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Former President Aleman Investigated For Corruption

by LADB Staff

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After nearly a decade of mounting accusations of corruption, government auditors and prosecutors are investigating former President Arnoldo Aleman (1997-2002). In the latest in a long series of scandals, Aleman and several associates, including former members of his administration, are either in jail or face indictment in connection with funds missing from the government-owned Channel 6 television station.

Serious corruption accusations against Aleman go back to 1993 when he was mayor of Managua. At that time, Frente Sandinista de Liberacion Nacional (FSLN) Deputy Monica Baltodano accused him of diverting tools and other supplies from the Fondo de Asistencia Social (FASO) intended for the city's use. That was followed by a steady stream of accusations that continued throughout his presidency.

In 1998, Aleman went after comptroller general Agustin Jarquin when Jarquin began auditing the books of various government departments and investigating Aleman's connection with a private jet used in drug trafficking (see EcoCentral, 1998-09-10). Jarquin also demanded that Aleman report his personal assets as required by the probity law for public officials. Aleman's assets grew by an estimated 900% between 1990 and 1997 (see NotiCen, 1999-04-15).

In 1999, the National Assembly approved a package of constitutional reforms that many analysts regarded as the institutionalization of corruption. The reforms provided immunity from prosecution for the outgoing president by giving him a nonelected seat in the Assembly. They also stripped his antagonist, Jarquin, of power by replacing the one-person Contraloria General de la Republic (CGR) with a five-person council whose members were chosen by Aleman's governing Partido Liberal Constitucionalista (PLC) and the FSLN with a majority going to PLC appointees. Having curbed the auditing unit of government, the reforms weakened judicial authority over corruption by dividing membership on the Corte Suprema de Justicia (CSJ) between the two major parties (see NotiCen, 1999-12-23).

In 2000, Jarquin was briefly jailed on charges brought by Aleman (see NotiCen, 2000-01-13). During this period, the US, multilateral lenders, and the international donor community threatened Nicaragua with withholding funds if the government did not reduce corruption. Transparency International ranked Nicaragua near the bottom on its index of transparency 60th out of 85 countries examined compared with Costa Rica in 27th place (see EcoCentral, 1998-10-01).

Besides Aleman, other officials and associates in his administration have been accused of corruption. The most prominent is former tax collector Byron Jerez. Jerez was forced out of office because of the checazo scandal involving US\$600,000 in missing tax money (see NotiCen, 200-04-13). He was also accused of appropriating US\$412,000 in hurricane-relief funds for his own use. Jerez

was never convicted of anything though the US State Department revoked his visa earlier this year (see NotiCen, 2000-06-15, NotiCen, 2002-02-07). Local newspapers periodically report on new alleged irregularities such as the two Chevrolet Suburbans, originally imported duty free for presidential use, which Aleman maintained for his personal use after leaving the presidency.

Comptrollers decide to audit CGR comptroller

Luis Angel Montenegro of the FSLN noted that, upon leaving the presidency in January, Aleman declared his worth at US\$1.3 million. Montenegro said the declaration was fraudulent because Aleman did not list his investments in telecommunications and ten lots valued at between US\$30,000 and US\$60,000 each, registered in the name of his wife and daughter. Aleman also overlooked his interest in Aleman Flores real estate company, the Aleman Flores Corporation of Miami, Cafe Rico, and the Marquette Clinica de Rehabilitacion Medica. Aleman had previously listed some of these assets in other declarations.

In early March, Montenegro demanded an audit of the former president. In an unusual show of solidarity, all five comptrollers agreed to the audit. The comptrollers also decided to conduct an audit of Jerez and the 157 mysterious checks involved in the checazo scandal. These decisions were unprecedented since the CGR has never audited the declarations of any former government officials.

US\$1.3 million missing from Channel 6

In addition to the charges relating to well-known accusations against Aleman, prosecutor Alberto Novoa is investigating evidence in the fraud case involving US\$1.3 million in Channel 6 funds that are unaccounted for. "The thieves in this government are going to jail," said Assistant Attorney General Francisco Fiallos.

On March 12, police arrested Roberto Duarte Solis, Aleman's former presidential press secretary, in connection with the case. Also arrested were the television station's director Sydney Pratt Reyes, the station's former finance director Dagoberto Rodriguez, and Mayra Medina Gonzalez, legal representative for Servicios Integrales Casco. The firm, owned by Aleman associates former Mexican ambassador to Nicaragua Ricardo Galan and Mexican businessman Alejandro Lopez Toledo Casco, falsely presented itself as a representative of Mexican television company TV-Azteca.

Prosecutors say Duarte and others implicated in the Channel 6 conspiracy hatched a plan to steal money from the government by first claiming Channel 6 was not competitive and faced bankruptcy. Medina Gonzalez and others then set up Servicios Integrales Casco in Panama in 2001. Channel 6 received large sums of money from the Empresa Nicaraguense de Telecomunicaciones (ENITEL) and other government dependencies supposedly for services rendered by the station. Channel 6 also wrote checks to Servicios Integrales Casco supposedly for modernizing the station's operations with assistance and equipment from TV-Azteca. Prosecutors have issued an arrest warrant for Galan and Lopez Toledo who are believed to be in Mexico. Judge Gertrudis Arias has asked INTERPOL to assist in their capture and the CSJ is asking Mexico to extradite them.

On March 18, Judge Arias froze bank accounts belonging to Galan and Lopez Toledo that contained US\$450,000 believed to have come from Channel 6. Attorney general issues formal accusation against Aleman On April 3, the attorney general's office formally charged Aleman with fraud, embezzlement, and misappropriation of public funds in the Channel 6 case. Also implicated are former director of Telecomunicaciones David Robleto Lang, former secretary of the presidency and PLC Assembly Deputy David Castillo, and attorney Edmundo Tefel.

Though not yet indicted, several others are implicated. These include former ENITEL director Salvador Quintanilla, ENITEL's former financial director Armando Jose Bermudez, former treasury minister Esteban Duquestrada, current director of the Instituto Nicaraguense de Turismo (INTUR) Ausberto Narvaez, and Mario Medrano, director of the Empresa Administradora de Aeropuertos Internacionales.

Accused implicate Aleman Duarte and Pratt said in their depositions to Judge Arias that they acted under orders from Aleman and Martha McCoy, who was then Aleman's spokeswoman and is now a deputy in the Parlamento Centroamericano (PARLACEN). But Aleman said Duarte and McCoy were responsible for the irregularities at Channel 6. In his declaration to Judge Arias, Aleman acknowledged ordering the improvement in the station's coverage through a contract with TV-Azteca and ordering funds transferred to the station to cover its debts and save it from collapse. But the task was turned over to press secretary McCoy and later Duarte, who replaced her, Aleman said.

Immunity holds up judicial process

Judge Arias has asked the National Assembly to revoke Aleman's immunity from prosecution. As an Assembly deputy and president of the Assembly, Aleman has immunity, but that can be removed by the Assembly through a process called withdrawal of privileges (desaforacion). The daily La Prensa calculated that the FSLN's 38 votes plus those of smaller parties could get a bill of desaforacion passed over PLC objections. PLC leader Eduardo Urcuyo pointed out that, even if the Assembly lifts Aleman's immunity, he still has immunity as a PARLACEN deputy, and that body has no formal desaforacion mechanism. If PARLACEN had such a mechanism, it would still not act because it is "a den of thieves" where ex-presidents go to escape prosecution, he said. Aleman is helped, said Urcuyo, by his control over the Assembly and his influence over critical state institutions such as the CSJ.

Governing party concerned about loss of support

Meanwhile, the PLC is in trouble as party leaders worry about Aleman dragging the party down to electoral defeat. The daily El Nuevo Diario reported in March that members of the party's executive council (Consejo Ejecutivo Nacional, CEN) had entered a save-the-party mode, implying that Aleman might expect little help from them and could go down alone. However, there are two schools of thought in the PLC. One holds that Aleman will be cut loose by the party hierarchy and the other that he will survive with the support of those who have received seats in the Assembly as sinecures or who have benefitted from the alleged corruption of Aleman and his lieutenants.

"The situation does not favor Aleman, although there are Liberals who have profited [from corruption] and are thinking of jumping into the coffin with him, but others, like me I will attend the funeral, but I won't jump in the coffin with the dead because I took no profit," said Urcuyo. Urcuyo said Aleman should give up his attempt to wrest power from President Enrique Bolanos and negotiate an end to the crisis. But Bolanos has his own problems, he said, because of the corruption charges that affect the entire party. There is no likely leader in the party other than Aleman and Bolanos who can break the deadlock and refloat a sinking party, he said. Bolanos says there are mafiosos in Nicaragua President Bolanos' picture of corruption in Nicaragua seemed likely to further burden the party.

While in El Salvador for a meeting of Central American presidents with U.S. President George W. Bush (see NotiCen, 2002-03-28), Bolanos said the Channel 6 scandal was only the "tip of the iceberg" and that there were "mafias of corruption" in Nicaragua. Though he did not say who they were, he said they were capable of making attempts against his life. He said Aleman would be tried for corruption but did not name him as a mafioso. On the contrary, Bolanos referred to Aleman as his friend. "He speaks to you to your face and is not the kind of person who orders people killed," Bolanos said. "There are other mafiosos capable of that, and some could be former officials of his."

Corruption issue has unifying effect on Sandinistas

Aleman's troubles have become the FSLN's troubles. The PLC-FSLN pact, cemented by the 1999 constitutional reforms, linked Aleman's fate with that of FSLN secretary general Daniel Ortega and his party. The pact has been a major source of division within the party. But the corruption charges and aggressive judicial action in the Channel 6 case have had something of a unifying effect on the FSLN, which is now calling for a revocation of the pact.

The daily La Prensa reported in mid-March that Baltodano and other critics of the pact have joined with leaders of other FSLN factions to denounce it, to demand the party support the growing anti-corruption movement, and to make a final break with Aleman. These leaders say the pact linked the party to the fate of Aleman and prevented the FSLN from becoming an effective opposition party. The analysis came close to concluding that the party's string of electoral losses can be traced back to the power-sharing agreement.

Former Gen. Hugo Torres said that, in recent years, there had been "an excessive emphasis" in the party on securing a larger share of political power instead of "directing its efforts toward the social struggle" and seeing to the needs of the popular sectors. At its March 16-17 party congress, the party resolved to open a dialogue with its dissidents, whom it earlier had all but driven out of the party.

As for the issue of corruption, the party voted to support a resolution by its allies in the electoral alliance Convergencia Nacional that Bolanos condemn corruption and demand punishment for those implicated in the latest scandals.

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