

# Spotlight on Public Corruption in Latin America

## Introduction

Many perceive Latin America to be in the midst of a growing corruption crisis. Transparency International's Corruption Perception Index (CPI) for 2016 found that respondents in most Latin American countries believed corruption was increasing. This perception is fueling civil society efforts to combat corrupt behavior and demand government accountability. Corruption is also likely to be a central theme in elections across the region in 2018. Many Latin American politicians are running on anti-corruption platforms, often abandoning traditional parties sullied by corruption allegations and embracing antiestablishment platforms.

Numerous elected officials have been removed from office in the past decade due to corruption scandals. In 2015, Guatemalan President Otto Perez-Molina and his vice president were arrested and imprisoned for conducting multiple corruption scams. In Brazil, a sprawling corruption investigation under way since 2014 has implicated much of the political class, leading to the imprisonment of the president of the Chamber of Deputies and contributing to the impeachment of President Dilma Rousseff in 2016.

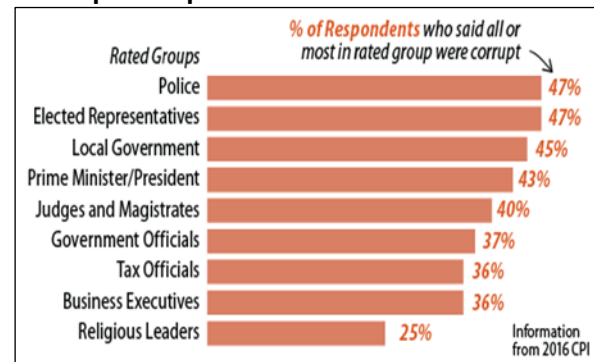
Perceptions of growing corruption may reflect a greater awareness of corrupt behavior rather than an increase in actual corruption. This heightened awareness may be due to the growing use of social media to report violations and inform the citizenry, as well as to greater scrutiny by domestic media and investigative reporters, international investors, and, in some cases, congressional bodies. Moreover, the region's growing middle class, with its rising expectations, seeks more from its politicians. Corruption in the judicial system can undermine the rule of law and heighten impunity, leading to more crime because of lax or absent enforcement.

## Latin American Regional Findings

Transparency International's 2016 survey, in the 20 Latin American countries polled, found that the corruption taint is particularly acute for politicians, political parties, police, and other public servants; respondents deemed those groups "all or most corrupt" (see **Figure 1**). Citizens reported being most concerned about the use of public office for private gain (graft, influence peddling, extortion, bribe solicitation, money laundering, obstruction of justice, nepotism, or violation of political finance regulations).

Corruption scandals affecting top-level politicians have touched every region of Latin America. Corruption charges tainted the second administration of Chilean President Michele Bachelet, whose son allegedly used his position to secure a \$9.2 million bank loan. Former President of El Salvador Mauricio Funes (2009-2014) was found guilty of illicit enrichment in a Salvadoran court.

**Figure 1. Latin American Respondents' Perceptions of Corrupt Groups and Institutions**



Public-sector corruption is often a prominent part of a larger corruption problem that handicaps Latin American growth through lost productivity and skewed incentives. It can erode public services, and many analysts increasingly see it as a cause of deepening inequality. In the 2016 CPI, nearly a third of all Latin American respondents said they had paid a bribe for a public service such as health care or education in the past 12 months.

## Recent Incidents of High-Profile Public Corruption

The range of corrupt practices is broad, and the types mentioned here have received recent attention. Several scandals reaching multiple countries in the region have underscored a sense of urgency and perhaps increased the viability of anti-corruption campaigns while also spawning protest and, in some cases, instability.

In Mexico, for example, the costs of corruption have been estimated to reach as much as 5% of gross domestic product each year. Mexico's long-dominant Institutional Revolutionary Party is now so linked with corruption that it is likely to be hobbled in the mid-2018 national elections. Some analysts maintain that state involvement in corruption has undermined Mexico's state and federal governments, where eight current and former state governors are under investigation for corruption and allegations of vast enrichment schemes. Mexico never resolved the suspicion of official involvement in the 2014 disappearance of 43 students in the state of Guerrero. Mexican authorities arrested local government officials and local and national police for collaborating with a drug gang in the killings, but no explanation of the crime has been provided and an international investigation was thwarted. (For more, see CRS Report R42917, *Mexico: Background and U.S. Relations*.)

Brazilian construction firm Odebrecht, in a landmark plea deal, admitted to paying \$735 million in bribes to politicians and office holders throughout the region to secure public contracts over more than two decades. In December 2017, Ecuador's vice president, Jorge Glas, was

convicted of taking bribes from Odebrecht executives exceeding \$13 million when he served under former President Rafael Correa. In Peru, President Pedro Pablo Kuczynski was accused of accepting Odebrecht bribes and faced impeachment by the opposition-led Peruvian Congress; he narrowly survived a vote in December 2017. The Odebrecht scandal also has shaken parties and presidents in Colombia, Panama, and other nations, such as Mexico.

Allegations of corruption blossomed in 2015 around FIFA, international soccer's governing body. Scores of FIFA officials in Latin America and elsewhere have been indicted for "institutionalizing graft." In 2017, U.S. prosecutors brought cases against top FIFA officials, winning indictments against officials in Paraguay and Brazil.

### Anti-corruption Activism and Efforts at Prevention

The 2016 CPI survey reported that a majority of Latin American respondents considered their government's anti-corruption measures unsuccessful. However, civil society activists continue to push for anti-corruption reforms, and they have been successful in some instances. The disappearance and execution of the 43 Mexican students in Guerrero sparked an anti-corruption movement that pressured Mexican President Enrique Peña Nieto to back the introduction of a National Anti-Corruption System. Despite passage of an anti-corruption law in 2015, the Mexican Congress has not appointed an independent prosecutor. In late 2017, civil society leaders of the Anti-Corruption National Advisory Board, who oversee the law, stated that the Mexican government had nearly completely obstructed their role.

Several South American countries with well-established judicial systems have made progress in combatting corruption. One example is Brazil's extensive prosecution of corrupt legislators. However, there have also been significant failures. In summer 2017, the head of Colombia's anti-corruption unit and his top lawyer were arrested for taking bribes. The two officials are wanted in the United States for money laundering. In Colombia, the issue of judicial corruption has led to demands to institute judicial system reform following a major scandal involving payoffs to members of Colombia's Constitutional Court in return for favorable decisions. It has also made corruption a top issue for many Colombian voters in the upcoming legislative and presidential elections scheduled for March and May 2018.

Other countries have turned to international organizations to fight corruption and impunity. The International Commission Against Impunity in Guatemala (CICIG), backed by the U.N., was formed to recommend legal reforms and to help Guatemala dismantle illegal groups and clandestine structures responsible for organized crime and human rights violations. Many experts agree CICIG has made significant progress in its goals. In 2015, Guatemala's Public Ministry arrested about 600 public officials for alleged corruption and abuse of office. Its work led to the impeachment and dismissal of the former president and vice president on corruption charges. CICIG's unique hybrid character allows it to operate completely within the

Guatemalan legal system but to receive its funding through international donations.

In 2016, the Honduran government worked with the Organization of American States to establish the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH). More limited in some ways than CICIG, MACCIH's initial efforts have focused on strengthening Honduras's anti-corruption legal framework. MACCIH does not have independent investigative or prosecutorial powers, but MACCIH officials work alongside Honduran officials on integrated investigative and criminal prosecution teams.

In response to corruption concerns, U.S. foreign assistance has long required vetting to prevent assistance from going to foreign security force units that are reasonably suspected of human rights violations. To target governmental corruption, U.S. aid to Central America in FY2016, including for El Salvador, Honduras, and Guatemala, was conditioned on measures to induce recipient governments to carry out complementary reforms. Analysts maintain that without this buy-in from recipient governments, development and security programs tend not to achieve their goals.

Venezuela scored lowest among the 20 countries surveyed in the region in the 2016 CPI survey. The U.S. Congress has supported the application of sanctions against Venezuelan officials to address official misconduct, including charges of undermining democracy, human right abuses, and drug-related money laundering. U.S. sanctions have targeted top Venezuelan officials, such as the president and the minister of education. (For more, see CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*.)

### Some Considerations for Congress

Many U.S. policymakers remain concerned with a weak rule of law in Latin America and corrupt practices that harm economies and subvert judicial and political processes. The chairman of the Western Hemisphere Subcommittee of the House Foreign Affairs Committee observed in a July 2017 hearing, "We ... need to see countries in the region tackle corruption and impunity as well as affirm regional efforts to support democracy." Members of Congress might consider oversight of the following:

- Effectiveness of U.S. assistance to strengthen the rule of law, the efficacy of sanction regimes to curb excesses, and U.S. support to international institutions such as MACCIH and CICIG;
- Assessment of U.S. efforts to support justice system reforms and improve policing practices;
- Measures to bolster regional stability in light of the growing mobilization of Latin American citizens to tackle corruption in the public sector.

For more, see CRS country reports, such as CRS Report R42580, *Guatemala: Political and Socioeconomic Conditions and U.S. Relations*, and CRS Report RL34027, *Honduras: Background and U.S. Relations*.

**June S. Beittel**, Analyst in Latin American Affairs

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