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country report

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Panama's government under pressure

Navigating between transparency and accusations of corruption in the fight against the virus

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After a consistent, transparent and unagitated course in the fight against the coronavirus, the government of President Laurentino "Nico" Cortizo is facing a rapid loss of confidence due to the irresponsible behaviour of members of the government. Until a few days ago, the severe restrictions on the freedom of movement and action that accompanied the drastic measures to combat the pandemic were supported by the vast majority of the Panamanian population without complaint. The government gambled away this broad consensus through questionable procurement projects bordering on audacity, which almost force the presumption of attempted corruption. At the centre of the accusations is José Gabriel "Gaby" Carrizo, Panama's vice president and head of the presidential ministry.

And everything started so well: Already at the end of January, the Panamanian Ministry of Health published a prevention plan on COVID-19, training courses were held and epidemiological surveillance measures of travellers were implemented. However, until the second week of March, the population was hardly noticing these precautions. Although several other countries in Latin America had already reported first cases, it seemed that Panamanian society hadn't realized the seriousness of the situation yet.

On 9 March, Panama reported the first confirmed case. It was a Panamanian woman who had arrived from Spain two days earlier. Later it became clear, that via the highly frequented international airport of Panama City, the virus had apparently reached Panama much earlier and was able to spread unnoticed, especially during the festivities around carnival.

Strict measures to combat the pandemic

With the first confirmed case, COVID-19 was suddenly present in all media outlets and the public. The recommendations of international health organizations were quickly implemented. As early as 13 March, the President declared a national state of emergency, which was accompanied by a series of emergency measures: All borders were closed, and all national and international commercial air and passenger shipping was suspended. Entry into Panama was (and is at the time of writing this report) only permitted to Panamanians and foreign residents who put themselves into domestic quarantine immediately after arrival for 14 days. All events had to be cancelled and school and university education was suspended throughout the country. All shopping centres and shops have been closed, only supermarkets, medical facilities, pharmacies and petrol stations are still open. Most commercial operations were temporarily closed, and home office was recommended for all offices. The president ordered a partial curfew on March 18th, then a complete curfew since March 25th. Depending on the final digit of the identity cards (for foreigners, the passport), women are allowed to leave the house for two hours on Mondays, Wednesdays and Fridays. However, this is only to go shopping for food or to buy pharmaceutical products. Men may use their two hours on Tuesdays and Thursdays. On weekends there is an absolute curfew. Until 8 May, the purchase of alcoholic beverages was also completely prohibited. At many strategic points in the capital and along the Panamericana, strict controls are in

place and there are severe penalties for failure to comply with the set curfew times. The police presence was greatly increased after riots with burning tires and the looting of small shops during the first nights of the total curfew. Although most Panamanians accept the government's measures, after eight weeks of curfew there are more and more people who disagree with the measures.

Transparent information policy of the government

In the first weeks of the crisis the government of President Laurentino "Nito" Cortizo impressed with an extremely transparent information policy. Since the first case of corona has occurred, a press conference has been held every evening at 6 p.m., broadcast on television and radio. In the press conference, the government informs about current developments and new measures and answers questions from the media. These conferences are usually convened and chaired by the Minister of Health, Rosario Turner, but President Cortizo himself also attends from time to time, especially when important measures or new developments are announced. The strict government action to contain the pandemic has its reasons: with a population of about four million people, 9,286 positive cases were registered on 15 May, of which 2,922 were active and 266 deaths. 46,898 samples were taken. This makes Panama by far the most affected country in Central America compared to the number of inhabitants.

The government of President Cortizo, who has been in office since July 2019, won great recognition among large parts of the Panamanian population due to its transparent, consistent but always moderate approach.

Accusations of corruption and collusion are a heavy burden on the government

The total collapse of the popularity curve came on the evening of 24 April, when independent journalist Mauricio Valenzuela of the investigative journalist group *Focopanamá* published a video on Instagram. In this video, Valenzuela showed a letter signed by the Vice-Minister of the Ministry of Presidential Affairs with a purchase order for 100 mobile air conditioning units for the new hospital, which was built on the site of the national airport in just four weeks as an emergency hospital with 100 beds. The uproar regarding this purchase order was due to the exact specification of the manufacturer and a price of just under 49,000 USD per unit (!), which represents a purchase volume of just under five million USD. The journalists from *Focopanamá* then researched on the Internet and were unable to find a price for the equipment in question that was over USD 5,200.

The following day, all media outlets reported on the publication, and the population reacted in shock. The fact that the Ministry of Health was not involved in this purchase was only seen by the citizens as further confirmation of the corrupt behaviour of government politicians. The shouts in social networks calling for the resignation of Vice President José Gabriel Corrizo (#gabyrenuncia) as the responsible minister became louder and louder. Carrizo's announcement during his visit to the new hospital on April 27th, in which he emphasized the value of transparency and honesty in times of crisis, was then received rather derisively in the social networks. The resignation of minister Juan Carlos Muñoz, who had signed the purchase order for the portable air conditioners, announced on the same day, did not change this. President Cortizo's statement on Muñoz's resignation, in which he stated that "Juan Carlos played a key role in ensuring the supply of medical equipment and supplies in the right way, under the current conditions and global demand"¹, was seen as counterproductive.

In just a few days, more and more cases of excessive prices and nepotism were uncovered and filled the newspapers. A complaint was filed against former minister Muñoz at the Ministry of Public Affairs (*Ministerio Público*) by the lawyer of the company *Security Equipments Inc.* for acting against public trust

¹ La Estrella de Panamá, <https://www.laestrella.com.pa/nacional/200428/renuncia-juan-carlos-munoz-viceministro>, visited on 16.5.2020.

and exceeding his authority. This came after it was reported in the social networks that the company *Security Equipments Inc.* offered face masks for 12.4 million dollars. The payment obligation letter of 25 March 2020 had been signed by Muñoz. In fact, the company is said to have offered a price of \$4.4 million for its services, according to the company's lawyer who is filing the complaint.²

Vice President Carrizo was also affected. On 28th April the prestigious newspaper *La Prensa* published a report according to which the latter had awarded two contracts for services in the government's strategic public relations to the company *Mercadeo Integral* in August 2019 and March 2020 for a total of 2.6 million dollars. The owner, Carlos Guillermo De Ycaza Córdoba, was appointed by the government in August 2019 as a member of the Board of Directors of the National Bank of Panama after ratification by the parliament, but at the same time he continues to run his company until today. The Vice President excused the fact that the contracts were also awarded without a call for tenders and without obtaining further offers by referring to the precarious situation due to the pandemic.³

It is not only these revelations that weigh heavily on the government. There is also discord within the ranks of the centre-left governing party PRD (*Partido Revolucionario Democrático*). The party, which served as the political mainstay of the military dictator Manuel Noriega (1983-89), is divided into different wings that are defined less by their agendas and more by their respective actors and clientele. Former President Ernesto Pérez Ballardes (1994-99) of the PRD, for example, stated that the current main actors in his party, which consists primarily of current and former members of parliament, are primarily concerned with their own interests, leaving the collective completely out in the cold.⁴ In April, these personal conflicts led to tumultuous clashes during a parliamentary session between the PRD member Kayra Harding and her party colleague Jairo Salazar, who insulted her and became almost violent. According to the ex-president, the party is also riddled with "Trojan horses"⁵, which in no way identify with the goals of the PRD, but only used them as a springboard for their own career ambitions. Moreover, there is almost no regular communication, let alone political coordination, between the presidential palace and the PRD faction in the national parliament, which only exacerbated the crisis of the PRD and led media representatives to call the PRD the strongest opposition to their own government. A member of parliament for the PRD went so far as to describe the conditions in his party as "disastrous"⁶. President Cortizo seems to be losing the reins of leadership.

The actual political opposition, in turn, is barely visible in public. Only the new leader of the previous governing party, *Partido Panameñista*, and candidate for the presidency last year, José Isabel Blandón, commented on the current situation and objectively stated that the consensus that existed at the beginning of the corona crisis no longer existed - on the one hand because of the corruption scandal and on the other hand because of the lack of support for the poorer sections of the population.⁷

Lack of support drives population onto the streets

The discovery of the corruption-suspicious behavior of members of the government increased the growing discontent, especially among the poorer population, about the lack of support via the *Panamá Solidario* government plan which had been announced by President Cortizo on March 18. The emergency aid plan, with a budget of USD 50 million, was introduced, so that Panamanians in need (especially those working in the informal sector and the unemployed) would receive an initial one-off payment of USD 75 to 100 and a food package. However, by the beginning of May, no Panamanian had received money or benefits. This and the growing discontent over the extreme curfew led to protests and roadblocks by the police authorities in Panama City, the densely populated suburb of San Miguelito

2 La Prensa, <https://www.prensa.com/politica/denuncian-ante-el-ministerio-publico-a-exviceministro-de-la-presidencia-juan-carlos-munoz>, visited on 16.5.2020.

3 La Prensa, Los negocios del Ministerio de la Presidencia, 29.4.2020, S. 2^a.

4 La Prensa, El PRD contra el PRD; el virus ataca al partido del Gobierno, 1.5.2020, S. 2^a.

5 Ibid.

6 Ibid.

7 La Prensa, Las semanas pico del presidente Cortizo, 4.5.2020, S. 2A

and in various provinces. The President then promised to implement the plan immediately. According to the presidential palace, more than 300,000 Panamanians should receive the support by mid-May.

Panama's economy and budget under pressure

However, it is not only accusations of corruption, internal party disputes and growing dissatisfaction among the population that weigh on the government, whose recent actions seem to be characterized by upsetting previous plans and strategies, and mutual recriminations, complaints and insults.⁸ The economic and financial situation of the country is also coming under increasing pressure. Thanks to the canal, the location of Panama City as a banking centre and the largest copper mine in the world, Panama is economically and fiscally better positioned than many other countries in the region. The consequences for the economy caused by COVID-19, which is predicted to have the weakest growth rate since 2009 at 3.5 to 4 percent, are nevertheless precarious. According to current estimates by the IMF, COVID-19 will increase the budget deficit by around \$3.7 billion and will have a significant impact on national debt, which in 2019 alone will have risen by \$5 billion to a total of \$31 billion. The inflation rate is stable at around zero percent.

The copper mine on the Caribbean coast is owned by *Canada's First Quantum Minerals Ltd.* and is considered the largest foreign investment in Panama's history with more than six billion US dollars. It started production last year and is expected to generate around three percent of the gross national product at full capacity. After the first corona death of a mine worker on April 4, President Cortizo announced the temporary closure of the mine two days later, due to pressure from the unions. In April, the IMF granted Panama a loan of USD 515 million for emergency measures. Further substantial loans were pledged by the Inter-American Development Bank (\$300 million) and the World Bank (\$41 million). Shortly thereafter, Panama issued 2.5 billion US dollars in government bonds with an interest rate of 4.5 percent and a duration until 2056 on the international market. The government also authorized the withdrawal of one billion US dollars from the Panamanian savings fund and announced a restructuring of the national budget to save another two billion US dollars. It remains to be seen whether the corruption accusations will have an impact on the granting of loans by the international banks.

Outlook

On May 11, the Panamanian government published its COVID 19 exit strategy, which, with one exception, does not yet include any concrete dates. The various manufacturing and service sectors were divided into six blocks according to their importance.

The first block, which was re-admitted on 13 May, includes the electronics trade, workshops and the spare parts trade, technical services such as electrical and sanitary installations, as well as industrial agricultural production and small-scale fishing. The international airport *Tocumen* of Panama City is scheduled to open again on 22 June.

Like many other presidents before him, Cortizo promised at his inauguration to fight the endemic corruption in Panama's government and business circles. Moreover, during the first weeks of the Corona crisis, his speeches were always marked by calls for solidarity and joint action to overcome the pandemic. The main objective of the President and his government must now be to regain the confidence of the population through consistent and transparent action, like at the beginning of the Corona crisis, and to implement a return to everyday normality quickly, but still with all due caution.

⁸ Ibid.



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