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PLN Could Lose More Than Election

by LADB Staff

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[The following article is reprinted with permission of the weekly newspaper The Tico Times in San Jose, Costa Rica. It first appeared in the Dec. 21, 2001, edition of the newspaper.]

If the most recent voter-intention poll is an accurate gauge of what will happen here on the Feb. 3 election day, it appears that someone stands to lose a lot of money on the Partido de Liberacion Nacional (PLN) presidential campaign. What is not so clear is how much will be owed after Feb. 3, and who will get stuck paying the bill.

The Unimer poll published Dec. 9 in the daily La Nacion showed that if the election were held that day, the PLN's Rolando Araya would win 22% of the vote, making his party eligible for around US \$3.3 million in retroactive state funding to cover campaign expenditures. The only problem is that the PLN has reportedly arranged for a campaign loan of US\$7.2 million from the Banco de Costa Rica. To repay the entire loan with government funds, Araya would have to win a whopping 49% of the vote, according to calculations by the Tribunal Supremo de Elecciones (TSE).

Under Costa Rican law, 0.1% of the nation's GDP, or roughly US\$14.7 million, is earmarked to retroactively finance the presidential campaign. Parties are allowed to raise money for their campaigns by issuing party bonds, which are used as collateral on larger loans. If a party wins more than 4% of the vote, its bonds can be exchanged for government bonds equivalent to the percentage of votes won, thereby repaying the loans. For example, the PLN's original campaign budget of US \$7 million is almost half the state's US\$14.7 million designated for the presidential race. Therefore, assuming the party sells all its campaign bonds, Araya's magic number is 49% of the vote, if he expects his financial backers to be reimbursed in full. Parties that do not win 4% of the vote are not eligible for state funding, making their bonds worthless.

A source close to the campaign-finance process told The Tico Times this week that the Banco de Costa Rica to date has advanced the PLN about US\$5.4 million of the loan, based on the presumption that Araya would win 36% of the vote. However, when the Unimer results showed the election outcome could be dramatically different from what was originally expected, the bank reportedly froze additional funding until the polls turn in the PLN's favor. Bank officials and PLN campaign leaders this week declined repeated requests to confirm or deny the information.

PLN loss could mean financial hardship for party

Regardless of how much money the party has borrowed from the bank thus far, it would seem that Araya must win a much greater number of votes to avoid seeking additional private donations to fund a campaign it has already lost. Analysts warn of the danger of borrowing large sums from banks to fund a campaign. Several sources on campaign financing hinted to The Tico Times this

week that the PLN's debt to the Banco de Costa Rica could lead to a situation similar to the 1994 Banco Anglo scandal. But no one was willing to go on record making the claim.

The Banco Anglo, Costa Rica's oldest state bank, was closed by presidential decree after accumulating some US\$54 million in debt from supposed trading in foreign-debt bonds. The seven bank executives found guilty of embezzlement last June claim the losses stemmed from bad judgment (see NotiCen, 2001-06-28). Partido Unidad Social Cristiana (PUSC) candidate Abel Pacheco's proposed campaign budget is roughly US\$5.4 million, according to statistics provided by the Comptroller General. If the party sells all its bonds, Pacheco would have to win 36% of the vote about seven points more than the 29.5% he was given in the Unimer poll.

Although Pacheco agreed to abide by Transparency International's campaign-finance accord, which calls on candidates to publicize monthly reports on campaign donations and expenditures leading up to the February election, the PUSC has provided information only for the month of September, according to Transparency vice president Mario Carazo. The nongovernmental organization has repeatedly been promised PUSC's financial records for October and November, but the information has not yet been provided, Carazo said.

Meanwhile, Araya, who refused to sign the Transparency accord last September, has kept his promise to provide as little information as possible. While the two major parties have been less than forthcoming, Carazo says minority parties such as the Partido de Accion Ciudadana (PAC), the Partido de Integracion Nacional (PIN), and Cambio 2000 have exceeded Transparency's expectations. The PIN, for example, has provided detailed donation and expenditure reports that include everything up to the electricity bill for its campaign office.

Meanwhile, candidate Otton Solis' PAC has provided Transparency with information about individual contributions as small as US\$1.40 and reports on donations in kind. As it stands, the PAC, which has spent less than US\$455,000, will easily be able to cover its campaign debts with government money. If the polls are correct and Solis is able to win more than 21% of the vote, he could theoretically spend an additional US\$2.6 million on his campaign and still be reimbursed by the government. In the event no candidate wins 40% of the vote in the Feb. 3 election, a runoff will be held in April.

Officials of the TSE have already announced that no additional government money would be provided to fund a second electoral round. The candidates were also forbidden to spend government money until Jan. 3. The period is considered a "cease-fire," so people are not bombarded with political propaganda during the holiday season.

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