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## Ecuador's Interim President Faces Same Corruption Charges as Predecessors

*by Guest*

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Presidential elections are less than one month away, but Ecuadorans are more concerned about corruption scandals than about the May 31 contest. While Quito Mayor Jamil Mahuad and left-wing television journalist Freddy Ehlers the front-runners in a field of six candidates barnstorm the country, Ecuadorans are wondering if interim President Fabian Alarcon's administration will come apart because of corruption scandals.

In a poll by the Quito daily El Comercio, 29% of Ecuadorans say corruption is the country's number-one problem. Following corruption is the economy, with 17%, and poverty, with 12%. Alarcon and several members of his government are accused of allowing rampant corruption to flourish within Ecuador's government.

Alarcon, who came to power in February 1997 after former president Abdala Bucaram was forced out of office, is also accused of abusing power when he was president of the country's unicameral Congress. Alarcon's problems are the latest in a long list of corruption scandals that have wracked Ecuador since 1992. During president Sixto Duran-Ballen's administration (1992-1996), the majority of the government's ministers were forced out of office by Congress.

Duran-Ballen's vice president, Alberto Dahik, fled the country in October 1995, only one hour before the Supreme Court ordered his arrest on embezzlement charges (see NotiSur, 09/01/95 and 10/13/95). Instead of improving after Duran-Ballen stepped down, corruption became more ingrained during Bucaram's short-lived presidency. Sworn in as president in August 1996, Bucaram was out of office seven months later, impeached by Congress on grounds of mental incompetence (see NotiSur, 02/07/97).

Living in self-exile in Panama, Bucaram and his closest advisers most of whom are family members are accused of milking government coffers of more than US\$22 million. And he took more than money. When Alarcon moved into the presidential palace, the interim government announced that art work, official documents, and even the gold-plated pen Ecuadoran presidents use to sign treaties were missing.

Alarcon was supposed to bring a spirit of honesty to the government during his 18 months as interim president, but corruption scandals are hounding his administration. The president is charged with padding the congressional payroll with more than 2,000 "phantom" employees known as pisonazgo in Ecuador when he headed the legislature (see NotiSur, 10/10/97). Appearing before

Congress in mid-April for nearly two hours, Alarcon denied all charges, saying they stemmed from "speculation and imagination." Former Deputy Cecilia Calderon of Alarcon's Frente Radical Alfarista (FRA), who first accused the president last October, said, "Fabian Alarcon is turning this into a comedy. He wants to surprise Ecuadorans by going before Congress, where most representatives are partners in corruption."

Alarcon had his day in the Supreme Court on April 24, maintaining his innocence before Chief Justice Hector Romero. Alarcon's defense of his administration, however, has been complicated by accusations against some of his closest advisers. The president's personal adviser and former interior minister Cesar Verduga became the 95th government figure since 1995 to flee the country to escape prosecution. On April 3, only 12 hours after Verduga traveled to the US, Chief Justice Romero ordered the former minister's arrest for misusing US\$5 million in reserve funds since 1997. Reserve funds are a discretionary sum set aside for use by the executive branch, which is not accountable to Congress for its use of the money.

The misuse of reserve funds contributed to the fall of both Dahik and Bucaram. The funds were to be eliminated when Alarcon's government took over, but Deputy Miguel Lluco of the Movimiento Pachakutik-Nuevo Pais said that never happened. Rather than eliminate the reserve funds, Lluco said, the administration redirected them to another account for "internal security expenses."

In February, Lluco revealed the dates on which Verduga had dipped into the discretionary fund and the amounts he withdrew. Lluco claims Verduga used the money to pay for the government's campaign before a referendum on Alarcon's interim administration. On May 25, 1997, Ecuadoran voters went to the polls to approve or reject Alarcon's government. More than 60% voted in favor of the administration. Lluco asked Congress to call Verduga in for questioning, and the former minister, who had resigned to campaign on behalf of the government in the presidential race, admitted having used the discretionary funds.

Verduga told Congress the money had been spent fighting "international terrorism, child kidnapping, money laundering, toxic waste, trafficking in women, as well as on presidential security, and conducting psychosocial research on the Ecuadoran population." Unsatisfied with Verduga's explanation, several members of Congress asked for more details. They found the ministry had spent more than US\$1 million on national polls and had contracted the Communications Ministry to carry out a study of the history of the Interior Ministry. Most contracts went to friends of Verduga.

Comptroller General Benjamin Teran denied knowledge of the expenses, and on April 4 the Supreme Court ordered Verduga's arrest. By then, however, the former minister had left the country. Eduardo Sierra, another close Alarcon adviser, is also being investigated on corruption charges. Sierra is accused of misusing international donations destined for victims of natural disasters caused by El Nino. Ecuador has been hard hit by floods caused by the weather phenomenon. More than 100 people have died, and the country's major industries oil, bananas and fish have been seriously damaged. Repair to affected infrastructure, mainly bridges and roads washed out by the rains, will take years. Nature, the international drop in petroleum prices, and corruption are taking their toll on Ecuador's economy.

The government has had to whittle away at social spending because of the drop in oil prices, and expected income from the privatization of government-run companies is not materializing as foreign investors stay away. The government has already announced budget cuts of US\$150 million as well as other economic measures to try to pare down an estimated US\$885 million deficit. "The picture is truly grave," said Carl Ross, Latin America research director of the New York investment firm BT Alex Brown. "The economic reforms in Ecuador have been going in the opposite direction of the rest of Latin America, and now they are suffering the consequences."

International financial companies say Ecuador's economy will grow about 2% this year, less than half the initial predictions. Adding to the economic difficulties are controversial decisions by the Asamblea Nacional Constituyente, which is rewriting the Ecuadoran Constitution. The assembly voted in late April to reject private investment in the country's social security system, bucking a regional trend and enraging Congress. Congress president Heinz Moeller called the assembly's decision "stupid," and the head of the constituent body, former president Osvaldo Hurtado (1981-1984), quit in protest.

Ecuador's Catholic bishops warn that the country is showing serious "signs of disintegration." "Ecuadorans are living through one of the most painful moments in national history. Half the country is physically destroyed, the economy is getting weaker every day, and strikes are leading us into a climate of survival of the fittest," the bishops said. "We are sacrificing Ecuador on the altar of the god of money, which is destroying the country at all levels."

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