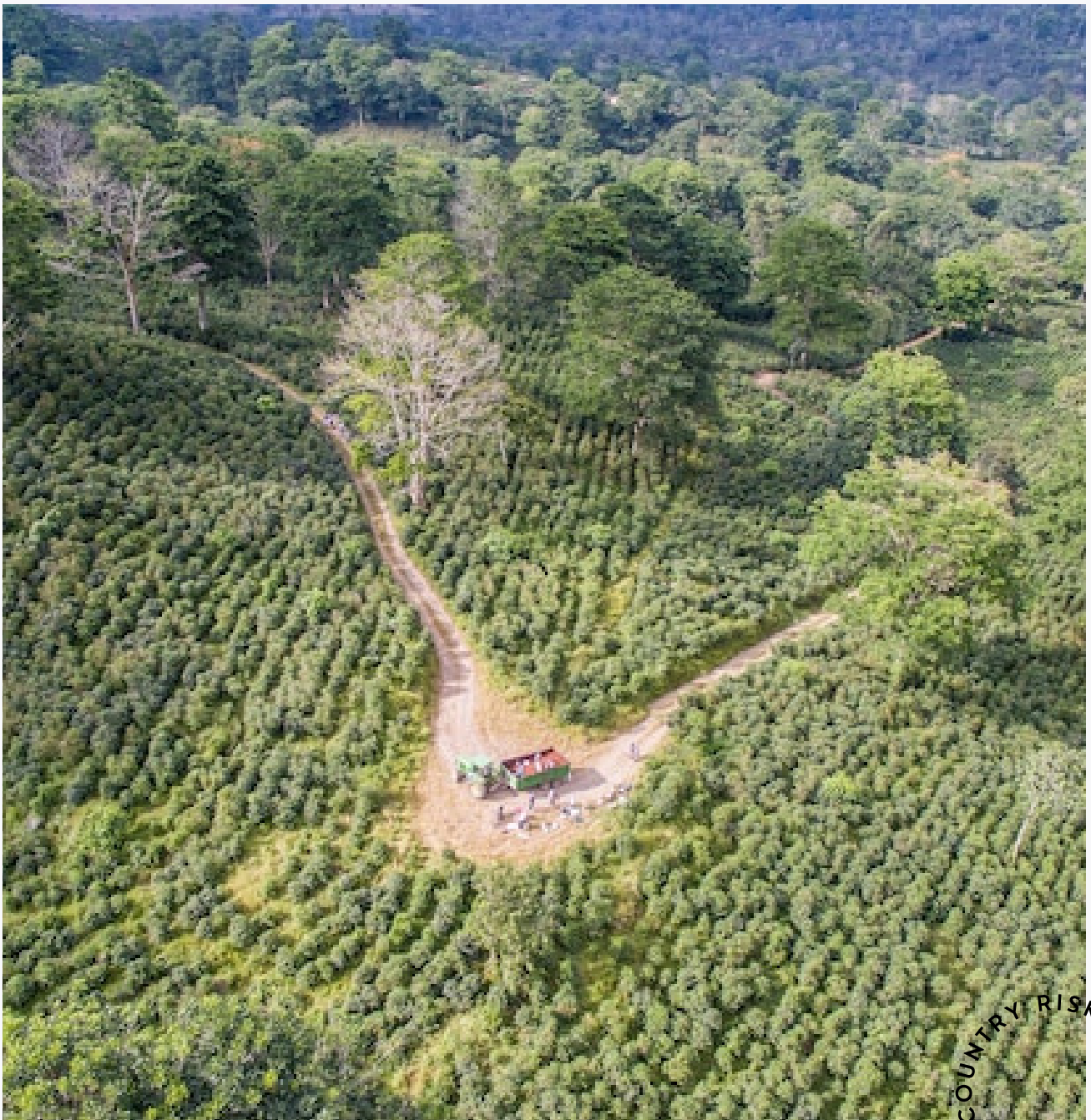


GEGPA 2021

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# COUNTRY RISK REPORT COLOMBIA and COSTA RICA



COUNTRY RISK REPORT  
GEGPA 2021

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# Introduction

## Purpose:

This document serves as a comparative analysis of governance in Costa Rica and Colombia in order to determine which country is more suitable for AAF Beans to invest in. We plan to thoroughly compare these two countries and their differences in governance applications to confirm which nation will be the most efficient to invest in. This multi-layered analysis will cross-compare the differing political systems, economies, business conditions, transparencies, and democracy indices of the countries. It will be measured through the application of governance ratings and rankings, the Human Development Index (HDI), failed state indexes, and corresponding FDI flows. Our intel from our rankings varies from COFACE, The World Bank, Freedom House, and other trusted sources. Based on our mission of furthering sustainable development, we seek to invest in a country that mirrors our values of fair-trade production and environmentalism.

## Who We Are:

We are AAF Beans, a fair-trade coffee company seeking to invest in the sustainable development and fair-trade production of coffee in either Costa Rica or Colombia. The fair-trade standards we operate by combining a range of economic, environmental, and social criteria – the country we select must adhere to these standards. We know coffee is an enormous commodity worldwide – in January 2021, world coffee exports added up to over 10 million bags of coffee. Knowing this, we seek to foster ethical production of this beloved item while empowering a nation with the tools to develop in an environmentally conscious manner. To inform our final decision, we will compile a multi-layered audit of each country to assess their overall quality of governance and their ability to reach these criteria marks to promote sustainable production of coffee and sustainable development.







# Background

Costa Rica and Colombia are two countries uniquely interlinked with external dependence on coffee markets. In the context of COVID-19, each country has experienced significant impacts from the pandemic, and each issued well-organized policy action in response. Despite some relative similarities, the two countries are distinguished by their differences in government, economy, transparency, and other institutional functionalities. In the present day, Costa Rica stands to be one of the strongest democracies in Central America. The country has shown significant success in developing itself as a nation for decades. It holds a stable economy, high-quality social institutions, and a strong checks-and-balances system. Its rule of law is generally well-followed and strong. From a political point of view, Costa Rica continuously has strengthened and even restructured its political systems.

Costa Rica, a country whose economy has steadily inclined for 25 consecutive years, is a symbol of economic development ("The World Bank", 2021). Costa Rica bolsters strong social systems and well-ran healthcare institutions. The combination of the aforementioned factors — political stability, economic growth, and solid social welfare — all coincide to create the lowest poverty levels of any Central American country. Costa Rica's improving human development factors are reflected in its HDI rating. The country's 2019 HDI was 0.81 in 2019 and ranked 62 out of 189 nations. Despite these improvements, Costa Rica still has multiple key vulnerability areas. First, the country is recovering from the human and financial devastations of COVID-19, as the pandemic has intensified the country's vulnerabilities. Second, the inequality gap in the country persists to be a weak area that must be improved in order to elevate the country in the ranks of fair and flourishing nations. Lastly, discrimination against the LGBTQIA+ community and indigenous peoples is still present, marking an obvious degressive stance.



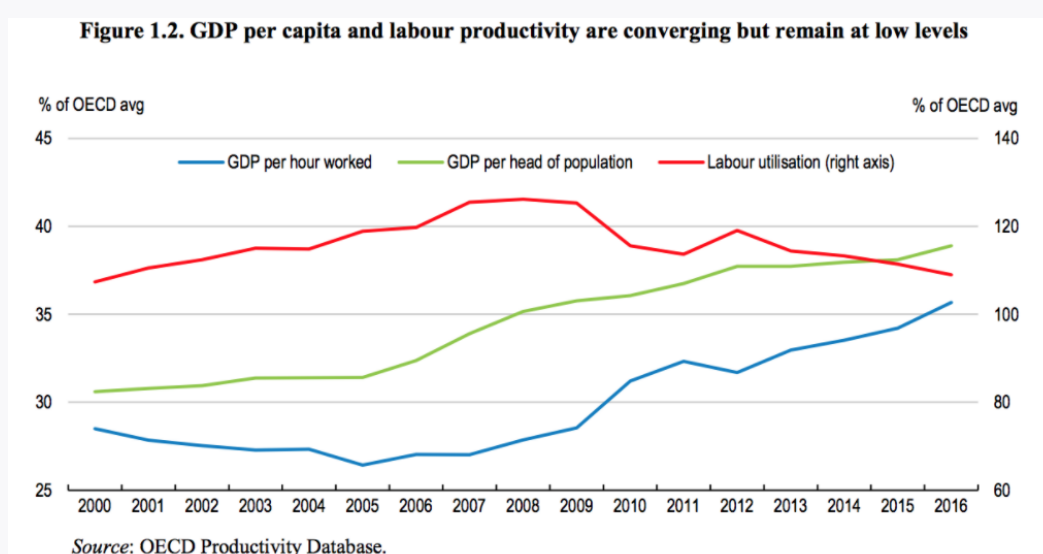


Colombia possesses strong institutions, an abundance of natural resources (coffee, oil and gas, coal, gold), and a sizable population of over 51 million people. However, the nation struggles with structural unemployment and falls flat in delivering efficient educational and healthcare institutions. In a comparison of Latin American countries, Colombia holds the highest income inequality gap (“The World Bank in Colombia”, 2021). To build on this, the country’s economy is dependent on the U.S. economy and by market commodity prices, each of which is hindrances to Colombia’s economic growth (“Major Macro Economic”, 2021). Looking at the perspective of democratic stability, the country’s 2020 democratic ranking from The Economist stands at 7.04, which falls one value behind Costa Rica (“Major Macro Economic”, 2021). This can be linked to the significant gap in income inequality existing in the country.

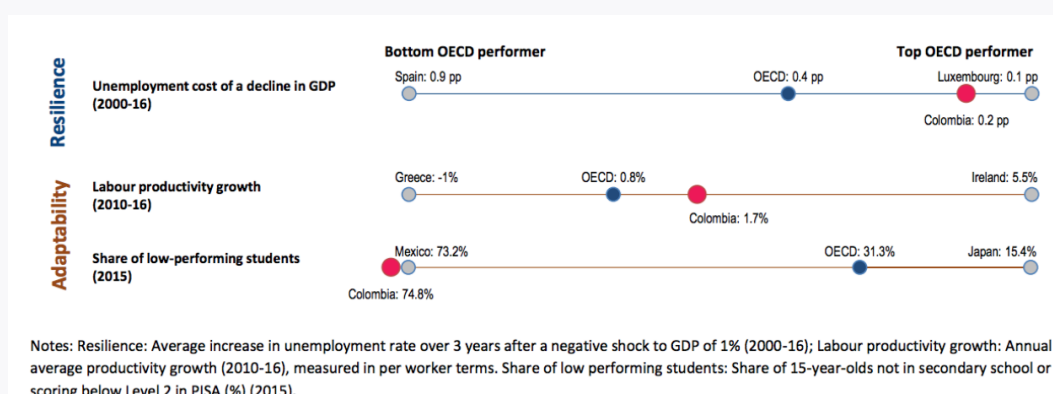
Within the same vein, civil unrest in Colombia is spiking in May 2021 as mass protests against police violence and massive economic inequality gaps are unfolding. A proposed tax that was set to lower the threshold of salary taxes was struck down by President Ivan Duque, who refused to sign the bill this May, inciting the demonstrations and the deaths of 24 people. The United Nations human rights office stated that it was "deeply alarmed" at how "police opened fire on demonstrators" in Colombia. The tax would’ve brought much-needed financial alleviation to Colombia’s citizens, half of whom are impoverished. To summarize, amidst the pandemic in Colombia, social unrest is high and violence has increased — which all simultaneously degrade the functionality of the country’s political stability.

An assessment of the cost of labor and productivity in a country can help determine whether a country is a wise option to invest in or not. Of importance, labor productivity is a necessary base for the high growth of output, wages, employment, and growth in a long-term context (“The New OECD”, n.d.).

The OECD's assessment of productivity serves as an informative starting point for this analysis. It is with certainty that Costa Rica's economic growth has been remarkable in the last thirty years. Nonetheless, the 2016 GDP per capita of Costa Rica was 39 percent of the OECD average and ranking under Mexico and Chile (Escobar & Meehan, 2018). This gap implies low labor productivity, which accounts for about 36 percent of OECD averages. Of additional significance, the country's productivity has inclined over time: increasing from 0.9 percent between 1992 and 2007 to four percent between 2007 and 2016 (Escobar & Meehan, 2018). The increase is notable, yet the OECD underlines that it will still take a quarter of a century to reach the OECD's average productivity rate.



Assessing the labor market resilience of each country allows an ability to weigh in on the capacity a country has to adapt and utilize new economic opportunities. In Colombia, the labor market insecurity is double the OECD average and in general, there is a lack of good quality jobs in the country ("The New OECD", n.d.). The OECD reported that although labor productivity is a small measure above the OECD average, it has trended down, implying a trend of individuals accepting lower quality job roles due to a lack of better options.



In a side-by-side comparison, the OECD reports that in a measured ratio of labor compensation for each hour worked and the output of each hour worked, Costa Rica scores at 1.0 and Colombia ranks a 4.2 ("Unit labor costs", 2021).

## Political Stability

Costa Rica is commended for a notable transformation in the country's political dynamics. It wasn't until recently that Costa Rica was represented by two different political parties. The parties previously were National Liberation (Partido de Liberacion Nacional, or PLN), the left-of-center party, and the center-right Social Christian Party (Partido Unidad Social Cristiana, or PUSC) (Tulchin, 2020). Both of the groups have since split. The spin-off political group from PLN is called the Citizens' Action, or PAC, and the social Christian party's spinoff is named the National Integration Party. In the country's 2018 election, the current president and PAC member Carlos Alvarado Quesada won the presidency by thin margins. One of the greatest obstacles President Quesada may have will be addressing the nationwide protests that have taken place in the country. Nonetheless, the country boasts a solid sense of political stability.

In 2016, Colombia's government and the country's main left-wing guerrilla group signed a peace accord, but as of 2021, the country still faces enormous challenges in consolidating peace and guaranteeing political rights and civil liberties throughout the nation. The inequality-based movement briefly mentioned earlier in the document started in 2019, yet regained traction in September 2020. This was prompted by the death of a student in police custody in September 2020 which caused Colombians to speak out against police violence and call for institutional reform. The mass protests continued this fall, in addition to demanding justice for social leaders and ex-combatants who were executed ("Major Macro Economic", 2021). The combination of these factors contributed to the popularity of President Ivan Duque of Colombia plummeting to 52 percent in April 2020. At present, Colombia's political stability is in chaos, as mass protests and civil unrest continue to be a prevalent force in the nation.



# Democracy Index (2020)

Given the current tumultuous political climate occurring in nations worldwide, our evaluation has also taken into account the data from the 13th edition of the Democracy Index, published in 2020 (EIU, 2021). Indeed, the Economist Intelligence Unit's Democracy Index offers an overview of the democratic conditions in 165 independent states and two territories around the world. In particular, the report's primary focus has been on the global impact of the coronavirus pandemic on democracy and freedom. It examines how the pandemic led to a dramatic withdrawal of individual freedoms and fueled an already existing trend of hostility and suppression of free speech, censoring dissenting opinions. The 2020 negative overall result (the Democracy Index dropped from 5.44 in 2019 to 5.37 in 2020, the lowest global score since the index's inception in 2006.) represents a significant step back, which occurred primarily — but not exclusively — as a result of government-imposed restrictions on individual freedoms and civil liberties to deal with the pandemic. As a matter of fact, states of emergency like the one we are facing today carry a risk of abuse of power by the executive, even in democratic countries, which is why there has been a worldwide democratic recession. Moreover, government actions in a number of countries, particularly those where elections were canceled or postponed, influenced the scores concerning both the electoral process and pluralism category.

The Democracy Index is based on five categories, namely: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. Based on their performance on 60 indicators in these categories, each country is then classified as a full democracy, flawed democracy, hybrid regime, or authoritarian regime.

Costa Rica has been classified as a full democracy for the first time, with an overall score of 8.16 out of 10, which makes the country the 4th best-scoring country in the Americas, after Canada, Uruguay, and Chile. It is ranked 18th out of 23 countries with “full democracy,” according to the study. It should be highlighted that Costa Rica has recently joined the OECD that contributes, according to the Economist Intelligence Unit, to democracies.

Costa Rica	Overall score	Rank	Electoral process and pluralism	Functioning of government	Political Participation	Political culture	Civil liberties
	8.16	18	9.58	6.79	7.22	7.50	9.71

Colombia's situation is undeniably less favorable: its overall score is 7.04 and remains one of the flawed democracies, with a relatively low score in the political culture category, mainly due to low membership in political parties and organizations, as well as low levels of political participation among citizens.

Colombia	Overall score	Rank	Electoral process and pluralism	Functioning of government	Political Participation	Political culture	Civil liberties
	7.04	46	9.17	6.43	6.67	5	7.94

# Foreign Direct Investment (FDI)

To analyze foreign direct investment (FDI) flows in the two countries as well as the impact of the pandemic on FDI, data provided by the World Bank's Doing Business 2020 report, Santander, and UNCTAD has been used.

According to the World Bank report of 2020, Colombia ranked 67th out of 190 countries while Costa Rica ranked 74th (World Bank, 2021). While in 2019 Costa Rica has seen a great improvement in FDI, as it increased by 13% to 2.5 billion dollars, in 2020 there has been a significant decrease because of COVID (FDI fell by 48% to USD 1.3 billion, with lower flows to the tourism sector and special economic zones) (UNCTAD, 2020). However, in 2019, Costa Rica has become an OECD member and this has made the country more attractive to investors (especially its innovative eco-tourism sector owing to the government's responsible environmental policy), thus boosting the integration with Western markets (Santander, 2021). The country has four investment incentive programs: the free trade zone system, an inward-processing regime, a duty drawback procedure, and the tourism development incentives regime. Costa Rica's political and economic stability, tax incentives, and skilled labor force have established the country as a regional leader in international trade. Furthermore, the country's central location in the American continent and its ports on the Pacific and Caribbean coasts, make it an appealing destination for FDI. Nonetheless, the following are some of the obstacles to enhance international competitiveness (Santander, 2021):

- Government interference
- High energy costs
- Corruption
- Bureaucracy
- Legal uncertainty in enforcing contracts

Source: UNCTAD, 2020

Foreign Direct Investment	2017	2018	2019
FDI Inward Flow (million USD)	2,742	2,237	2,536
FDI Stock (million USD)	36,884.9	39,534.9	41,755.1
Number of Greenfield Investments*	62.0	59.0	115.0
Value of Greenfield Investments (million USD)	1,248	1,090	1,297

# Foreign Direct Investment (FDI)

Regarding Colombia, its economic and political stability allows it to ensure stable growth and create a business-friendly environment, despite internal security conflicts. Moreover, Colombia has abundant natural resources (namely coffee, oil, and gold) and has signed several free trade agreements, not only within the Pacific Alliance but also with the United States, the European Union, and South Korea. It benefits from modern technical infrastructures (port and airport) and its strategic geographical position (Santander, 2021). Other attractive factors are its skilled labor force, an independent and strong financial system, and favorable taxation. Moreover, according to the World Bank, Colombia facilitated starting a business in the country by eliminating the requirement of opening a bank account to gain invoice authorization and has also made international trading easier thanks to the digitization of the responsibility card (a required document), thus simplifying insolvency resolution by raising creditors' involvement in insolvency proceedings. The Colombian government also favors FDI imposing restrictions on foreign investors as it does on domestic investors.

Foreign Direct Investment	2017	2018	2019
FDI Inward Flow (million USD)	13,837	11,535	14,493
FDI Stock (million USD)	179,564	189,294	205,890
Number of Greenfield Investments*	112	216	224
Value of Greenfield Investments (million USD)	3,088	5,672	6,772

Source: UNCTAD, 2020

Some of the factors which can be considered detrimental for FDI are listed below (Santander, 2021):

- Lack of a diversified economy
- Security risk
- The application of intellectual property rights is relatively haphazard
- Lack of transparency

COVID has highly affected FDI in the two countries: the physical closure of places of business, manufacturing plants, and construction sites to contain the spread of the virus has caused delays in the implementation of investment projects and the exogenous shock of the pandemic has added to the usual volatility of FDI. To deal with the pandemic, Colombia has introduced a new program, the "Commitment to Colombia", that aims at keeping investments growing despite the disruptions caused by the COVID-19 through tax breaks for investors and business processes optimization.





Costa Rica and Colombia's development has relied heavily on coffee. Their ideal growing conditions (fertile soil, high altitude, and a cool climate) has granted the success of the coffee industries.

Colombia is the third largest coffee producer in the world, while Costa Rica is the 13th and 15th exporter ("Costa Rica | Mercanta", 2021), producing approximately 1.5 million bags per year. 90% of the Costa Rican coffee is exported all over the world, with revenue accounting for nearly 11% of the total export earnings. Small farmers play a significant role in this production, with nearly 90% of all producers cultivating less than 12 acres. The latter is promoting fair trade coffee, and 45 thousand of the 70 thousand farmers are expected to be part of cooperatives involved with fair trade organizations. Fair-trade certification encourages environmental, social, and economic sustainability, and it frequently highlights shade-grown and organic coffee. Hence, Fair Trade labeling organizations such as fair-trade International require farmers to follow environmental, health, and safety regulations.

The pandemic has not impacted the production of coffee since the harvest was mostly over when the sanitary restrictions were implemented in early March. Colombia has approximately 875,000 hectares of coffee planted across 590 municipalities and 14 coffee-growing regions. On average, 75 percent of the coffee production is exported globally, with the crop accounting for 10-16% of agricultural GDP. Colombian coffee exports dropped by 8% in 2020 to 12.5 million 60-kg bags of green coffee, down from 15 million bags in 2019 (Statista, 2020). 75 percent of Colombia's production is exported worldwide, with the crop generating from 10 to 16 percent of the agricultural GDP (Colombia | Mercanta - The Coffee Hunters, 2021).

Even in the case of Colombia, the majority of this production comes from small farms (60% of farmers cultivate less than one hectare). This represents a major issue when it comes to fair-trade certification since they lack the funds to gain it, which is why the National Federation of Coffee

Growers is working to provide small farmers with easier access to certification and lower costs. The Federation has already put in place measures to improve the overall sustainability and working conditions, along with the economic value of the coffee industry. Colombia's current goal is to achieve national certification by 2027. The government is collaborating closely with various organizations to achieve this goal, and the coffee industry has been designated as the nation's business.

# Corruption and Transparency

Corruption is generally defined as the abuse of entrusted power for private gain, and accounts as a major threat to good governance and sustainable development. Corruption entails high political, economic, social and environmental costs as it weakens democracy, hampers fair business practices, and exacerbates inequality, social division, and poverty (Transparency International, 2021). As part of a fair-trade coffee company concerned with the sustainable development and fair-trade production of coffee, we are seeking to invest in the country that respects the most our principles and values.



## Colombia

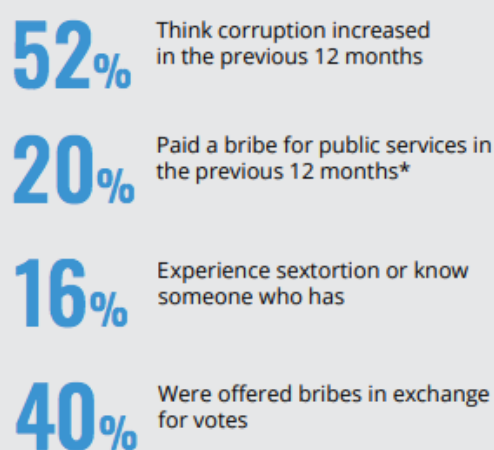
On the 2020 Corruption Perception Index (CPI), Transparency International ranked Colombia as number 92 among 180 countries, with an overall score of 39 out of 100. According to the Global Corruption Barometer (GCB), which is the largest worldwide public opinion survey on corruption, 94% of Colombian citizens believe that in their country, corruption in government is a big problem. When asked about the status of corruption in Colombia, 52% of the population believed it had increased in the previous 12 months, and 57% believed that their government is doing badly in trying to control it (Pring, 2019). Corruption and trading favors occur at multiple levels of public administration. The Colombian state security forces, in particular, despite being more professional than many in neighboring countries, are prone to corruption, tend to be abusive, and are largely absent in the areas where the most dangerous groups operate. The conduct of both police and military forces led to repeated public outcry, as involved in sexual assaults, corruption, and killings (Freedom House, 2021).

Among the various forms of corruption, Colombia ranks fourth within Latin America and Caribbean countries with regards to vote-buying rates, with 40% of citizens receiving bribes in exchange for votes (Pring, 2019). This harmful practice not only jeopardizes political integrity but also increases the hidden costs of political campaigns, harms the safety of citizens through threats of retaliation, and increases wealth inequalities among the population.

The activities of criminal gangs further aggravate the situation, as they are heavily involved in undermining the ability of citizens to freely participate in the political process, particularly in certain areas (Freedom House, 2021). For these reasons, around 90% of citizens in Colombia report having little or no trust in government, courts, and police (Pring, 2019). With regards to the rule of law, according to Freedom House 'the justice system remains compromised by corruption and extortion. The Constitutional Court and the Supreme Court have consistently exhibited independence from the executive, though corruption allegations involving members of both have damaged their credibility in recent years' (Freedom House, 2021).

Colombia's legal framework against the various forms of discrimination is overall adequate, however, vulnerable groups still suffer serious disadvantages. Discrimination against women, the LGBTIA+ community, indigenous people, and Afro-Colombians leads to various forms of abuse and limits their equal access to employment, health services, and the justice system – due to high levels of impunity for crimes committed against them (Freedom House, 2021).

Colombia is still far behind in terms of personal autonomy and individual rights. Child labor, illegal armed groups' recruitment of children, kidnappings, and sexual abuses of minors remain a dramatic problem in the country. Ongoing violence in certain regions restricts the freedom of movement of individuals, threatens both property rights, and disrupts legitimate business activity. Guerrillas and criminal groups regularly extort payments from business owners and farmers working in coca-growing zones are often coerced by armed groups to engage in coca cultivation. Moreover, during the COVID-19 pandemic, the violations of citizens' freedoms by armed groups have increased, attesting to the enforcement of strict lockdowns, kidnappings of social leaders, appropriation of other peoples' homes, and murders at informal checkpoints (Freedom House, 2021).



\* Based on people who used these public services in the previous 12 months.

Source: Transparency International

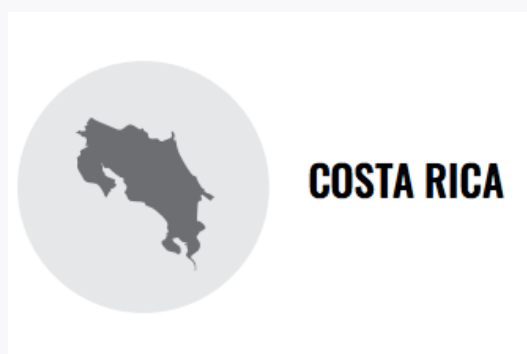




## Costa Rica

in regards to Costa Rica, Transparency International (2020) ranked the country as number 42 among 180 countries in the CPI, with a score of 57 out of 100. Costa Rica has well-functioning anti corruption mechanisms, with a generally strong rule of law and well-enforced anti corruption laws. Freedoms of expression and association are strong. However, despite this overall positive framework, several problems persist. As regards the functioning of governments, Costa Rica's fight against corruption is still on as since 1990 presidents have often been implicated in corruption and accused of being corrupt after leaving office (Freedom House). Rule of law is generally strong and the judicial branch is independent and impartial, though characterized by substantial delays which often result in lengthy pretrial detention. Prisons represent a further issue, as they remain overcrowded and lacking in both sanitary and healthcare conditions. Violence among detainees and police abuses, including degrading treatment, remains a severe problem.

Discrimination of women, the LGBTIA+ community, indigenous people, and asylum seekers persist, limiting their equal access to employment, health services, and the justice system. With regards to personal autonomy and individual rights, there is still much progress to be made. Workers, especially when belonging to minorities, are still subject to exploitation and forced labor, and since the fines resulting from violations are insignificant, employers often ignore minimum wages and social security laws. Violence against children and women remains a problem, as well as sex trafficking and child sex tourism. Besides, abortion is illegal in most cases – including when the pregnancy is the result of rape or incest– except when the pregnancy is threatening the woman's life.



\* Based on people who used these public services in the previous 12 months.

Source: Transparency International

# Sustainable Development

At AAF Beans, we seek to invest in the country that most respects our principles and values concerned with sustainable development. Therefore, the Human Development Index (HDI) of the two countries under examination can be considered the starting point for a better analysis of their commitment in the achievement of key dimensions of human development. The HDI values for 2019 of both Colombia and Costa Rica position the two countries in the high human development category, with Costa Rica ranking as 62 and Colombia ranking as 83 out of 189 countries and territories.

The table below compares the two countries' HDI and component indicators for 2019:

	HDI Value	HDI Rank	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2017 PPP\$)
<b>Colombia</b>	0.767	83	77.3	14.4	8.5	14,257
<b>Costa Rica</b>	0.810	62	80.3	15.7	8.7	18,486

Considering the country that performs better overall, Costa Rica has better scores than Colombia, and additionally in respect to environmental sustainability – a fundamental HDI indicator for our analysis. In the last decades, the unregulated activities of criminal gangs and armed groups in Colombia severely affected the implementation of environmental and sustainable development strategies. The country's internal conflicts, as well as undermining the rule of law, also exacerbate many environmental pressures, contributing to environmental destruction through deforestation, illicit crops, use of hazardous chemicals, and unregulated extraction of natural resources. Costa Rica, instead, placed environmental sustainability at the core of its political and economic policies, leading the United Nation Environment Programme (UNEP) to recognize the country in the policy leadership category. Furthermore, in 2019, Costa Rica achieved the Champions of the Earth award, one of the highest UNEP honor, for its impressive environmental commitment and credentials.

With regards to the two countries' performance on the 17 Sustainable Development Goals (SDGs), Costa Rica ranks as number 35 out of 193 countries in the Sustainable Development Report, with an overall score of 75.08 out of 100, whereas Colombia ranks as number 67 out of 193, presenting an overall score of 70.91/100.

The illustrations below provide a clear picture of how Costa Rica is performing better than Colombia in the overall implementation of the 17 SDGs. The green icons report the achievement of the SDG, the yellow ones indicate that challenges remain, the orange ones refer to the persistence of significant challenges, while the red icons report that major challenges remain.

## Costa Rica



Legend: ● SDG achieved ● Challenges remain ● Significant challenges remain ● Major challenges remain ● Information unavailable

Source: Sustainable Development Report

## Colombia



Legend: ● SDG achieved ● Challenges remain ● Significant challenges remain ● Major challenges remain ● Information unavailable

Source: Sustainable Development Report



# COVID–19 Impacts

The COVID-19 outbreak has come as a new and unexpected challenge to health systems, society, economies, and politics world-wide. The dramatic effects of the pandemic and the global crisis both have generated have worsened the condition of both Colombia and Costa Rica.

The two countries responded promptly to the crisis by taking decisive actions to protect lives and livelihoods. However, the implementation of containment and austerity measures, together with the collapse in external demand, both have deeply affected both the economies and triggered social discontent.

## Political Risks

The growing social unrest led to complex political environments in both Colombia and Costa Rica have caused the popularity of President Duque and President Quesada to plummet: each resulting in new rounds of social protests and the uptick in violence.

At the moment, the circumstances are particularly severe in Colombia. At the end of April, protests erupted across the country after President Duque's proposal to raise taxes in the middle of the third wave of the COVID-19 pandemic, as previously noted in the introduction. Since the beginning of the protests, it is estimated that around 40 people have been killed and dozens of women have been sexually assaulted by the police, in an escalation of violence that is putting the country at risk of returning back into conflict (Palacio and Pabòn, 2021).



## Colombia

After accelerating to 3.3% in 2019, Colombian economic growth was on track to accelerate further in 2020. However, the implementation of domestic confinement measures and the global economic contraction due to the COVID-19 outbreak hit the economy hard, leading the country to enter a deep recession. With fuels and extractive industry products accounting for roughly 56% of total exports and 10% of GDP (2019), the sharp drop in energy commodity prices weighed on the economy, which shrank by 6.8% in 2020. This left the country wracked by soaring debt, mass unemployment, and hunger. Pandemic-related spending and a fall in tax revenues increased Colombia's fiscal deficit, which rose from 2.5% in 2019 to 8.9% of GDP in 2020. Public debt rose as well, reaching 68% of GDP from 36% a decade ago (Coface, 2021).

## Costa Rica

After accelerating to 3.3% in 2019, Colombian economic growth was on track to accelerate further in 2020. However, the implementation of domestic confinement measures and the global economic contraction due to the COVID-19 outbreak hit the economy hard, leading the country to enter a deep recession. With fuels and extractive industry products accounting for roughly 56% of total exports and 10% of GDP (2019), the sharp drop in energy commodity prices weighed on the economy, which shrank by 6.8% in 2020 leaving the country wracked by soaring debt, mass unemployment, and hunger. Pandemic-related spending and a fall in tax revenues increased Colombia's fiscal deficit which, from 2.5% in 2019, reached 8.9% of GDP in 2020. Public debt rose as well, reaching 68% of GDP, from 36% a decade ago (Coface, 2021).

The fiscal stimulus received from the flexible credit line of 11.4 billion U.S.D provided by the International Monetary Fund (IMF) combined with the recovery of global activity should help in driving growth next year. However, risks related to the evolution of the COVID-19 pandemic, the management of new rounds of social protest, the behavior of oil prices, and the increase in violence will be decisive for the recovery of the country (Euler Hermes, 2021).

# Conclusion

AAF Beans will invest in the sustainable development and fair-trade production of coffee in Costa Rica. Undoubtedly, we've concluded that each country has a fair share of governance related issues, particularly worsened by COVID-19, as the pandemic has added myriad additional layers of complexity and uncertainty in society. Of additional consideration to our decision, the World Bank's \$300 million donation to Costa Rica wields the power to act as a strong influence on the country's economic regrowth after the pandemic. Additionally, in 2022 political elections set to occur in Costa Rica and Colombia are likely triggers for shifts in political stability. For Colombia, the electoral outcome may bear even more significance than in Costa Rica, given the tumultuous relationship the citizens of Colombia currently have with the government.

An evaluation of which country has less corruption and more transparent practices is a significant contributor to the country AAF Beans will invest in, as our company's values directly contradict facilitating business in corruption with unequal and corrupt business matters. Costa Rica's corruption ratings score far better than Colombia's ratings, which signal a shared sense of importance in the values of transparency between Costa Rica and AAF Beans.

Considering the similar nature of the countries and a small margin of differences, a country's commitment to environmental protection and sustainability is a key final determinant for the best country for AAF Beans to invest into. Costa Rica is regarded as an environmental leader worldwide, allowing the country to create its Green Trademark ("The World Bank", 2021). To illustrate this leadership, Costa Rica accomplished the remarkable achievement of being the only tropical country to ever reverse deforestation. It is of great importance for AAF Beans to invest in a country that shares its same commitment to sustainable development, and Costa Rica embodies this trait.

It is with great confidence that AAF Beans selects Costa Rica as a country to invest its fair-trade coffee production into and ultimately, into sustainable development in the country. With consideration of all of the aforementioned factors, it is with certainty that the democratically-flourishing, environmentally-progressive and economically-rebounding country of Costa Rica is the appropriate choice for AAF Beans.



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