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Dominican President Mejia Attacks Corruption, Proposes Economic Package

by LADB Staff

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President Hipolito Mejia completed his first 100 days in office in late November immersed in an anti-corruption campaign against officials in the administration of his predecessor, President Leonel Fernandez (1996-2000). At the same time, he is attempting to straighten out the troubled economy with a package of economic reforms heavy on tax increases. When he took office in August, Mejia promised a government focused on increasing jobs and on punishing the corrupt. He vowed to reduce "the national blot of corruption" by 90%. He immediately set up an auditing agency to review contracts issued by the Fernandez administration (see NotiCen, 2000-05-25, 2000-10-05).

Authorities question assets of ex-officials

Jesus Feliz, director of the Departamento de Prevencion de la Corrupcion, has interrogated 14 former officials whose assets grew out of proportion to their salaries during their time in office. Included in the review were former comptroller general Haivanjoe Ng Cortinas, former director of the Instituto Agrario Dominicano (IAD) Quilvio Cabrera, former secretary of industry and commerce Luis Manuel Bonetti, and former secretary of labor Rafael Albuquerque.

Also cited to explain their income and expenses were former executive director of the Consejo Nacional de Zonas Francas de Exportacion (CNZFE) Gabriel Castro, former head of the Oficina Supervisor de Obras del Estado Felipe Abreu Roedan, former bank superintendent Pablo Miguel Yermenos Forastieri, former assistant secretary of industry and commerce Marcelo Puello, former director of Defensa y Proteccion del Consumidor Alba de Moya, and former secretary of the presidency Alejandrina German.

Authorities also investigated the US\$1.4 million increase in the personal assets of a retired general, whose salary was US\$2,439 per month. The general, whose name was not released, was unable to account for the increase, said Feliz. Investigators are also going after petty misconduct. In August, officials in the Secretariat for Agriculture said that employees had run up enormous telephone bills in the final months of Fernandez's term, including US\$375 in July for erotic telephone calls.

An agriculture official complained that not only did employees charge cellular telephone and beeper bills to the department, but they walked off with the devices as well. Investigators are also interested in the generous pensions Fernandez granted 96 officials in the Secretariat for Education five days before he left office. Under a presidential decree dated Aug. 11, Fernandez gave outgoing education secretary Ligia Amada Melo a US\$3,106 monthly pension the same amount as her monthly salary.

Others received monthly pensions of between US\$1,118 and US\$2,484. In November, anti-corruption investigators moved against former officials who were Fernandez's close associates. Felix Bautista, director of the Oficina Coordinadora de Obras del Estado, and two engineers in the department

were accused of falsifying public documents and embezzling US\$3 million through contract kickbacks in state construction projects. Bautista was the first high official to be arrested.

Later in November, authorities arrested a second former high-ranking official, Luis Ynchausty, a personal advisor to Fernandez and director of the now defunct Programa de Empleo Minimo Eventual (PEME). Ynchausty is accused of appropriating US\$100 million from the program and depositing the money in a bank account held by his sister.

Ostensibly aimed at relief for the unemployed, most of the money was apparently used for political purposes. Ynchausty acknowledged that he disbursed money from PEME to the unemployed in poor neighborhoods. He said the payments were to head off street protests against the Fernandez administration. He said he was ordered by the president to carry out an "emergency plan" to recruit 200-300 people in the poor neighborhoods to draw up lists of beneficiaries and make the payments.

In the 44 months of its life, PEME received annual funding that averaged more than US\$21 million. That sum was greater than the allocations to the Secretariats for Tourism, Labor, Foreign Relations, Industry and Commerce, and other departments. Many of these departments never received all the budget funds they were allocated, while PEME was spending about US\$1.75 million per month.

PEME funds came out of a special account under the president's direct control and never appeared in the annual budget. Under the law governing the special account, the president could spend 75% of the funds without reporting to Congress how they were spent. Investigators say Fernandez did not report the other 25% either.

Opposition parties accused the government of buying voter-registration documents from the unemployed beneficiaries of PEME to keep them from voting for rival parties. Ynchausty said the program collected duplicates but only to bring the payment distribution lists up to date. Whatever the truth about the details, critics question the accounting of the missing funds and the apparent political motives in how beneficiaries were selected.

Fernandez defended the PEME payments arguing that it was better to pay potential troublemakers than to kill them. He said Mejia's proposal to give year-end cash handouts totalling US\$6.2 million to 50,000 unemployed people was no different than the PEME payouts. He said that, in 1997 alone, there were some 400 strikes and protests. He described the protests as part of a destabilization plan against the government that hurt the country's image abroad. Thus, the PEME payouts were an alternative to brutal repression, he said. Fernandez dismissed the anti-corruption campaign as "terrorist actions."

Fernandez offers to go to jail

With so much attention on two of his close associates, Fernandez appeared at the attorney general's office Nov. 24 and offered to turn himself in as a show of support for his former colleagues under investigation. However, Fernandez was overcome by tear gas during the accompanying demonstration and had to seek medical attention. Later, Fernandez promised to publicize a complete review of Mejia's first 100 days and to make "important revelations," presumably about Mejia's errors.

On Nov. 27, he told a radio and television audience that, if the government prosecuted his former top officials, he would prefer to go to prison because "it is more than evident that I am the central target of those investigations and persecutions." PRD president Hatuey de Camps said Fernandez's attempt to declare himself a prisoner was an effort to sabotage the corruption investigations. Mejia said Fernandez's gesture was "a disagreeable spectacle," and that he would not allow Fernandez to be cited to testify in any corruption cases.

But by December, investigators were asking a magistrate to question Fernandez, former Partido de la Liberacion Dominicana (PLD) presidential candidate Danilo Medina, and others about irregularities in issuing government contracts to build the San Juan-Vallejuelo highway. Investigators say the state lost US\$3.11 million because of contract padding in the cost of construction. Fernandez accused the Mejia administration of "abuse of power," and said Latin American countries were worried about the deterioration of democracy in the Dominican Republic.

Government lawyer says Fernandez should go to jail

On Dec. 5, government anti-corruption attorney Tomas Castro Monegro announced that he was entering a complaint with the Departamento de Prevencion de la Corrupcion against Fernandez and former secretary of public works Diandino Pena for issuing padded road-construction contracts. Castro said Fernandez should be jailed because he authorized payments in both the PEME and the public works cases.

But PLD secretary general Jose Tomas Perez said the entire anti-corruption effort was "a political show" aimed at drawing attention away from the austerity measures in Mejia's economic program. Mejia wants higher taxes, crackdown on collection. Mejia unveiled his economic package dubbed the "paquetazo" on Nov. 7. He said the austerity measures in it were necessary because of the poor state of the economy he inherited from Fernandez. The major problems were a US\$437 million fiscal deficit and a US\$1.5 billion foreign debt, he said.

The paquetazo includes a reduction in the government subsidy for propane gas and an increase from 8% to 12% in the tax on manufactured goods and services (Impuesto a las Transferencias de Bienes Industrializados y de Servicios, ITBIS). Basic consumer goods such as milk, rice, beans, meat, and poultry will be exempted from the ITBIS, as will medicines and newspaper.

Other taxes include a new-car tax ranging from 25% to 50%, and steep taxes on cigarettes and alcohol. To meet Mejia's goal of ending tax evasion, the package includes improvements in tax-collection methods, the most important of which is a requirement that businesses pay a monthly minimum tax of 2% on gross revenue.

The economic measures received support from business organizations and the Catholic Church. But an umbrella group representing various labor unions and civic and political groups (Colectivo de Organizaciones Populares, COP) marched on the National Palace in mid-November to protest the reforms. COP spokesman Victor Geronimo said the organization was ready to call a national strike. The economic package and the annual budget are now before the Congress. [Sources: Associated Press, 10/27/00; Listin Diario, (Dominican Republic), 09/21/00, 11/05/00; Agence France-

Presse, 11/21/00, 11/25/00; Spanish News Service EFE, 08/24/00, 10/09/00, 11/24/00, 11/26/00; El Siglo (Dominican Republic), 10/04/00, 11/13/00, 11/16/00, 11/24/00, 11/25/00, 11/27/00, 11/28/00, 11/30/00, 12/02/00, 12/03/00, 12/05/00]

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