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Louisa Reynolds

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Varela Administration Involved in String of Corruption Scandals in Panama

by Louisa Reynolds
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Edwin Cárdenas, the former director of Panama’s Institute of Agricultural Marketing (Instituto de Mercadeo Agropecuario, IMA) became the first senior official in the administration of President Juan Carlos Varela to be investigated by a prosecutor for corruption.

The investigation was set off by a government audit of the Program for Food Solidarity (Programa para la Solidaridad Alimentaria), managed by IMA, that revealed economic injury to the state in the amount of US$6.5 million. According to the comptroller’s report, Cárdenas’ lack of planning resulted in overpayment in the purchase of onions and rice. Cárdenas stepped down from IMA in April 2015 in the wake of a series of nepotism scandals within the institute.

Prosecutors are also investigating two former institute officials, as well as three employees of the comptroller’s office, and two former officials from the Ministry of Agricultural Development. Those names have not been released.

The scandal has eroded the public image of President Varela, who won the 2014 elections with over 39% of the votes (NotiCen, May 15, 2014, and July 23, 2015), and who promised to stamp out the culture of graft that marked the administration of his predecessor, Ricardo Martinelli (2009-2014). Martinelli fled Panama in January 2015 and is being investigated for various corruption allegations (NotiCen, July 2, 2009, Dec. 13, 2012, Feb. 19, 2015, and Jan. 14, 2016).

Other investigations have followed. In January, Attorney General Kenia Porcell also opened an inquiry into a series of allegedly overpriced contracts granted by the Ministry of Housing and the National Welfare Program (Programa de Ayuda Nacional, PAN) to the Airco S.A. corporation for the construction of low-income dwellings under the Techos de Esperanza (Roofs for Hope) welfare project.

Those under investigation are Minister of Housing Mario Etchelecu, PAN director Rafael Stanziola, and Airco CEO Pedro Vallarino. The alleged economic injury to the state could be as high as US$23 million.

Education scandal

The attorney general is also looking into the allegedly overpriced purchase of chairs for public schools. If the allegations prove to be true, the injury to the state would be US$4 million. Those under investigation include Minister of Education Marcela Paredes de Vásquez; the ministry’s administrative director, Ivanna Mojica González; the former head of the ministry’s legal department, Luis Cedeño Merel; the ministry’s head of purchases, Próspero Carrión; and businessman Allan Figueroa.

Minister of Health Miguel Mayo is also under investigation for allegedly granting state contracts—while he served as vice minister—to Tecnomedical, a company owned by his sister and brother—
in-law. He is also accused of not disclosing several major assets before taking office, as the law requires, including a vehicle and property on Panama’s eastern coast.

A number of Varela’s Cabinet members, including Minister of the Presidency Álvaro Alemán, Interior Minister Milton Henríquez, and Electoral Tribunal Magistrate Erasmo Pinilla, have also been accused of nepotism, but no disciplinary or legal actions have been taken against them, as nepotism is not a crime under Panamanian law.

The Pinilla case, in particular, shocked public opinion after it emerged he had appointed eight relatives to positions within the institution. Pinilla admitted the allegations and issued a public apology, asking the Panamanian people to forgive him “for acting out of love for his family.”

Another case involves Flor Elizabeth Escudero, the deputy director of human resources in the Ministry for the Economy and Finance, who admitted to the press she had appointed four family members—her half-sister and three nieces—to various positions within the institution. But Escudero insisted that the four were competent and efficient and referred to the media storm surrounding the nepotism allegations as “a political attack.”

The regional director of the Ministry of Social Development (Ministerio de Desarrollo Social, MIDES) in Panama West, Janett Rodríguez de Bravo, has also been accused of appointing three family members to various administrative positions. Rodríguez denies the charges.

**Tax evasion and money laundering**

Another major scandal involves presidential advisor and leader of the Panameñista Party, Ramón Fonseca Mora, co-founder of the Mossack Fonseca & Co. law firm and corporate service provider that recently made international headlines when information about its clients’ financial dealings was published by the International Consortium of Investigative Journalists (ICIJ). The firm was exposed for helping foreign citizens circumvent local tax laws and international sanctions ([SourceMex, April 13, 2016](#) and [NotiSur, May 6, 2016](#)).

Fonseca Mora resigned from his advisory position to the Varela administration after employees of Mossack Fonseca’s Brazilian office were charged in relation to the Petrobras corruption scandal in January 2016 ([NotiSur, Aug. 14, 2015](#)).

Varela himself had faced money-laundering allegations when he served as foreign minister and vice president under the Martinelli administration and was accused of receiving funds from bank accounts allegedly used to launder money from an internet sports betting ring.

An investigation carried out by the daily Diario Las Américas revealed that Varela allegedly received funds and financed his campaign with funds from the ring, which used 26 bank accounts in Panama, Andorra, and the Cayman Islands, among other locations, to move up to US$27.5 million.

Varela’s connection to the laundered money stems from funds he allegedly received from former diplomats Alberto Aristides Arosemena Medina, based in Japan, and Jaime Lasso del Castillo, based in South Korea. Lasso del Castillo’s daughter, Michelle Lasso, pleaded guilty in a US court to laundering US$8 million for the betting ring, which was run by Florida resident Philip Gurian, who also pleaded guilty.

Several checks from the Lasso family, the investigation revealed, were used by Varela to pay personal expenses. Others went to his family and people connected with his campaign.