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COSTA RICA

Fiscal Reform Law Rejected by Constitutional Court

Following nearly four years of intermittent legislative debate, the '02 Fiscal Reform Plan was returned to the Legislative Assembly by the Constitutional Chamber of the Supreme Court (Sala IV) on 22 Mar. After the bill was approved in first debate on 16 Feb, using a “fast track” procedure, legislators consulted the Sala IV regarding the constitutionality of the bill before entering into the second (and final) debate. The court ruled that the manner in which the bill had been approved was unconstitutional, that many aspects of the bill would require a two-thirds majority vote for passage, and added that legislators who worked on the bill failed to consult with potentially affected sectors, such as banks and autonomous institutions.

The Fiscal Reform Plan, which was first introduced in the Legislative Assembly in Apr '02 by the Miguel Angel Rodríguez administration, was expected to raise \$270 million by increasing tax rates and extending taxation from territorial to global income in order to cover budget deficits predicted for '03. The tax plan was drafted by a group of former finance ministers to bring the country's taxes in line with the services offered by the government. A special mixed commission, composed of members of political parties and civil society, voted 14-1 on 15 Oct '02 to send the reform measure to the Legislative Assembly for its approval.

If approved, the Fiscal Reform Law would have implemented a monthly tax on casinos and annual taxes on Internet gambling operations, placed a 50% tax on luxury goods, instituted a progressive tax on corporations, doubled the cost of legal documents obtained from the Public Registry, and increased the airport tax, liquor and cigarette taxes (Vol. 21, No. 11).

On 13 Mar '05, Congress approved Article 208a to allow a “fast track” procedure that would reduce the period of time required to present motions and discuss changes, and would allow a simple majority vote (29 votes). However, opposition legislators claimed that, constitutionally, many of the articles in the Fiscal Reform package require a two-thirds majority (38 votes), in addition to objecting to other articles included in the package.

The unanimous ruling by the Sala IV on 22 Mar '06 severely hindered the possibility of passing the current version of the Fiscal Reform Plan in this Congress. Nevertheless, supporters believe the Fiscal Reform Plan is still salvageable. The proposed law was returned to Congress on 27 Mar and was sent to the permanent commission responsible for evaluating proposed laws, with the mandate to present the bill to the full legislative body again in 10 days.

Legislative Assembly President Gerardo Redondo, gaining the support of President-elect Oscar Arias, responded to the Sala IV ruling and raised concerns of “problems of governance and the inability to make decisions in this country.” However, others believe that the defeat of the bill was not evidence of political irresponsibility, but a victory for the rule of law and the Constitution.

Formation of the Arias Administration

President-elect Oscar Arias of the National Liberation Party (PLN) has been busy recruiting cabinet members for his administration as the 8 May inauguration ceremony approaches. Arias cites high salaries offered by private businesses as a challenge to attracting the best people for ministerial positions in his administration.

Differences between private business and government salaries make cabinet positions less attractive. Potential candidates are currently averaging earnings of \$10,000 a month in private business occupations; however, the government offers only \$3,000 a month to cabinet ministers. Arias characterized the differences in salary as a severe difficulty in recruiting members for his cabinet. “There are many well-prepared individuals who tell me that they would love to be part of the cabinet,” said Arias, “but they are unable to join me because they are supporting their children and paying for their university education.”

INEC Releases Statistics on '04 Individual Earnings

The National Institute of Statistics and Census (INEC) recently released a study of individual income for '04. Individuals earning \$3,000 a month are a small minority of the wealthiest 20% of the population (5th quintile) who earn an average of \$600 a month. Monthly salaries for the 4th quintile average \$200 per person. Average individual monthly salaries for the remainder of the population are even lower: \$100 for the 3rd quintile, \$60 for the 2nd quintile, and \$40 for the 1st quintile. Conclusion: 80% of the individuals in the work force earn less than \$600 a month, and 30% of the work-force earns less than \$100 a month.

Final Election Results Announced for Legislative Assembly

On 15 Mar, the Supreme Electoral Tribunal (TSE) announced the final composition of the new Legislative Assembly after concluding a two-week manual count of votes cast. The TSE confirmed that the PLN and the Citizen's Action Party (PAC) would dominate the legislative branch during the Arias administration. The PLN obtained 25 legislative seats, PAC 17 seats, ML six, Social Christian Unity Party (PUSC) five, and four other minority parties each acquired one seat.

Twenty-two women (38.5%) gained seats in the new Legislative Assembly, nearing the ideal 40% established by the Equality Law approved during Arias' first term as President ('86-'90). Of these

women legislators, 11 are affiliated with PLN, eight with PAC, two with PUSC, and one from ML. This Legislative Assembly has the highest representation of women in Costa Rican congressional history, a percentage much higher than the 15.7% in the US Congress.

Significant changes will soon take place in the composition of the Legislative Assembly, compared to the previous four years. Increased support for the PLN helped it win eight more seats than in the previous term (17), the largest increase of any party. PUSC will have 14 fewer legislative seats. PAC won three more seats than it had at the beginning of the current legislative period (14); however, it will finish the current session with only eight legislators after a division in Feb '03 resulted in six legislators separating from the party. The ML returns with the same number of legislators (6).

Poás Volcano Erupts After 12 Years of Dormancy

After 12 years of being dormant, Poás Volcano on the northern rim of the Central Valley experienced two minor eruptions of gas, water and sediment on 24 Mar, and 14 more eruptions of lesser magnitude occurred during the following six days. Volcanic experts characterize this activity as completely normal after several years of dormancy. The Poás Volcano National Park in Alajuela province remained closed from 25 Mar to 1 Apr.

Government authorities estimate that no immediate danger exists to the surrounding communities, but have developed precautionary evacuation plans. CNE officials allowed limited access to the park beginning on 1 Apr, permitting only groups of 50 visitors at a time for 45 minutes to view the main crater. The restrictions are intended to guarantee safety and ease complications if an emergency evacuation is necessary.

Poás Volcano's main crater is 350 meters deep and visitors can view it from a kilometer away. The volcano is one of five active ones in Costa Rica. The last eruptions of Poás Volcano of this type occurred in '94, '90 and '89. The volcano's last eruption with lava and ash occurred in '53.

—*Jason Eichorst*