

Costa Rica's Alvarado Vows to Shrink Deficit With Spending Cuts, Tax Reform

By Gene Kuleta

WASHINGTON—Costa Rican President Carlos Alvarado said Tuesday that he is committed to the approval of spending cuts and tax reforms this year in order to shrink the country's fiscal deficit.

"We are going to get it under control," Alvarado told the Latin America Advisor in an interview. "We are really committed to this."

Alvarado made the comments before a public event at the Inter-American Dialogue during a visit to Washington, his first foreign trip since his inauguration on May 8.

Last month, the Organization for Economic Cooperation and Development warned about Costa Rica's public debt and its fiscal deficit, which amounted to 6.2 percent of gross domestic product last year. "Restoring sustainable public finances has become more urgent," the OECD said in a report. "As public debt grows, so does the risk that the government becomes unable to meet its financing needs through debt issuances, which would force damaging cuts to the welfare system and threaten macroeconomic stability."

Alvarado said Tuesday that tax increases are "part of the possibilities" in order to shrink the country's deficit. "Each member of society should contribute according to their capacity," he said. Among the proposals up for debate in Costa Rica's Legislative As-

sembly is a measure to change the country's sales tax to a value-added tax.

Alvarado's Citizens' Action Party does not have a majority in the National Assembly, and some opposition legislators have said their support for tax hikes is conditional on

the passage of government austerity measures, Agence France-Presse reported.

The country's finance minister, Rocío Aguilar, on May 30 presented lawmakers with a series of spending cuts that includes a freeze on public hiring, salary freezes for high-ranking public officials

and cuts to the government's budget for areas including travel and public events.

"It's going to be a process," Alvarado said Tuesday. He added that the changes will be "positive for our economy and for our fiscal stability."

In addition to speaking at the Inter-American Dialogue, Alvarado also spoke at the Organization of American States and met with its secretary general, Luis Almagro. Alvarado also met with officials at the Inter-American Development Bank, including its president, Luis Alberto Moreno, to discuss topics including decarbonization, security and public finances. In addition, Alvarado visited Capitol Hill, where he discussed U.S.-Costa Rica relations with Senators Bob Menendez (D-N.J.), Bob Corker (R-Tenn.) and Ben Cardin (D-Md.).



Alvarado // Photo: Irene Estefanía González, Inter-American Dialogue.