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LADB Staff

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Corruption Scandals Plague Costa Rican President Figueres' Administration

by LADB Staff

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Costa Rican President Jose Maria Figueres's popularity, never very high due to public resentment over his economic policies, has been further eroded by a series of corruption scandals. These have included a botched arms purchase, questionable business dealings by some high officials, and charges of conflict-of-interest improprieties by the president himself and his relatives.

Cabinet minister resigns in conflict-of-interest case

Last November, Minister of Public Security Bernardo Arce resigned his post after a comptroller general's report implicated him in a scandal that erupted while he was minister of Public Works and Transport (MOPT). The controversy started when gravel contracted by MOPT for road repair was diverted to a hydroelectric-dam project. It turned out that the firm building the project, Energia Global de Costa Rica S.A., was founded by Arce and Figueres.

According to the report, Arce could be found guilty of illicit enrichment as a public official for favoring with a government contract a business in which he had executive authority. Also implicated was MOPT vice minister Douglas Loria, who had an interest in Arce's business dealings. Arce said Energia Global was not given any advantages in competing for the concession and that he did not know why the gravel was diverted for use by his business. Nevertheless, he resigned saying he wanted "to clarify my actions as a minister."

Civil Aviation officials charged with 96 irregularities

Arce was responsible for naming Nelson Rodriguez as head of the civil aviation authority (Aviacion Civil). Rodriguez too was forced to resign because of corruption scandals. Rodriguez, Francisco Nicolas a former MOPT vice minister and head of the board of Aviacion Civil plus 13 others were charged with 96 financial crimes committed between 1994 and 1996 while they were officials at Aviacion Civil. Comptroller General Jose Francisco Vargas found US\$5 million in irregularities during the tenure of the 15 officials. In April,

Vargas named Rodriguez and Jose Francisco Olmazo, former head of the finance department at Aviacion Civil, as responsible for various irregularities and violations of law in the controversial Israeli arms deal (see NotiSur - Latin American Affairs, 05/17/96). Israeli arms paid for with airport passenger tax Last June, the government ordered an arms shipment from the Israeli firm TASS and paid for it partly with a swap of used Costa Rican police equipment and the rest with Civil Aviacion funds. Rodriguez's part in the scandal, according to the comptroller's report, was to authorize a US \$143 million payment for the arms from Aviacion Civil funds without going through the required process of securing a guarantee of shipment from the seller or securing approval from the agency's technical and legal advisors.

The payment was made in advance without firm shipping deadlines and there was no competitive bidding. The comptroller general also asked why Aviacion Civil paid for the arms out of a fund earmarked for airport improvement. The fund was fed by a US\$15 tax on foreign passengers, who apparently ended up paying for submachine guns and other equipment for police and presidential security forces. Among other anomalies in the arms deal was the failure of TASS to deliver a US \$623,000 portion of the original order. In addition, TASS delivered 322 submachine guns and over one million rounds of 9mm ammunition valued at US\$397,242 that were not ordered.

Figueres under scrutiny for deals involving his relatives

Meanwhile, Figueres also has come under severe criticism for possible ethical lapses. Last December, for example, Vargas wrote him a caustic letter reprimanding the administration for challenging the constitutionality of two articles in the law against illicit enrichment by public officials. The articles prohibit vice presidents, cabinet ministers, and other top government officials from holding positions of executive authority in private companies. "It never ceases to amaze me that you have chosen to find a way to eliminate this law, which is of such incalculable value, with its very high ethical content and preventive function," said Vargas.

In the case involving Justice Minister Juan Diego Castro, whom Vargas found in violation of the law for retaining his position as president of Juriscomputacion S.A., Figueres maintained that there is no necessary conflict-of-interest in naming officers of private firms to high public office. Another cabinet member, Agriculture Minister Ricardo Garron Figuls is secretary of two companies of which Figueres is president. In a third company, Arce is president and Figueres is vice president. Although questions have been raised about Figueres's links to private companies, the law exempts the president of the republic from the prohibitions in the illicit enrichment law. A congressional committee investigated the involvement of Figueres and other officials in awarding a contract for private electric-power generation for the government's electric power company (Instituto Costaricense de Electricidad, ICE). The contract went to the US-based Global Energy, Inc.

The committee report, drafted by a majority from the opposition Partido Unidad Social Cristiana (PUSC), alleges a series of irregularities and violations of the law. Specifically, the report noted that Figueres is an officer of Energia Global de Costa Rica S.A., an affiliate of Global Energy, Inc., and that the companies have worked with members of the administration and relatives of the president to acquire a dominant position in electric-power generation. Committee members from the governing Partido de Liberacion Nacional (PLN) issued a minority report denying that there were any irregularities in the ICE contract award. They denied as well that any evidence had been found showing political interference by government officials in the process.

Furthermore, the PLN deputies recommended that regulations governing joint public and private investments in co-generation of electric power be studied "for the possibility that ICE could increase its strategic alliances with the private sector." Then in April, a new controversy erupted when ICE's board of directors awarded a contract to the Marubeni Corporation to build a geothermal power plant at the Miravalles Volcano. Figueres's father-in-law, Fernando Altmann, is president of Marubeni, a subsidiary of the US-based Oxbow Power Services.

The ICE board's decision went against technical and legal advice that the contract should go to Ormat International, whose bid was US\$7 million lower. Favoritism found in granting of taxi permits

According to an analysis of the rash of corruption cases made by the daily newspaper La Nacion, a common link in the arms deal and the Aviacion Civil cases was Francisco Nicolas, former vice minister of MOPT. Nicolas is also being charged in a corruption case involving the issuance of taxi permits.

In April, a search of a MOPT data base by La Nacion revealed that a group of government officials was responsible for the distribution of 66% of the 1,820 taxi permits issued between Dec. 6, 1995 and Jan. 24, 1996. The newspaper said that the information was obtained from a backup copy of computer files from MOPT's transportation technical commission before the files were erased by officials facing criminal charges for the illicit sale of the taxi permits. Among those who recommended recipients of the permits are President Figueres, his brother Mariano, his mother Karen Olsen, Minister of Tourism Carlos Roesch, and Minister of Culture Arnoldo Mora. Among legislators were the names of all PLN deputies except Otton Solis and two members of the opposition faction in the legislature.

Most of those named defended their actions, arguing that they only recommended permits for needy applicants. Nevertheless, at least ten of the recipients were found to have extensive property holdings. Figueres told La Nacion that he had recommended various recipients but that his office never investigated the applicants who received his recommendations. He said it was up to the authorities who issue the permits to verify that the applicants meet the requirements. Some of the 14 who recommended permits for relatives denied that there was anything unethical about it, since these persons had economic needs.

Former MOPT official Nicolas, who recommended 130 permit applicants, according to the list, said he had no involvement in the matter and had no idea what the computer list was all about. Patricia Casasola Orozco, whose job was to receive applications from the public, told a court trying the taxi-permit case that applications arriving without a letter of recommendation were not processed but instead were filed away. She said she was told that the permits had already been given out and that the list of approved applications came directly from Nicolas.

Otton Solis, who apparently leaked the story to La Nacion, said Nicolas had proposed to the PLN legislators that permits be allocated to them for distribution in their districts. Subsequently, according to Solis, PUSC deputies went along with the agreement under PLN assurances that the 5,000 taxi permits issued during the administration of PUSC president Rafael Calderon (1990-1994) would be extended. Besides Nicolas, three other former MOPT officials and a former official of a taxi-drivers union face charges of selling the permits at a price of up to US\$35,000 each. [Sources: Tico Times (Costa Rica), 12/13/96; Reuter, 04/02/97 Inforpress Centroamericana (Guatemala), 04/17/97; La Nacion (Costa Rica), 11/22/96, 12/11/96, 12/20/96, 02/11/97, 03/18/97, 03/25/97, 03/27/97, 04/07/97, 04/15/97, 04/16/97, 04/21/97]

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