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Report to Congress on Corruption in El Salvador, Guatemala, and Honduras

Section 7019(e) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2019 (Div. F, P.L. 116-6) (FY 2019 SFOAA) requires submission of reports required by House Report 115-829, Senate Report 115-282, and the joint explanatory statement accompanying the Act. The Senate Report 115-282 accompanying the FY 2019 SFOAA requires the Secretary of State, within 90 days of the law's enactment and in consultation with other relevant federal agencies, to submit a report that includes a) an assessment of the extent of corruption in El Salvador, Guatemala, and Honduras; b) a description of steps taken, and to be taken, to impose sanctions pursuant to the Global Magnitsky Human Rights Accountability Act (22 U.S.C. 2656 note); and c) the names of senior officials who are known or credibly alleged to have committed or facilitated such corruption. The State Department, in coordination with other relevant Departments, continues to explore available options to impose costs on the officials listed in this report as appropriate and consistent with law.

Assessment of the Extent of Corruption in El Salvador, Guatemala, and Honduras

Corruption in the Northern Triangle countries of El Salvador, Guatemala, and Honduras is endemic and systemic and among the foremost challenges these countries face. Corruption and impunity contribute to illegal immigration to the United States by undermining economic growth and development, weakening the rule of law, and facilitating transnational organized crime. Corruption causes the public in Northern Triangle countries to lack trust in its institutions and leaders, and lose hope for a prosperous future in their countries.

El Salvador has made advances in combatting corruption and impunity in recent years. During his three-year term (2015-2018), former Attorney General Melendez indicted and secured convictions of a total of three former presidents, including former President Flores (1999-2004), former President Saca (2004-2009), former President Funes (2009-2014), as well as former Attorney General Martinez (2012-2015), for corruption. Attorney General Melara and President-elect Bukele have publicly expressed a commitment to continuing to strengthen anti-corruption efforts. Despite progress, a number of challenges remain in El Salvador, including high rates of impunity, limited funding for the Attorney General's anti-corruption and organized crime units, and lack of political will of the Legislative Assembly to strengthen anti-corruption efforts.

Guatemala, with the support of the UN International Commission Against Impunity in Guatemala since 2007, previously took steps to root out clandestine networks of corrupt actors, including the uncovering of a massive corruption scheme in 2015 led by former President Perez-Molina and former Vice President Baldetti. However, since announcing in 2018 it would not renew the commission's mandate, the Guatemalan government has impeded anti-corruption efforts, attacked judicial independence, and misused U.S.-donated equipment. It also introduced legislative proposals that would amend its National Reconciliation Law and grant amnesty to war criminals and corrupt officials, amend its criminal code and release from prison many senior officials and former officials accused of corruption and atrocity crimes, and amend the Law on Non-Governmental Organizations for Development, threatening freedom of expression and association in Guatemala for civil society.

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Honduras has made advances in combatting corruption and impunity in recent years, because of joint investigations conducted by the OAS Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH) and the Public Ministry's Special Prosecutor's Anti-Corruption Unit (UFECIC). However, serious challenges remain, including high rates of impunity and the Honduran National Congress' actions to undermine investigations through legislation that would weaken MACCIH and UFECIC's ability to develop and prosecute corruption cases.

Steps Taken to Impose Sanctions on Corrupt Officials in the Northern Triangle

The Department of State, in cooperation with the Department of the Treasury, is vigorously working to investigate and impose sanctions pursuant to Executive Order (E.O.) 13818, which builds on and implements the Global Magnitsky Human Rights Accountability Act, including with respect to corrupt officials in the Northern Triangle and worldwide. Since the President issued Executive Order 13818 in December 2017, the Administration has used this authority 101 times worldwide. The Department of State's annual reports pursuant to section 1264 of the Global Magnitsky Human Rights Accountability Act provide more details on the justification for the use of E.O. 13818 and the criteria used for determining when it was appropriate to use. The Department also continues to actively utilize all other applicable authorities to ensure corrupt officials are denied safe haven in the United States. Between January and April 2019, the Department revoked the visas of 85 individuals from El Salvador, Guatemala, and Honduras suspected of corrupt acts.

Salvadoran Senior Officials Credibly Alleged to Have Committed or Facilitated Corruption

- **Elmer Charlaix**, former President Sacca's Presidential Secretary, was sentenced in 2018 to 10 years in prison and ordered to pay \$15 million restitution for misappropriating funds and money laundering.
- **Cesar Funes**, former Youth Secretary under former President Sacca, was sentenced in 2018 to five years in prison for money laundering, and ordered to pay \$886,000 restitution.
- **Carlos Mauricio Funes Cartagena**, former President, was found guilty in 2017 of illegal enrichment by \$419 million and ordered to repay \$206 million. Funes and his family claimed asylum in Nicaragua in 2016 and the former Salvadoran Attorney General requested his extradition in September 2018. In 2018, the former Attorney General brought additional charges against Funes for allegedly bribing former Attorney General Luis Antonio Martinez Gonzalez with monthly payments of \$10,000-15,000 and luxury vehicles to drop cases.
- **Pablo Gomez**, former Assistant Director of Finances to former President Sacca, was sentenced in 2018 to 16 years in prison for misappropriation of funds and money laundering, and ordered to pay \$5 million restitution. He also faces charges for his role in diverting \$350 million in government funds during President Funes' administration.
- **Elias Hernandez**, former Apopa Mayor, was sentenced to 12 years in prison in 2018 for providing material support to the Eighteenth Street Gang in exchange for political and financial support for his campaign.

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- **Jorge Herrera Castellanos**, former Presidential Office Treasurer under former President Saca, was sentenced in 2018, to three years in prison for misappropriation and money laundering, and ordered to pay \$3 million restitution.
- **Luis Antonio Martinez Gonzalez**, former Attorney General, was sentenced in 2018 to five years in prison on corruption related charges after intentionally disclosing recordings obtained in a wiretap investigation, and ordered to pay \$125,000 restitution. In 2016, he was also fined \$8,000 for inappropriately accepting gifts from businessman **Enrique Rais**. Several corruption charges are pending against Martinez, including allegations he took bribes from former President Funes.
- **Jose Luis Merino**, current Vice Minister for Foreign Investment and Funding in the Ministry of Foreign Affairs, is the founder, and appears to remain a beneficiary of **Alba Petroleos**, a joint venture 60 percent state-owned oil and natural gas company Petroleum of Venezuela, sanctioned by OFAC in January 2019. Accordingly, property and interests in property in the United States or in the possession or control of a U.S. person of Alba Petroleos is blocked by operation of law. Jose Luis Merino and his brother, **Sigfredo Ismael Merino Cabrera**, allegedly diverted over \$400 million through a series of shell companies to offshore accounts in Panama and other front companies. Jose Luis Merino has never been convicted, and currently enjoys immunity as Vice Minister.
- **Julio Rank**, former President Saca's Communications Secretary, was sentenced in September 2018 to five years in prison for money laundering and ordered to pay \$8 million restitution.
- **Francisco Rodriguez Arteaga**, former Director of Finances under former President Saca, was sentenced in 2018 to six years in prison for misappropriation of funds and money laundering. Rodriguez also faces charges for diverting \$350 million of government funds in a similar scheme during the Funes administration.
- **Elias Antonio Saca**, former President, was convicted in 2018 of misappropriation, money laundering, embezzlement, and illegally diverting \$300 million in government funds, sentenced to 10 years in prison, and ordered to pay \$25 million restitution. He also faces charges for bribing a judicial official for access to information.

Guatemalan Senior Officials Credibly Alleged to Have Committed or Facilitated Corruption

- **Erick Archila**, former Minister of Energy and Mines, was charged in 2016 with illicit association and money laundering. He is currently a fugitive.
- **Manuel Baldizon**, former Congressman, was charged in Guatemala with illicit association, bribery, and money laundering, and arrested in Miami, FL in 2018 by the U.S. FBI.
- **Edgar Baltazar Barquin Duran**, former Bank of Guatemala President, was sentenced in 2016 to over five years in prison for illicit association and influence trafficking.
- **Jorge Rolando Barrientos Pellecer**, former Quetzaltenango Mayor, was indicted for money laundering after accepting \$3 million in bribes from municipal contractors.
- **Jose Antonio Coro Garcia**, former Santa Catalina Pinula Mayor, was indicted in 2018 for fraud after receiving \$461,000 in improper compensation of municipal funds.
- **Aristides Crespo Villegas**, former President of Congress, was charged in 2018 with embezzlement and abuse of authority.
- **Edgar Romeo Cristiani Calderon**, former Congressman, was charged in 2016 with corruption in a government contract scheme involving former President of Congress **Luis Armando Rabbé**.

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- **Juan de Dios de la Cruz Rodriguez Lopez**, former President of the Social Security Institute, was sentenced to over six years in prison in 2018 for awarding a contract to an unqualified company in exchange for kickbacks, resulting in substandard care for patients in public hospitals, resulting in at least 13 deaths.
- **Mario Amilcar Estrada Orellana**, a 2019 Presidential candidate and former Congressman, was charged in U.S. courts with seeking \$10-12 million from Mexico's Sinaloa Cartel to finance a corrupt scheme to elect Estrada as president of Guatemala in exchange for transporting cocaine into the United States.
- **Selvin Boanerges Garcia Velasquez**, former Congressman, was charged in 2017 with abuse of authority and embezzlement for his involvement in irregular appointments, including falsifying the existence of government jobs for the purposes of enriching himself.
- **Beatriz Ofelia de Leon de Barreda**, former President of the Supreme Court, was charged with influence trafficking in a 2011 case, in which her son was accused of murdering his wife.
- **Baudilio Elinohet Hichos López**, a former Deputy Director of Customs Police and Congressman, was charged in 2015 with fraud for his involvement in an illicit contract with Guatemala's Social Security Institute. Hichos is currently a fugitive.
- **Jaime Martinez Loaiza**, former Congressman, was charged in 2017 for illicit association, influence trafficking, and illicit electoral financing for his role in a criminal organization that laundered money in collaboration with local and national authorities.
- **Carlos Lopez Giron**, former Congressman, was charged with illicit association and bribery in 2017. He is currently a fugitive.
- **Mauricio Lopez Bonilla**, former Minister of Government, was sentenced to eight years in prison in 2018 for illicit association, money laundering, and drug trafficking.
- **Julio Cesar Lopez Villatoro**, former Congressman, was charged with illicit association and bribery in 2017. He is currently a fugitive.
- **Carlos Giovanni Mejia Giron**, Colonel and former Military Attaché, was indicted on charges of embezzlement and bribery in 2018.
- **Otto Perez Molina (Perez)**, former Guatemalan President was arrested in 2015 in a customs corruption ring alongside former Vice President **Ingrid Roxana Baldetti Elias (Baldetti)**. Perez is awaiting trial in Guatemala City. Baldetti was sentenced in 2018 to more than 15 years in prison for corruption in a government contract and has also been indicted in separate a customs fraud case.
- **Pedro Muadi Menendez**, former President of Congress, was charged in 2017 with embezzlement, illicit association and money laundering, while his assistant, **Ximena Toriello**, was charged with embezzlement and illicit association.
- **Luis Armando Rabbé**, former President of Congress, was charged in 2016 with abuse of power, misuse of state money, and illegally appointing people to positions in government in a scandal involving a group of seven Guatemalan Congressional deputies.
- **Gudy Rivera Estrada**, former President of Congress, was sentenced to over 13 years in prison in February 2018 for influence peddling and bribery.
- **Ariel Salvador de Leon**, a Colonel and Ministry of Defense Chiefs of Staff Logistics Director, was indicted in 2018 for money laundering and collaborating with the MS-13 gang in extortion operations, with more than \$1.8 million in his account at the time of arrest.
- **Augusto Cesar Sandino Reyes Rosales**, a congressman, was charged with fraud and money laundering in 2017. His immunity from prosecution was removed.

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- **Erick Gustavo Santiago de Leon**, former Magistrate and President of the Regional Appeal Civil Court, was sentenced in 2018 to five years in prison for bribery.
- **Alejandro Sinibaldi**, former Minister of Communications, Infrastructure, and Housing, was charged in 2016 with illicit association, bribery, money laundering, and illicit electoral financing. Sinibaldi is currently a fugitive.
- **Blanca Aida Stalling Davila**, former Guatemalan Supreme Court Magistrate, was designated under Section 7031(c) on March 25, 2019 due to her involvement in significant corruption.
- **José Armando Ubico Aguilar**, a political party Deputy, was sentenced in 2003 to 46 months in prison in the United States for heroin trafficking and is credibly alleged to also have participated in money laundering of illicit trafficking gains. After his early release on probation in 2005 and subsequent deportation, Ubico was elected to Congress.

Honduran Senior Officials Credibly Alleged to Have Committed or Facilitated Corruption

- **Teodoro Bonilla**, former Vice President of the now defunct Judicial Council, was sentenced in 2017 to six years in prison for influence trafficking and abuse of authority related to a money laundering and illegal arms dealing case.
- **Rafael Leonardo Callejas Romero**, former President of Honduras, was indicted in 2015 in U.S. courts in connection with the 2015 International Federation of Association Football (FIFA) corruption case, and pleaded guilty in 2016 to accepting \$500,000 in bribes.
- **Marcelo Antonio Chimirri Castro**, former President of national telecom company Hondutel, was sentenced in 2017 to nine years in prison on charges of illicit enrichment after being unable to account for \$680,000.
- **Sandra Deras**, former Choloma Mayor, has been indicted three times since leaving office on charges of abuse of authority, forgery, and embezzlement of public funds. She was convicted in 2015 of abuse of authority and embezzlement of \$1.3 million from a road construction project and sentenced to substitute measures instead of prison.
- **Jose Valery Boris Espinal Ponce** and **Nelson Abdalah Ghawi**, former Congressmen, and **Dario Alberto Mejia Valdivieso**, former Director of the Secretariat of the Environment and Natural Resources, were sentenced in 2016 for abuse of authority related to the processing of a construction permit in a restricted area.
- **Lena Karim Gutierrez Arevalo**, a former Vice President of the National Congress, was arrested in 2015 on charges of fraud, crimes against public health, and falsification of documents in a scheme to defraud the public health system of up to \$120 million.
- **Oscar Kilgore**, a former San Pedro Sula Mayor, was indicted in 2017 for illicit enrichment and misappropriation of public funds, marking the third time he has faced charges since leaving office in 2006. A 2015 case concluded with a guilty verdict for embezzlement.
- **Gladis Aurora Lopez Calderon**, a Congresswoman, was indicted in 2018 on charges of embezzlement of \$879,000 in public funds.
- **Fredy Renan Najera Montoya**, a former Congressman, was indicted in U.S. courts in 2018, for allegedly using his position to facilitate drug trafficking and corruption. He is also accused of planning the 2009 assassination of former drug czar Julian Gonzalez.
- **Jorge Rivera Aviles**, former Supreme Court President, was indicted in 2018 on 131 charges of abuse of authority and 60 charges of embezzlement of public funds. Judges **Celino Aristides Aguilera**, **Jose Francisco Quiroz**, **Liliam Maldonado**, and **Julio Cesar Barahona** were also indicted for embezzlement.

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- **Mario Zelaya Rojas**, the former Social Security Institute (IHSS by its Spanish acronym) Director, former Vice Minister of Health **Javier Pastor**, and former Vice Minister of Labor **Carlos Montes** were sentenced in 2017 for laundering more than \$12 million from IHSS.
- **Yani Rosenthal**, former Minister to the Presidency, was sentenced in 2017 to three years in prison for laundering drug proceeds for the Cachiros drug trafficking organization.
- **Yankel Rosenthal**, former Minister of Investment under current President Hernandez, was sentenced in 2017 in a U.S. court for 29 months for attempted money laundering.

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