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Brazil: Mines And Energy Minister Silas Rondeau Resigns Amid Accusations Of Corrupting Rural Electrification Program

by LADB Staff

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The Cabinet of Brazil's President Luiz Inacio Lula da Silva lost another member in a scandal in May. Allegations of corruption in a public-works program to provide rural areas with electricity forced Mines and Energy Minister Silas Rondeau to step down, although he denied any wrongdoing.

The head of the Senate, Renan Calheiros, also faced pressure to quit after revelations surfaced that he had taken cash in exchange for favoring a construction firm. Police arrest dozens over construction bribes Rondeau resigned May 22 amid accusations he was bribed by a construction company that obtained contracts to provide electricity to poor rural areas in a program Lula has championed.

Rondeau, who was in charge of Lula's Luz Para Todos (Lights for Everyone) program, said in a statement he was stepping down to prevent the controversy from hurting the government's push to bring energy to the poor.

Rondeau insists on 'absolute innocence'

In a statement issued late May 23, Rondeau insisted on his "absolute innocence in relation to the accusations levied against me." In his letter of resignation, the minister said he wanted to reaffirm his complete and absolute innocence, and he complained about "cruel lies" and insinuations that had wounded his honor.

The country's Justice Minister Tarso Genro said there was no proof to directly implicate his ministerial colleague in the wrongdoing. Brazilian media have reported that Rondeau accepted US $50,000 to steer a contract to the Gautama construction company as part of a much larger scheme involving government money being siphoned off through fraudulent bidding on public projects that were overcharged or never built.

Surveillance video aired on national TV showed an employee of the company delivering a package, which police believe contained money, to one of Rondeau's key ministerial aides. Federal police allege the bid-rigging and corruption involved hundreds of millions of dollars, with much of the money funneled for infrastructure improvements from Brazil's Ministries of Planning, Transportation, and Energy and Mines.

Authorities said government officials who helped steer the contracts to the gang were paid off in cash and gifts such as luxury cars. Police arrested almost 50 suspects on suspicion of taking money.
from government contracts the week before Rondeau's resignation, including a congresswoman, a former governor, several mayors and ex-mayors, and several high-level state and federal employees.

**Probe focuses on fraud in public works contracts**

The police investigation, called Operacao Navalha (Operation Straight Razor), has focused on claims of fraud involving public works, including building bridges in isolated areas that were never completed. Daily newspaper Folha de Sao Paulo reported that Rondeau would be replaced on an interim basis by a high-ranking Ministry of Energy and Mines official, Nelson Hubner. Rondeau is a member of the Partido do Movimento Democratico Brasiliiero (PMDB), part of the patchwork of political parties allied with the Partido dos Trabalhadores (PT).

The paper said that the PMDB members of the Senate were preparing to recommend Marcio Zimmerman as Rondeau's permanent replacement. The Luz Para Todos program hooks up electrical power to remote rural communities across Brazil that have never had the service and is a key element of a package of measures Lula, Brazil's first working-class president, lobbied for to raise living standards for tens of millions of Brazilians living in misery. BBC correspondent Gary Duffy argued that this latest controversy has been all the more embarrassing, as major infrastructure projects are central to the government's development plans for Brazil.

A substantial part of those proposals relate to energy and an image of corruption will not make it easier to win political support, said Duffy.

**Fourth Cabinet member to resign due to corruption allegations**

Rondeau's resignation marked the fourth time in recent years that a member of Lula's Cabinet has been forced out because of corruption allegations, but Lula has personally remained untouched by the scandals.

Prior corruption allegations have taken down former presidential chief of staff Jose Dirceu, former finance minister Antonio Palocci, and ex-communications minister Luiz Gushiken all close Lula allies who helped engineer his election triumph in 2002.

A bribes-for-votes scandal also reduced the PT's power in the Congress *(NotiSur, June 24, 2005, Sept. 9, 2005, Dec. 9, 2005, and April 7, 2006)*. The scandals did not, however, keep Lula from a landslide re-election last year *(NotiSur, Nov. 3, 2006)*. This is the first ministerial resignation since Lula was re-elected. While several of the earlier corruption scandals roiled financial markets, the controversy surrounding Rondeau had little impact as investors remained convinced that Lula would not change economic policy.

Lula has consistently followed a fiscally conservative path, which his finance team argues has ushered in a period of unprecedented steady growth with low inflation for South America's largest economy. Senate President Renan Calheiros under pressure to quit Senate president Renan Calheiros, a close ally of Lula, also faces accusations of taking cash from a lobbyist in exchange for favoring a construction firm.

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Despite initial support for Calheiros, several senators said his defense was incomplete and lacked evidence. One colleague suggested he step down, and the Senate ethics committee has yet to investigate. As has been its habit in recent years, the Partido Socialismo e Liberdade (PSOL) took a leading role in criticizing the ruling coalition. When asked whether he would step down, Calheiros told reporters on May 29, "No, there is no accusation against me." He added, "I've turned in all my documents, my income tax returns, absolutely everything. Nothing is missing."

Veja news magazine reported on May 25 that a construction firm made payments to Calheiros' mistress to provide for their three-year-old daughter and to pay for an apartment for them. Veja also claimed Calheiros took more than US$8,000 monthly from the Mendes Junior construction company to help it get public-works contracts. The company also denied the report. Calheiros is Brazil's fourth-ranking official and a leading figure in the PMDB. Political consultant Ricardo Ribeiro told Reuters that Calheiros may survive because he is so well connected. "But the scandal stirred up enough dirt and anger to shake the government's alliance and put an already weak agenda on hold," Ribeiro said.

**Lula backs Rondeau**

Lula said May 28 that his government fully supports the police investigations into the scandal. In his weekly radio show Coffee with the President, Lula discussed the tense situation in Brazil following Rondeau's and two other officials' resignations. "Why have these things come out? Because we have created a Policia Federal (PF) that has complete independence, so that it can investigate whoever it likes," Lula said on the radio show. But he asked listeners not to prejudge anyone before there is proof.

Defending Calheiros, Lula said accusations "do not mean that he is guilty....Until there is proof to the contrary, he is innocent." On May 24, Lula spokesperson Institutional Relations Minister Walfrido dos Mares Guia said that Lula "is certain that Rondeau is a clean man and will prove his innocence before the courts." The police handling of Operacao Navalha came under criticism from the Ordem dos Advogados do Brasil (OAB) and the minister of the Supremo Tribunal Federal (STF) Gilmar Mendes. Mendes said leaks by the PF had constrained his handling of the arrested suspects, forcing him to release them on habeas corpus claims immediately after their arrests. Mendes criticized Justice Minister Genro for allowing the leaks and accused the PF of using "fascist" methods in the operation to intimidate suspects and justify preventive detentions.

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