Summary of Costa Rica’s OECD Post-Accession Progress
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Background


Overview of post-accession reporting

2. The Council Decision to invite Costa Rica to become an OECD Member provided that, after accession, Costa Rica should report as follows:
   - **Chemicals Committee**: a progress report in 2024 and thereafter if required, on the further implementation of the eight legal instruments for which Costa Rica requested a timeframe;
   - **Competition Committee**: an annual progress report on the priority recommendations identified by the Committee;
   - **Corporate Governance Committee**: a progress report to the Working Party on State Ownership and Privatisation Practices by the end of 2021 and thereafter if required, on the implementation of the priority recommendations identified by the Committee;
   - **Fisheries Committee**: a progress report within two years after accession and thereafter if required, on the further implementation of the key recommendations identified by the Committee;
   - **Environment Policy Committee**: progress reports on the further implementation of the nine legal instruments for which Costa Rica requested a timeframe;
   - **Public Governance Committee**: a progress report two years after accession and thereafter if required, on the further implementation of the two legal instruments for which Costa Rica requested a timeframe.

3. In addition to the post-accession formal reporting in these areas, Costa Rica requested a timeframe for the further implementation of twelve OECD legal instruments in the fields of financial markets, investment, as well as science and technology.¹ These timeframes are subject to follow-up by the Committee on Financial Markets, the Investment Committee and the Committee for Scientific and Technological Policy, respectively.

4. The post-accession progress reporting of Costa Rica began in the second half of 2021. On 23 June 2021, the Council discussed the first annual post-accession progress report of the progress made by Costa Rica in the implementation of its accession commitments to date. The second annual post-accession progress report was discussed by Council on 6 July 2022.

5. A summary of Costa Rica’s post-accession progress in each area is set out below.

Summary of post-accession reporting

1. Chemicals and Biotechnology

OECD post-accession recommendations

6. In the course of its review of Costa Rica for purposes of accession to the OECD, the Chemicals and Biotechnology Committee requested Costa Rica to report on actions taken to implement the following eight OECD legal instruments for which a timeframe was requested:

- Decision of the Council concerning the Minimum Pre-Marketing Set of Data in the Assessment of Chemicals [OECD/LEGAL/0199] – timeframe requested until end of 2023;

Costa Rica’s progress

7. Costa Rica is scheduled to provide an informal update on the status of the following three legal instruments to the chemicals and biotechnology committee meeting in November 2022:

- Recommendation of the Council concerning the Exchange of Confidential Data on Chemicals;
- Recommendation of the Council concerning the OECD List of Non-Confidential Data on Chemicals;
- Recommendation of the Council Concerning Access and the Protection of Proprietary Rights to Non-Clinical Health, Safety and Environmental Data and Information on Chemicals.

8. Costa Rica is then expected to report to the Committee in 2024 on progress made in implementing the eight OECD legal instruments for which timeframes were requested.

2. Competition
OECD post-accession recommendations

9. In the course of its review of Costa Rica for purposes of accession to the OECD, the Competition Committee requested Costa Rica to report annually after accession on progress in implementing key recommendations falling under the below categories:

i. Implement the institutional reforms set out in the 2019 Competition Reform Act, with a view to ensuring that the competition agency enjoys formal, budgetary, operational, administrative and technical autonomy, and independence (within 12 months from accession);

ii. Provide sufficient resourcing to the competition agencies, including the appointment of full-time independent and expert commissioners, the hiring of a sufficient number of staff with adequate expertise, and the allocation of adequate budget and means to allow the competition agency to pursue effective competition enforcement (within 12 months from accession);

iii. Increase international cooperation – including creating the formal and material conditions for it to occur, and actively engaging in international cooperation in the context of competition enforcement and merger control (within 24 months from accession);

iv. Further consider the scope of Costa Rica’s competition law, in particular by ensuring that it extends to markets and sectors where the introduction of competition could result in a more efficient functioning of the economy and, consequently, in substantial gains for consumers. Costa Rica should furthermore adopt mechanisms to conduct systematic and effective reviews of outstanding exemptions from competition law (within 36 months from accession);

v. Adopt improved mechanisms and criteria for competition assessment (within 36 months from accession); and

vi. Develop a sufficient track record of competition enforcement and merger control cases to ensure the deterrence and effectiveness of competition law and policy in line OECD standards – both in terms of procedural mechanisms, substantive analysis and outcomes, and due process (within 36 months from accession).

10. Costa Rica was requested to provide an update on the Implementation Roadmap for the 2019 Competition Reform Act to enable the assessment with respect to the priority recommendations above. Costa Rica further requested timeframes for the implementation of the following legal instruments in the area of competition:


Costa Rica’s progress

11. The Committee discussed Costa Rica’s first post-accession progress report on 24 June 2022 and welcomed Costa Rica’s significant efforts to address the Competition Committee’s post-accession recommendations in a number of areas, including:

- advances in the implementation of the institutional reforms necessary to implement the 2019 Competition Reform Act (Law N° 9736 of 2019);
- progress to improve domestic and international co-operation;
- completing the review of the maritime transport sectors, the rice sector and of the professional associations and is currently reviewing the sugar and coffee sectors (in response to the Committee’s recommendation to review existing sectoral exemptions from competition law and ensure that the policy objectives they pursued are still relevant and could not be pursued through less anti-competitive measures);
efforts to engage in enforcement activity of both agencies in the area of mergers, cartels and horizontal agreements, abuse of dominance and vertical restrictions, as well as the many advocacy initiatives that COPROCOM and SUTEL have put in place to strengthen the competition culture in the country and across the government.

12. Despite these encouraging efforts, the Competition Committee remains seriously concerned by the budget situation of COPROCOM. During the accession process, the Competition Committee emphasised the importance for the effectiveness of the competition law system of Costa Rica that the competition authority should be granted sufficient resources, including the allocation of sufficient budget and means to allow it to pursue effective competition enforcement (see para. 9 above, recommendation ii.). As part of the accession review, the Committee had noted with satisfaction that, in the 2019 reform of the competition law, COPROCOM’s budget was accordingly going to be increased and would be largely protected from political interference by law. However, despite the legal provisions to this effect, COPROCOM has not yet been granted adequate financial and human resources necessary to pursue effectively its competition mandate. In its discussion on post-accession progress in June 2022, the Committee therefore emphasised the importance of allocating the necessary resources to COPROCOM in line with the 2019 Competition Law, in order to allow for the effective pursuit of COPROCOM’s mandate and to comply with the Committee’s post-accession recommendations.

13. Costa Rica is scheduled to report back to the Competition Committee on progress in the summer of 2023.

3. Corporate Governance

OECD post-accession recommendations

14. In the course of its review of Costa Rica for purposes of accession to the OECD, the Corporate Governance Committee and its Working Party on State Ownership and Privatisation Practices (WPSOPP) requested that Costa Rica report back after accession on specific actions taken to implement the following priority recommendations:

- Fully implement International Financial Reporting Standards (IFRS);
- Develop and implement a system for establishing and monitoring the achievement of financial and non-financial performance objectives;
- Develop a consistently applied policy regarding information confidentiality;
- Enact legislation to remove the Minister of Agriculture from the board overseeing FANAL;
- Pursue public procurement reforms to monitor and limit the use of exceptions for direct public procurement between public entities including SOEs;
- Make further progress on implementing initiatives to strengthen the functioning of boards, including the implementation of board evaluations, and effective risk management and control systems;
- Review SOE board remuneration and develop recommendations to support competitive remuneration and incentives that are aligned with good board practices.

Costa Rica’s progress

15. Costa Rica reported to the Working Party and the Committee on 31 March 2022 on progress made in implementing the Committee’s recommendations. The Working Party and the Committee welcomed Costa Rica’s progress in implementing its priority recommendations, noting that reforms including the implementation of IFRS had led to increased transparency of information supporting a reduction in electricity tariffs charged by the state-owned electricity company, ICE, and an improvement in the quality
of public discourse leading to a change in perceptions. In this regard, Costa Rica reported a greater confidence in state-owned enterprises (SOEs) and the country from investors and multilaterals. While these developments are welcome, the Working Party and the Committee underlined that considerable potential remains for the state to continue to strengthen its role as an informed shareholder in helping SOEs to become more effective in achieving their social and financial performance goals and becoming even more accountable to the government and the public.

16. In this context, the Committee and the Working Party recommended that Costa Rica gives priority to making further progress on:
   - priority recommendation 1 to ensure that SOEs are broadly able to implement IFRS;
   - priority recommendation 2 on developing better practices for setting and monitoring objectives, in particular through the development of key financial performance indicators;
   - priority recommendation 4 to address the governance concerns related to FANAL;
   - priority recommendation 6 to strengthen its SOE board composition and board practices, in particular through transparent and skills-based nomination processes and ongoing training; and
   - priority recommendation 7 to develop recommendations to support competitive remuneration and incentives that are aligned with good board practices.

17. While continuing progress would also be desirable with respect to the issues raised under priority recommendations 3 and 5 (see par. 14 above) to support consistent implementation of information confidentiality policies and the implementation of recently enacted public procurement reforms, the Working Party and Committee considered that sufficient progress has been made to conclude the formal post-accession reporting requirements with respect to these recommendations.

18. The Working Party and Committee further underlined the importance of maintaining the capacity of the Presidential Advisory Unit and its sustainability over the longer-term to ensure successful implementation of the above recommendations as well as to address any new challenges that may emerge. The Presidential Advisory Unit’s capacity will be particularly important for the upcoming round of board appointments by the new government, as well as to achieve further progress on the setting and monitoring of SOE objectives and performance indicators. Pilot testing of a corporatised legal form in a statutory SOE would also be a way to position Costa Rica to advance on the additional longer-term recommendations identified in the Committee’s and Working Party’s corporate governance accession review.

19. In terms of next steps, the Committee requested that Costa Rica report back to the Working Party in the spring of 2023 or once sufficient further progress has been made in addressing the outstanding points for implementation of the priority recommendations.

4. Fisheries

OECD post-accession recommendations

20. In the course of its review of Costa Rica for purposes of accession to the OECD, the Fisheries Committee requested Costa Rica to report within two years after accession on the further implementation of its key recommendations, namely:
   - The implementation of integrated and concerted policy-making processes across the government to ensure that marine ecosystems are used to benefit the Costa Rican people today and in the future (with clear steering from all relevant authorities of the Executive branch, and increased accountability of INCOPECESA);
   - The adoption and implementation of a legal obligation to define clear and sustainable management targets and to take scientific evidence into account in the policy decision-making process;
• The development of management or rebuilding plans for all main fisheries that are built around biological targets and incorporate social and economic principles in a way that does not compromise stock recovery, making use of all regulatory options as needed for success, in particular TAC limits when appropriate, as well as indicators that monitor the effectiveness of the measures taken;
• Investment in monitoring the environmental and socio-economic impact of regulations;
• The build-up of a comprehensive information system that allows the regular collection and processing of information on landings, on the biological status of resources, and on the socio-economic characteristics of fisheries;
• Increased controls in landing and delivery sites;
• Adoption of modern monitoring systems for the industrial fleet, using standard methods such as VMS and on-board observer programmes.

Costa Rica’s Progress

21. Costa Rica is expected to report back to the Fisheries Committee in spring 2023.

5. Environment

OECD post-accession recommendations

22. In the course of its review of Costa Rica for purposes of accession to the OECD, the Environment Policy Committee (EPOC) requested Costa Rica to report on actions taken to implement the following nine OECD legal instruments on environment and waste management for which timeframes were requested:

• Recommendation of the Council concerning the Re-Use and Recycling of Beverage Containers [OECD/LEGAL/0159] – timeframe requested until end 2021;
23. When considering Costa Rica’s first post-accession progress report on 29 April 2022, EPOC concluded that Costa Rica is aligned with three Recommendations and that post-accession reporting for these instruments is therefore completed. The Committee invited Costa Rica to submit a post-accession progress report on the implementation of four remaining instruments as soon as sufficient progress is achieved.

24. Costa Rica is also expected to report back in 2023 to the Working Party on Resource Productivity and Waste (WPRPW) on the two instruments where Costa Rica had requested timeframes for implementation.

6. Public Governance

OECD post-accession recommendations

25. In the course of its review of Costa Rica for purposes of accession to the OECD, the Public Governance Committee requested Costa Rica to report back two years after accession on the implementation of the legal instruments accepted with a timeframe for implementation until the end of 2022, namely the Recommendation of the Council on Budgetary Governance [OECD/LEGAL/0410] and Recommendation of the Council on Public Service Leadership and Capability [OECD/LEGAL/0445], and thereafter if required.

Costa Rica’s progress

26. Costa Rica is scheduled to report to the Public Governance Committee on progress in 2023.

7. Financial Markets

Timeframe for the implementation of legal instruments in the area of financial markets.

27. At the time of accession, Costa Rica requested timeframes for implementation related to the following five legal instruments in the area of financial markets:


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Costa Rica’s Progress

28. Costa Rica is expected to report back to a future meeting of the Committee on Financial Markets depending on progress made in implementing these legal instruments.

8. Investment

Timeframe for the Implementation of the Recommendation of the Council on Principles for Private Sector Participation in Infrastructure [OECD/LEGAL/0349]

29. At the time of accession, Costa Rica requested a timeframe until end of 2020 for the implementation of the Recommendation of the Council on Principles for Private Sector Participation in Infrastructure [OECD/LEGAL/0349].

Costa Rica’s Progress

30. In light of the status of discussions with the relevant public institutions, Costa Rica is tentatively expected to report to the Investment Committee on progress made in implementing this Recommendation in March 2023.

9. Science and Technology

Timeframe for the Implementation of legal instruments in the area of science and technology

31. At the time of accession, Costa Rica requested timeframes for implementation of the following six legal instruments in the area of science and technology:

• Recommendation of the Council on the Governance of Clinical Trials [OECD/LEGAL/0397] - timeframe until end of 2020;

Costa Rica’s Progress

32. On 21-22 October 2021, the former Minister and Vice-Minister of Science, Technology and Telecommunication, provided an informal update to the Committee on Scientific and Technological Policy of Costa Rica’s progress on implementing the legal instruments in this area.

33. Costa Rica will provide a formal report in 2023 to the Committee on the implementation of these legal instruments.