to their participants in accordance with their standard practices. In addition, all notices to holders of the Notes will be published, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange at http://www.bourse.lu. If the Republic elects to publish notices in Luxembourg, the Republic expects that such publication will be made in the *Luxemburger Wort.* If publication in accordance with the second preceding sentence is not practicable, notice will be validly given if made in accordance with the requirements of the rules of the Luxembourg Stock Exchange.

Further Issues

The Republic may from time to time without the consent of the holders of the Notes create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest thereon) so as to be consolidated with, and form a single series with, the applicable outstanding Notes; *provided* that such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Notes have as of the date of the issue of such additional notes.

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");

- The Republic will irrevocably agree that all claims in respect of any Related Proceeding may be heard and determined in such New York State or 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;

- The Republic will 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

- The Republic agrees 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 37th Street, 12th 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 under the Foreign Sovereign Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a United States judgment, and that under the laws of the Republic, the property and revenues of the Republic are exempt from attachment or other form of execution, whether 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

Citigroup Global Markets Inc. and HSBC Securities (USA) Inc., 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 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 Purchaser's name.

Initial Purchasers	Principal Amount of Notes	
	2031 Notes	2045 Notes
Citigroup Global Markets Inc.	U.S.$600,000,000	U.S.$150,000,000
HSBC Securities (USA) Inc.	U.S.$600,000,000	U.S.$150,000,000
Total	**U.S.$1,200,000,000**	**U.S.$300,000,000**

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. 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 Citigroup Global Markets Inc. and HSBC Securities (USA) Inc., 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.

Any series of Notes that constitute a new class of securities will have no established trading market. The Republic cannot assure you that the prices at which such 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 such Notes will develop and continue after this offering. Although application will be made to list such Notes on the Luxembourg Stock Exchange and to have such Notes admitted to trading on the Euro MTF Market, 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 19, 2019, 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 on the date of pricing or the next two succeeding business day 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 on the pricing date or the next succeeding business day 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; (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; or (iii) a person who is not a qualified investor as defined in the Prospectus Directive. 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 Initial Purchaser 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.

Each Initial Purchaser has represented and agreed that: (i) 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 (as amended by the Financial Services Act 2012 (the "FSA 2012"), the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic, and (ii) it has complied and will comply with all applicable provisions of the FSMA and the FSA 2012 in respect of anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

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 under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") by the Monetary Authority of Singapore, and the offer of the Notes in Singapore is made primarily pursuant to the exemptions under Section 274 and 275 of the SFA. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor as defined in Section 4A of SFA (an "Institutional Investor"), pursuant to Section 274 of the SFA, (ii) to an accredited investor as defined in Section 4A of the SFA (an "Accredited Investor") or other relevant person as defined in Section 275(2) of the SFA (a "Relevant Person") and pursuant to Section 275(1), or to any person pursuant to an offer referred to in 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 exemption or provision of the SFA.

It is a condition of the offer that where the Notes are subscribed for or acquired pursuant to an offer made in reliance on Section 275 of the SFA 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), the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has subscribed for or acquired the Notes except:

(i) to an Institutional Investor, an Accredited Investor, a Relevant Person, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Singapore Securities and Futures Act Product Classification - Solely for the purposes of its obligations pursuant to Sections 309(B)(1)(a) and 309(B)(1)(c) of the SFA, the Republic of Guatemala 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 Chile

The offer of the Notes will begin on November 5, 2019 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, The Republic is not required to disclose public information about the notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 5 *de noviembre de 2019 y está acogida a la NCG 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.*

Notice to Prospective Investors in Colombia

The Notes have not been and will not be registered on the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) or in the Colombian Stock Exchange. Therefore, the Notes may not be publicly offered in Colombia. This material is for your sole and exclusive use as a determined entity, including any of your shareholders, administrators or employees, as applicable. You acknowledge the Colombian laws and regulations (specifically foreign exchange and tax regulations) applicable to any transaction or investment consummated pursuant hereto and represent that you are the sole liable party for full compliance with any such laws and regulations.

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 the offering memorandum is exclusively the responsibility of the bank 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 underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Republic of Guatemala nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

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; the 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 the Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg 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 Regulation S Global Note through organizations other than Euroclear or Clearstream, Luxembourg that are DTC participants. Each of Euroclear and Clearstream, Luxembourg will appoint a DTC participant to act as its depositary for the interests in the Regulation S Global Note 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, Luxembourg. 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, Luxembourg 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, Luxembourg, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream, Luxembourg. To deliver or receive an interest in a Global Note held in a Euroclear or Clearstream, Luxembourg account, an investor must send transfer instructions to Euroclear or Clearstream, Luxembourg, 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, Luxembourg, 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, Luxembourg participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream, Luxembourg immediately following the DTC settlement date. Cash received in Euroclear or Clearstream, Luxembourg 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, Luxembourg cash account as of the business day for Euroclear or Clearstream, Luxembourg following the DTC settlement date.

DTC, Euroclear and Clearstream, Luxembourg 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, Luxembourg or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related Notes only if:

- DTC 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;
- DTC 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; or

the trustee receives a notice from the registered holder of the Global Note requesting exchange of a specified amount for individual note certificates following a failure to pay at maturity or upon acceleration of any Note

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 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 a global note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(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. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), 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 Law No. 9708 on the Authorization to Issue Securities in the International Market and Contracting of Credit Lines (*Autorización para emitir títulos valores en el mercado internacional y contratación de líneas de crédito*) effective since July 24, 2019 ("Law No. 9708"), (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, and (iii) 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 Law No. 9708 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

Generally

The following is a summary of certain material United States of America ("U.S.") federal income tax consequences to original purchasers of the Notes of the purchase, ownership and disposition of the Notes. This summary is based upon existing U.S. federal income tax laws, which are subject to change, possibly with retroactive effect. No assurances can be given that any changes in these laws or authorities will not affect the accuracy of the discussions set forth in this summary. 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 or that if the IRS were to challenge any of these that it would be unsuccessful.

This summary does not purport to discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances, such as investors whose functional currency is not the U.S. dollar or certain types of investors subject to special tax rules (*e.g.*, financial institutions, insurance companies, dealers in securities or currencies, certain securities traders, taxpayers subject to tax on income on the Notes at the earlier of when it is taken into income for accounting purposes or under regular U.S. federal income tax principles, regulated investment companies, pension plans, and tax-exempt organizations and investors that hold the Notes as a position in a "straddle," "conversion transaction," "integrated" or "constructive sale" transaction). In addition, this summary does not discuss any non-U.S., state, or local tax considerations, or the alternative minimum tax. This summary only applies to investors that hold Notes as "capital assets" (generally, property held for investment) within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the "Code").

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of a Note who is, for U.S. federal income tax purposes, an individual citizen or resident of the United States, a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United

States, any state of the United States or the District of Columbia, an estate whose income is subject to U.S. federal income tax regardless of its source or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons," as defined for U.S. federal income tax purposes, have the authority to control all substantial decisions of the trust or the trust has in effect a valid election to be treated as a United States person. If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder or a partnership for U.S. federal income tax purposes.

Prospective purchasers of Notes should consult their own tax advisors concerning the U.S. federal income tax consequences of the purchase, ownership and disposition of Notes in light of their particular circumstances, as well as the effect of any relevant state, local, non-U.S. or other tax laws.

U.S. Holders

Pre-Issuance Accrued Interest

If a portion of the price paid for a Note is allocable to interest that accrued prior to the date on which the Note is issued ("pre-issuance accrued interest"), the Issuer intends to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to any pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the Note. A U.S. Holder's basis in such Note will not include the portion of purchase price allocable to the pre-issuance accrued interest. Amounts treated as a return of pre-issuance accrued interest should not be taxable when received. U.S. Holders should consult their tax advisors with regard to the tax treatment of the pre-issuance accrued interest on a Note.

Bond Premium

A U.S. Holder will be considered to have purchased a Note at a premium to the extent of the excess of the purchase price over the sum of the face amount of the Note and any pre-issuance accrued interest and may elect to amortise the premium as an offset to interest income, using a constant yield method, over the remaining term of the Note. If a U.S. Holder makes this election, the election generally will apply to all taxable debt instruments held during or after such U.S. Holder's taxable year for which the election is made. In addition, a U.S. Holder may not revoke the election without the consent of the IRS. If a U.S. Holder elects to amortise the premium, such U.S. Holder will be required to reduce tax basis in the Note by the amount of the premium amortised during such U.S. Holder's holding period. If a U.S. Holder does not elect to amortise the premium, the amount of premium will be included in the tax basis in the Note and will decrease the gain or increase the loss otherwise recognised upon the disposition of the Note. Therefore, if a U.S. Holder does not elect to amortise premium and holds the Note to maturity, such U.S. Holder generally will be required to treat the premium as capital loss when the Note matures.

Payments of Interest and Additional Amounts

We expect, and the remainder of this summary assumes, that the Notes will be issued at a discount that is not de minimis for U.S. federal income tax purposes. Accordingly, subject to the discussion about pre-issuance accrued interest and bond premium above, payments of interest on a Note generally will be taxable to a U.S. Holder as ordinary income at the time they are received or accrued, depending on the U.S. Holder's regular method of tax accounting. In addition to interest on a Note, a U.S. Holder will be required to include any tax withheld from the interest payment as ordinary income, even though such holder did not in fact receive it, and any additional amounts paid in respect of such tax withheld.

Interest (and any additional amounts) on the Notes will constitute income from sources outside the United States. Under the foreign tax credit rules, that interest generally will be classified as "passive category income", which may be relevant in computing the foreign tax credit allowable to a U.S. Holder under the U.S. federal income tax laws.

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

A U.S. Holder generally will recognize gain or loss upon the sale, exchange, retirement or other taxable disposition of a Note (including payments as a result of an acceleration) in an amount equal to the difference between the amount realized upon that sale, exchange, retirement or other taxable disposition (other than amounts representing accrued and unpaid interest, which will be treated like a payment of interest as discussed above) and the U.S. Holder's adjusted tax basis in the Note. The amount realized is the sum of cash plus the fair market value of any property received upon the sale, exchange, retirement or other taxable disposition of a Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the U.S. Holder's initial investment in the Note (excluding any amount attributable to pre-issuance accrued interest), reduced by any amortised bond premium applied to reduce interest on a Note. Gain or loss generally will be capital, and will be long-term gain or loss if the Note is held for more than one year. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any capital gain or loss recognized on sale, exchange, retirement or other taxable disposition of a Note generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes. Therefore, U.S. Holders may not be able to claim a credit for any Costa Rican tax imposed upon a disposition of a Note unless (subject to special limits) such holder has other income from foreign sources and certain other requirements are met.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (i) the U.S. Holder's "net investment income" (or, in the case of an estate or trust, the "undistributed net investment income") for the relevant taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between U.S.$125,000 and U.S.$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally will include its interest income and its net gains from the disposition of a Note, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Information with Respect to Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 on the last day of the taxable year, or U.S.$75,000 at any time during the taxable year generally will be required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the holder's circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. The Notes may be treated as specified foreign financial assets and U.S. Holders may be subject to this information reporting regime. Failure to file information reports may subject U.S. Holders to penalties. U.S. Holders should consult their own tax advisors regarding their obligation to file information reports with respect to the Notes.

Non-U.S. Holders

Payments of Interest and Additional Amounts

Subject to the discussion below of backup withholding, payments of interest and any additional amounts on the Notes generally are not subject to U.S. federal income tax, including withholding tax, if paid to a "non-U.S. Holder", as defined above, unless the interest is effectively connected with such non-U.S. Holder's conduct of a trade or business within the United States (or, if an income tax treaty applies, the interest is attributable to a permanent establishment or fixed place of business maintained by such non-U.S. Holder within the United States). In that case, the non-U.S. Holder generally will be subject to U.S. federal income tax in respect of such interest in the same manner as a U.S. Holder, as described above. A non-U.S. Holder that is a corporation may, in certain circumstances, also be subject to an additional "branch profits tax" in respect of any such effectively connected interest income currently imposed at a 30% rate (or, if attributable to a permanent establishment maintained by such non-U.S. Holder within the United States, a lower rate under an applicable tax treaty).

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

Subject to the discussion below of backup withholding, a non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange, retirement or other taxable disposition of a Note unless: (1) the gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business within the United States (or, if an income tax treaty applies, the gain is attributable to a permanent establishment or fixed base in the United States.), or (2) such non-U.S. Holder is a nonresident alien individual, who is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met. Non-U.S. Holders who are described under (1) above generally will be subject to U.S. federal income tax on such gain in the same manner as a U.S. Holder and, if the non-U.S. Holder is a foreign corporation, such holder may also be subject to the branch profits tax as described above. Non-U.S. Holders described under (2) above generally will be subject to a flat 30% tax on the gain derived from the sale, exchange, retirement or other taxable disposition of Notes, which may be offset by certain U.S. capital losses (notwithstanding the fact that such holder is not considered a U.S. resident for U.S. federal income tax purposes). Any amount attributable to accrued but unpaid interest on the Notes generally will be treated in the same manner as payments of interest, as described above under "—Payments of Interest and Additional Amounts."

Information Reporting and Backup Withholding

Information reporting may apply to a U.S. Holder with respect to payments of interest on, or proceeds from the sale, exchange, retirement or other taxable disposition of, a note, unless such U.S. Holder is exempt from information reporting and, when required, demonstrates this fact. Any such payments or proceeds to a U.S. Holder that are subject to information reporting generally will also be subject to backup withholding, unless such U.S. Holder provides the appropriate documentation (generally, IRS Form W-9) to the applicable withholding agent certifying that, among other things, its taxpayer identification number (which for an individual would be such individual's Social Security Number) is correct and it is a U.S. person, or otherwise establishes an exemption.

Non-U.S. Holders are generally exempt from these withholding and reporting requirements (assuming that the gain or income is otherwise exempt from U.S. federal income tax), but such non-U.S. Holders may be required to comply with certification and identification procedures in order to prove their exemption. The payment of proceeds of a sale or redemption of Notes effected at the U.S. office of a broker generally will be subject to the information reporting and backup withholding rules, unless such non-U.S. Holder establishes an exemption. 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 (and has no actual knowledge or reason to know to the contrary) or the holder or beneficial owner otherwise establishes an exemption.

As used herein, the term "U.S. Controlled Person" means:

- a United States 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 derived for tax purposes from the conduct of a U.S. trade or business for a specified three-year period; or
- a non-U.S. partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in the conduct of 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 a holder of a Note generally will be allowed as a credit or a refund against the investor's U.S. federal income tax liability as long as the holder provides 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 Clifford Chance US LLP, U.S. counsel to the Republic. The validity of the Notes will be passed upon on behalf of the Initial Purchasers by Consortium Legal, Costa Rican counsel to the Initial Purchasers and by Hogan Lovells US LLP, U.S. counsel to the Initial Purchasers. As to all matters of Costa Rican law, Clifford Chance US LLP will rely on the opinion of Rosibel Bermudez Fernández legal adviser to the Ministry of Finance, and Hogan Lovells US LLP will rely upon the opinion of Consortium Legal.

GENERAL INFORMATION

1. **2031 Notes**: The CUSIP numbers for the Regulation S Global Note and the Restricted Global Note are P3699PGK7 and 221597CP0, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are USP3699PGK77 and US221597CP00, respectively. The common codes for the Regulation S Global Note and the Restricted Global Note are 208295888 and 208295756, respectively. **2045 Notes**: The CUSIP numbers for the Regulation S Global Note and the Restricted Global Note are P3699PGJ0 and 221597BV8, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are USP3699PGJ05 and US221597BV86, respectively. The common codes for the Regulation S Global Note and the Restricted Global Note are 120222619 and 120222511, respectively.

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. 9708, effective on July 24, 2019.

3. Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market. So long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange, the Republic will maintain a paying agent and transfer agent in Luxembourg.

4. On February 6, 2014, Infinito Gold Ltd., a Canadian mining company, filed a request for arbitration against Costa Rica at the International Centre for Settlement of Investment Disputes ("ICSID"), against Costa Rica on the basis of an alleged breach by the Republic of its obligations under the Agreement Between the Government of Canada and the Government of the Republic of Costa Rica for the Promotion and Protection of Investments. This dispute concerns the development of a gold mine at Crucitas de Cutris, in northern Costa Rica. To the extent quantified in Infinito's request for arbitration, it is seeking upwards of U.S.$395 million plus interest. The proceeding is still pending.

5. On May 1, 2019, Alejandro Diego Díaz Gaspar a Spanish citizen, filed a request for arbitration against Costa Rica at ICSID on the basis of alleged measures by Government agencies against Investments in Ibérico, S.A., a local food processing company, including the forced closure of Ibérico's food production facilities, the revocation of related permits and the initiation of bankruptcy proceedings. The amount claimed in damages is U.S.$101 million plus interest. The proceedings are in initial stage.

6. Costa Rica is a party to a dispute being heard by the WTO brought by Mexico, and three commercial cases being heard by the Central American Commercial Dispute Mechanism. On May 16, 2012 an ICSID arbitral tribunal held Costa Rica liable for breach of the 1994 Treaty concerning the Encouragement and Reciprocal Protection of Investment entered into between Costa Rica and Germany, and ordered Costa Rica to pay U.S.$.4,065,900.33 to the claimants Marion Unglaube y Reinhard Unglaube. Costa Rica has paid these amounts to the claimants.

Other than as set forth above, 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.

7. Copies of the following documents may be obtained on any business day (Saturdays, Sundays and public holidays excepted) at the office of the Paying Agent in Luxembourg so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange:

(a) the Indenture incorporating the forms of Global Notes and Certificated Note;

(b) this Offering Circular;

(c) copies of the Constitution of the Republic and the Law of the Republic referred to in paragraph 2 above (in Spanish); and

(d) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

8. 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 June 30, 2019.

ISSUER

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The Republic of Costa Rica

U.S.$1,200,000,000 6.125% Notes due 2031

U.S.$300,000,000 7.158% Notes due 2045

Joint Book-Running Managers

Citigroup **HSBC**

Offering Circular

November 12, 2019