

Illicit Campaign Financing in Guatemala



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1. The Zetas, Drug Money and the Colom Campaign in Guatemala

Steven Dudley

In the first of three articles concerning illicit political contributions in Guatemala, we look at the 2007 presidential campaign of Álvaro Colom. Colom, the bookish former head of a prominent development agency, won the election with help from dubious operatives such as Obdulio Solórzano, who allegedly secured financial support from Mexican and Guatemalan organized crime groups. This story tracks Solórzano's rise and his ignominious, bloody fall.

On December 27, 2010, a DJ at a local radio station in the central highlands of Guatemala, known for playing a mix of news, music and community programming, began reading a press release.

“This is a message to the President of Guatemala. We are the Zetas group, and we just wanted the country to know that President Álvaro Colom received \$11,500,000 before elections ended,” the DJ read, seemingly in a rush. (See transcription [here](#).)

The announcement over the Radio La Buena in the city of Cobán that morning jolted the locals, one of whom stopped his car, pulled out his phone and recorded the broadcast.

President Colom, the soft-spoken former businessman, had made it to the presidential palace by presenting himself as the antidote to corruption and favoritism towards elites. But the costs of that rise to power were high -- there were rumors that he had accepted money from Guatemalan and Mexican drug traffickers for his campaign via a former congressman named Obdulio Solórzano, among other campaign operatives. The communique addressed these rumors, and it made clear that whatever deal may have been made was unraveling quickly.

“The person who sends this message is the same one who gave [the president] the money,” the DJ continued. “He has license plates and the addresses where the money was handed over, and, you, Mr. President, are the one who sold the country out to the Zetas.”

Colom’s political party, the National Unity of Hope (Unidad Nacional de la Esperanza – UNE), is one of Guatemala’s oldest, and it has to date largely avoided the types of backbreaking accusations that other political parties are facing for their financing schemes. From the current president’s National Convergence Front (Frente de Convergencia Nacional – FCN-Nación) to the Patriotic Party (Partido Patriota – PP) and the former UNE offshoot known as the Renewed Democratic Liberty (Libertad Democrática Renovada - Líder), political parties in Guatemala are facing an unprecedented wave of prosecutions. Of these three, only FCN-Nación remains an active party, but the Supreme Electoral Tribunal (Tribunal Supremo Electoral - TSE) has already [filed paperwork](#) to dissolve it, even while President Jimmy Morales tries to save his presidency.

On a personal level, Colom has been able to beat back these rumors, in part because at the tail end of his 2008 to 2012 term in office, he did go after drug traffickers. In the days prior the Zetas’ declaration over Radio La Buena, the president had dispatched the military to Cobán to chase the Zetas from the area, which had become the group’s de facto headquarters.

The US Drug Enforcement Administration (DEA) was also starting to close in on the group. In October 2010, police in Belize arrested and extradited a Zetas’ ally, a Guatemalan national named Otoniel Turcios, who was being pursued by the US and Guatemalan governments. Colom’s administration would later arrest and extradite several others as well.

The person who sends this message is the same one who gave [the president] the money.

However, on that morning, the Zetas offered a competing version of events. In their declaration, they said the Colom administration was covering up its crimes, not cracking down on criminals.

“You killed ‘The Mustache’ [Solórzano], and you handed Turcios over to the DEA because they were the people who gave you the money,” the DJ read.

Solórzano had been gunned down on a Guatemala City street in July 2010 -- dozens of bullets pumped into him, gangland style.

The accusation was startling, not just because of its bold declarations, but because of what the Zetas said would follow.

“We will start the war in this country, in malls, in schools and in police stations in this country. These will be the payments of the \$11,500,000 dollars that the president owes,” the DJ read. “Comply with your promises or fight with the beast.”

'Yuyo' and Turcios

Solórzano was a politician and a businessman who had come into UNE through the back door. A burly man with a beefy mustache, Solórzano had grown up in the southern department of Escuintla, a perennial passageway for drugs and contraband. Solórzano was a businessman, or as one former UNE official described him, a “fixer.” He arranged government contracts at the port and elsewhere and obtained a cut in the process. Solórzano used the proceeds to buy gasoline stations and hotels.



Obdulio Solórzano, aka 'Yuyo'

Solórzano's connections with potentially dubious interests raised eyebrows inside the party when UNE's nominal leader, Colom's wife Sandra Torres, opened the way for him to run for Congress with the party in 2003. But UNE needed people like Solórzano. The party had an outside-in strategy. Guatemalan elections had long been dominated by those who controlled Guatemala City; no president had ever won elections without winning the capital. UNE sought to upend that formula.

The strategy came from experience. Although from a well-to-do family and an owner of factories, Colom had raised his profile by running a post-war, rural development arm of the government called the National Fund for Peace (Fondo Nacional para la Paz - FONAPAZ). FONAPAZ was an effort to reconstruct and assist areas of the country ravaged by a decades-long civil war. Colom made the most of his post, creating the foundation for the establishment of UNE.

But if the votes came from beneficiaries of FONAPAZ's work and the political capital it yielded, the money had to come from somewhere else. Colom had virtually no support from the traditional monied interests in the country. When I met him a few years after his presidency ended in 2015, he said that although he was part of the country's foremost business association, the Coordinating Commission of Agricultural, Commercial, Industrial and Financial Associations (Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras – CACIF), he was ostracized by his most prominent cohorts.

“I was never invited to the political meetings,” he told me, referring to the high-level gatherings between the economic and political elites in which many of the country's issues were settled.

Colom did himself no favors by running for president as the candidate of the former leftist guerrilla coalition in the late 1990s. He also married Sandra Torres, a woman who many would falsely accuse of being a member of the guerrillas. Still, CACIF members rightly perceived that Torres and Colom would undermine them, and so

they actively worked to keep the couple and their fledgling party, UNE, from the highest political perch.



Sandra Torres with her former husband, Guatemalan ex-president Álvaro Colom (2008-2012)

UNE's financial limitations were apparent in Colom's 2003 electoral defeat to Óscar Berger, the CACIF's preferred candidate that year. People like Solórzano were a way to bridge that financial gap. They were, in essence, the interlocutors who would manage the connections to the monied interests, no matter their origin.

By 2003, Solórzano's networks were already strong. He had a prominent patron at the port and arranged for support from the would-be mayor of the city of Escuintla to run for office. That year Solórzano won enough votes to become a congressman of Escuintla; his ally won his mayoral election as well. Between them, they created a classic Guatemalan pipeline combining government contracts, kickbacks and money laundering, a former UNE official who worked closely with them told InSight Crime.

Solórzano kept a low profile in Congress (the same former UNE official described him as "very quiet"), but his economic fortunes caught the attention of party leaders. At the time, UNE was collecting financial quotas from its congressmen and mayors. Solórzano's sizable contributions helped him begin a quick and steady rise through the ranks. For the 2007 elections, the party made Solórzano one of its top financial and political operatives.

Among the states under his purview was Alta Verapaz where he made contact with a businessman named Otoniel Turcios. Turcios had large agricultural and construction businesses, but he had also been connected to drug trafficking going back to the early 1990s. He worked with another area resident, Jorge Mario “El Gordo” Paredes, who was also trafficking drugs, and by 2007, the two of them were under investigation by the DEA.

Through Solórzano, Turcios saw an opportunity to keep law enforcement at bay, as well as secure some government business. The relationship between Solórzano and Turcios evolved quickly. Turcios helped him make contacts with underworld figures. They later bought property together, according to one former UNE official who traveled with Solórzano to meet with Turcios on one of these properties on at least one occasion. This same official, who like others spoke on condition of anonymity because of legal concerns, said the Turcios connection brought Solórzano to “another level.” (Two of Solórzano’s surviving family members declined to comment for this story.)

Turcios later fulfilled his end of the bargain by providing the campaign with money and other forms of assistance like transport services and gasoline. The two became close. When Solórzano worked in Alta Verapaz, he stayed at Turcios’ house in Cobán. Turcios soon took to calling him “Yuyo,” Solórzano’s longtime nickname.

Win the Countryside, Win the Country

To upend the political paradigm of winning the general election without winning Guatemala City, the campaign had to focus on the countryside. This meant it had to pay community and political leaders to get them to rally voters, and it had to provide them with transportation and other logistics, so they could actually vote.

In the second round of the 2007 election, UNE also faced a well-funded foe: retired military general Otto Pérez Molina and his Patriotic Party. Pérez Molina had parlayed his own contacts to beef up his coffers, including with prominent members of the CACIF, a process that would accelerate for his next, successful run at the presidency.

UNE’s answer to these problems, according to multiple sources who worked in or with the campaign, as well as a [report](#) by judicial investigators at the International Commission Against Impunity in Guatemala (Comisión Internacional Contra la Impunidad en Guatemala – CICIG), was to turn to illicit sources.

The campaign was essentially broken into three major revenue streams, the report said. At the top, operating in a more official capacity liaising with the more traditional sources of financing, including from the pharmaceutical industry and construction companies, was Gustavo Alejos.

Alejos managed the pharmaceutical company, J.I. Cohen, and was a powerful political and economic elite in his own right. Alejos would also make significant contributions

to the campaign and later become chief of staff so he could begin to channel business to his and his allies' businesses, the CICIG said.

Sandra Torres' sister, Gloria Torres, was the second major "collector," as the CICIG called them, and her contacts included openly illicit funding sources. According to multiple local, international and DEA sources, Gloria Torres forged relationships with traffickers such as Juan Alberto Ortíz López, alias "[Chamalé](#)," a powerful drug transporter operating in the San Marcos department along the border with Mexico; and [Waldemar Lorenzana Lima](#), the patriarch of a trafficking family operating on the eastern border with Honduras and El Salvador.

"In the midst of the corrupt network created by Gloria Torres, what is clear is the connection of a drug trafficking organization to the highest levels of a political party, probably facilitated by the [political] contributions," the CICIG wrote.

Both Chamalé and Lorenzana worked more closely with the Zetas' rivals, the Sinaloa Cartel, which, according to a source who helped fund the UNE campaign, also sent an emissary from Honduras to contribute to UNE's campaign. That emissary came from the Gastélum Serrano family, the Sinaloa Cartel's top representatives in Central America, the source said.

According to a DEA source who tracked the family for years, César Gastélum Serrano, the nominal leader of the group, operated from the Honduran city of San Pedro Sula for at least a decade before he was [arrested](#) in Mexico in April 2015. But the campaign source said it was another member of the family who was reportedly the intermediary in the deal with UNE.

Solórzano was the third major "collector," the CICIG said in its report. And in Solórzano's area of Alta Verapaz, money allegedly came from Turcios, the report said. The report does not mention the Zetas, but according to its own statement via Radio La Buena in Cobán, the criminal group channeled this money through Solórzano. In total, the Zetas claimed they moved a little more than 200 million quetzals (just over \$11 million at the time) to UNE.

*UNE's answer to these problems was to turn to **illicit sources**.*

InSight Crime contacted numerous current and former UNE officials to try to corroborate the Zetas' account. Two former UNE members, as well as one who worked with Solórzano on fund-raising activities for the party but wished to remain anonymous for legal and security reasons, said the party received the money, although neither of them says they saw when it was exchanged. Two former government investigators, as well as a foreign counternarcotics agent, also said this was their understanding of what had happened, but neither of them said they had heard a first-hand account of this exchange.

Although the CICIG does not mention them in its report, there were other major conduits for illicit funding. Guatemalan investigators and the source inside the campaign said that a former military officer named Carlos Quintanilla channeled money from Gordo Paredes and Juan José "Juancho" León Ardón, then the country's foremost drug trafficker. And Manuel Baldizón, a UNE congressman who would later break away to form his own party, allegedly secured dubious funding as well.

Investigators at various units of the Attorney General's Office probing other cases of illicit campaign finances told InSight Crime there is, as of yet, no investigation into the 2007 UNE presidential campaign. This is, in part, due to the fact that there was no specific law against illicit campaign financing until 2010.



Illicit Campaign Finance: Drug Traffickers-Politicians Quid Pro Quo

The source who participated in the scheme said that the quid pro quo was clear from their end: first, steer government contracts towards the traffickers' companies; second, steer police, military, the DEA and prosecutors away from the drug business. From the perspective of the drug traffickers, by accepting the money, UNE agreed to these terms, the source said.

On November 4, 2007, Colom beat Pérez Molina by four points, making him the first president to ever win the general election without winning Guatemala City. UNE also won more congressional seats than any other party and formed a coalition that gave it control over the legislature. It was the pinnacle of the party's power.

Zetas Visit the Presidential Palace

After Colom won, his backers went to the presidential palace to collect on their investments. Some of them got significant payback. Turcios' companies, for example, helped reconstruct or build dozens of schools and other government infrastructure, such as highways and roads. As the CICIG noted, Turcios' daughter also got a token job at PRODEVER, the local government development arm in Alta Verapaz. Other trafficking families also got government contracts, including Chamalé, according to the CICIG, which added that this was a typical quid pro quo for campaign contributions.

For the first two and a half years, there was also little or no indication of a crackdown on drug trafficking. There was, for instance, only one major arrest of a Zetas' operative during this time period, and two people who participated in the counternarcotics operations that led to the arrest told InSight Crime it happened because of DEA intercepts of telephone calls and text messages, not because of proactive government policy to tackle drug trafficking.

However, not everyone thought Colom was beholden to drug traffickers.

“He just underestimated the size of the problem completely,” a former UNE security official told InSight Crime referring to then-President Colom's understanding of the drug traffickers' power.

Former US Ambassador to Guatemala Stephen McFarland agreed. McFarland arrived in Guatemala in August 2008 and would stay for nearly the duration of Colom's tenure. He said that he had a good relationship with the then-president.

“When we asked for cooperation we got it,” McFarland said. “And some of that cooperation required top-level approval from Colom.”



Daniel Pérez Rojas, alias "Cachetes," after his arrest

But Colom's seemingly disinterested approach troubled officials early in his administration. The arrested Zetas leader was named Daniel Pérez Rojas, alias “Cachetes.” (See photo below.) The arrest, which happened on April 8, 2008, startled

the agents. Cachetes was an alleged Zetas' founder. His presence meant the criminal importance of Guatemala was rising and that the group was operating in the capital city.

To be sure, the Zetas were in the process of splitting from their progenitors, the Gulf Cartel, and establishing a beachhead in Guatemala had become a priority. Cobán had become its headquarters. The Mexico-based criminal organization had taken over businesses, terrorized and extorted farmers, kidnapped prominent residents, and pushed authorities into a proverbial and literal corner: At one point, the Zetas beat and left six policemen hogtied and naked along the side of the road.

Two weeks before Cachetes arrest, on March 25, 2008, the Zetas had called a meeting with Juancho León to talk about León's propensity to steal their merchandise and kill their operatives. León agreed to the meeting, but the Zetas ambushed and killed him. Eight others also died in a massacre that upended the Guatemalan underworld and started the string of events that led to Cachetes arrest, the detection of numerous Zetas' safe houses and the startling discovery of a diary that chronicled an important high-level, government appointment.

The trail that got them to that diary started with the arrest of several Zetas operatives. Investigators confiscated fake identification cards from the operatives, which led to them to a municipality where the Zetas obtained the false documents. Authorities found that the local administrator had put recent photos of close to two dozen Zetas operatives in their municipal identification logbook. Cachetes, for instance, [was passing himself off](#) as Juan González Díaz.

Another person in the logbook was Miguel Ángel Treviño, alias "Z40," the group's second-in-command. He had an identification document that said his name was David Estrada Corado. (See photo below.) Z40, investigators would learn later, was entering the country to receive treatment at a weight-loss clinic in the city. The process went on long enough for Z40 to rent an apartment opposite the clinic for several months.

The identification documents led authorities to phones, which they began to wiretap. This led them to the arrest of Cachetes and to safe houses, which they raided. Inside one of these houses, investigators found 17 suits purchased from the local Men's Factory that they had worn in the pictures used for their fake documents.

They also found the diary. The Zetas, who were meticulous bookkeepers, wrote down who they met with and where. One of these annotations showed that shortly after Colom's inauguration, the Zetas' representatives had allegedly met with a presidential advisor in the presidential palace in the first months of Colom's government.

The two investigators who worked on the case could not confirm to InSight Crime who met with the Zetas' delegation in the palace that day. But they were sure that it did not happen without the knowledge of the Zetas' intermediary, Obdulio Solórzano.

“An adviser to the Colom administration said that Solórzano was using FONAPAZ to launder drug trafficking money, by hiring construction companies with links to organized crime to build infrastructure projects for municipalities in northeastern Guatemala,” the Wilson Center report reads.

Some of these FONAPAZ contracts went to Turcios, the CICIG said in its report. In all, 440 million quetzals (\$55 million) in FONAPAZ contracts had to be rescinded, the Woodrow Wilson Center report said. One [report in elPeriódico](#) said that 103 contracts were being reviewed by the Attorney General’s Office.

Under Solórzano’s watch, FONAPAZ misappropriated at least \$175 million.

Solórzano’s use of the FONAPAZ to bolster his political standing was the formula that Colom had used to win the presidency, something that was not lost on Solórzano’s rivals, in particular, first lady Sandra Torres. Torres was an [ambitious political operative](#) in her own right and would soon earn the dubious distinction of being the “most abrasive” person in the Colom presidential palace, according to a 2009 US Embassy [cable](#) written by then-Ambassador Stephen McFarland.

“We believe the First Lady is by far the best senior manager in government (albeit not a transparent one),” McFarland wrote.

Torres allied with Gustavo Alejos, by then Colom’s chief of staff. Between them, they tried to steer the administration through their control of the president, who is known as an affable if not a particularly strong character.

What this meant in practice was building a virtual wall around the president, controlling access to him and developing his list of priorities. When they could not control that access, Torres and Alejos simply removed the person from the equation. In September 2008, for instance, the Colom administration [announced](#) the firing of Carlos Quintanilla, who had become the head of Guatemala’s Secret Service after the elections, for allegedly bugging Colom’s office and residence.

Quintanilla went on the run and was prosecuted, but the case eventually fell apart, and one former prosecutor told InSight Crime that the case was fake, a ruse to get Quintanilla away from the president. (Quintanilla was later connected to drug trafficking by the CICIG, but never charged. In 2017, [he was arrested](#) on charges of blackmail, and his case is pending. He did not respond to InSight Crime’s efforts to contact him.)

Solórzano was also frozen out, so even while his stock rose on the outside of the palace, he had no access to the president himself. What’s more, Torres was already eyeballing her own presidential bid. Although she didn’t have FONAPAZ, she was the head of several important, multimillion-dollar social and economic programs for poor, rural voters who formed UNE’s base.

She also had her sister, Gloria, who was the conduit to the local power structures that had helped elect Colom. As a high-level UNE official, Gloria Torres could counter Solórzano's growing power within the party with her own deal-making on the municipal level. The quid pro quo was essentially the same: monetary and political support in return for government contracts.

By early 2009, Solórzano's political dreams inside UNE were unraveling at a rapid pace. He had no contact with Colom, and his enemies inside the party were beginning to leak information about FONAPAZ's misdeeds and his dubious connections to drug traffickers like Turcios, who was now officially on the government's and the DEA's radar.

Listen to the Podcast: [Guatemala's Political Fixer](#)

In June, Solórzano was [fired](#) from FONAPAZ, but his ambition did not wane. He had financial backers. He had political allies. He had experience. Now he needed a political party. Following his ignominious departure from FONAPAZ, Solórzano started making overtures to a rival party, according to a source who attended at least one meeting with him. A separate source who worked with UNE said Solórzano also made contact with another party as well.

Solórzano, meanwhile, never gave up hope that he could meet with Colom and talk him into going with him to another party, two people who had conversations with him at that time told InSight Crime. By then, Colom was in a fight of his own, increasingly sidelined by the first lady and Gustavo Alejos, who were also [fighting among themselves](#). (Alejos would later be [charged for corruption](#) and go on the run. More recently, he was put on a US Congressional "[blacklist](#)." Colom and Torres would later divorce, and the two have been largely estranged since.) Solórzano considered the president a friend and a possible ally, he told his associates. They told him to be careful, that he was a marked man. But Solórzano brushed their concerns aside.

On July 7, 2010, Solórzano's armored car was hit from behind. It was a minor accident but had enough damage that the next day, Solórzano dropped the vehicle at the garage and picked up new Range Rover that was not armored while his car got serviced.



Solorzano's vehicle after the attack

That night, he left the office and dropped off his secretary. Then he and his bodyguards made their way down Boulevard Liberación. Although it is a thoroughfare in Guatemala City near the airport, there are spots where there are few security cameras. It was at one of these spots, as he made the turn

around the Guatemala Obelisk, that men armed with automatic weapons ambushed him and riddled his car with bullets, killing Solórzano and one of his bodyguards.

Colom's Defense

When I met with Colom in 2015, he was living in a basement apartment in a posh area of Guatemala City. The former president -- who is currently facing charges of corruption in [a case](#) brought by the Attorney General's Office and the CICIG -- is tall and rail thin. He doesn't wear his clothes as much as they are draped on him.

I had gone to speak to him about another story and sprung some questions about illicit campaign financing for his presidential bid in 2007. To his credit, Colom did not blanch. I reached out again for this story specifically, but he did not respond to a detailed questionnaire. It's too bad because, in our earlier interview, he did have some strange explanations for his actions, especially regarding Solórzano.

To begin with, the former president denied knowing about any drug trade-related contributions to his campaign.

"That money never arrived," he said of the Zetas' supposed multimillion-dollar pledge they claimed to have made via the Radio La Buena announcement. "Me, with \$11 million, I would have won in the first round," he laughed about his 2007 election.

(For her part, Sandra Torres also [distanced herself](#) from campaign financing when Nómada asked her about it in 2015, without addressing the veracity of claims about contributions from illicit sources. "I was focused on the social side," she said. "I was not in that [campaign financing] side.")

The most common rumor Colom said he'd beaten back was that Juancho León had contributed to his campaign. In fact, Colom said the León family tried to kill him in July 2008, because Colom had supposedly "betrayed" Juancho León by opening the door to the Zetas. The attackers, he said, mistook his advance team for him.

"Two of our lead cars were ambushed," he explained. "They found checks from Juancho León's brother in the assassins' vehicles."

However, Colom could not remember if anyone died or was injured in the attack. There is also no public record of the ambush, and a half-dozen former security officials from that time period did not recall any such event when I asked about it later.

When I questioned the former president about Solórzano, the conversation got even stranger. Colom said that Turcios gave money to Solórzano, but the former president insisted it was for joint business deals the two were hatching concerning "cattle," not campaign financing.

Me, with \$11 million, I would have won in the first round.

He added that early in his presidency, the Interior Ministry gave him a presentation on the drug trafficking groups in the country, putting Turcios at the top.

“I told Obdulio to break relations with Turcios,” he said to me. “But he said, ‘No, Mr. President. He is not a drug trafficker. He is a good person.’”

When I pressed him as to why Solórzano lasted so long as the head of FONAPAZ, Colom said that early in his administration, he realized that Solórzano was dirty when, following a presidential event in the border state of Chiquimula, Solórzano left in a helicopter for his farm.

“He says, ‘I want to go to my finca in Alta Verapaz,’” Colom told me.

Colom said that the luxurious exit jolted him, and when Solórzano returned from that trip, he fired him. But “half an hour later,” Colom said, then-US Ambassador McFarland called him and told him not to get rid of Solórzano. The implication was that Solórzano was the subject of an investigation. Months later, Colom said, after getting McFarland’s approval, he fired Solórzano.

McFarland, however, denied that he ever asked Colom not to fire someone he suspected of links to narcotics traffickers.

“This was not my approach towards narcotics trafficking, corruption, nor to Colom,” McFarland told InSight Crime.

When I asked Colom why Solórzano was killed, Colom blamed it on his relationship with Turcios. “Turcios gave money to Solórzano,” he said, “and that is why Solórzano got killed.”

Colom has made similar, albeit vaguer, references to other journalists about Solórzano. In an interview with the Wilson Center, Colom told Julie López that the assassination of Solórzano was “heavy,” in reference to the way in which he was killed.

“When the river is noisy, it’s because it’s carrying stones,” he told her, using an old Guatemalan refrain to allude to Solórzano’s dark connections and subsequent distancing from the administration.

War Against Narcos

If Colom wondered about the murder of his longtime colleague and fundraiser, he did little to push the Attorney General’s Office to investigate. People who worked for the Attorney General’s Office during Colom’s administration had a hard time even placing the former UNE congressman or remembering his high-profile assassination in the middle of the capital city. And they said there was no push from the presidency to investigate it.

Still, in the months that followed Solórzano's murder, the government and the DEA ramped up their efforts to corral and arrest drug traffickers. They first set their sights on places like Cobán. There, UNE financiers like Turcios already knew the tide was turning against them. And after his sources told him a large contingent was headed his way, Turcios fled to Petén in a helicopter. Then he crossed into Belize by land where he was [arrested](#) and sent to the United States to face drug trafficking charges.

The government also called for a state of siege in Alta Verapaz that led to the Zetas' bold declarations about campaign financing and Solórzano's death. (It would do another state of siege in the department of Petén.)

In the months that followed, the Zetas fulfilled their promise to wreak havoc. In May 2011, they went on a weeklong [rampage](#), killing the brother of Juancho León in Petén as well as massacring 28 farmhands. Days later, they murdered a prosecutor in Cobán and left parts of his chopped-up body in front of three government offices.

But with the election pact long since broken, Colom reacted strongly.

"I hate drug trafficking," he told me.

By the end of 2011, over 100 alleged members of the Zetas were in jail, and the criminal group has never recovered its power in Guatemala. Other drug traffickers, such as Chamalé and Lorenzana, were also arrested and extradited.

"The fact that they actually made this happen, reflected well on his people," McFarland said. "By Guatemalan standards, they made some significant advances."

Colom's impressive show of force, the arrests and subsequent extraditions of numerous drug traffickers have given him and his party cover in the debate about suspected narco-contributions to his campaign in 2007. But questions about Solórzano, his role in financing the presidential campaign and his subsequent murder remain unanswered.

An illustration of two individuals, a woman on the left and a man on the right, set against a dark, textured background. The woman has long brown hair and is wearing a dark jacket. The man is wearing a brown suit jacket, a white shirt, a brown tie, and a blue sash with a gold medal. The text '2. Guatemala Politics and the Patriotic Party's Theory of 'Eternal Return'' is overlaid in large white font across the center of the illustration.

2. Guatemala Politics and the Patriotic Party's Theory of 'Eternal Return'

Felipe Puerta and Steven Dudley

Juan Carlos Monzón was in South Korea when his boss, Guatemala's Vice President Roxana Baldetti, received the call that would change their two trajectories – intimately intertwined for the previous four years – forever.

On the other side of the phone was President Otto Pérez Molina. The president had information that an arrest warrant had been issued for Monzón, the vice president's private secretary and that he was to be arrested when he landed in Guatemala.

It was April 16, 2015. Baldetti had gone to South Korea to [receive](#) an honorary doctorate in social work from the Catholic University of Daegu. In addition to Monzón, Baldetti had her personal assistant and the former Patriotic Party (PP) Congresswoman Daniela Beltranena with her.

According to Beltranena, the vice president team's initial reaction was one of resignation. Years later, in court, [Beltranena would say](#) that she found Monzón and Baldetti crying in the vice-president's hotel room. The team, she said, was ready to go home.

But Monzón's decision to surrender would have had widespread implications. The Guatemalan Attorney General's Office and the International Commission Against Impunity in Guatemala (Comisión Internacional Contra la Impunidad en Guatemala – CICIG) was [accusing](#) him of heading a corruption scheme at Guatemala's customs agency, which would eventually take on the moniker "La Línea" or "The Line," a widespread scandal that would implicate dozens of officials. But La Línea was a

top-down scheme, directed from the presidency by Pérez Molina and Baldetti. And Baldetti was not about to surrender.

[Monzón says](#) the vice president ordered Beltranena to make preparations for Monzón's escape, which included securing assistance from the Guatemalan ambassador in South Korea to get Monzón out of the country.

Baldetti also gave Monzón a new cell phone with international coverage. She had gotten it from the Secretary of Administrative and Security of the Presidency of the Republic (SAAS), the Guatemalan version of the Secret Service, prosecutors told InSight Crime.

Meanwhile, on the other side of the world, in an exclusive office in Guatemala City, another powerful member of the PP faced a similar dilemma. Alejandro Sinibaldi, the former minister of the powerful Infrastructure, Housing and Communications Ministry, was preparing for a [run at the presidency](#).



Former PP Presidential Candidate Alejandro Sinibaldi. Photo Courtesy of Plaza Pública

However, Sinibaldi had corruption issues of his own, especially related to illicit campaign donations and kickback schemes. He knew that it would not be long before the prosecutors knocked on his door.

The party had [financed its rise](#) to power through a series of shell companies that took dark money from a wide range of donors, laundered it and then injected it into the electoral campaign without reporting it to the country's Supreme Electoral Tribunal (Tribunal Supremo Electoral – TSE).

Guatemalan prosecutors told InSight Crime that as much as 95 percent of the money that the campaign received was not reported. Instead, it went through private accounts.

The Pérez Molina and Baldetti government clearly understood that in order to be in politics and make money in Guatemala, corrupt politicians and businessmen use what they call “quotas of power,” or favors, which open doors to contracts and government benefits.

La Línea was just the beginning. Prosecutors would later reveal a series of cases that laid bare the modus operandi of the administration and its allies, and how the PP, perhaps more than any other government before it, had figured out ways to make money from its time in power.

The PP’s arrival to the presidency was a perfect example of “pay-for-play” in Guatemalan politics, wherein companies finance elections to receive benefits or contracts from the government.

And for that, you need operators like Monzón and Sinibaldi, who, realizing that the complex scheme that they were part of was crumbling, faced a decision: flee or surrender to justice.

Campaigns and Companies

Prosecutors say Monzón never imagined that he would become the vice president’s private secretary. Culture and Sports minister would surely have seemed a safer bet. He was already a businessman in the sports industry with military training when he began his dance with the PP, just before the 2011 elections.

Monzón’s company, Canchas Deportivas of Guatemala, had built sports facilities and helped market them for years. And records show that the company had already [been awarded](#) close to \$2.5 million in government contracts between 2006 and 2011.

Listen to the Podcast: [The ‘Car Thief](#)

Prosecutors say that his initial contact with the PP was through Congressmen Amílcar Aleksander Castillo and Edgar Cristiani, who he knew because of their shared passion for motocross. (During the administration, Monzón would collect at least [ten motorcycles](#), including three high-end motorcycles worth more than \$80,000.)

It could have been his taste for adrenaline that led him to commit some of his first crimes. Prosecutors told InSight Crime that when he was young and in the army in the 1990s, the future private secretary of Roxana Baldetti was nicknamed “[Robacarros Monzón](#),” or “Car-thief Monzón.”

In 2001, authorities arrested him and a few other members of a group that stole cars, after their botched attempt to steal one in Guatemala City led to a gunfight with police. He was released, and the charges were dropped.

Ten years later, Monzón began working with the PP, organizing events to attract votes. Quickly, his diligence won him the affection of Baldetti, who entrusted him with managing the campaign in two of the most important electoral districts of the country: Guatemala City and the northeastern department of Petén. Soon after he proved himself worthy again, he was named campaign secretary.

It was around then that Baldetti and Monzón set up one of their first “quotas.” The partner in this deal was Miguel Ángel Martínez, the head of the private security company Grupo Escorpión, which the party hired for the campaign. The vice president promised more of the same once in power. The relationship would, as was made clear to him, be mutually beneficial.

Monzón, meanwhile, began knocking on doors, shaking hands and collecting money. Under Baldetti’s orders, he also started to create the financial infrastructure so that the party could launder the money it got from donors. This included creating shell companies that would collect money from contributors who wanted to remain anonymous. Monzón and Víctor Hugo Hernández, the figurehead of the structure, began to rent apartments and offices that were converted into cash warehouses. They also established a way to deposit checks into the financial system without raising suspicion.

Businessmen and other donors who wanted to win the party’s favor contributed money, as well as goods and services, such as arranging their travel and accommodations, and providing unlimited cell phone usage plans and high-end vehicles. The payments were made via cash, checks and bank transfers. In both cases, the PP gave “donors” the option to receive invoices for services that were never actually rendered.

The cash was moved in briefcases and stored in the campaign headquarters and in several of the apartments and offices rented by Monzón and Hernández. The shell companies created under their names also played a fundamental role in the illicit financing scheme.

Monzón, meanwhile, began knocking on doors, shaking hands and collecting money.

“In the reports submitted to the TSE, we see month after month how Monzón and Hernández appear repeatedly as donors when in reality they received funds from other entities,” the CICIG would later point out in its report on what became known as the [Cooptación del Estado](#), or State Co-optation, case.

The campaign contributions came from various sources. Two of the companies were the TV channels Radiotelevisión Guatemala S.A. and Televisiete S.A., which were owned by the same person. According to the Attorney General’s Office and CICIG, these media companies gave contributions to the campaign through at least four companies linked to Baldetti in monthly payments amounting to nearly \$2.5 million.

Not all money was spent on the elections. Monzón would later testify that part of the money was kept in the campaign headquarters in “the bathroom area of the vice president’s office.” Money was also hidden in various other offices — inside desks, filing cabinets and safes.

A Photo is Worth More Than 1,000 Lawyers

In 2011, telecommunications giant Claro had a legal problem that threatened to bankrupt its Guatemalan operations. The Telecommunications Superintendency (Superintendencia de Telecomunicaciones) and the Infrastructure, Housing and Communications Ministry (Ministerio de Infraestructura, Vivienda y Comunicaciones) had “resolved” a dispute in favor of its rivals, Tigo, that the two companies had had since 1998. Tigo claimed that Claro had violated the country’s telephone contract laws. The result of the [decision](#), which came in 2011, meant Claro had to pay \$400 million to Tigo.

According to prosecutors, Claro had approached then-President Álvaro Colom, but could not get his ear. To make matters worse, Claro’s rival was already well positioned within the PP, which had the clearest path to the presidency. In other words, Claro needed to make a move or possibly lose its business in Guatemala.

To this end, Claro’s general manager in Central America, Julio Carlos Porras Zadik, arranged to meet with José Julio Ligorria, one of the PP’s top operatives. Ligorria was a political consultant, mostly on matters of image and public relations, and he had already positioned himself to be Guatemala’s ambassador to the United States should the PP win the elections.

Ligorria also had strong relations with the army, which brought him closer to the PP’s political circles. His long-time business partner, retired Lt. Colonel Mauricio López Bonilla, became the head of the PP’s campaign and would later be named interior minister, where he would set up his own [corruption schemes](#).

In dealing with Claro, however, the two operatives needed a third, someone with more pull than them, so they turned to Congressman Alejandro Sinibaldi.

Sinibaldi was a social climber. He had grown up comfortably, but far from the luxuries and excesses of the country’s super elite with whom he now hobnobbed. His personal rise to power began when he married María José Saravia, the daughter of a well-known Guatemalan lawyer and businessman. Saravia’s family owns Central American Brewery, one of the largest beer makers in the country and the region.

But prosecutors told InSight Crime that Sinibaldi never quite fit in nor was he accepted by his wife’s family, and he sought to make his name in politics. Using his connections, he was appointed tourism minister in 2004, a platform that he used to reach Congress with the PP in the 2007 elections.

By 2011, he was doing business with some of the richest and most important men in the country, and he did not miss a single moment to show off the social, political and economic capital that he was amassing.



Pérez Molina, Carlos Slim and Roxana Baldetti during their meeting in Mexico in 2011

So it was with Claro. According to Porrás Zadik, Sinibaldi told Ligorría that for the PP to deal with Claro's legal problems, Claro needed to donate to the campaign an equal or greater amount than Tigo had.

To channel the funds, Claro contracted the services of Sinibaldi's public relations companies, including Impresos Urbanos and Imágenes Urbanas. The companies invoiced Claro billboard ads and the creation of graphics and communication strategies. The services were never provided.

After Claro's two million dollar payout to the PP via Sinibaldi's companies, the PP congressman set up a meeting in Mexico in August 2011 between the then-candidates Pérez Molina and Baldetti and Carlos Slim, the majority shareholder of the company that owns Claro.

The three took a photo that was published in several Guatemalan media outlets. The PP's strategy, CICIG Commissioner Iván Velásquez would explain later, was to "scare" Tigo.

One month after the infamous meeting organized by Sinibaldi, Claro and Tigo reached an agreement.

The PP Co-opts the State

Once in office, Molina and Baldetti immediately rolled out the corruption scheme they had developed during the elections. For the presidential inauguration, the

government paid almost \$4,000 to HJ & AV, a company owned by Víctor Hernández – the figurehead who had worked with Monzón to launder campaign proceeds – to provide decorations for the inaugural ball. Hernández was later given a salaried government job, for which he did absolutely nothing.

Indeed, from the day it took power, the PP government began signing contracts with companies in exchange for bribes, interfering in court cases to favor its donors and placing its allies in key positions to skim from the state.

Monzón was at the center of many of these schemes. Prosecutors estimate that he alone managed to move at least \$21 million in bribes and that the criminal structure as a whole received at \$67 million through more than 450 government contracts.

As part of his job as the vice president’s private secretary, Monzón collected monthly bribes of \$20,000 as kickbacks for state security contracts that were awarded to at least three companies related to Martínez, the legal representative of Escorpión, the company that had provided security during the campaign. Martínez was also appointed the undersecretary of SAAS, the secret service group that later gave Baldetti the cell phone she would pass to Monzón to use during his escape from justice.

In all, Grupo Escorpión got more than \$8 million in contracts during the first few years of the PP government. But in Guatemala, these contracts have a price. Prosecutors say the company spent more than \$700,000 in bribes in exchange for the contracts, part of which was hidden in invoices for private security guards that never provided the services.



Illicit Campaign Finance: Drug Traffickers-Politicians Quid Pro Quo

Monzón also cashed in. After the PP took power, his sports company was transferred to his wife’s name. And between 2012 and 2015, the company received at least [13 government contracts](#).

Monzón also set up a series of agricultural projects for the companies Tigsa and Mayafert. In return, the two companies paid more than \$660,000 in bribes to him and his boss, Vice President Baldetti.

Prosecutors say that Pérez Molina and Baldetti took 60 percent of the money paid in bribes. The rest was distributed among the other participants. The key modus operandi remained the same both during and after the elections: altering documents and falsifying invoices. This was particularly evident in the case of La Línea, a scheme that falsified documents to lower import duties for companies bringing goods through Guatemala's Quetzal Port in return for bribes to the PP officials and their operatives.

Although initially, the prosecutors said that Monzón was at the top of the structure, a judge in the case later downgraded him to "[operational leader](#)." Specifically, the judge said that Baldetti appointed him to coordinate and supervise the part of the scheme managed by Guatemala's tax administration known by the acronym SAT.

In practice, this meant that he was in direct contact with a top SAT official, making sure that taxes were in line with the declarations in port records, that mid-level officials were complying with the legal requirements and that all participants of the scheme were getting their fair share.

In 2011, shortly after Pérez Molina won the elections, Monzón also began to collect money for what would become a tradition later dubbed "La Cooperacha" or "The Collection." Every year, on the eve of the president's birthday, Monzón would visit the businessmen, politicians and officials who were benefiting from the corrupt administration and ask them for money to buy a gift for the president.

Monzón, who also gave the president an annual present, would later testify that the first gift he bought for Pérez Molina was a \$25,000 Harley Davidson motorcycle. According to Monzón, the idea came after the "[boss](#)" saw a similar one on an official trip to Cancún.

Every year the gifts for the president had to be better than the last. The vice president's private secretary eventually collected enough funds to give the president a million-dollar beach house, a \$3.5 million helicopter and two boats.

Prosecutors told InSight Crime that the president knew he wanted a boat for his new beach house when he saw Sinibaldi on his boat. It was only after he'd gotten his yacht that Pérez Molina learned that the boat he saw was not Sinibaldi's only one. In fact, the one that the president saw was the smallest boat in the Housing and Communications minister's fleet.

The Minister's Booty

In his recent [testimony](#) in court, José Luis Agüero, the owner of Asfaltos de Guatemala, said it was near the end of January 2012, just days after Pérez Molina and Baldetti took power, that he was summoned to the Infrastructure, Housing and Communications Ministry.

Newly appointed Minister and former Congressman Sinibaldi arrived more than an hour late. He was, according to those who interacted with him, an arrogant man. He

took out a folder that summarized what in Guatemala is known as “leftover debt,” the total amount that the government owes to companies for contracts with previous administrations. In Agüero’s case, this debt was close to \$7 million.

Sinibaldi raised his feet on his desk and told him that the only way to recover that money was through a “recognition” of 15 percent of the debt.

“Of course, I was scared. I was nervous. It took me by surprise, and I felt like I’d been pushed against the wall,” Agüero testified.

Sinibaldi repeated this meeting with other construction companies and businesses. The price was not the same for everyone. In some cases, the minister charged up to 35 percent of the total debt.

According to prosecutors, since the government did not have enough money to pay the debt, Sinibaldi issued government bonds, which serviced the debts and, of course, paid for his commission.

The minister also sold government public works contracts. The price, prosecutors say, was between 5 and 10 percent of the value of the contract.

Prosecutors highlighted the case of Otto and José Samayoa, who they referred to as “Los Brodercitos,” or “the brothers.” The two had become some of the biggest players in the construction industry thanks to public works projects they’d been doing since the 1990s.

The minister also sold government public works contracts.

José was also a former PP congressman. And during the presidential campaign, the brothers gave more than \$3.6 million. Like Claro, they’d channeled the money through Sinibaldi’s companies.

During the Pérez Molina administration, those invoices continued to flow. At least three of the brothers’ companies bought services from Sinibaldi’s companies for an estimated \$8 million. These services included the use of trucks and backhoes.

No services were rendered, but the return on the investment was substantial. Between 2012 and 2014, most of the more than 60 companies linked to “Los Brodercitos” were [awarded contracts](#) for millions of dollars most of them through Sinibaldi’s Infrastructure, Housing and Communications Ministry.

Some of the brothers’ companies even competed for state contracts amongst themselves to give these government tenders the appearance of legitimacy and legality.

In a scheme the Attorney General’s Office and CICIG would later dub “[Construction and Corruption](#),” prosecutors say that Sinibaldi got at least \$13 million in bribes from the brothers, Agüero and others, including the infamous Odebrecht Brazilian

construction company. To hide the money, the minister, with the help of an old friend and business partner, Christian Ross, created at least 20 shell companies. Ross, who was also a PP congressman, [received](#) at least \$67,000 from the 2011 Claro donation.

The Infrastructure, Housing and Communications Ministry manages one of the government's largest budgets, so it was little surprise that Sinibaldi was one of the PP operatives who most benefited from the corruption. According to prosecutors, it was part of the plan. Pérez Molina and Baldetti were letting him get rich. Sinibaldi, they thought, was going to be the next president, and when he won, he was going to protect them and keep the corruption schemes going.

The End of the 'Eternal Return'

When Vice President Baldetti got back from South Korea on April 17, 2015, she gave an emotional but brief [press conference](#) in which she said she had no information about the whereabouts of her private secretary, Monzón. Monzón had apparently followed his boss' advice and gone on the run, and Baldetti spent the first few days defending him.

But in the days that followed, more information connecting Baldetti to La Línea emerged. Her strategy shifted, and she and Pérez Molina began to blame Monzón for the entire scheme.

"I cannot be held responsible for anyone but myself," said Baldetti, agitated. "If I had wanted to stop something or intervene, I would have, but we let the investigation run its course."

Baldetti's plan backfired. Within days, she [resigned](#) and, in August of that year, she was arrested by authorities. Pérez Molina [stepped](#) down as president a month later. Shortly after, the attorney general issued a warrant for his arrest.

With his former bosses behind bars, Monzón [turned himself](#) in and became a cooperating witness.

Monzón's sometimes detailed, sometimes salacious, but always interesting testimony lasted more than two months. Pérez Molina and Baldetti had an amorous relationship, he claimed at one point. And they had devised a "retirement chart of more than \$2 million per year for 25 years," based on what they made from La Línea. He painted a fairytale that included motorcycles, boats, helicopters and houses.

More importantly, his testimony detailed the schemes from the inside and allowed prosecutors to build a case against numerous corrupt officials, businessmen and others who also flipped. Martínez of Grupo Escorpión and the frontman Hernández became cooperating witnesses, providing documentation and hours of testimony about the PP's corrupt practices.



Juan Carlos Monzón shortly after he turned himself in

It was an incredible scheme. Pérez Molina and Baldetti had laid the groundwork for the party's own eternal return, applying all the tools of the state to ensure their structure could make the philosophical notion of an ever-repeating universe a reality. In the PP version, the pattern was to repeat once Sinibaldi took the presidency, but his schemes were also unraveling.

On June 28, 2017, Claro's Central American operations manager Porras Zadik became the first [businessman to admit](#) he gave illicit campaign funds to the PP. The trail eventually led to the [arrest](#) of former ambassador to the United States, Ligorria, in Madrid in September 2017. López Bonilla was [arrested](#) in June 2016, and accused of having taken part in La Cooperacha. The former minister is also [wanted for drug trafficking](#) in the United States.

For his part, Sinibaldi resigned his candidacy just days after Baldetti arrived from South Korea, then attacked the government claiming that Baldetti sabotaged his campaign. "The principles of the Patriotic Party no longer exist, now there are petty interests. The misguided path that the country is on has led me to this conclusion," he said during a [press conference](#).

Sinibaldi's name was not directly linked to La Línea, but it began to appear in various other cases, and the former minister, ex-senator, and nouveau member of one of Guatemala's most elite families simply left the country.

He was last seen a year later giving an interview on Skype, allegedly from a hotel in India. In the [interview](#), Sinibaldi says he was learning about meditation and how to

lead a quiet and peaceful life. He also said that he regularly met with members of another political party.

Two months later, Interpol issued an international arrest warrant against him for the Cooperacha case. Sinibaldi was also accused of money laundering and illicit association, related to his time as the Infrastructure, Housing and Communications Minister. Later, authorities linked him to the [Construction and Corruption](#) case. He remains on the run.

The Construction and Corruption case continued. On August 14, the Attorney General's Office and the CICIG announced "phase 2" of the charges, outlining how Sinibaldi used foreign bank accounts to deposit bribes. The modus operandi was the same, they said: camouflage the work with invoices for services never rendered.

Monzón also left the country. Because of his cooperation with authorities, he was [released](#) in June 2017. He departed Guatemala soon after and has not returned.



3. President Jimmy Morales' (and Guatemala's) 'Original Sin'

Héctor Silva Ávalos y Steven Dudley

It was just five months after he'd been sworn in as president of Guatemala that Jimmy Morales was in trouble. The date was May 5, 2016, and an auditor appointed by the country's top electoral body had concluded that Morales' political party had broken many of the rules regulating campaign financing.

Perhaps the biggest red flag for the auditor from what is known in Guatemala as the Supreme Electoral Tribunal (Tribunal Supremo Electoral – TSE) was that Morales' party, the National Convergence Front (Frente de Convergencia Nacional – FCN-Nación), had spent a paltry amount of money, much less than the other campaigns. This was not an infraction, of course, but it hinted at something larger. Historically, presidential campaigns cost between \$7 million and \$12 million, but as of May 2016, FCN-Nación had only reported spending \$640,000 on its victorious and stunning march to the presidential palace.

The TSE auditor also found that FCN-Nación failed to provide all its monthly and bimonthly financial reports to the regulatory agency, a legal requirement for any party. And the reports the party did turn in were incomplete. For example, the TSE report stated there were “financial reports without signatures from management ... reports with errors ... lack of information on candidates ... lack of documentation accounting for revenue.”

In fact, during Guatemala's 2015 presidential elections, FCN-Nación didn't deliver any financial reports to the tribunal in September during the first round of elections, in October during the second round, and November during the traditional accounting roundup period. The political party simply stopped reporting its income.

An accountant employed by FCN-Nación during the 2015 campaign later told prosecutors that she had resigned because party leadership had stopped sending her information about its money and its donors.

“I worked there from the end of 2008 ... until May 2016,” Ana Gloria Josefina Pérez Monterroso, the FCN-Nación accountant, told the Attorney General’s Office in January 2017. “One of my functions was to work with the TSE delegate ... [But] I couldn’t give the information to the tribunal to do the requisite reports for those months because I didn’t have any information.”

Failing to provide accounting documents was just one of FCN-Nación’s alleged crimes. Sources close to the investigation told InSight Crime, for example, that Morales also signed checks for FCN-Nación after he had already become president – another violation. They also said the party kept campaign accounts open until at least October 2016, a year after the election, even though they were required to close them in April.

In August 2017, the Attorney General’s Office and its special assistant prosecutor, the International Commission Against Impunity in Guatemala (Comisión Internacional Contra la Impunidad en Guatemala – CICIG), concluded their first investigation against Morales and his party for alleged illicit campaign financing. And on August 25, they presented Congress with their first of several petitions to remove the president’s shield of immunity against criminal prosecution, so they could subpoena him and continue digging into his direct involvement in the crimes.

By then, the days of President Jimmy Morales selling himself to the Guatemalan people as the anti-corruption candidate and the alternative to the government of his predecessor were long gone. That predecessor, Otto Pérez

*Party leadership
had stopped
sending her
information about
its money and its
donors*

Molina, was by August 2015 one step away from resigning and being imprisoned for his alleged involvement in a massive corruption scheme in Guatemala’s customs agency and for his own [illicit campaign financing scandal](#).

The irony was thick: Jimmy Morales was rising to power precisely because his predecessor was falling, but he seemed to have learned nothing from Pérez Molina’s mistakes. In mid-2015, thousands of Guatemalans had stormed the country’s streets and plazas to protest Pérez Molina’s corrupt government. At about the same time, Morales’ FCN-Nación stopped reporting its income to regulators, and Guatemala’s powerful interest groups began to woo the newly-minted candidate with under-the-table contributions.

Morales Comes into the Money

James Ernesto Morales Cabrera changed his legal name to Jimmy Morales in 2011. It was almost a year before retired Colonel Edgar Justino Ovalle would invite him

to join FCN-Nación. Ovalle was later elected to Guatemala's Congress, would be appointed to head his party's caucus, and would become President Morales' right-hand man.

But back in 2011, the two of them were just beginning their political careers. Morales was a political neophyte with no major party affiliation. In September, he ran for mayor in Mixco, one of Guatemala City's most populous suburbs, but got just 8 percent of the vote and finished a distant third.

Listen to the Podcast: [The Good Student](#)

Still, Morales was curious, an eager student, and had a good capacity to network. In his formative years, he attended Evangelical Christian schools and earned degrees at Guatemala's oldest and largest university, San Carlos — or the USAC, as it's popularly known — where he also later taught. At the USAC, Morales developed relationships with future allies and mentors. It was at the USAC, for example, that Morales met the man who would eventually become his vice-presidential running mate: [Jafeth Cabrera](#), who was the rector of the USAC in the mid-1990s before getting into politics.

In 2012, Ovalle wooed Morales into FCN-Nación. The party was dominated by ex-military officials who were more concerned about the government's incipient efforts to criminally prosecute members of the army for crimes during the country's 40-year civil war than running the country. The war had ended in 1996, and for members like Ovalle, the party would become more than a defense mechanism, it would become a lifeline. (Ovalle himself is currently facing charges for forced disappearances and crimes against humanity.)

Morales was a perfect front-man for the party. He was good at politics. As a comedian with his own variety show, Morales was well known. He was comfortable in front of the camera and spoke with confidence, providing just enough detail to appear knowledgeable, even if he lacked depth. He was serious when he needed to be, funny whenever he wanted to be. He was openly religious, had multiple degrees and surrounded himself with powerful ex-military advisors.

His chances of victory, however, seemed slim given his resounding defeat in Mixco.

Morales was also going against the heirs to an established political power that had governed the country between 2008 and 2012. The National Union of Hope (Unión Nacional de la Esperanza – UNE) party of President Álvaro Colom was by the 2015 elections headed by his ex-wife, Sandra Torres, who had name recognition and a powerful party machine.

The favorite, though, was UNE dissident Manuel Baldizón, a former congressman who had formed his own Renewed Democratic Liberty (Libertad Democrática Renovada – Líder) party with some questionable, government-linked financiers and contacts. Baldizón's dubious backers gave him an endless war chest, and ads for his candidacy began almost as soon as the 2011 campaign had finished.

In June 2015, a little over a month into his candidacy, Morales was barely part of the conversation. According to a poll conducted by the Latin American Faculty of Social Sciences (Facultad Latinoamericana de Ciencias Sociales – FLASCO), the FCN-Nación candidate had the support of less than 10 percent of potential voters. Baldizón had 25 percent, and Sandra Torres, 13 percent.

But rumors were already swirling about Baldizón’s shady financial backers, and, in mid-July, the Attorney General’s Office and the CICIG announced they were [investigating](#) his vice presidential candidate, Edgar Barquín, and a host of others, including his brother, for money laundering.

At the same time, the Pérez Molina administration was in free fall. In April, the Attorney General’s Office had formally accused Vice President Roxana Baldetti’s personal secretary of heading a massive corruption scheme at the custom’s agency. Protests had been going ever since. In August, Baldetti resigned and pressure was mounting for Pérez Molina to do the same.

The disintegration of the Pérez Molina administration ... came at a near perfect moment for the campaign.

By then, Morales had surged in the polls. Money began to flow to FCN-Nación’s coffers, advertising rose, and by September, when Pérez Molina did eventually resign and was arrested, Morales reached 25 percent. Baldizón had dropped to 20 percent. The trajectories of the two candidates were going in opposite directions.

Many attributed this rapid rise to Morales’ timing. The disintegration of the Pérez Molina administration between April and September came at a near perfect moment for the campaign. In addition, the other top candidates looked like more of the same, while he appeared to signal change. And the charges against Baldizón’s running mate crippled his campaign.

The door was open, and Morales took advantage.

His slogan, “Neither corrupt nor a thief,” was catchy, said Elvin Díaz, director of the Institute of Comparative Studies on Prison Sciences of Guatemala (Instituto de Estudios Comparados de Ciencias Penales – ICCPG).

Never mind that Morales was already committing some of the same crimes that had brought the Pérez Molina government to power.

“In 2015, there were no laws that could stop him, and they repeated the [same] practices,” Díaz said. “Back then, they thought they were untouchable, [and] would never be investigated.”

It would be, quite simply, their original sin.




Red Flags

Meanwhile, the money kept flowing into the campaign, even if the party did not register it.

Independent organizations and election authorities were already seeing red flags, noting, for instance, how the reportedly meager spending registered by the party could not have possibly paid for the huge ad buys they were observing with their own eyes and ears. The invoices they got from the media companies later confirmed these suspicions, but, at the time, authorities and independent observers could only rely on the party's official tally, and that tally seemed unusually low.

According to official registries, between May and September, for example, FCN-Nación reportedly spent just \$77,000 on ads, according to a study by Acción Ciudadana and other civil society groups – far less than its two main rivals. And in between the first round in early September and the second round of elections at the end of October, FCN-Nación reported that it spent just over \$32,000 on ads, a little more than a third of what Sandra Torres' campaign spent.

Guatemala: Campaign Spending

Candidate	 Jimmy Morales	 Sandra Torres	 Manuel Baldizón
Spending January–April	\$ 0	\$57,024	\$235,784
Spending May 2- Sept 5	\$77,235	\$1,407,823	\$6,441,575
First round votes	1,167,030	967,242	961,284
Place	1	2	3
Spending September	\$32,287	\$85,529	\$0
Run-off votes	2,292,251	1,328,381	N/A
Place	1	2	N/A

Source: *DOSES with information from Acción Ciudadana and the TSE*

insightcrime.org

Unreported ad buys were just one of a half-dozen reasons why the TSE sent several written warnings to FCN-Nación between July 2015 and the beginning of 2016. But FCN-Nación simply ignored them.

As Morales took off in the polls in mid-2015, journalists also started asking questions about the party's money sources and spending habits, but Morales shook them off as well, claiming his campaign relied on party-member donations and his own personal fortune.

To be sure, in an [interview](#) with La República, Morales hinted that his brand was enough to pay for the campaign. It was a brand built through “work with honor,” he said, before repeating his slogan. “I’m honest. I’m not corrupt or a thief.”

Specifically, he said he had spent close to \$640,000 of his own money as of July. But later TSE audits showed that was the amount the party claimed to have spent for the entire campaign. Furthermore, the TSE could not identify the source of 90 percent of these funds.

Prosecutors later told InSight Crime the money came from three different sources: Evangelical churches and religious organizations with ties to Jimmy Morales and his political party; a group of ex-military officials who saw the political party as a means to contest the accusations against them for war crimes; and various influential Guatemalan businesspeople.

After the presidential election, a possible fourth source of funds came to light. In November 2016, a Guatemalan drug trafficker allegedly told United States counter-drug agents that he had [given \\$500,000](#) to Vice President Cabrera's son during the 2015 campaign. The drug trafficker was extradited to the US, and the accusations remain uncorroborated.

The support of Morales was typical quid pro quo in Guatemalan politics, according to an investigator who spoke on condition of anonymity. He said they saw “an opportunity to invest [now], so that once the politician was in office, they could ask him to return the favor.”

By late October, it was clear they would get their chance. Baldizón was eliminated in the first round in early September. Morales and Torres faced off in the second in late October. Although touting the same anti-corruption mantra as her opponent and spending considerably more money, Torres didn't stand a chance. On October 25, Morales won with 67.4 percent of the vote, 35 points more than Sandra Torres.

A President Under Fire

It wasn't until the end of 2016 that FCN-Nación realized that the TSE and Attorney General Office's investigations were serious. The party scrambled and began to cover its tracks. It hired an accounting firm and asked it to reconstruct its books for the campaign.

It was not easy. There were months when the party simply had no registered payments in or out — no receipts, no audits, no bank statements to match their real spending, and few invoices. When the accountants found holes, they falsified documents, often illegally backdating and signing them, investigators said.

In all, investigators say they are combing through some 65,000 transactions from at least three Guatemalan bank accounts, most of them from between June and November of 2015.

As an example, investigators said they had homed in on some questionable receipts for payments made through a bank account with G&T Continental. One receipt was for two checks, totaling slightly more than \$30,000, signed by [Rafael Díaz Samos](#), the owner of various construction companies that were also tied to similar cases of illicit campaign financing in 2011.

When the Attorney General's Office questioned Díaz Samos about the checks, he testified that he never got any receipts for these contributions. His story came into question when the accounting firm FCN-Nación hired produced a receipt dated June 2015. The investigators questioned him again, and he stuck to his story. Confused, investigators then went back to party records and found that the receipt the party had provided had been signed by a different accountant than the one the party had when Díaz Samos made his donation.

More questions emerged later. Jimmy Morales, for instance, continued signing checks for the FCN-Nación campaign account until April 2016, when he should have stopped in January, after his inauguration. The Attorney General's office also said that FCN-Nación's campaign accounts had remained open until October 2016, which is also a violation of Guatemalan electoral law.

The deeper the investigation went, the more suspicious activity authorities discovered. The list of donors to FCN-Nación, for example, included people whose close relatives went on to work for the Morales government. Most notable among these donors were Fanny Finisterre de Domínguez and Francisco Estrada Domínguez, the mother and brother of Julio Héctor Estrada Domínguez, who Morales appointed as the government's new finance minister. (Julio Héctor resigned during Morales' battles with the CICIG.) The family made the donation via a construction company they own, Pedreiro.*

(In an email exchange with InSight Crime following the original publication of this article, Minister Estrada Domínguez defended his family's donation and said that it did not represent a conflict of interest. "I don't see how serving the government can be a conflict of interest," he wrote. "When you believe in an idea and have the opportunity to serve, you take it the job, and then you assume the risks that come with it." See the whole email exchange [here](#).)

Prosecutors also noted suspicious movements from the party's bank account. Among many who received funds from FCN-Nación accounts was Ovalle, the former army colonel who headed FCN-Nación's legislative caucus until he lost his immunity and his congressional seat to face war crimes. Prosecutors say the party gave regular \$20,000 payments to Ovalle from its account for no apparent reason.

The connection to the PP raised more red flags.

FCN-Nación sent a similar amount to Estuardo Galdámez, the party secretary and the head of Agromec, a company that has also received government contracts to repair roads. Galdámez is a former military officer with ties to Pérez Molina's and Baldetti's Patriotic Party (Partido Patriota – PP).

The connection to the PP raised more red flags. The PP government and ex-military criminal networks had plundered the government during the Pérez Molina administration, landing Pérez Molina and Baldetti behind bars. The investigations into the PP, however, continued, and more connections between FCN-Nación and the PP were on the way.

Jimmy Morales Goes to War

On August 26, 2017, Jimmy Morales stepped in front of the cameras to make a 44-second [announcement](#) on a YouTube channel.

“In the exercise of my constitutional powers ... as president of the Republic of Guatemala, in the interest of the people ... and to strengthen [the country's] institutional structures, I declare Iván Velásquez Gómez persona non grata in his capacity as commissioner [of the CICIG],” Morales declared.

Velásquez is Colombian. A celebrated former judge, he had long since made himself the enemy of the traditional and political elites in Guatemala as the head of the CICIG. To be sure, it was he who would later declare that illicit campaign financing was Guatemala's “original sin.”



Iván Velásquez Gómez

@Ivan_Velasquez_



El financiamiento electoral ilícito -tanto el que proviene del crimen organizado como el de fuente anónima- no sólo es el pecado original de la democracia sino que socava el Estado de Derecho, genera inequidad en los procesos electorales y distorsiona la voluntad popular.

9:39 PM - May 4, 2018



3,248



1,614 people are talking about this



Just two days prior to the president's startling announcement, the Attorney General's Office and the CICIG had petitioned Congress to withdraw the president's immunity. Prosecutors sought information on more than \$900,000 in undeclared campaign donations to FCN-Nación based on the Attorney General's Office investigation, but they could not officially investigate Morales until the immunity was lifted.

Morales' announcement was nothing short of a declaration of war. That same day, the president signed a document ordering Velásquez "to leave the Republic of Guatemala." The next day, he ordered his minister of foreign relations to enforce the order "within the legal and diplomatic framework" of the country.

Morales' ire with the CICIG had really begun months earlier when, in early 2016, the CICIG and the Attorney General's Office [arrested](#) his son and his brother on charges they had [helped embezzle](#) some \$24,000 from a small government office years before Morales took office. The charges seemed petty and made the president and his followers angry.

Their anger coalesced into a movement, and Morales is now part of a larger cadre waging war against the CICIG. Former president and long-time Guatemala City Mayor Álvaro Arzú also joined Morales' team not long after he was also [implicated](#) in a corruption scheme. And until his death in April 2018, many saw Arzú as the real power behind the campaign to get rid of the CICIG and turn the clock back to a time when the Guatemalan elites could toy with the country as they pleased without repercussions.

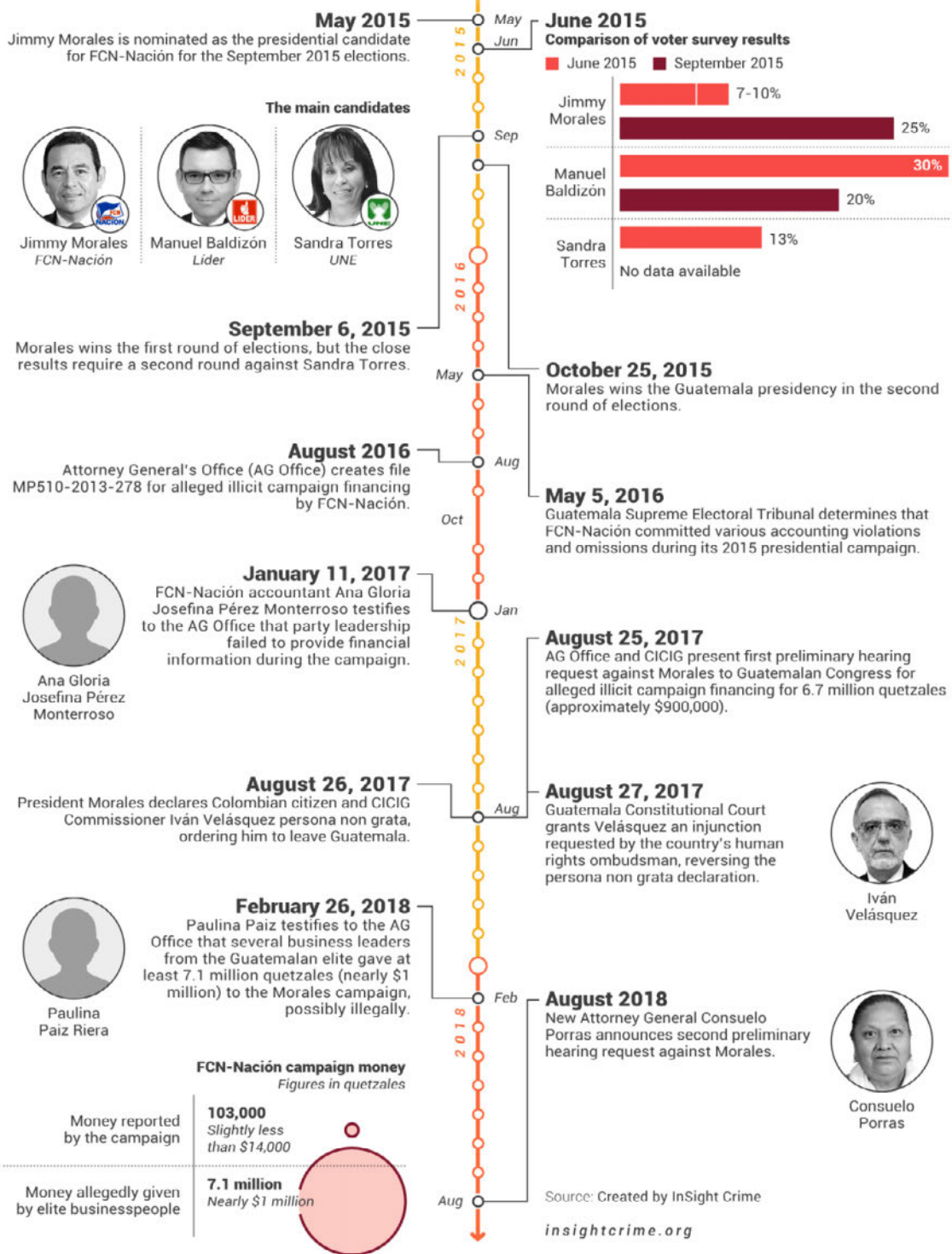
But Commissioner Velásquez had his own allies too. The CICIG is funded mostly by the US government, which remains a staunch backer of the commission. And the day after Morales declared the CICIG commissioner persona non grata, Guatemala's Human Rights Ombudsman, Augusto Jordán Rodas, filed an injunction with the Constitutional Court to suspend the order. According to two officials with inside knowledge of the events of that day, the court called a special session and ruled in a three-two vote against the president.

Velásquez would stay.

The rebuke hurt the president. One of the sources on the proceedings inside the court, who spoke to InSight Crime on the condition of anonymity for security reasons, recalled that some in the Constitutional Court feared Morales might declare a state of emergency. He did not. Instead, the president started a more low-key campaign against the commission.

At the center of this effort is Javier Hernández, who took over FCN-Nación after Ovalle ran into his legal troubles. Hernández has legal troubles of his own. His signature appeared on checks for the party's campaign, and the Attorney General's Office has accused him of failing to report the sources of at least \$400,000 in donations.

Jimmy Morales' Rocky Presidency



In September 2017, shortly after prosecutors petitioned Congress to remove the president's immunity and Morales made his dramatic attempt to expel Velásquez, Hernández led an effort to soften punishments for government officials and politicians accused of corruption.

Among the proposed [reforms](#) were virtual get-out-of-jail-free cards for party heads like Hernández. Only accountants and other underlings would face possible charges in cases of campaign finance violations. The Guatemalan press labeled the congressional initiative the “pacto de corruptos,” or the “corruption pact,” and public and international pressure throttled the bill.

During the same month, Hernández also led two efforts to undermine prosecutors’ continuing petition to withdraw immunity from President Morales.

In January 2018, Morales strengthened his shield in Congress when Álvaro Arzú Escobar, the son of ex-President Álvaro Arzú, became president of Congress. Morales also [fired](#) several key CICIG allies in his administration, including the interior minister, and the head of the tax agency. It seemed the Guatemalan president could rest easy, but more surprises from the CICIG and the Attorney General’s Office were on the way.

Guatemalan Elites and FCN-Nación

At the beginning of December 2016, Guatemala’s Attorney General’s Office raided 12 properties. In the raids, investigators uncovered evidence that led them to a warehouse in another part of the city, where they found ash heaps that included official documents and clues that led them to other warehouses, industrial facilities and offices for companies with ties to multiple corruption schemes that took place during the Pérez Molina administration.

“One raid took us to another,” recounted a participating investigator.

Little by little, the Attorney General’s Office and the CICIG put together a puzzle made up of company bribes and payoffs for construction projects. Authorities dubbed it the “Construction and Corruption” case.

At the top of the pyramid, prosecutors said, was Alejandro Sinibaldi, the former minister of infrastructure, housing and communications during Pérez Molina’s administration. Sinibaldi had long since gone on the run. (See previous [installment](#) of this investigative series) He was last seen in public giving an interview via Skype from India during which he spoke about his contacts with other political parties.

The Construction and Corruption case opened another investigative avenue in the FCN-Nación campaign financing case. Prosecutors found that two companies linked to Sinibaldi — Inversiones Delta and Multitek — donated \$18,600 to the campaign. Multitek was run by Jonathan Chévez, alias “El Mago,” who was also implicated in a corruption scheme during the Pérez Molina administration.

Amid the documents from the raid were also references to the National Civic Movement (Movimiento Cívico Nacional – MCN), a kind of Guatemalan political

action committee. The MCN, according to the documents, also gave donations to FCN-Nación that were not reported to electoral authorities. Prosecutors would later baptize this “[phase two](#)” of the FCN-Nación investigation.

Like phase one, phase two relied on insiders. On February 26, 2018, a member of a powerful Guatemalan elite family, Paulina Paiz Riera, talked to prosecutors. She later provided documents showing that various business leaders — among the most influential in the country — had given unregistered donations to the Morales campaign.

They were paying for the right to ‘picaporte’ [quid pro quo], as we say in Guatemala ... for contracts, for key ministries

Specifically, Paiz testified that on August 19, 2015 — as FCN-Nación was rising in the polls and the Pérez Molina administration was disintegrating — Morales and Ovalle met with various members of the Paiz family and other businesspeople. They came to an agreement that the businesspeople — from the premier elite families in the country — would help pay for the election observers known in Guatemala as “fiscales de mesa.” The donations would be made through a company called Novaservicios, which was run by Paulina Paiz, and go to checking accounts that Ovalle provided. All told, the businesspeople donated close to \$1 million. FCN-Nación, however, only reported about \$14,000 of this money to regulators.

“The payments were made directly by the companies ... to the party’s election observers, and the expense was not reported to the TSE, which constitutes illicit campaign financing,” then-Attorney General Thelma Aldana stated at a [press conference](#) held on April 19, 2018.

The business leaders also gave a mea culpa press conference where they read a letter and apologized to the shareholders of their companies and to the country at large.

“People’s character is not found in their errors, but in how we face them and what we learn from them, making a firm and clear commitment not to make them again. We apologize to Guatemala for these actions,” the letter read.

One of these business leaders contacted InSight Crime shortly after the dramatic press conference. He did not want to be quoted by name and spent most of his time trying to contextualize the donations, focusing on Baldizón and his party, Líder.

Baldizón — who was later [arrested](#) in the United States for his alleged participation in a corruption scheme in Guatemala connected to the now-infamous Brazilian construction company Odebrecht — was a worrying candidate. His alleged ties to criminal groups and dubious sources of financing had also peaked the interests of the United States government, which was signaling to the country’s elites that it would not welcome a Baldizón presidency.

“We acted fast and weren’t diligent. Líder was violating the [campaign funding] limits ... [FCN-Nación] was a small party that asked us for help,” the business leader told InSight Crime.

When InSight Crime pressed the business leader on whether they verified where the money was going, if they had received receipts, and if they had followed up with the party after the election, the source excused himself and hung up the phone.

Two prosecutors were not as gentle in their assessment of the business leaders’ actions.

“They were paying for the right to ‘picaporte’ [quid pro quo], as we say in Guatemala ... for contracts, for key ministries. We got ‘em, and now, all of a sudden, they’re sorry,” one of the prosecutors said.

A President, Alone



Jimmy Morales became president of Guatemala in August 2016. His legal problems over possibly illegal campaign financing began just months after his inauguration. Photo AP

All told, the Attorney General’s Office is charging FCN-Nación and Morales with failing to report some \$2 million in revenue during his 2015 presidential campaign and the early months of 2016.

Despite a transition at the top, the Attorney General’s Office has kept up the pressure. In a May 2018 press conference — her last as attorney general — Aldana said the investigations had crossed the threshold to make another petition to Congress to remove Morales’ immunity. And on August 10, Guatemala’s new attorney general, María Consuelo Porras, made the official request.

Doubts had surrounded Porras. Her husband is ex-military, and she was a judge, not a prosecutor. But with CICIG Commissioner Velásquez at her side, she said that Paulina Paiz's revelations that payments were made by business leaders had pushed her to move forward with the request to Congress.

The circle is nearly closed. Jimmy Morales, who won power precisely because of his predecessor's corruption, is now facing down accusations that he committed some of the same transgressions. It was a biblical lesson he apparently missed: Dubious campaign financing was his and Guatemala's original sin.

**Correction: The original article published August 23, said Pedreiro was the property of another minister and that it had received government contracts. Both of these assertions are untrue. InSight Crime regrets the error.*

The InSight Crime Foundation

InSight Crime is a foundation dedicated to the study of the principal threat to national and citizen security in Latin America and the Caribbean: organized crime.

InSight Crime's goal is to deepen understanding on organized crime in the Americas through on-the-ground investigation and analysis from a transnational and policy perspective.

We fulfill this mission by:

- providing high quality and timely analysis of news events linked to organized crime in the region;
- investigating and writing reports on organized crime and its multiple manifestations, including its impact on human rights, governance, drug policy and other social, economic and political issues;
- giving workshops to journalists, academics and non-governmental organizations on how to cover this important issue and keep themselves, their sources and their material safe;
- supporting local investigators through these workshops and by publishing, translating and promoting their work to reach the widest possible audience;
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