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Costa Rican Secret Funds

by LADB Staff

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A secret political fund has been discovered in Costa Rica that has allegedly been used to pay presidential advisors and high-level government officials, and to finance certain activities within several ministries. The fund, whose official name is Fundacion de Cooperacion Estatal (FUCE), has been called a "parallel state," although its directors deny that it functions as such.

The newspaper La Nacion investigated FUCE and uncovered not only payments to various functionaries but also that the secret organization acts as a funnel for donations from a variety of international organizations to the government. The newspaper obtained from the Ministry of Economy and Commerce information confirming that FUCE managed one donation from the Inter-American Development Bank (IDB) of about US\$660,000 for use in establishing the ministry's ventanilla-unica program, a mechanism by which foreigners seeking to open businesses in the country can get all the paperwork filed at a single location.

FUCE has some similarities to other controversial funds operating in Costa Rica, like CR-USA, but is unlike the latter in that CR-USA (see NotiCen, 2003-07-03) has a Web page and publishes an annual report on its expenditures, whereas FUCE did not allow public access either to the amounts it receives or to the destinations of its funds. While unable to provide the amounts, La Nacion was able to report that the fund has received and disbursed money from the World Bank (WB), the US Agency for International Development (USAID), and the UN Development Fund (UNDP), as well as other amounts, for other purposes, from the IDB.

Former minister of the presidency Rina Contreras, the presidency's delegate to FUCE, said that between May 2002 and June 2003 FUCE distributed about US\$1.1 million accumulated from various USAID grants. "In the past," she said, "these high amounts were managed, but that generated such resentment that we don't do it anymore. By direct order of the president, no minister pays honorariums or salaries through FUCE." There is, in addition to FUCE, another low-profile entity named the Consejo Presidencial (COPRE), which serves as a nexus between the fund and the presidency.

It is within COPRE that decisions are made regarding to whom, and for what, money will be disbursed. COPRE members are Planning Minister Lineth Saborio, Treasury Minister Alberto Dent, and two presidential appointees, Contreras and Ronulfo Jimenez. Usually, the minister of the presidency sits at the COPRE table, but since Ricardo Toledo recently acquired that position, he has not been appointed to COPRE.

Also, the executive president of the Banco Central de Costa Rica, Francisco de Paula Gutierrez, asked expressly to be excluded. He told the press, "I asked Rina Contreras to exclude me because it seemed to me that the activities of COPRE were not compatible with those of the presidency of the Banco Central." Among those paid with FUCE funds are Pablo Urena, a presidential speech writer,

who gets about US\$3,800, tax free; Ronulfo Jimenez, coordinator of the government's economic team, who gets about US\$4,000; and Roberto Giralt Castro, communications advisor to the president, at about US\$3,500.

Also three government ministers of the current administration were paid with FUCE funds during the last administration. They are former minister of justice Jose Miguel Villalobos; ex-minister of the economy Vilma Villalobos, and ex-minister of public works Javier Chaves. The existence of FUCE was discovered during an investigation by the now dissolved Comision de Control y Ordenamiento del Gasto Publico y de Rendicion de Cuentas de los Funcionarios Publicos. It was characterized as a private entity, but the comision found that it had received funds from the national budget as well as from the international donors. Contreras had denied access to information about the fund, even though the law requires that any entity, public or private, that administers public funds be subject to established regulations for the management of those funds.

Aida Faingezich, deputy of the official Partido Unidad Social Cristiana (PUSC), said Contreras denied having any information about FUCE last year, when Contreras was minister of the presidency, even though she was also, at the time, vice president of FUCE. After requesting information again this year after the comision report and being spurned, Faingezich sought an order from the Sala Constitucional for release of the data.

On August 14, the Sala granted the order. FUCE had three days to produce information. Not the first, and not the only Costa Rica has a history of creating and using private entities for the administration of public funds. Former deputy and now president of the Partido Movimiento Libertario (PML) Otto Guevera Gutt was a member of the Comision de Gasto Publico. He told reporters that in 1986, during the presidency of Oscar Arias (1986-1990), structures like this were used to sell state enterprises.

Guevera Gutt said that presidents like to create foundations to facilitate the hiring of trusted associates. The problem comes, he said, when these people or companies start to use state services, employees, and infrastructure as their own, with structures like FUCE making it difficult or impossible to account for these appropriations and expenditures. At the very least, the practices result in loss of taxes and social security payments. Faingezich added that an organization like FUCE also obscures transactions in which political favors are given, sinecures created, and consultations granted to unqualified people for which too much is paid and not enough delivered.

A report from the Contraloria General de la Republica details that this was the case with FUCE from 1999 to 2002 and involved people now occupying public office. Javier Chaves, currently minister of transport, received millions in consultation fees during the period, as did Vilma Villalobos, Miguel Villalobos, Ronulfo Jimenez, and others.

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