Spanish Journal of Innovation and INTEGRITY
ISSN: 2792-8268
Volume: 42, May-2025
http://sjii.indexedresearch.org

GREEN ECONOMY AS A PATHWAY TO SUSTAINABLE DEVELOPMENT: COSTA RICAN EVIDENCE

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Abstract: *This research assesses how Costa Rica's green economy initiatives; mainly the National Plan for Decarbonization (2018), contribute to advance towards sustainable development (2015-2023). Using a mixed-methods approach (and with quantitative analysis and qualitative interviews of 25 stakeholders), the study highlights Costa Rica's attainment of 99.9 percent renewable electricity by, and the resultant 31.5 percent per capita reduction in CO2 emissions. Employment in the green sector was more than doubled thanks to investment in renewable energy (regression coefficient = +0.45, p = 0.03). Nonetheless, spatial differences still remain: rural areas like Guanacaste and Limón also have lower access to renewable energies (92.5–93.8%) than the Central Valley (99%). Stakeholder interviews also uncover institutional fragmentation and unjust financing as obstacles to inclusive growth. Although Costa Rica's energy transition shows economic and environmental goals are compatible, equity requires local governance and community-led efforts. These results provide important policy implications for developing countries in their effort to seek a balance between sustainability and social justice, and indicate that a green economy must be oriented toward both planet health and human well-being.*

Keywords: *Green Economy, Sustainable Development, Costa Rica, Renewable Energy, Climate Policy, CO2 Emissions, Inclusive Growth, Environmental Governance*

INTRODUCTION

As climate crises and resource shortages start to spiral out of control, the transition to a green economy is increasingly becoming a vital pathway for ensuring sustainable development across the planet. The green economy – an economic model that has the UNDP has come to define as: low carbon, efficient in its use of resources, and socially inclusive (UNEP, 2021), is essentially a pursuit of reconciling economic progress with environmental limitations. This change in paradigm is even more urgent for developing countries, in which fast industrialization and demographic growth frequently lead to environmental destruction. Countries such as Costa Rica, which is well known for its cutting-edge green advancements in renewable energy and reforestation projects, are illustrative of this (World Bank, 2023).

But shifting to a green economy is at once economic growth, environmental protection, and social equity, and hard trade-offs between these dimensions require empirical analysis for sound policy design and implementation.

For other developing economies, the green transition is both an opportunity and a challenge. On the one hand, investments in renewable energy, eco-tourism and sustainable agriculture may generate employment and energy security, as well as pierce international funds (OECD, 2022). On the other, high investments in green technologies, dependency on fossil fuel revenues, and institutional capacity shortfalls can also impede progress (Stern & Valero, 2021). The experience of Costa Rica captures this duality: despite its decarbonization plan having achieved 98% of the electricity demand coming from renewable sources, it highlights the persistent discrepancies in rural access to clean energy, calling for more inclusive plans for the future (Castro & Durán, 2023). Similar trends can be seen in Kenya as well, where green bonds have funded climate-resilient infrastructure, but with low public knowledge and constrained funding suitabilities for scaling (Ngugi & Maina, 2022). Insight into these dynamics is necessary to reconcile macroeconomic stability with sustainability objectives.

LITERATURE REVIEW

Most of the current work on green economies comes from high-income countries or the literature focusing on theoretical frameworks, which, largely, does not provide for context-specific analysis for developing countries. Research by Barbier (2020) and Loiseau et al. (2021) emphasise the importance of policy coherence and multi-stakeholder cooperation in green transitions, they provide little empirical evidence of micro-level effects. While research in countries such as Costa Rica and Kenya has been more descriptive, extolling national successes, not much systematic quantification of economic or social measures of success has occurred (UNDP, 2022; AfDB, 2023). This paper fills these gaps by investigating the relationship between green economy policies and relevant indicators on sustainability in Costa Rica during 2015–2023 employing a multimethod approach to analyse macroeconomic trends and impacts at the level of communities.

Costa Rica is an interesting case to study because of its very ambitious green agenda, which among others consists of its National Decarbonization Plan (2018) as well as of its Payments for Ecosystem Services (PES) program. These efforts have made the country at the forefront of global action on sustainability, however, the economic costs and distributional consequences of these efforts are understudied. For example, although GDP grew on average 3.2% per year from 2015 to 2023, insufficient emphasis was given on the employment and export opportunities of the green economy sectors (Central Bank of Costa Rica, 2023). This study uses data on renewable energy uptake, carbon emissions, and socio-economic parameters to measure the effectiveness of green policies and to highlight obstacles for fair implementation. The study also addresses methodological weaknesses in previous work, much of which is based in aggregated data and case narratives. Using panel regressions and spatial mapping, the paper gauges the association between green investment and outcomes such as emission reduction, income inequality and rural electrification rate.

Furthermore, interviews with stakeholders helps to qualify the political potential and obstacles for Costa Rica's transition in a qualitative manner and the quantitative results in a grassroots perspective. The macro- and micro-level data is merged to obtain a comprehensive picture of how feasible green economy is as a development model. The results of the presented research carry important implications for decision-makers, international entities and local communities leading with the green transition debate. Through establishing empirical relationships between policy interventions and sustainability outcomes,

the research seeks to inform focused investments, adaptive governance processes and inclusive growth pathways. It also feeds into the international debate of how best to reach the SDGs – and notably the goal of Affordable and Clean Energy (SDG 7) and Climate Action (SDG 13). The need for balance between economic resilience and environmental stewardship is a central challenge faced by countries around the world, and this analysis offers guidance on how to operationalize these mutually reinforcing priorities. In the end, the study underscores that a green economy is not simply an environmental necessity, but also a practical route to sustainable prosperity and equity in the age of planetary boundaries.

METHOD

In order to do this, the dissertation uses a mixed-methods research design to assess the effects of policy packages of green economy policies on sustainability, in Costa Rica during the period 2015-2023. The approach combines a quantitative analysis of macroeconomic and environmental data with qualitative information based on stakeholder interviews to provide a more holistic perspective of the effectiveness and obstacles of the green transition. The mixed methods methodology is necessary particularly to adequately assess numeric trends as well the contextual narrative, to gain a comprehensive understanding of policy impacts across the multiple levels.

Data were obtained from Costa Rican governmental entities such as the Central Bank of Costa Rica, the National Institute of Statistics and Censuses (INEC), and the Ministry of Environment and Energy (MINAE,2023). International databases including the World Bank, United Nations Development Programme (UNDP), and Global Carbon Project, complemented these sources. Among the primary independent variables are annual levels of green investments (as percent of GDP), renewable energy capacity (megawatts), and the timing of key policies, such as the National Decarbonization Plan (2018) and Payments for Ecosystem Services (PES) program. Dependent variables include CO 2 emissions (metric tons per capita), GDP growth (rates), green sector employment (renewable energy, eco-tourism, etc.), and rural electrification rates.

Qualitative information was obtained from 25 key informants (policymakers, renewable energy entrepreneurs, and rural community leaders) through semi-structured interviews, capturing anecdotal evidence on the socio-economic impacts of the transition at the local level. Quantitative analysis started by presenting descriptive statistics to describe the trends of green investments and the emissions and economic variables. Panel regression model were estimated to analyze green policy adoption (e.g., renewable energy subsidies) and its outcomes (e.g., emission reductions or employment growth). The inequality in access to renewable energy and forest cover conservation was visualized at the provincial level through spatial mapping in GIS. In the case of qualitative data, thematic analysis revealed repeating patterns related to policy efficacy, equity and institutional challenges.

The software packages used were Stata for regression analyses, QGIS for spatial mapping, and NVivo for coding interview transcripts. To ensure the reliability of data, all quantitative data were cross-validated with various sources (e.g., MINAE emissions reports and UNEP databases). Validity was increased by triangulation of the quantitative findings and qualitative observations. Adjusted regression models for confounders including worldwide changes in oil price and population growth. Respondents for the interviews were purposively selected through stratified sampling across sectors of interest and geographies, thereby reducing the likelihood of selection bias.

The research followed principles of ethical conduct of social research. Participants were interviewed after obtaining consent and after ensuring anonymity and confidentiality. Public databases were acknowledged and proprietary data from government reports were handled with permission. The

fact that the study is set in a single country and time period (2015–2023) restricts generalizability but given that Costa Rica has been a trendsetter is a useful case to consider. Data were missing in the early years of the decarbonization plan and had to be imputed using historical averages, possibly affecting the precision. Furthermore, to collect interview data from a small sample, 25 participants only, does not allow insights to be drawn from it in much detail. These limitations emphasize the exploratory nature of the analysis, focusing on trends instead of causality.

Table 1. Key Indicators in Costa Rica's Green Transition (2015–2023)

Year	Green Investment (% GDP)	Renewable Energy (%)	CO_2 Emissions (t/capita)	Green Employment (%)	Rural Electrification (%)
2015	1,8	92,5	1,68	4,1	89,3
2016	2,1	93	1,62	4,5	90,1
2017	2,4	94,2	1,58	5	91,4
2018	3	97,1	1,49	5,8	93,2
2019	3,5	98,3	1,42	6,3	94,5
2020	3,2	99	1,35	6	95
2021	3,7	99,5	1,28	6,7	96,2
2022	4	99,8	1,21	7,2	97,5
2023	4,3	99,9	1,15	7,8	98,1

This methodological approach will allow a fine-grained understanding of the trajectory of the green economy in Costa Rica, linking macro-level movements with micro-level experiences that will inform more holistic and effective ways that sustainability can be generated.

RESULTS AND DISCUSSION

This section concludes the quantitative trend, regression results, spatial inequality, and qualitative insights on the green economy of Costa Rica 2015 to 2023. The findings highlight how policy interventions interact with environmental performance and socio-economic equity and provide important lessons for sustainable development. The green economy indicators of Costa Rica (Table 1) show that the country has made great advances in harmonizing economic growth and environmental objectives. The coverage of green investment in GDP increased continuously from 1.8 % in 2015 to 4.3 % in 2023, reflecting the ever growing public and private pledges to sustainability. The power grid almost fully decarbonized, with 99.9% renewable power by 2023.

Meanwhile, on a per capita basis, CO2 emissions dropped by 31.5% (1.68 to 1.15 metric tons), putting Japan on course to meet targets set by the international community for dealing with climate issues. Policy Catalysts: A point of inflection in these trends is represented by the publication of the 2018 National Decarbonization Plan. Compared to pre-2018 trends, these amounted to a 43% increase in 'green' investment, a 2.7 percentage point increase in capacity of renewables, and a 19.5% reduction in emissions greater than the 3–4% annual reductions in the decade pre-2018. This implies that focused policy structures reinforce green transition momentum. Panel regression models assessed the impact of green investments and renewable energy adoption on emissions and employment.

Table 2. Key results of Regression

Dependent Variable	Independent Variable	Coefficient	p-value	Adjusted R^2
CO_2 Emissions (t/capita)	Green Investment (% GDP)	–0.25	0,04	0,55
CO_2 Emissions (t/capita)	Renewable Energy Capacity (%)	–0.38	0,01	—
Green Employment (%)	Green Investment (% GDP)	+0.12	0,08	0,48
Green Employment (%)	Renewable Energy Capacity (%)	+0.45	0,03	—

- CO2 Emissions: A 1% increase in green investment correlated with a 0.25% reduction in per capita emissions (*p* = 0.04). Renewable energy adoption showed a stronger effect, with a 1% rise in capacity linked to a 0.38% emissions decline (*p* = 0.01).

- Employment: Green investment had a positive but modest effect on green sector jobs (+0.12% per 1% GDP increase, *p* = 0.08), while renewable energy projects drove more significant gains (+0.45% per 1% capacity increase, *p* = 0.03).

Despite these trends, the model's adjusted R^2 (0.55) indicates that external factors, such as global market shifts and technological innovation, also influenced outcomes. For instance, falling solar panel costs post-2020 accelerated renewable deployments independently of policy. Spatial Disparities: Geographic analysis (Table 3) reveals uneven progress in renewable energy access and forest conservation. While the Central Valley (including San José) achieved near-universal renewable energy access by 2023, rural provinces lagged significantly.

Table 3 Geographic analysis

Region	Renewable Energy Access (%)	Forest Cover (% of Land)	Green Employment (%)
Central Valley	99	32,5	9,2
Guanacaste	92,5	18,7	5,1
Limón	93,8	24,3	4,8
Puntarenas	95,2	26,9	6,3

Qualitative Themes: Stakeholder interviews highlighted recurring challenges (Table 4), including inequitable resource distribution and institutional fragmentation.

Table 4 Stakeholder Interviews

Theme	Representative Quote	Frequency
Policy Effectiveness	Decarbonization plans work in theory, but rural implementation lags behind.	18/25
Equity Concerns	Solar panels reached towns near highways first; remote villages are still waiting.	22/25
Institutional Challenges	MINAE and local governments rarely coordinate delays are common.	15/25

Costa Rica's experience aligns with Barbier's (2020) assertion that policy coherence drives green transitions but diverges in highlighting unresolved equity issues. While the country achieved macro-level success reducing emissions while growing GDP the micro-level data reveal a "two-speed transition," where urban centers advance faster than marginalized regions. The regression results underscore the importance of renewable energy investments over broad fiscal spending, suggesting that targeted subsidies (e.g., for solar microgrids) yield higher returns. However, the qualitative data caution against top-down approaches, advocating for community-led initiatives to ensure inclusivity. The study's focus on Costa Rica limits generalizability, though its lessons are relevant for small, biodiverse nations. Data gaps in early policy years (2015–2017) necessitated imputation, potentially smoothing volatility. Future research should expand to comparative studies (e.g., Costa Rica vs. Rwanda) and incorporate larger qualitative samples to capture underrepresented voices. Costa Rica's green transition demonstrates that economic growth and environmental sustainability are compatible but require deliberate equity safeguards. Policymakers must prioritize decentralized governance, inclusive financing, and community engagement to ensure no one is left behind. For global audiences, this case study reaffirms that a green economy is not a utopian ideal but an actionable pathway—one that demands both ambition and fairness in execution.

CONCLUSION

Costa Rica's path to a green economy from 2015 to 2023 serves as an inspiring model of how a nation can pursue both economic growth and environmental preservation. The results of this research confirmed the great power of focused policy framework such as the National Decarbonization Plan and Payments for Ecosystem Services (PES) program in generating actual sustainable performance. With investments focused on renewable energy, it near-decarbonized its power sector (99.9% of the country's electricity generation was from renewable sources by 2023), cut per capita CO2 emissions by 31.5% and grew green jobs by nearly 90%. These successes are a testament that economic progress and environmental protection are not incompatible, but rather can be mutually reinforcing under thoughtful,

equity-focused management. But it also shed light on some painful realities. Spatial inequalities in accessibility to renewable energy, unequal distribution of green jobs, and institutional fragmentation underline the dangers of a "two-speed" green shift, in which urban areas move forward while rural and marginalised ones remain far behind.

The qualitative information from stakeholders especially the focus on bureaucratic bottlenecks, unequal funding, and inappropriate top-down policy indicate that an increase in the technical cannot automatically lead to the inclusiveness. As Barbier (2020) warned, policy cohesion must be seen not only in macroeconomic terms but grounded on the grassroots. For Costa Rica and similar countries, the following three priorities are recommended on the basis of this analysis: Decentralized gouvernance: Em-Power local administrations to adapt green mechanisms to their local needs and ensure an equitable subsidization for those actions. Inclusive finance: Reprogramme capital towards rural microgrids, smallholder agro-ecology and community-led conservation initiatives to help close spatial differences. Stakeholder engagement: Build cross-sectoral partnership between government, private sector and civil society to address the institutional bottlenecks. Internationally, the case of Costa Rica underscores the importance of equity in climate measures.

The macro-level progress of the country supports the SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) but the micro-level inequities continue to pose more challenges as a reminder for policy makers that sustainability cannot flourish without the intervention of social justice. Future work should widen the scope of this comparative analysis to rival approaches, such as that of Rwanda or Bhutan, in order to identify transferable models which will help reconcile growth, equity, and planetary limits. Finally, the case study shows that a green economy is not a far-fetched dream but a concrete possibility. Its success will depend on combining ambition with equity, and making sure that no one is left behind as we speed toward a sustainable future. As Costa Rica's experience demonstrates, what's at stake is not just environmental but profoundly human.

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