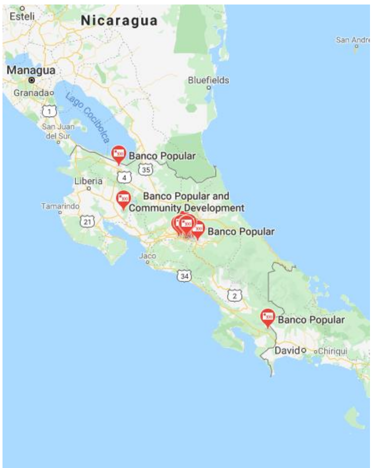
ECONOMIC PARTICIPATION CASE

BPDC: Costa Rica's Worker-Owned Bank

Highlights Banco Popular (Banco Popular y de Desarrollo Comunal, BPDC) is a cooperative bank that is owned and managed by the workers of Costa Rica. Its diverse clients include workers, farmers, enterprises, and a variety of development associations. Workers who hold a savings account for over one year have the right to shared ownership in the bank while employers and workers together contribute to the bank's capital base. The governing body of BPDC is a democratically elected Worker's Assembly comprised of 290 representatives from among the bank's worker-owners. The assembly advises on strategic guidelines and procedures for the day-to-day actions of the BPDC and selects four of the bank's seven board members. BPDC aims to combine commercial and developmental functions to achieve environmental and social good along with financial returns.

Introduction



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Costa Rica emerged from civil war in 1948, ending the presidency of Rafael Angel Calderón Guardia and placing José Figueres Ferres in power for 18 months during the government's transition. During this time, Figueres nationalised all of Costa Rica's banks, putting credit in government control and creating a monopoly on public deposits. For the next thirty years, only state-owned banks operated in the country. During this period, in 1969, the Costa Rican government created BPDC with the purpose of promoting economic development and serving the welfare of Costa Rican citizens. Throughout the 1950s through to the late 1970s, the Costa Rican government placed an emphasis on financing small and medium enterprises (Goldstein 2001). This model contributed to Costa Rica having the second highest growth rate of per capita GDP (after Brazil) of all Latin American countries during this period (Cardoso and Fishlow 1992). However, in the mid-1980s, due to economic crisis in the region and in the country, in which the economy contracted by 9.4 per cent (Hidalgo 2014), restrictions were loosened and private banks were allowed to accept deposits from the public for terms longer than six months. In 1995, all restrictions were lifted. However, the majority of Costa Ricans continue to deal with government-sponsored banks due to their proven stability and favourable terms (Hart-Kozloski *et al.* 2008). As these banks are backed by the Costa Rican government, if a bank fails, as Banco Anglo Costarricense did in 1995, the government will cover its losses so that depositors do not lose money (ibid).

Timeline

1949	1969	Early 1980s	mid 1980s	1990s	1995	2012	2017 – 2020
Figueres nationalises the banking system	BPDC is created by the Costa Rican government	Latin American economic crisis	Banking restrictions are relaxed	Continued growth of community banks in Costa Rica	Banking restrictions lifted on private banks	BPCD launches their FEDE	New stategic plan for BPCD

How It Works

BPDC was established in 1969 by the government of Costa Rica to promote economic development and solidarity. The bank is owned by the country's workers, who also assist in creating a permanent capitalisation for the bank as follows: all employers pay 0.5 per cent of paid monthly wages to the bank and employees contribute 1 per cent of their wages. After a year, the majority (1.25 per cent) of these contributions are transferred to the employee's own pension funds, while the remainder (0.25 per cent) is used for permanent capitalisation of the bank. This unique source of capital provides both stability and a sense of publicness to BPDC (Marois 2017).

BPDC represents an alternative to mainstream banking. It is a hybrid, owned by the workers of Costa Rica and with explicit links to the public sector, rather than being a private financial firm. BPDC espouses very clear values which are enforced across all levels of management and operations:

- Accountability;
- Transparency;
- Ethical behaviour;
- Respect to all parties involved;
- Lawfulness;
- Respect to the international norms of behaviour; and
- Respect to human rights.

In addition, the Code of Practice of Good Governance spells out detailed guidelines for the roles, responsibilities, duties, and expected behaviours for all governance structures.

Today, BPDC is highly profitable and has managed to grow into a large financial services provider offering banking, pension, stock market, investment, and insurance services; whilst maintaining its participatory governance structures. Furthermore, since 2012, the bank has developed special inclusive investment funds, such as their Fondo Especial de Desarrollo (FEDE) or the Special Fund for Development, which targets small enterprises and social economy organisations that would otherwise not have access to financing.

Additionally, BPDC offers special environmental services, like eco-savings and eco-credits, for micro- to medium-sized enterprises, with projects aimed at environmental protection and sustainability (José Romero 2017). BPDC supports local communal associations to provide sustainable energy and environmental service systems (Marois 2017). For example, they have worked on two notable projects with a regional energy cooperative, COOPELESCA, in central Costa Rica. One project finances the switch to low-energy LED lighting and another purchases land in a vulnerable natural area to protect it from over exploitation.

Enabling Participation

BPDC's primary governance structure is its Workers' Assembly, which represents the more than 1.2 million worker-members, or about 20 per cent of the Costa Rican population. The Assembly is responsible for dictating the institution's strategic direction, and as such it possesses consultative as well as decision-making power. Being a commercial bank, BPDC must tend to the needs of a wide range of customers. The Workers' Assembly is formed of 290 elected members, representing all of the country's social sectors: artisans; community development associations; cooperatives; independent workers; teachers; professionals; unions and solidarity sectors.

The Workers' Assembly also includes a Permanent Women's Commission that makes gender equality a priority across the conglomerate. At least 50 per cent of the bank's board must be women, earning the bank the distinction of being the first public organisation in Central America to establish a gender ratio of at least 1:1 in its decision-making bodies.

The Assembly normally gathers once a year, but in extraordinary cases, whenever it is needed. Its duties include:

- Defining the strategic guidelines and procedures for the day-to-day actions of the BPDC;
- Tracking and holding BPDC accountable by revising its management reporting; and
- Designating four out of the seven members of BPDC's National Directive Board.

Furthermore, the assembly is divided into five sub-groups:

1. National Directorate: Responsible for executing agreements;
2. Permanent Commission for Women (founded in 1997);
3. Oversight Committee: Ensures that there are no acts of discrimination within the Workers' Assembly due to ethnicity, religion, gender, sexual preferences, socioeconomic status or disability;
4. General Council, which is formed of 45 people, some of whom are members of the National Directive Board, as well as other delegates representing the different sectors; and
5. Financial Analysis Commission.

Apart from the Worker's Assembly, BPDC involves its members through other participatory processes. For the creation of its 2017-2020 strategic plan, the bank carried out a three-year nationwide consultation, which reached nearly 1,500 participants across 11 regions. The consultation aimed to better understand the current realities faced by the Costa Rican population and their expectations of a people-owned financial institution. Furthermore, BPDC has made efforts to communicate to the wider public that the adjustments to the business model and organisational alignment processes presented in its new strategic plan are not linked to redundancies or to detriment of the labour rights of any worker, nor in any contradiction to the bank's current code of good corporate governance (*Banco Popular* 2017).

Outcomes

Despite ever-present calls by the International Monetary Fund for BPDC to privatise, the bank has remained open and in public hands since its founding 50 years ago, while other, privatised banks have failed. Today, BPDC has become the third largest financial institution in the country and accepts over 40 per cent of the country's payroll contributions (Marois 2017). In general, BPDC has also increased trust in a nationalised banking system.

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