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Ex-Honduran President Reina Investigated for Misappropriating Public Funds

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In September, government prosecutors began investigating former president Carlos Roberto Reina (1994-1998) for possible involvement in a kickback scheme in the construction of sports facilities in the northern city of San Pedro Sula. The city still owes over US$30 million for the work, done in preparation for the Central America Games held last December.

San Pedro Sula Mayor Oscar Kilgore said the city was being charged money for work that was not open to competitive bidding, and insisted there was corruption in building the facilities and paying for services at the games.

In addition, the World Bank is holding up disbursement of US$100 million to the city until questions are answered about US$8 million missing from funds budgeted for the project. Current and former government officials may have appropriated some US$40 million, said Comptroller General Vera Rubi.

The director of the anti-corruption agency Probidad Administrativa, Selma Estrada, confirmed that Reina was on the list of 10 people implicated in the corruption scandal. Another on the list is Jeronimo Sandoval, former vice president of the organizing committee for the games and former communications and public works minister in Reina's Cabinet.

Sandoval justified approving contracts that had not been open to other bids on the grounds that a government decree mandating completion of the facilities in two months implicitly authorized him to dispense with bidding requirements. He also said the Finance Ministry, not the organizing committee, handled all money transactions.

Also implicated are Vice President Billy Handal and prominent banker Jaime Rosenthal. Investigators say audits revealed that the facilities were built for less money than appropriated in the budget, suggesting that millions of dollars were siphoned off. At the same time, however, cost overruns resulted in contractors being paid more than the amount contracted.

Comptroller General Rubi told the legislature that the games were riddled with other irregularities. She reported that the contractors did not finish the stadium on time, and there was no bidding for transportation, laundry, food, and other concessions. She found no records showing how government checks were cashed. Blank invoices were issued to a provider of food services.

Checks were issued to pay for judging the events, but many judges never showed up at the games. For the city of San Pedro Sula, the games were a financial disaster, not only because of the alleged fraud but also because it lacks the resources to back up the US$15 million in bonds issued to
finance the project. Since there was no market demand for the bonds, the city transferred them to contractors as partial payment for building the facilities. Inability to pay off the bonds and the interest accrued on them could result in legal efforts by the bondholders to seize the sports facilities.

Reina, who was head of the organizing committee that managed the project, denied he had anything to do with the finances. He called the accusations part of a "campaign of abuse" carried on by his political enemies in retribution for his anti-corruption efforts as president. Reina campaigned for the presidency in 1993 on the promise of a "moral revolution" to root out corruption, and he began prosecution of his predecessor, Rafael Callejas (1990-1994), on corruption charges soon after taking office (see NotiSur, 06/02/95).

After leaving office this year, Reina took a seat in the Central American Parliament (PARLACEN) where he has immunity from prosecution. He was elected president of PARLACEN Oct. 22 but has offered to waive his immunity and submit to a trial to clear his name. [Sources: Reuters, 08/13/98; La Prensa (Honduras), 10/01/98; El Tiempo (Honduras), 10/02/98; Associated Press, 10/04/98; Notimex, 08/13/98, 10/08/98, 10/15/98; Spanish news service EFE, 10/23/98]