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Former Costa Rican Officials Censured in Social-Fund Fraud

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Completing a three-month investigation of fraud in the government's social fund (Fondo de Desarrollo Social y Asignaciones Familiares, FODESAF), a congressional committee censured several former officials in the administration of former president Jose Maria Figueres (1994-1998). The report, issued Nov. 19, also recommended sanctions against the former officials, whom it found negligent in managing the fund, resulting in a US$5 million loss through embezzlement and misappropriation. Some funds were diverted to the 1998 presidential campaign of Jose Miguel Corrales.

Former vice president Rebeca Grynspan and former labor minister Farid Ayales were censured in the majority report issued by committee members from the governing Partido Unidad Social Cristiana (PUSC) with support from the Partido Renovacion Costarricense. Others named in the report include Miriam Coto, former director of Desarrollo Social y Asignaciones Familiares (DESAF) which administers FODESAF, former DESAF subdirector Rodolfo Montero Pacheco, and Marita Lopez Cruz, manager of the investment firm America Capitales. In mid-November, lawyers for Lopez, now being held in prison for alleged participation in the fraud, filed a motion in court to prevent issuance of the committee report.

The brief argued that the report could prejudice her case if it results in criminal proceedings. Lopez was unable to account for some funds America Capitales received from FODESAF for investment. Also named in the majority report were Javier Sandoval, financial manager of the Caja Costarricense de Seguro Social (CCSS), Luis Diego Calderon, CCSS treasurer, and Norman Araya, Labor Ministry auditor.

The report also criticized the office of the comptroller general and the Superintendency General of Financial Entities (SUGEVAL) for exercising insufficient vigilance over FODESAF operations. The report recommended that Grynspan lose her right to hold political office for 16 years and Ayales for 12. For both, the majority report also recommended that the Ethics Tribunal of the Partido de Liberacion Nacional (PLN) expel them from the party. The majority report said Grynspan had failed to exercise diligence in overseeing the funding of social programs. It said Ayales "showed little interest in assuming his legal obligations in supervising FODESAF" and failed to show enough "zeal" as administrator overseeing DESAF.

**Figueres' party accepts censure, opposes sanctions**

PLN committee members did not oppose the censure but opposed recommending specific punishments. The committee's failure to agree on this point led the PLN to issue its own minority report. It recommended that the Ethics Tribunal take over the case against the former officials and apply sanctions according to party statutes and rules. Grynspan maintains that neither report established grounds for her censure, while Ayales said the reports were "unjust." He accused the
committee of ignoring the role played by Figueres in the scandal. "If they think I'm going to keep quiet, I am telling them they are absolutely wrong," Ayales said.

Figueres denied any participation in the fraud and said 136,000 employees were in the government when he was president, and he could not be expected to keep track of all of them. He dismissed Ayales' views as those of a politician who wants to run for president. The reports agreed that America Capitales "conceived the mechanism and planned the execution of the acts that produced the embezzlement," that Lopez paid commissions to DESAF officials to promote investment through her firm, and that she diverted FODESAF funds for the PLN electoral campaign. The report recommended she lose her political rights for 20 years.

Deputies say Figueres also should be censured

One committee member, Jose Merino of the Partido Fuerza Democratica, issued a separate report naming Figueres as well as Grynspan and Ayales as responsible for the losses. Merino called the former president's participation in the fraud "clear, explicit, and evident." He accused Grynspan, Ayales, and other officials of negligence in the FODESAF fraud but said Figueres bears primary responsibility. Committee member Justo Orozco of the Partido Renovacion Costarricense charged that there was an agreement among the parties "not to touch Figueres."

Deputies Guillermo Constenla and Otto Guevara (PLN), Walter Munoz (Integracion Nacional), and Jose Manuel Nunez (Fuerza Democratica) raised similar objections to the PUSC and PLN reports. Constenla said, "Figueres delegated authority to Rebeca [Grynspan]...and Jose Maria [Figueres] has the responsibility." The full Legislative Assembly, which, under the rules setting up the committee, is not bound by the committee's recommendations, must act upon the reports.

While awaiting the Assembly debate on the reports, PLN executives met to consider calling Figueres and Corrales to explain their behavior in the FODESAF scandal. Luis Ramirez, a member of the party's directorate, said he was sure the proposal would go through. Corrales' involvement stems from the donation to his campaign made by America Capitales. He said he was cleared at the time of any wrongdoing but that he favored the proposal for a general accounting of events.

A bill introduced in the Assembly in late November is aimed at preventing future misuse of social funds. The bill would impose greater controls on how the funds are spent and would require full identification of all recipients before any funds are granted. The Comision Nacional de Solidaridad y Desarrollo Humano, comprising high government officials and representatives of the recipient agencies, would replace FODESAF as coordinator of social-fund disbursement. [Sources: Notimex, 11/20/98; La Nacion (Costa Rica), 11/16/98, 11/20/98, 11/21/98, 11/28/98, 12/02/98, 12/08/98]