

Corruption Endemic in Central America and Mexico

Prepared statement by

Shannon K. O’Neil

Vice President, Deputy Director of Studies, and Nelson and David Rockefeller Senior Fellow for Latin America Studies
Council on Foreign Relations

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The 2020 Transparency International Corruption Perceptions Index presents a damning picture of the pervasiveness of government graft and bribery in Central America’s Northern Triangle countries and in Mexico, as well as the lack of ability or interest to combat such acts. None of these nations make it into the top (better governed) 100 out of the 180 surveyed: Honduras ranks one hundred and fifty-seven, Guatemala one hundred and forty-nine, Mexico one hundred and twenty-four, and El Salvador one hundred and four. Citizen polls in these countries complement and bolster Transparency International’s annual expert survey, substantial percentages of residents saying they were asked for bribes, for instance when trying to register for basic public services such as schooling, medical care, or receiving their national identification cards.

The economic costs of this systemic corruption are significant. The IMF estimates corruption captures some 2 percent of Mexico’s GDP, while other experts put the number even higher.¹ Studies of Central American nations reveal even more elevated economy-wide damages from bribes and graft, shaving off 5 percent or more of GDP every year.²

¹ Morales, Yolanda. “Sobornos Cuestan 2% Del PIB Mundial: Lagarde.” *El Economista*, September 18, 2017.

<https://www.economista.com.mx/economia/Sobornos-cuestan-2-del-PIB-mundial-Lagarde-20170918-0158.html>

² Cengic, Imelda. “Report: Central America Is Losing US \$ 13 Billion to Corruption.” *Organized Crime and Corruption Reporting Project*, October 31, 2019. <https://www.occrp.org/en/daily/11028-report-central-america-is-losing-us-13-billion-to-corruption>.

Morales Rodas, Sergio. “La corrupción le ha costado a Guatemala desarrollo, vidas y miles de millones de quetzales.” *Prensa Libre*, October 25, 2019. <https://www.prensalibre.com/guatemala/politica/la-corrupcion-le-ha-costado-al-desarrollo-vidas-y-miles-de-millones-de-quetzales/>.

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This corruption imposes direct and heavy costs on citizens in their day to day lives. With fewer resources to work with, governments are less able to provide everything from basic services to more ambitious infrastructure and economic development projects. Reduced public investment limits business and professional opportunities and slows the overall pace of economic growth.

Corruption does more than just curtail money for public services. It enables and perpetuates violence, as weak governance opens spaces for organized crime and gangs. These entities prey upon individuals and extort businesses. And the public services they often provide pale in comparison to citizens' needs, human rights an afterthought.³

By creating an unjust system of have and have nots, corruption erodes the public trust that makes democracy and good governance possible. By limiting economic growth and opportunities, by cementing impunity, and by extinguishing any hope that hard work and merit might build better futures, it leaves too many without prospects that might lead them to stay.

Corruption in Central America has become pervasive, insidious, and systematic. And, as much as any other factor, it spurs migration.

The scale and size of the challenge doesn't mean the United States can or should ignore the problem, much less write off these nations. Given the decade-long increase in migration from the Northern Triangle, the United States can't afford to limit programs addressing the immediate and root causes that lead so many north. What it does mean is that the United States should take a more expansive approach to its involvement and foreign assistance in Central America.

This means avoiding potentially corrupt distribution pathways U.S. and other international aid flowing into these countries. It means funding programs that tackle corruption head on. And it means using our own financial, investigatory, and legal tools to disrupt illicit financial flows and the use of ill-gotten gains here in the United States. The United States should never provide harbor to those stealing from their own people.

Partner with non-governmental organizations, civil society, and private businesses in delivering U.S. aid. Evaluations of previous U.S. aid efforts show that a range of interventions and programs can change the situation on the ground and alter the calculations of would-be migrants, tipping the scales against leaving. Those showing promise include neighborhood and school-based programs that work to reduce gang violence through counseling, tutoring, and community service. Efforts to train young people in professional and life skills, and to connect them to their communities through local projects, cultural events, and economic opportunities have also proven effective in tying them to home.

Programs to help farmers adjust to drought conditions, such as introducing irrigation systems or rust resistant coffee seedlings, can improve their prospects and quality of life. Others designed to connect them directly to markets or to upgrade the profitability of the crops they grow can also ensure a more sustainable

³ Kennedy, Kelli. "Corruption and Organized Crime in Central America's Countries." European Strategic Intelligence and Security Center, September 2, 2019. <http://www.esisc.org/publications/briefings/corruption-and-organized-crime-in-central-americas-countries>.

future at home. Seed money and training for entrepreneurs have succeeded in creating economic opportunities, improving people's prospects at home and shifting their mindset about moving.

To ensure that this money gets to the projects detailed and to the people who need it, the U.S. government should bypass less trustworthy governments and elites as much as possible. This means working directly with civil society, NGOs, and companies to ensure taxpayer dollars go to the designated programs. It is important also that the U.S. government stand up and defend these civil society organizations in the face of local government criticism and harassment for the transparent and accountable work they are doing.

The U.S. government should design and fund programs to go directly after systemic corruption. Many Central American justice systems and government agencies are too weak or too complicit to take on corruption themselves. Reformers within these countries need outside support and resources if they are ever to gain traction. Again, we have models that have proven effective in uncovering and beginning to dismantle powerful illicit networks. These include internationally funded independent investigatory bodies.

For 12 years, the International Commission Against Impunity, or CICIG, in Guatemala conducted high-profile investigations into corruption, working with the Attorney General's office to prosecute and ultimately bring down current and former presidents, high ranking officials, and dismantle multiple corruption rings stretching from prisons to the presidential palace.⁴ CICIG was also integral in advising and supporting judicial reforms that have enhanced the legal tools—such as plea bargaining, wiretapping, and witness protection programs—available to investigators and prosecutors taking on organized crime and corruption.

Similar internationally funded organizations including the International Commission Against Corruption and Impunity, CICIEN, in El Salvador, and the Mission to Support the Fight against Corruption and Impunity in Honduras, MACCIH, made a difference in their years of operation before being shut down by their respective governments.

Their track records in taking on complex cases and in helping bolster fragile justice systems means they should be restarted. While their successes in revealing corruption at the highest levels of power make it hard to imagine a Central American government accepting another such commission, the United States could and should push for the creation of a regional level investigatory body not dependent on any one government's approval. In addition, in exchange for any funding, the United States should push Central American governments to accept technical advisors in their ministries and create independent inspectors general to play watch dog roles.

Go after the U.S.-bound flows of corrupt money. Much of the money illegally siphoned away from Central America and Mexico flows through U.S. financial channels. Hundreds of millions of dollars end up in U.S. real estate, shell companies, or are spent in the United States on travel and education. The United States can do a better job tracing and tracking ill-gotten gains from Central America and ensuring that the perpetrators find no harbor in the United States.

⁴ WOLA. "Fact Sheet: The CICIG's Legacy in Fighting Corruption in Guatemala," August 27, 2019.
<https://www.wola.org/analysis/cicigs-legacy-fighting-corruption-guatemala/>.

To uncover these flows, the U.S. government should expand the resources dedicated to tracking and intercepting illicit corruption-based networks. Within the U.S. Treasury Department sits the Financial Crimes Enforcement Network, FinCen, an entity tasked with combating money laundering and other illegal use of the financial system. Today its budget is \$126 million, supporting a staff of just 300 investigators. The vast majority of these analysts focus on counterterrorism financing, leaving few to work on the Western Hemisphere. Given the recognized costs of heightened migration from the region to the United States as well as the threat to Americans' day to day lives from drug cartels and associated corruption (in 2019 alone over 70,000 Americans died of drug overdoses), this allocation is misguided.⁵

The U.S. Congress should increase funding and resources to hire dozens of new investigatory agents to focus exclusively on illicit flows and corrupting money from within the Western Hemisphere.

The United States should use its justice system and other governmental tools to unilaterally punish perpetrators of corruption. Corrupt public and private sector elites should not be able to travel and enjoy the benefits of U.S. life and leisure. Congress should ensure that the Biden administration makes full use of the "Engel List," denying corrupt actors entry to the United States. Recent sanctions against 17 senior officials from Guatemala, Honduras, and El Salvador—including Salvadoran President Nayib Bukele's chief of staff—are an important start. It should be accelerated and expanded in the weeks and months to come. This is both important in principle as well as in demonstration, telling those who may be tempted to follow a corrupt path that they will be unwelcome here. U.S. Department of Justice tools and efforts should be leveraged as well, through Foreign Corrupt Practices Act, Kleptocracy Asset Recovery Initiative and other mechanisms.

None of this will be quick, easy, or linear. As our own history has shown us, struggles against endemic corruption are slow at best, taking a generation or more. U.S. efforts in Central America will undoubtedly hit setbacks, face challenges, and at times fail to change things on the ground. But that doesn't mean it isn't worth starting or trying. And if the United States truly wants to address the chronic factors spurring decades of migration from its southern neighbors, it can't afford to ignore this fundamental root cause.

⁵ "Charting a New Path Forward: Report of the Western Hemisphere Drug Policy Commission." Western Hemisphere Drug Policy Commission, December 2020.
<https://whdpc.org/images/report/2021%2001.21%20WHDPC%20FINAL%20REPORT.pdf>.