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Ex-Costa Rican Officials Suspected of Misusing Social Development Funds

by LADB Staff  
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Members of the administration of former president Jose Maria Figueres (1994-1998) are under suspicion of embezzlement and misuse of public funds allocated for social programs. Government prosecutors and a committee of the Legislative Assembly are investigating charges that, among other things, some of the missing funds were diverted to the Partido de Liberacion Nacional (PLN) election campaign this year.

In late October, Costa Rican judicial police simultaneously searched 11 sites in San Jose including PLN headquarters and the home of former vice president Rebeca Grynspan. Authorities confiscated documents from Grynspan's residence and the hard disk from her computer. Grynspan was not named in the search order as a suspect in the investigation. Police also searched the account records of nine other government institutions to see if other funds have been raided. For several months, government prosecutors have been looking for US$5.7 million missing from the Social Development and Family Assistance Fund (Fondo de Desarrollo Social y de Asignaciones Familiares, FODESAF) and the Social Compensation Fund (Fondo de Compensacion Social).

The losses occurred between 1996 and 1998. Among the possible criminal charges arising from the case are embezzlement, illicit association, and falsification of documents. Accusations are leveled against former vice president In mid-October, the former coordinator of the Fondo de Compensacion Social, Jorge Martinez, said Grynspan managed the government's social programs and was responsible for the missing money.

Grynspan, however, said she was only formally in charge and that Martinez was responsible for the day-to-day management of the fund and deciding how it was to be allocated. She said she eventually fired Martinez because of irregularities in the use of the fund, but Martinez says he resigned. Martinez, who was appointed by Grynspan, is in custody pending the outcome of the investigation.

Martinez also accused the PLN of spending social-compensation money on its 1998 election campaign but later said the press exaggerated his comments and he had no evidence that any money was actually diverted to the PLN. However, he told the congressional committee that Grynspan had placed two members of the PLN presidential candidate's campaign staff on the payroll of the housing agency (Instituto de Vivienda y Urbanismo, INVU). Their job was to assist applicants seeking INVU funds for purchasing homes. A report by the comptroller general said INVU made improper payments out of the Fondo de Compensacion Social totaling US$1.7 million and canceled personal debts for US$98,500.

All mid-level officials questioned by the legislative committee denied approving these payments, which left Martinez, who was authorized to determine who received money from the funds. In one
case, funds were awarded for a project that Martinez never reviewed, and the project manager said he never received the funds.

As for the alleged diversion of funds to the PLN, party secretary general Rolando Gonzalez denied the party received any illegal contributions. PLN campaign treasurer Jose Manuel Araya said presidential candidate Jose Miguel Corrales accepted only donations of less than US$200, and there was no way for "questionable" funds to enter the campaign. However, Corrales admitted to having received an US$800 contribution from a shareholder in the America Capitales brokerage firm, which allegedly received some of the missing money. Corrales gave the contribution to charity.

The legislative committee is currently trying to agree on a single bipartisan report on its investigation. Figueres, Grynspan, and former labor minister Farid Ayales are among those who have been called to testify. PLN members of the committee have said they received no pressure to exonerate any former Figueres-administration officers or any other party members and will support the committee's findings. [Sources: Notimex, 10/27/98; The Tico Times (Costa Rica), 10/23/98, 10/27/98; La Nacion (Costa Rica), 10/16/98, 10/28/98, 11/01/98, 11/04/98, 11/06/98, 11/10/98]