



## Press Release

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### Central America: Icefi launches its book on corruption in the Northern Triangle of Central America and proposes a comprehensive agenda to combat corruption

The Central American Institute for Fiscal Studies (*Icefi*, Spanish acronym) launched its new book entitled *Corruption: Its Paths and Impact on Society and an Agenda to Combat It in the Northern Triangle of Central America (TNCA, Spanish acronym)*, at events held simultaneously in Guatemala, San Salvador and Tegucigalpa. Icefi received comments from the International Commissioner Against Impunity in Guatemala and Guatemalan Public Prosecution Service authorities; from the Secretary for Citizen Participation, Transparency and Anti-Corruption of the Republic of El Salvador and from the Spokesperson and Special Representative of the Secretary General for the Organization of American State's Support Mission Against Corruption and Impunity in Honduras. Moreover, the Institute will launch the book in Brussels, Stockholm and Washington, D.C., shortly.

The book studies the relationship between corruption and democracy, highlighting corruption in the TNCA - El Salvador, Guatemala and Honduras - having special characteristics derived from historical aspects, such as the construction of weak states, periods of authoritarianism, civil war and counterinsurgent systems and the undermining of judicial independence. In Icefi's opinion, these are all characteristic of weak and dysfunctional democracies. The book emphasizes that corruption must be understood and combatted as a problem that is not exclusive to the public sector because it affects and is particularly relevant to the private corporate sector. The book demonstrates the systemic presence of private stakeholders involved in most cases analyzed and outsourcing of *corruption management*. Icefi concludes that corruption is present in almost every sector and, therefore, we all share responsibility in the search for solutions.

Icefi identified eight principal paths that lead to corruption: outdated legislation; weak institutional; limited capacities and resources in the systems for administration of justice; electoral systems and political parties with no democratic rigor; deficient access to public information; scarce citizen participation; conflicts of interest and impunity. It analyzes each of these *paths to corruption*, identifying particular characteristics in the three TNCA countries. To illustrate these paths, the book compiles a collection of relevant cases of corruption in each of the countries studied, providing a brief description and analysis based on the official documents from investigations and newspaper reports. The cases studied allow us to understand that corruption constitutes an enormous loss of opportunities for citizens of the TNCA.

In Honduras, the relevant cases of corruption analyzed correspond to the period (2007-2014), and to 4 general categories: corruption in public purchasing, with 3 subcategories (fraud in the Honduran Social Security Institute, cases of corruption in the Secretary of Health, emergency decrees and fractioning); corruption in rendering public services; corruption in awarding public works contracts and abuse in public trusts. Analyses reveal that these cases produced estimated losses equivalent to 4.3% of the GDP and were particularly severe in the health sector, underscoring the plundering of the Honduran Social Security Institute with more than 95% of the cost of the relevant cases of corruption analyzed triggering the *outraged movement*. Icefi estimates that these losses are equivalent to: 5 times the Development and Social Inclusion Budget; 2.25 times the Secretary of Infrastructure and Public Services budget; 70% of the Secretary of Health budget; or 35% of the Secretary of Education Budget in Honduras, among other technical comparisons.

For El Salvador, the relevant cases of corruption analyzed correspond to the period (1989-2014), within 4 general categories: corruption in public purchasing, with two sub categories (awarding public works contracts and other public



purchasing, including medication and medical and hospital supplies); corruption in human resources hiring or <<phantom jobs>>; embezzlement and other forms of fraud in budget execution, especially in parallel execution mechanisms such as trusts; negligence and obstruction of investigation mechanisms and penalties for acts of corruption. Analyses of these cases reveals that they produced estimated losses equivalent to 2.1% of the GDP and were particularly severe in public works cases (33% of the total) and the so-called <<Secret Presidential Budget Item>> (nearly 50% of the total). Icefi estimates that these losses are equivalent to 6.6 times the Attorney General of the Republic's budget; 1.25 times the budget for the justice and public security sectors; 94% of the budget for the health sector or 60% of the education budget, among other technical comparisons.

In Guatemala, relevant cases of corruption analyzed correspond to the period (2008-2017), within 7 general categories: institution capturing; customs and tax fraud; administrative corruption; corruption in public purchasing affecting the right to health; influence peddling, illicit enrichment and <<phantom jobs>>; judicial corruption and municipal corruption. Official documents from the investigation of these cases still do not permit quantification of costs. Accordingly, Icefi conducted an exercise to identify the most vulnerable public budget items, and then applied a technical assumption of losses from corruption averaging 20%. Through this exercise, Icefi estimated that in one year losses from corruption in Guatemala were equivalent to: 4 times the Public Prosecution Service budget; 92% of the funds for the Ministry of Government or 74% of the Ministry of Public Health and Social Assistance budget, among other technical comparisons.

The book ends by proposing an anti-corruption agenda for TNCA including legislative actions and institutional strengthening to achieve eight objectives: 1) preparation, discussion, approval and implementation of national policies or spaces for multi sector and democratic coordination for transparency, combating corruption and open government; 2) fiscal policy prioritizing transparency; 3) ensure honesty of public officials and employees, as well as a culture of accountability and open government; 4) guaranteed access to public information, including open data policies and protection of personal data; 5) facilitate citizen participation through the promotion of spaces for collaboration between the public administration and civil society; 6) incorporate an analysis of private sector responsibility in efforts to combat corruption; 7) recognize and combat the relationship between corruption and public electoral systems; 8) structural reform of the system for the administration of public justice, including actions to strengthen its capacities to combat corruption.

Icefi proposes this anti-corruption agenda for TNCA fully aware of the technical and political challenges involved in its implementation, but confident that it will contribute to a comprehensive response to the legitimate, urgent demand of TNCA citizens to effectively and comprehensively combat corruption and impunity. In conclusion, it states that in many ways corruption is a political phenomenon because the corrupt person and the corruptor have excessive amounts of power that permits them to commit the crimes and remain unpunished. In other words, the fight against corruption is a fight against impunity requiring the cooperation of all sectors as a prerequisite to drive comprehensive fiscal reform, so urgently needed in any inclusive democratic development agenda for TNCA.

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