

EXTORTION IN THE NORTHERN
TRIANGLE OF CENTRAL AMERICA:
Following the Money

Julia Yansura

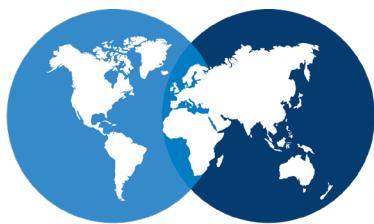


GLOBAL FINANCIAL INTEGRITY

Extortion in the Northern Triangle of Central America: Following the Money

Julia Yansura

September 2022



GLOBAL FINANCIAL INTEGRITY

Copyright ©2022 by Global Financial Integrity®. Some rights reserved.

The report is published under a Creative Commons Attribution License (CC BY).
For more information on this license, visit: creativecommons.org

Global Financial Integrity® and the Global Financial Integrity Logo are registered trademarks of Global Financial Integrity.

Cover photo by Lucas Favre, 2017.

Acknowledgements

This report is part of a larger, four-part initiative by Global Financial Integrity (GFI) to understand emerging financial crime threats that affect specific subregions of Latin America and the Caribbean. The initiative analyzes financial crime and financial crime risks related to extortion, fraud, pooled investment vehicles and cryptocurrencies. To better understand these dynamics, GFI spoke to over 100 subject matter experts. They included government officials, journalists, researchers, entrepreneurs, anti money laundering (AML) specialists and financial institution staff. Their knowledge, insights, and lived experience shaped this report in many ways. GFI thanks them for their time and participation in this study, as well as for their ongoing work to ensure the safety of their communities and the integrity of our shared financial system. While their expertise helped to shape this report in many ways, the conclusions reached do not necessarily reflect the views of the individuals, organizations or government agencies that participated in expert interviews.

Many thanks as well to those who helped edit and prepare this report. Ava Occhialini and Madeline Paul provided valuable assistance with research and interviews. Channing Mavrellis, Claudia Helms and Lakshmi Kumar of GFI provided support, technical assistance and editing. Camille Babington of Visual Teaching Technologies designed this report.

Table of Contents

Glossary of Terms, Abbreviations and Acronyms	v
Introduction	1
The Characteristics of Extortion in Central America	3
Extortion and Financial Crime	10
The Financial Scale of Extortion	18
Efforts to Address The Proceeds of Extortion	22
Policy Recommendations	27
Appendix: Estimating the Financial Value of Extortion	30

Glossary of Terms, Abbreviations, and Acronyms

Abbreviation Term

AG	Attorney General
<i>Aguinaldo</i>	Christmas bonus for workers
AML	Anti money laundering
ANEP	<i>Asociación Nacional de la Empresa Privada</i> (National Association of Private Enterprise) (El Salvador)
CFT	Counter financing of terrorism
CONAPE	<i>Consejo Nacional de la Pequeña Empresa</i> (National Small Business Council) (El Salvador)
ENPEVI	<i>Encuesta Nacional de Percepción de Seguridad Pública y Victimización</i> (National Survey of Perceptions of Public Security and Victimization) (Guatemala)
EPHPM	<i>Encuesta Permanente de Hogares de Propósitos Múltiples</i> (Permanent, Multi-Purpose Household Survey) (Honduras)
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FNA/FNAMP	<i>Fuerza Nacional Antiextorsión / Fuerza Nacional Anti Maras y Pandillas</i> (National Anti-Extortion Force/National Anti-Gang Force) (Honduras)
GDP	Gross domestic product
GFI	Global Financial Integrity
GITOC	Global Initiative against Transnational Organized Crime
GTQ	Guatemalan <i>quetzales</i>
HNL	Honduran <i>lempiras</i>
<i>Impuesto de guerra</i>	“War tax,” a regular extortion payment to a criminal group
IUDOP	<i>Instituto Universitario de Opinión Pública</i> (University Institute of Public Opinion) (El Salvador)
IVE	<i>Intendencia de Verificación Especial</i> , the Financial Intelligence Unit of Guatemala
LAPOP	Latin American Public Opinion Project
<i>Mano dura</i>	Iron fist policies
ML	Money laundering
OCG	Organized crime group

<i>Renta</i>	“Rent,” a regular extortion payment to a criminal group
SIB	<i>Superintendencia de Bancos</i> (Superintendence of Banks) (Guatemala)
SMEs	Small and medium enterprises
STR	Suspicious Transaction Report
<i>Talacha</i>	A prison “entrance payment” charged by criminal groups in Guatemala
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development

Introduction

Each year, an estimated 330,000 people in the Northern Triangle of Central America fall victim to extortion.¹ While legal definitions of extortion vary among Central American countries, this report uses the definition by the United Nations Office on Drugs and Crime (UNODC), which states that “extortion consists of obtaining property from another through the wrongful use of actual or threatened force, violence or fear.”²

The victims of extortion experience losses that are both tangible and intangible, including money, in-kind goods and services, and a sense of security within their home, place of employment, or community. One survey found that 50 percent of extortion victims subsequently stopped visiting family and friends out of safety concerns.³ Moreover, the impacts extend outwards. At a macro level, extortion has been shown to limit economic growth, damage social networks by sowing distrust among neighbors, undermine faith in institutions, and cause displacement and migration.⁴ A survey in El Salvador found that nearly a quarter of those considering migration are extortion victims.⁵ In Guatemala, a survey found that victims of extortion are among those with lower levels of trust in institutions.⁶ Extortion can cause residents to avoid using public transportation, which in turn impacts the livability of cities.⁷

In addition to the important human and societal impacts noted, extortion generates millions of dollars a year for criminal groups, funds which in large part end up in financial institutions. In this report, GFI analyzes extortion from a financial crime perspective. It assesses the value of this illicit activity and seeks to better understand how the proceeds of extortion are utilized, laundered, and/or reinvested. It also considers whether anti-money laundering and counter-terrorism financing (AML/CFT) strategies are being effectively utilized to combat extortion. The AML/CFT focus does not replace other, critically important efforts related to human security, effective policing, penitentiary system reforms, and programs for at-risk youth. Rather, it is meant to complement them, contributing to a holistic, multi-pronged approach to combating extortion in the Northern Triangle.

This report is part of a larger project by GFI that analyzes financial crimes in Latin America and the

¹ Author’s calculation based on survey victimization rates from the 2018 Guatemalan *Encuesta Nacional de Percepción de Seguridad Pública y Victimización* (ENPEVI), the 2021 Salvadoran *Instituto Universitario de Opinión Pública* (IUDOP) and 2018 Honduran *Encuesta Permanente de Hogares de Propósitos Múltiples* (EPHPM). Victimization rates have been applied to the adult population of the country. For more detail, see the Appendix.

² United Nations Office on Drugs and Crime, E4J University Module Series: *Organized Crime*, Module 4: Infiltration of Organized Crime in Business and Government, “Extortion,” <https://www.unodc.org/e4j/en/organized-crime/module-4/key-issues/extortion.html>.

³ Viceministerio de Prevención de Violencia y el Delito del Ministerio de Gobernación de Guatemala/InfoSegura PNUD, *Encuesta Nacional de Percepción de Seguridad Pública y Victimización* (ENPEVI) (Guatemala City: Instituto Nacional de Estadística de Guatemala, 2018), <https://www.ine.gob.gt/ine/enpevi/>.

⁴ Interview conducted for this project with Corinne Dedik & Walter Menchú, *Centro de Investigaciones Económicas Nacionales* (CIEN), January 2022.

⁵ Among those who are not considering migrating, 11 percent have been extorted. See *Saliendo Adelante: Why Migrants Risk it All* (Washington, DC: Creative Associates, 2019), 6, <http://www.creativeassociatesinternational.com/wp-content/uploads/2019/09/Migration-Study-Brief.pdf>.

⁶ Among victims of extortion, 29.4 percent reported low levels of trust in institutions, compared to 20.5 percent of those who had not been a victim of extortion in the past three years. *Encuesta Nacional de Percepción de Seguridad Pública y Victimización* (ENPEVI).

⁷ As one survey notes, “It is fundamental to consider the fear generated by certain crimes such as extortion; its impact may be as important as other crimes of greater prevalence and its immediate consequences are not immediately visible, but can be manifested through other indicators such as the the high rate of fear of using public transportation.” See *Encuesta Nacional de Percepción de Seguridad Pública y Victimización* (ENPEVI), 61.

Caribbean. The project's first report, *Financial Crime in Latin America and the Caribbean: Understanding Country Challenges and Designing Effective Technical Solutions*,⁸ covered financial crime trends in broad strokes throughout the hemisphere. In particular, it looked at illicit proceeds from corruption, drug trafficking, mineral trafficking, trafficking in persons, and smuggling of migrants. While these are important sources of criminal proceeds for the Western Hemisphere as a whole, there are other emerging and sub-regional dynamics that deserve closer attention. This is the case of extortion in Guatemala, El Salvador and Honduras.

⁸ Julia Yansura et al., *Financial Crime in Latin America and the Caribbean: Understanding Country Challenges and Designing Effective Technical Solutions* (Washington, DC: Global Financial Integrity, 2021), <https://gfiintegrity.org/report/financial-crime-in-latin-america-and-the-caribbean/>.

The Characteristics of Extortion in Central America

Extortion is a global problem, but Central America in particular has been acutely impacted. According to a report by the Global Initiative against Transnational Organized Crime (GITOC) on extortion trends worldwide, “the fragile, violence-plagued countries of the Central American Northern Triangle (Guatemala, Honduras and El Salvador) have been crippled by this criminal activity.”⁹ This section of the report considers the origins of this problem, its general characteristics, and what we know about perpetrators and victims. All of this information is key to understanding extortion from a financial crime perspective.

ORIGINS OF THE PROBLEM

The crisis of extortion in the Northern Triangle is at least forty years in the making. Gangs of Central American youth, formed in Los Angeles in the 1980s, arrived in Central America through a wave of deportations in the 1990s and early 2000s. According to the Department of Homeland Security, 129,726 convicted criminals were deported to Central America between 2001 and 2010.¹⁰ Gangs expanded rapidly in a region that had been devastated by civil war, conflict and poverty.¹¹ At that time, the gangs “had no reliable revenue stream, though members sold drugs on street corners, committed petty robberies and demanded small handouts from bus drivers,” according to media accounts.¹² These activities, though not especially lucrative, were exceptionally violent. From 2010-2014, Honduras had the highest homicide rate in the world for any country not actually at war, and from 2015-2018, El Salvador assumed this distinction.¹³

Frustrated by the security situation, citizens and elected officials in the region turned to tough-on-crime, *mano dura* policies.¹⁴ But *mano dura* took a toll as well. No longer solely in conflict with each other, gangs were now locked into intense conflict with the State. Moreover, *mano dura* resulted in skyrocketing prison populations, placing pressure on existing infrastructure and leading to overcrowding, dismal conditions, and limited control by authorities.¹⁵ Because gang members were often housed together, prison became a place to further organize illicit activities and strengthen gang identity.¹⁶

9 Deborah Bonello, Tuesday Reitano, and Mark Shaw, *A Handbook for Community Responses to Countering Extortion*, (Geneva: The Global Initiative Against Transnational Organized Crime, 2021), 4, <https://globalinitiative.net/wp-content/uploads/2021/05/Extortion-handbook-WEB-1.pdf>.

10 “Extortion Explainer 1: Evolution of Extortion in the Northern Triangle,” *InSight Crime*, <https://insightcrime.org/investigations/extortion-explainer-evolution-extortion-northern-triangle/>.

11 See Juan José Martínez d’Aubuisson, *A Year Inside MS-13: See, Hear, and Shut Up* (New York: OR Books, 2019).

12 Óscar Martínez et al., “Killers on a Shoestring: Inside the Gangs of El Salvador,” *The New York Times*, November 20, 2016, <https://www.nytimes.com/2016/11/21/world/americas/el-salvador-drugs-gang-ms-13.html>.

13 World Bank, “World Data Bank” Intentional Homicides per 100,000 residents, accessed February 2, 2022, <https://data.worldbank.org/indicator/VC.JHR.PSRC.P5?locations=SV>.

14 *Mano dura* means “iron fist” in Spanish. For a good explanation, see Jonathan D. Rosen, “Corruption, Crime, and Gangs in Central America: Understanding the Root Causes,” *Small Wars Journal*, October 25, 2021, <https://smallwarsjournal.com/jrn/article/corruption-crime-and-gangs-central-america-understanding-root-causes>.

15 U.S. Library of Congress, Congressional Research Service, *Gangs in Central America*, by Clare Ribando Seelke, RL34112 (2016), 8-9, <https://sgp.fas.org/crs/row/RL34112.pdf>.

16 *Mafia of the Poor: Gang Violence and Extortion in Central America*, Latin America Report N°62, (Brussels: International Crisis Group, 2017), <https://globalinitiative.net/analysis/mafia-of-the-poor-gang-violence-and-extortion-in-central-america/>.

Gangs in and outside of prison increasingly turned to extortion. In El Salvador, for example, when the leader of MS-13 received a 30-year prison sentence for homicide, he came up with a “money-making plan (...) to institutionalize extortion nationwide.”¹⁷ Extortion lent itself to being carried out from behind bars, and it provided gang members in prison with a source of income as well as a means to maintain territorial control. According to *InSight Crime*, “prisons were now the gangs’ headquarters and extortion their main income stream.”¹⁸ For gangs, extortion was perceived as high-reward and low-risk, particularly compared to homicides or drug trafficking.¹⁹ As one expert put it, “it’s hard to hide a body but easy to hide a payment.”²⁰

It is also worth analyzing the role of the State. Government “truces” or “pacts” with and/or among gangs, as have occurred in some countries, have typically required criminal groups to reduce homicides in exchange for improved prison conditions.²¹ While a full discussion of the truces is beyond the scope of this report, it is not difficult to see how criminal groups might turn to less visible forms of violence, such as extortion.²²

TYPES OF EXTORTION

To understand extortion as a financial crime issue, it is helpful to differentiate between monetary and non-monetary extortion. In the case of the former, the perpetrator, through the use of threats of violence, extracts money from the victim in the form of cash, bank transfers, or electronic payments, for example. In the case of non-monetary extortion, they may extract other goods or services of value; for example, the owner of a pupusa stand who is extorted by local gangs may provide payments in pupusas. A judge who is extorted by mafias in the area may provide favorable rulings. Or for, example, there are cases in which female victims of extortion have been forced to provide sexual services.²³ While both monetary and non-monetary extortion have devastating impacts, this report focuses primarily on monetary extortion because of its connection to money laundering (ML).

PERIODICITY OF EXTORTION

Extortion can occur one time, as a stand-alone event. It can also occur occasionally, or even regularly on a monthly, weekly, or yearly basis. It may also correlate to certain times of the year. In Guatemala,

17 Óscar Martínez et al., “Killers on a Shoestring.”

18 “Extortion Explainer 1: Evolution of Extortion in the Northern Triangle,” *InSight Crime*.

19 The role of Central American gangs and other criminal groups in cocaine transhipment has ebbed and flowed over the years. For a useful summary of these changes, see Héctor Silva Ávalos, Alex Papadovassilakis, and Victoria Dittmar, “GameChangers 2020: The Resurgence of the Central American Cocaine Highway,” *InSight Crime*, December 28, 2020, <https://insightcrime.org/news/analysis/resurgence-central-american-cocaine-highway/>.

20 Interview conducted by this project with anonymous, February 2022.

21 See, for example, Cristina Eguizábal et al., *Crime and Violence in Central America’s Northern Triangle: How U.S. Policy Responses are Helping, Hurting, and Can be Improved* (Washington, DC: Wilson Center, 2015), 63–65, https://www.wilsoncenter.org/sites/default/files/media/documents/publication/FINAL%20PDF_CARS%20REPORT.pdf.

22 See, for example, Zach Y. Brown et al., “Market Structure and Extortion: Evidence from 50,000 Extortion Payments,” Working Paper 28299 (Cambridge, MA: National Bureau of Economic Research, 2021), <https://www.nber.org/papers/w28299>.

23 Interview conducted for this project with Ana Linda Solano, January 2022. Note that this is markedly different from sextortion, which typically occurs when the victim is extorted by threatening to revealing sexual photos. For more detail, see Ana Linda Solano López, “Mujer y corrupción: estrategias para abordar los impactos diferenciados de la corrupción en América Latina: Problemática de género y corrupción en América Latina,” (EUROsociAL+, 2019), <https://eurosocial.eu/wp-content/uploads/2019/04/OK-5-Mujer-y-corrupcion-EUROSOCIAL.pdf>.

for example, where businesses pay employees an *aguinaldo*, or Christmas bonus, extortion groups typically charge an extra fee, a sort of Christmas bonus for themselves.²⁴

The periodicity of extortion is important, not only from a financial crime detection perspective, but also as a definitional matter. As a recent report by the GITOC notes, “from the perspective of the victims, extortion is a one-time or occasional act, whereas it is considered *renta* when payments are systematic or periodic. In their own words, many of them are paying rent and not extortion.”²⁵ Some victims may also perceive *renta*, also called *impuesto de guerra*, as regular, predictable payments to criminal groups and “extortion” as “anytime they ask me for anything additional.”²⁶ While the nuances of local understanding and terminology are interesting, from a financial crime as well as a citizen security perspective, all of these criminal practices should be considered extortion.

PERPETRATORS OF EXTORTION

A number of different groups engage in extortion. They include large gangs such as MS-13 and its rival, the more fragmented Barrio 18. They also include smaller gangs and groups. According to survey data and expert interviews, most cases of extortion involve at least two individuals working together, often, with one or more perpetrators behind bars and the others free to move about and collect payments.

Those who collect payments often include women. In El Salvador, “women... collect most extortion payments (and) can also be asked to hide weapons or to open bank accounts in their name, for the gang to use.”²⁷ In Guatemala, extortion is the single most common crime for which women are behind bars.²⁸

The perpetrators of extortion go well beyond gangs. According to Guatemalan authorities, 83 percent of reported cases can be traced back to so-called “imitators” pretending to be gang members to intimidate the victim.²⁹ Imitators can be friends, neighbors, or even employees of the victim. However, some researchers have challenged this assertion, noting that so-called imitators have included self-identified members of Barrio 18. According to an expert consulted for this project, those who self-identify as gang members should be considered gang members, especially since gang leadership structures are not always vertical.³⁰ Another expert noted that “imitators may not be part of the large gangs, but they may in fact be part of smaller gangs and still have the capacity to exert violence against the victim.”³¹

24 Interview conducted for this project with anonymous financial institution staff, January 2022.

25 Luis Enrique Amaya and Juan José Martínez d’Aubuisson, *Renta o Extorsión, Victimarios y Víctimas de las maras en El Salvador* (Geneva: Global Initiative Against Transnational Organized Crime, 2021), iii, <https://globalinitiative.net/wp-content/uploads/2021/11/GITOC-Renta-o-extorsion-Victimarios-y-victimas-de-las-maras-en-El-Salvador.pdf>.

26 Interview conducted for this project with Guillermo Vázquez, Senior Analyst, and Luis Félix, Analyst, of the Global Initiative Against Transnational Organized Crime, January 2022.

27 Juan José Martínez d’Aubuisson, “The Omnipresent Business of the MS13 in El Salvador,” *InSight Crime*, January 25, 2022, <https://insightcrime.org/investigations/the-omnipresent-businesses-of-the-ms13/>.

28 Deborah Bonello, “Mujeres de Guatemala: ¿La nueva cara de la extorsión?” *InSight Crime*, April 26, 2019, <https://es.insightcrime.org/investigaciones/mujeres-de-guatemala-la-nueva-cara-de-la-extorsion-2/>.

29 “Proponen nueva reforma policial para contrarrestar extorsiones,” *TodoNoticias23*, May 4, 2021, <https://www.tn23.tv/2021/05/04/proponen-nueva-reforma-policial-para-contrarrestar-extorsiones/>.

30 Interview conducted for this project with anonymous, February 2022.

31 Interview conducted for this project with anonymous, March 2022.

Prisoners – both gang members and non-gang members – are also involved. The link between prisons and extortion is especially strong in Guatemala. According to the Guatemalan Attorney General's (AG's) office, extortion linked to prisons amounted to 70 percent of reported cases in 2011, 80 percent in 2014, and 90 percent in 2020.³² Prisoners are also involved in extortion in El Salvador and Honduras, each to a lessening degree. Several factors explain their involvement. First, prisons in the region are full of gang members and alleged gang members, many of whom engaged in extortion previously and continue to do so even behind bars. Prisons are poorly supervised and overcrowded, and authorities are not generally effective in combating prison extortion networks. Moreover, poor prison conditions and high levels of prison violence may necessitate some form of income among prisoners. According to Carlos Mendoza, an expert interviewed for this project, “people need money to survive prison as well as to pay extortion occurring within the prison itself.”³³

Finally, the perpetrators of extortion include government officials such as police officers engaged in gang activity, immigration officers that extort migrants utilizing threats of violence, or judicial system employees that have been co-opted. In El Salvador, for example, “a broad and complex extortion network exists in [the] country, involving state agents, civilians, and people linked to crime.”³⁴ In Guatemala, meanwhile, “it is widely recognized that judges and public officials are ‘bought’ to not obstruct criminal activity and serve as gang accomplices.”³⁵ Or, as one expert noted, “in Guatemala, extortion is more statized; the police and military play a part.”³⁶ In this regard, there is a blurred line between state corruption, state capture, and extortion. What some residents view as corruption may in fact cross the line into extortion. The table below, which presents a survey of Honduran businesses, provides an example of this phenomenon. Businesses report experiencing different types of extortion, including extortion by authorities.

Table 1: Survey of Businesses in Honduras on Extortion, 2016-2017

MY BUSINESS HAS HAD A PROBLEM WITH:	2015	2016
Extortion via crime (“extorsión”)	12.9%	8.1%
Extortion via regular gang payments (“renta”)	4.8%	3.1%
Extortion by authorities (“corrupción”)	3.4%	2.2%

Source: Encuesta de Victimización de Empresas Centroamericanas 2016-2017, Foro Social de Deuda Externa y Desarrollo de Honduras (FOS-DEH). Available at <https://microdata.worldbank.org/index.php/catalog/2833/get-microdata>.

³² Corinne Dedik and Walter Menchú, *De la renta a la extorsión y de la extorsión a la imitación* (Guatemala City: Centro de Investigaciones Económicas Nacionales, 2020), 40, <https://cien.org.gt/wp-content/uploads/2021/02/Estudio-Extorsiones-2020.pdf>.

³³ Interview conducted for this project with Carlos Mendoza, January 2022.

³⁴ Lucía Dammert, “Extortion: The Backbone of Criminal Activity in Latin America,” *Research Publications* (2021): 5.

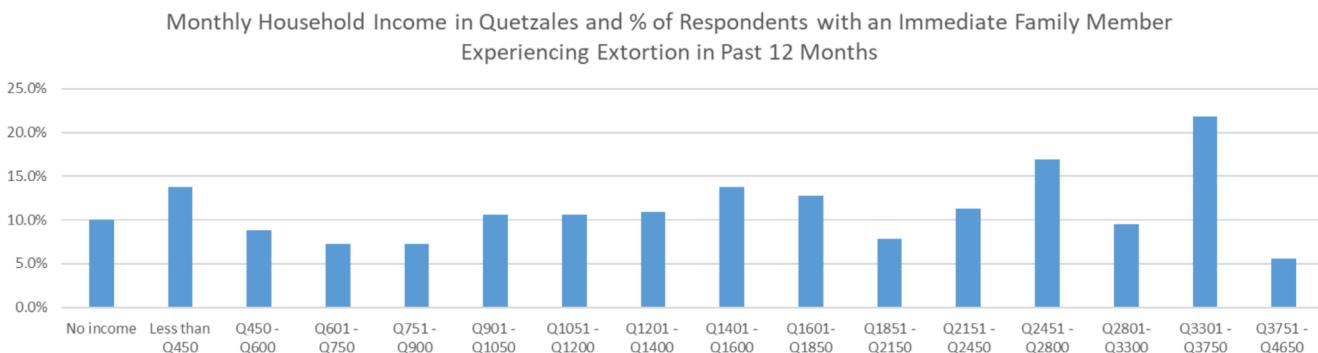
³⁵ Ibid.

³⁶ Interview conducted for this project with anonymous source, February 2022.

VICTIMS OF EXTORTION

Extortion impacts a wide cross-section of society. Victims include individuals, households, and businesses of all sizes. Victimization data suggests that men of working age in sectors such as sales or transportation are particularly vulnerable. Victims come from a variety of socio-economic backgrounds. They include those perceived to have a little extra money, such as small business owners who are doing well or remittance recipients who are receiving money from abroad, according to Pamela Ruiz, a Honduras security expert interviewed for this project.³⁷ At the same time, victims also include people living in poverty. For example, as the graphic below shows, nearly 15 percent of Guatemalan households earning less than GTQ450 (US\$65) a month report having been extorted in the past year.

Graphic 1:
The Impacts of Extortion Across the Socio-Economic Spectrum in Guatemala



Source: Own elaboration using data from Encuesta Nacional de Percepción de Seguridad Pública y Victimización (Enpevi), 2018. Available at: <https://www.ine.gob.gt/ine/enpevi/>.

Victims also include prisoners. In Guatemala, for example, prisoners are typically forced to pay GTQ5000 (approximately US\$65) as a *talacha*, a sort of entrance fee, to avoid being beaten by other prisoners.³⁸ Beyond this initial payment, others ensue. In one prison in Guatemala, prisoners must pay GTQ50 (US\$7) for access to drinking water and GTQ200 (US\$25) a week for access to three meals a day, according to media reports.³⁹ Faced with these conditions, prisoners may resort to illegal ways of making money, including telephone extortion.

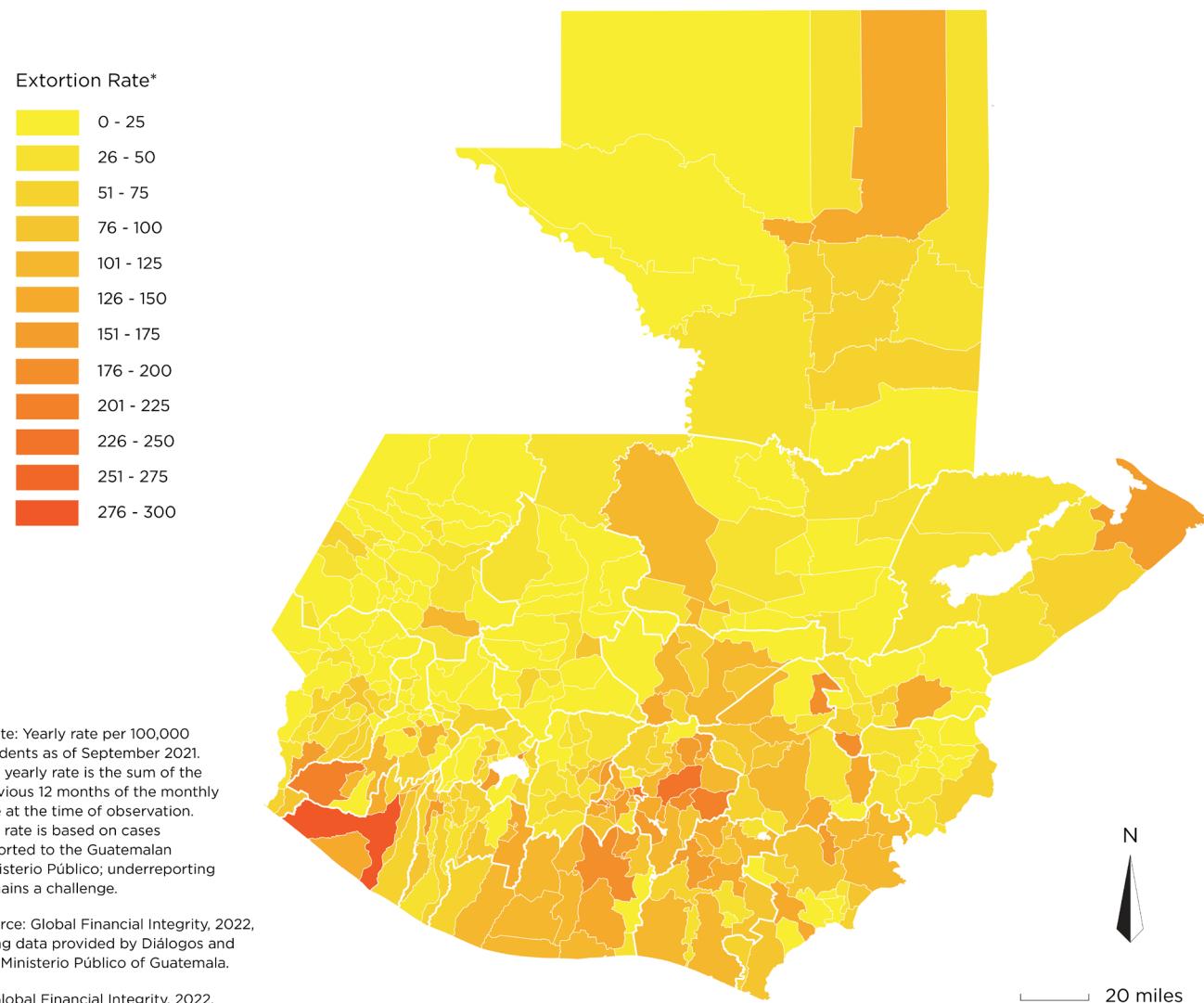
While many victims reside in urban areas, rural areas are affected as well. The graphic on the next page shows reported victimization rates across different regions of Guatemala.

³⁷ Interview conducted by this project with Pamela Ruiz, December 2021.

³⁸ Interview conducted for this project with Julie Lopez, January 2022. Note that the amount may vary based on multiple factors, including the perceived financial status of the prisoner. In some cases, high level government officials have reportedly faced *talacha* payments as high as GTQ100,000, or approximately US\$13,000.

³⁹ “Cobro de talacha es la norma en cárceles,” *Prensa Libre*, October 7, 2016, <https://www.prenslibre.com/guatemala/justicia/cobro-de-talacha-es-la-norma-en-carceles/>.

Graphic 2: Extortion Rate in Guatemala by Municipality, 2021



COUNTRY CONTRASTS

While the preceding paragraphs provided a regional overview, there are important differences among countries. In Guatemala, where gangs have less territorial presence, extortion is largely carried out by “imitators” followed by Barrio 18, with MS-13 playing a much lesser role.⁴⁰ Extortion by Barrio 18 in Guatemala is associated with high levels violence, which is perceived as being carried out spontaneously, and generates funds that the gang uses to cover expenses and purchase weapons.⁴¹

Honduras has a heavy presence of gangs and criminal groups, but they are fragmented and numerous,

⁴⁰ Interview conducted for this project with Mario Bosos, January 2022.

⁴¹ Ibid.

which leads to unpredictable, costly and violent extortion trends.⁴² In San Pedro Sula, for example, transportation companies report paying extortion to up to five different criminal groups at the same time, in amounts reaching several million lempiras a month (for reference, HNL2,000,000 would be US\$81,500).⁴³ With regards to the two largest Honduran gangs, extortion is primarily carried out by Barrio 18, with MS-13 more involved in drug trafficking.⁴⁴

In El Salvador, gang territorial control is powerful and concentrated. “Gangs are present in 90 percent of municipalities and they are the only organized crime groups,” according to experts.⁴⁵ Other experts noted that in El Salvador, “both MS-13 and Barrio 18 rely heavily on extortion to maintain territorial control,” though each gang has its own dynamics.⁴⁶

TRANSNATIONAL LINKAGES

Extortion is not typically a transnational crime, according to the experts interviewed. In general, victims and perpetrators reside within a single country, and often within a single neighborhood. There are some reports of extortion by MS-13 occurring in the U.S., primarily victimizing small businesses in the Salvadoran-American community,⁴⁷ typically carried out by MS-13 groups based in the Washington, DC area which have ties to specific communities in El Salvador, such as San Miguel and Usulatán. However, many experts balked at the term “transnational” to describe either extortion or the groups involved. They noted that gangs may be present in multiple countries without coordinating actions or even communicating. As one group of researchers concluded, MS-13 is “more of a hyper-violent social club than a sophisticated transnational criminal organization (and) it is less interested in obtaining wealth through criminal means than projecting an image of power through violence.”⁴⁸ This is in contrast to the view of the United States Government, which has typically referred to groups such as MS-13 and Barrio 18 as transnational organized crime groups (OCGs).⁴⁹

42 See, for example, Allan Bu and María Celeste Maradiaga, “San Pedro Sula inmersa en una nueva ola de amenazas por extorsión,” *Contra Corriente*, March 16, 2022, <https://contracorriente.red/2022/03/16/san-pedro-sula-inmersa-en-una-nueva-ola-de-amenazas-por-extorsion/>.

43 “Los Iluminati y los M1: nuevas bandas que extorsionan en SPS,” *La Prensa*, March 1, 2022, <https://www.laprensa.hn/sanpedro/los-iluminati-y-los-m1-nuevas-bandas-que-extorsionan-en-sps-GX6154190>.

44 Interview conducted for this project with an anonymous Honduran law enforcement official, December 2021.

45 Interview conducted for this project with anonymous, March 2022.

46 Interview conducted for this project with anonymous, February 2022.

47 “Pandilleros de la MS-13 enfrentan acusación por extorsión en Maryland,” *Voz de América*, January 10, 2022, <https://www.vozdeamerica.com/a/ocho-pandilleros-ms-13-enfrentan-acusacion-en-corte-federal-maryland/6390487.html>.

48 Eric Hershberg, Edward Maguire, and Steven Dudley, “Assessing the Transnational Criminal Capacity of MS-13 in the U.S. and El Salvador,” Final report to the National Institute of Justice, award number 2013-R2-CX-0048, January 2019, NCJ 252538, <https://nij.ojp.gov/library/publications/assessing-transnational-criminal-capacity-ms-13-us-and-el-salvador>.

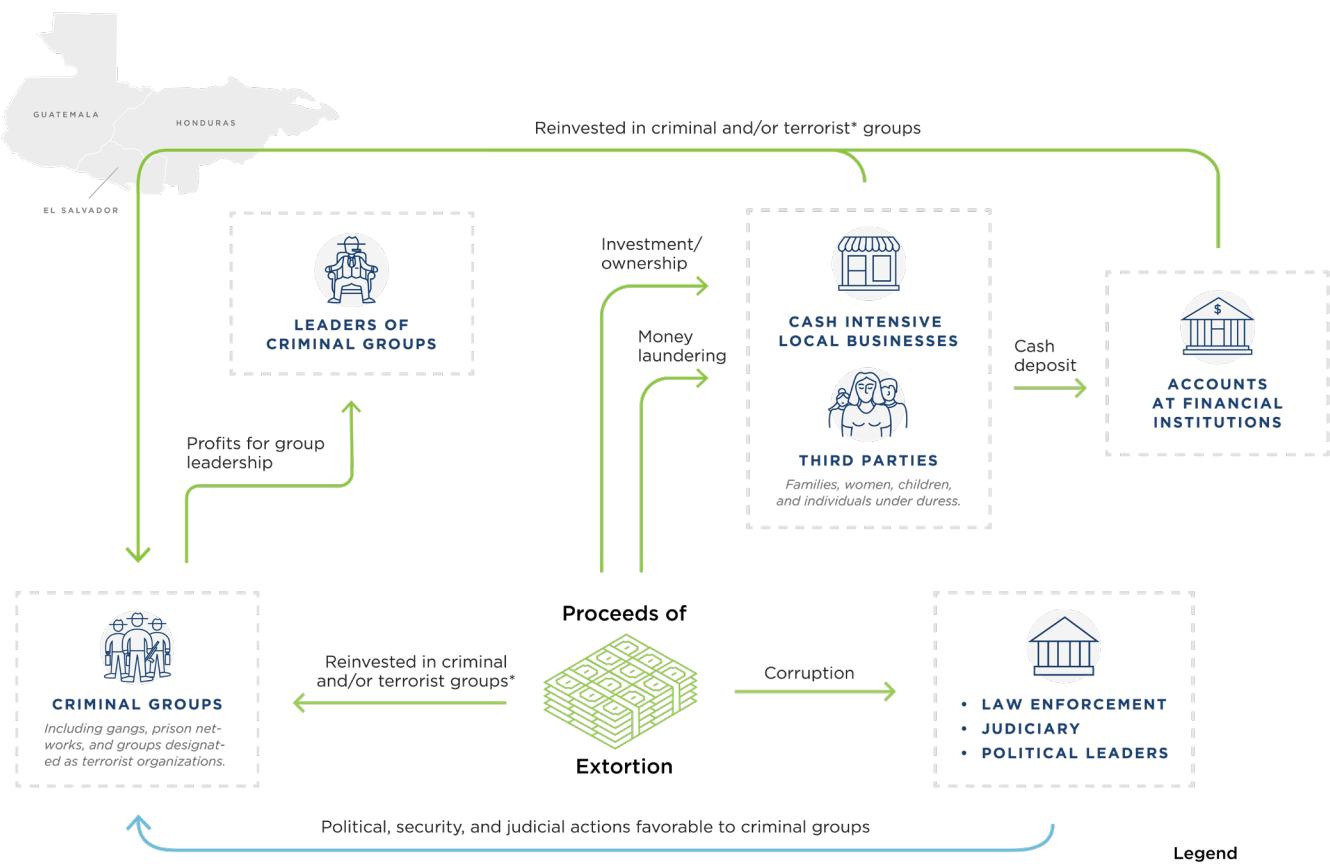
49 See, for example, U.S. Library of Congress, Congressional Research Service, *MS-13 in the United States and Federal Law Enforcement Efforts*, by Kristin Finklea, R45292 (2018), <https://sgp.fas.org/crs/homesec/R45292.pdf>.

Extortion and Financial Crime

Extortion is a predicate offense, meaning that it generates illicit proceeds and forms part of a financial crime such as ML, terrorism financing, or corruption. The following graphic shows what happens with the proceeds of extortion (seen in the center of the graphic). These illicit funds are placed in cash intensive local businesses and bank accounts (ML), reinvested in criminal or terrorist groups (terrorism financing), and used to bribe law enforcement, the judicial sector, and political leaders (corruption). The graphic below provides a visual representation of the relationship between extortion and the financial crimes that later occur with extortion proceeds.

Graphic 3: Extortion as a Financial Crime in Central America

Extortion Proceeds and Links to Money Laundering, Corruption, and Terrorism Financing



Using the preceding graphic as a visual road map, the following sections of the report analyze the relationship between extortion and each of the financial crimes in greater depth, beginning with ML.

EXTORTION AND MONEY LAUNDERING

Money laundering is used to disguise the origin of extortion proceeds and, through a series of processes and treatments, make dirty money appear to be clean.⁵⁰

A closer look at extortion cases in the region provides important insight into the ML methods used. For example, according to a series of typologies by the Honduran Financial Intelligence Unit (FIU), “a typewritten document was found during operations, detailing movements of money between a group of front associations used for illegal activity, where there was no accounting. In the course of the investigation, these records were contrasted with bank documentation and witness statements.”⁵¹ This example from Honduras highlights the important role of corporate structures, such as shell companies and front companies, in extortion-related ML.

Some of the most powerful insights into the ML methods of extortion networks come from neighboring El Salvador, where authorities launched four major investigations into the financial assets of MS-13 in recent years. The results suggest, as one analyst described it, “a broad investment portfolio spanning all corners of El Salvador.”⁵²

Using publicly available information, GFI analyzed these cases and mapped the ML typologies used. In one of the cases, Operación Cuscatlán, witnesses testified that the gang “amassed a fortune through ‘quotas’ imposed on multiple businesses and laundered through coffee plantations, poultry and vegetable farms, and taxis administered by the gang’s frontmen.”⁵³ Following an extensive investigation, Salvadoran authorities seized 14 properties, 63 vehicles, US\$27,000 in cash and another US\$194,000 in multiple bank accounts, in total worth more than US\$1.8 million.⁵⁴ In another case called Operación Libertad, authorities traced gang financial activity back to 63 properties, a funeral home, a country estate, hotels, and houses.⁵⁵ In many cases, the gang used frontmen to purchase these properties and businesses, in an attempt to hide the origin of the ill-gotten funds.⁵⁶

The graphic below summarizes these cases, highlighting the role of cash-intensive local businesses in extortion-related ML. For law enforcement, the complexity presents a tremendous challenge. Not only are there over a dozen local businesses involved in each case analyzed, but the types of businesses vary. Moreover, the businesses involved – restaurants, markets, taxis, and car sales or rentals – are among the most ubiquitous businesses in Central America.

50 For more detail on this process, see “Money Laundering,” Global Financial Integrity, <https://gfintegrity.org/issue/money-laundering/>.

51 Ministerio Público et al., *Guía de Investigación Financiera y Contable* (Tegucigalpa: Ministerio Público, 2014), <https://pplaft.cnbs.gob.hn/wp-content/uploads/2021/02/INVESTIGACION-FINANCIERA.pdf>.

52 Martínez d’Aubuisson, “The Omnipresent Business of the MS13 in El Salvador.”

53 U.S. Library of Congress, “El Salvador: Chiefs and Members of MS-13 Gang Sentenced in Historic Trial,” by Norma Gutierrez, December 19, 2019, <https://www.loc.gov/item/global-legal-monitor/2019-12-19/el-salvador-chiefs-and-members-of-ms-13-gang-sentenced-in-historic-trial/>.

54 Isaias Alvarado, “Histórico juicio a la MS-13: condenan a más de 60 años de cárcel a jefes de la Mara en El Salvador,” *Univision Noticias*, December 12, 2019, <https://perma.cc/9RUY-Q3KQ>.

55 Beatriz Calderón, “Incautan más bienes a MS-13 y revelan financiamiento al Movimiento de policías, iglesias, veteranos y un sindicato,” *La Prensa Gráfica*, March 16, 2018, <https://www.laprensagrafica.com/elsalvador/Incautan-mas-bienes-a-MS-13-y-revelan-financiamiento-al-Movimiento-de-policias-iglesias-veteranos-y-un-sindicato-20180316-0014.html>.

56 Gabriel García, “Alias “La Bella”, de vendedor de chocolates a testaferro de la MS-13 en Santa Tecla,” *La Prensa Gráfica*, March 16, 2018, <https://www.laprensagrafica.com/elsalvador/Alias-La-Bella-de-vendedor-de-chocolates-a-testaferro-de-la-MS-13-en-Santa-Teca--20180316-0041.html>.

Graphic 4: Businesses Used in Gang Financial Operations in El Salvador,
According to Major Cases 2015-2018

	2015 Operación Jaque	2017 Operación Tecana	2018 Operación Libertad	2018 Operación Cuscatlán
				
AUTOMOTIVE				
Auto shops	✓	✓		
Taxis	✓	✓	✓	✓
Carwashes	✓	✓		✓
Vehicle sales and rentals	✓	✓	✓	✓
Vehicle import businesses	✓			
Buses/collective transport businesses	✓		✓	✓
				
GOODS & SERVICES				
Funeral parlors			✓	
Carpentry businesses				✓
Propane gas businesses				✓
Cyber cafés				✓
Phone services		✓		
Prostitution or massage parlors	✓		✓	✓
				
BEAUTY & WELLNESS				
Spas			✓	
Beauty salons			✓	✓
Pharmacies	✓		✓	

GRAPHIC CONTINUED ON NEXT PAGE

	2015 Operación Jaque	2017 Operación Tecana	2018 Operación Libertad	2018 Operación Cuscatlán
				
LODGING				
Ranches/estates		✓	✓	✓
Hotels/motels	✓		✓	
				
FOOD & DRINK				
Pizzerias		✓		
Bakeries		✓		✓
Restaurants/cafés	✓	✓	✓	✓
Bars or breweries	✓	✓		✓
Local markets	✓		✓	✓
Purified water businesses				✓
Dairy businesses				✓
Ice cream shops				✓
				
SOCIAL GATHERING				
Pool halls		✓		✓
Churches		✓		
Unions/social movements			✓	

Source: GFI elaboration using publicly available case information as reported in local and international media.

In terms of the private sector, the graphic above suggests some degree of coexistence with gangs. According to one private sector stakeholder interviewed for this project, instead of delivering basic goods to gang-controlled neighborhoods – and subjecting delivery men to extortion – some companies have simply opted to turn over regional sales and distribution to the gangs themselves.⁵⁷ What may appear to be a pragmatic decision for a company has disastrous repercussions for national secu-

⁵⁷ Interview conducted for this project with anonymous, February 2022.

rity, opening up new income streams – and ML opportunities – for criminal groups. In a way, this may represent yet another way that extortion has evolved. Whereas in the past, criminal groups preyed on businesses, today they are actually running them.

For the gangs themselves, ownership of local businesses is convenient for many reasons. Owning or otherwise controlling a network of cash-intensive local establishments is a perfect ML strategy, allowing them to co-mingle the proceeds of extortion and other criminal activities with more legitimate earnings. A significant portion of the proceeds then end up in financial institutions. As has been noted, gangs “are no longer spending the extortion earnings but are investing them cautiously,” which can be done through local businesses as well.⁵⁸

EXTORTION AND TERRORISM FINANCING

In the case of terrorism financing, the proceeds of extortion are used directly or indirectly to provide material support for acts of terrorism and/or groups or individuals associated with terrorism.⁵⁹

Despite ongoing global debate about whether gangs should be considered terrorist organizations,⁶⁰ in many countries they are. The Supreme Court of El Salvador declared gangs to be terrorists in a 2015 ruling.⁶¹ In Honduras, gangs have been declared terrorists by law since February 2017.⁶² In the case of Guatemala, one of President Giammattei’s campaign promises was to classify gangs as terrorists, a measure which is undergoing discussion in Congress.⁶³ The United States has occasionally pursued terrorism charges against MS-13,⁶⁴ though more typically it treats MS-13 as a transnational OCG.⁶⁵

Extortion is a major source of income for criminal and/or terrorist groups in Central America, allowing them to fund their operations and commit acts of violence. For example, extortion has been the primary source of income for MS-13 and Barrio 18 in El Salvador since 2006, according to experts interviewed.⁶⁶ As these groups have evolved over the years, they have become more financially savvy. According to a report by the GITOC, “currently, they are highly focused on acquiring and managing money.”⁶⁷ As one expert noted, “Central American gangs have become much more like mafias, meaning they carry out a financial calculus to maximize profits and achieve investment by existing in

58 Martínez d’Aubuisson, “The Omnipresent Business of the MS13 in El Salvador.”

59 For more discussion how terrorism financing is defined, see Julia Yansura, “CFT is Meant to Counter Terrorists, not Democratic Opposition,” *Global Financial Integrity*, January 13, 2022, <https://gfintegrity.org/cft-is-meant-to-counter-terrorists-not-democratic-opposition/>.

60 Carlos Mendoza, “¿Es buena idea tratar a las pandillas como terroristas?” *Plaza Pública*, January 20, 2020, <https://www.plazapublica.com.gt/content/es-buena-idea-tratar-las-pandillas-como-terroristas>.

61 Alberto Nájár, “¿Qué significa que declaren terroristas a las maras en El Salvador?” *BBC Mundo*, August 25, 2015, https://www.bbc.com/mundo/noticias/2015/08/150825_el_salvador_pandillas_mara_terrorista_an.

62 Asier Vera, “¿Son las maras organizaciones terroristas?” *El Confidencial*, May 16, 2018, https://www.elconfidencial.com/mundo/2018-05-16/guatemala-maras-salvador-honduras-crimen_1563710/.

63 Enrique García, “Congreso lleva al pleno la discusión de declarar a las pandillas y maras como terroristas,” *El Periódico*, September 5, 2020, <https://elperiodico.com.gt/nacionales/2020/09/05/congreso-lleva-al-pleno-la-discusion-de-declarar-a-las-pandillas-y-maras-como-terroristas/>.

64 Steven Dudley, “6 Reasons Why the US Charged MS13 Leaders with Terrorism,” *InSight Crime*, January 15, 2021, <https://insight-crime.org/news/analysis/ms13-leaders-terrorism/>.

65 U.S. Department of the Treasury, Press Center, *Treasury Sanctions Latin American Criminal Organization*. (Washington D.C., 2012), <https://www.treasury.gov/press-center/press-releases/pages/tg1733.aspx>.

66 Interviews conducted for this project with anonymous sources, February 2022.

67 “En la actualidad, están más centradas en conseguir dinero y administrarlo.” Amaya and Martínez d’Aubuisson, *Renta o Extorsión*, iii.

parallel to the state and the private sector, and extracting monetary gain. They don't want to kill the chicken that is laying the golden egg.”⁶⁸

EXTORTION AND CORRUPTION

There are also powerful linkages between extortion and corruption. As Guatemalan anti-corruption specialist David Gaitán notes, “extortion could not exist without the participation of state entities.”⁶⁹

At first glance, it may seem difficult to differentiate between government bribe-taking and government extortion. The difference, as the UNODC describes it, is that bribery gives the payer “better than fair treatment,” whereas extortion prevents “worse than fair treatment” in interaction with government authorities.⁷⁰

Oftentimes, extortion is a channel for corruption to occur. As the Financial Action Task Force (FATF) notes, “in the grand corruption context, the most prevalent forms of proceeds are those arising from 1) bribe-taking or kickbacks; 2) extortion; 3) self-dealing and conflict of interest; and 4) embezzlement from the country’s treasury by a variety of fraudulent means.”⁷¹ They further elaborate that, “proceeds are also generated through extortion schemes [in which] funds are passed from the victim to the [politically-exposed person].”⁷² Of course, extortion occurs not only in grand corruption cases involving high-level officials and large sums of money, but also in day to day cases. For example, a policeman may extort a prostitute for money, using threats or coercive behavior, or an immigration official may threaten an asylum-seeker with violence or unfair treatment for financial gain.

At the same time, corruption among government officials serves to facilitate and perpetuate extortion carried out by criminal groups. In Guatemala, for example, a major gang-related extortion case called Operation Regional Shield 2 (*Operación Escudo 2*), shows just how prominent a role corruption plays. In 2018, the National Police and the AG’s office raided 204 establishments across 13 departments of the country, seizing GTQ76 million (approximately US\$10 million) in criminal proceeds allegedly linked to MS-13. Among those arrested was a colonel in the Guatemalan army who served as the national director for army logistics, and who had previously participated in joint activities with US Southern Command against transnational organized crime.⁷³ Authorities accused him of helping to launder proceeds from extortion and other criminal activities by buying and selling vehicles and gasoline,⁷⁴ as well as investing in an automotive oil change business.⁷⁵ His bank statements revealed deposits of more than US\$1.7 million from 2009 to 2017, all while living on a military salary

68 Interview conducted for this project with anonymous, February 2022.

69 Interview conducted for this project with David Gaitan, March 2022.

70 United Nations Office on Drugs and Crime, E4J University Module Series: *Organized Crime*, Module 4: Infiltration of Organized Crime in Business and Government, “Bribery versus Extortion,” <https://www.unodc.org/e4j/en/organized-crime/module-4/key-issues/bribery-versus-extortion.html>.

71 The Financial Action Task Force, *Laundering the Proceeds of Corruption* (Paris: FATF/OECD, 2011), 16, <https://www.fatf-gafi.org/media/fatf/documents/reports/Laundering%20the%20Proceeds%20of%20Corruption.pdf>.

72 Ibid.

73 “Acusan a un coronel del ejército guatemalteco de lavar dinero para la MS 13,” Univision, April 19, 2018, <https://www.univision.com/geografia/guatemala/acusan-a-un-coronel-del-ejercito-guatemalteco-de-lavar-dinero-para-la-ms13>.

74 “Militar guatemalteco detenido por lavar dinero de pandillas,” Associated Press, April 18, 2018, <https://apnews.com/article/f7515d-3de64d4c9396a2d1ebe1197f86>.

75 Katerin Chumil, “Coronel lavaba dinero obtenido por líder de mara Salvatrucha,” *El Periódico*, April 19, 2018, <https://elperiodico.com.gt/nacionales/2018/04/19/coronel-lavaba-dinero-obtenido-por-lider-de-mara-salvatrucha/>.

of US\$1,300 a month.⁷⁶

As part of the same operation, Guatemalan authorities arrested a high-ranking regional police official for leaking information that helped gang members engaged in extortion to evade arrest.⁷⁷ The participation of high ranking officials in extortion networks undermines national efforts to combat these crimes. Moreover, it can have a chilling effect on the willingness of victims to step forward and on the willingness of the financial sector to report suspicious financial transactions.

EXTORTION PROCEEDS AND THE FINANCIAL SECTOR

Among the expert interviews conducted for this project, there was significant and widespread agreement that extortion proceeds end up in financial institutions. According to expert interviews, there are two primary ways that this occurs. First, these funds may be directly deposited by an acquaintance or family member of the perpetrator. The acquaintance or family member is often female, including mothers, sisters, girlfriends and wives who may or may not have a full understanding of where the funds come from. Children's bank accounts may also be used for deposits due to lesser AML controls, according to Ana Castro, an expert with GITOC.⁷⁸ Second, these funds may be intermingled with cash-intensive businesses to obscure their origins (as previously discussed, see Graphic 4).

Returning to the analysis of MS-13 financial assets in El Salvador, the following graphic shows that three of the four major cases involved accounts at financial institutions. In the case of Operación Jaque and Operación Tecana, dozens of bank accounts were involved. The cases also involved mortgages, stocks, and residential and commercial real estate. All of the cases involved cash. None of the reports by authorities mentioned finding evidence of use of cryptocurrencies at this time (2015-2018).

76 “Acusan a un coronel del ejército guatemalteco de lavar dinero para la MS13,” *Univisión*.

77 Chumil, “Coronel lavaba dinero obtenido por líder de mara Salvatrucha.”

78 Interview conducted by this project with Ana Castro, February 2022.

Graphic 5: Assets Used in Gang Financial Operations in El Salvador,
According to Major Cases 2015-2018



*For more detail see graphic on the types of businesses involved.

Source: GFI elaboration using publicly available case information as reported in local and international media.

Note: The identified assets include those that were confiscated and/or investigated by authorities on suspicion of laundering during the operations themselves, and not only those establishments that were ultimately connected to money laundering in a court of law.

The Financial Scale of Extortion

How much illicit proceeds are generated by extortion in the Northern Triangle of Central America? This is an important question to ask and the answer may shed light on the wealth held by criminal groups as well as the effectiveness of current law enforcement and AML efforts. For example, considering that in Guatemala, suspicious transaction reports (STRs) related to extortion amounted to Q28,400,000 (US\$3.7 million) in the most recent mutual evaluation report, what percentage of illicit transactions are financial institutions managing to identify and report?⁷⁹ Or in the case of Operación Cuscatlán in El Salvador, if authorities managed to seize US\$1.8 million in assets, how serious a blow is this to gang finances?⁸⁰

Estimating the value of any illicit activity is methodologically challenging. Like all crimes, the proceeds of extortion are typically hidden and/or laundered. Moreover, the proceeds may ebb and flow over time based on factors such as territorial control, the relative attractiveness of other criminal enterprises, and the effectiveness of law enforcement. In addition, victims may be hesitant to report these crimes to the authorities. Even survey data may underestimate victimization levels since many residents are so accustomed to paying “rents” to criminal groups that they may not view them as extortion. Some extortion is in-kind, rather than financial, making the value very hard to assess. Finally, not all victims of extortion pay, and the percentage that do may rise or fall over time based on perceptions of the perpetrator, their power, and their capacity to follow through on threats of violence.

Prior to this study, estimates for extortion ranged from US\$360 million - US\$756 million a year for El Salvador, US\$33 million-US\$61 million for Guatemala, and US\$27 million - US\$200 million for Honduras. This would put the total value of extortion for the Northern Triangle in the range of US\$420 million - US\$1 billion a year as of around 2015. The table on the next page provides more detail.

⁷⁹ Financial Action Task Force of Latin America, *Mutual Evaluation Report of the Republic of Guatemala* (Buenos Aires: GALIFAT, 2016), 40, <https://www.fatf-gafi.org/media/fatf/documents/GAFLAT-CFATF%20Mutual%20Evaluation%20Report%20of%20Guatemala%20-%202016.pdf>.

⁸⁰ “Fiscalía de Extinción de Dominio despojará de \$1.7 millones en bienes y dinero a implicados en Operación Cuscatlán,” Fiscalía General de la República de El Salvador, December 13, 2018, available at <https://www.fiscalia.gob.sv/fiscalia-de-extincion-de-dominio-despojara-de-mas-de-1-millon-en-bienes-y-dinero-a-implicados-en-operacion-cuscatlan/>.

Table 2: Earlier Estimates of the Financial Cost of Extortion in Central America

COUNTRY	ESTIMATES
El Salvador US\$360 million - US\$756 million/year as of mid-2010s	<ul style="list-style-type: none"> • US\$756 million in costs of extortion to private businesses in El Salvador in 2014, the equivalent of 3 percent of GDP, as per Salvadoran Government with ANEP Data.⁸¹ • US\$390 million a year as of 2016, according to FNA.⁸² • As of 2016, MS-13 in El Salvador had annual revenue of approximately US\$31.2 million.⁸³ • MS-13 earned US\$24 million a year in “collections” in El Salvador, not including narcotics sales, as per a former gang member’s testimony in 2019.⁸⁴ • A Salvadoran small business association estimated that the sector pays US\$30 million a month in “rents” to criminal groups, which would amount to US\$360 million a year for the small business sector alone.⁸⁵
Guatemala US\$33 million - US\$61 million as of around 2020	<ul style="list-style-type: none"> • Extortion amounted to US\$61 million a year in 2014, according to Guatemalan government data.⁸⁶ • Q251,797,315 (or US\$33 million) in total losses from the crime of extortion, according to a government survey conducted in 2018.⁸⁷ • Between US\$60 million and US\$400 million annually, according to USAID in 2020.⁸⁸
Honduras US\$27 million - US\$200 million as of mid-2010s	<ul style="list-style-type: none"> • Extortion of the transport sector amounted to US\$27 million a year in 2014, according to government estimates.⁸⁹ • A gang that carries out extortion on public transportation in Tegucigalpa could make up to US\$2.5 million a year.⁹⁰ • Extortion amounted to US\$200 million/year as of 2016, according to the FNA.⁹¹

Source: GFI compilation using a variety of public sources.

81 Margarita Isabel Peñate Guerra et al., *Estimación del Costo Económico de la Violencia en El Salvador* (San Salvador: Banco Central de Reserva de El Salvador, 2014), <https://www.transparencia.gob.sv/institutions/bcr/documents/317417/download>.

82 “\$200 millones van a extorsiones,” *La Prensa*, February 25, 2016, <https://www.laprensa.hn/honduras/200-millones-van-a-las-extorsiones-DWLP933077>.

83 Óscar Martínez et al., “Killers on a Shoestring.”

84 Alvarado, “Histórico juicio a la MS-13.”

85 “‘Imperios de la extorsión’ están en Honduras y El Salvador,” *La Prensa*, July 1, 2015, <https://www.laprensa.hn/honduras/imperios-de-la-extorsion-estan-en-honduras-y-el-salvador-ERLP854572>.

86 Kyra Gurney, “Extorsión en Guatemala genera US\$61 millones anuales: Gobierno,” *InSight Crime*, July 18, 2014, <https://es.insight-crime.org/noticias/noticias-del-dia/extorsion-guatemala-genera-61-millones-anuales-gobierno/>.

87 *Encuesta Nacional de Percepción de Seguridad Pública y Victimización (ENPEVI)*.

88 United States Agency for International Development, “USAID/Guatemala Country Facts Sheet,” updated April 2020, https://www.usaid.gov/sites/default/files/documents/1862/Guatemala_External_Fact_Sheet.pdf.

89 Michael Lohmuller, “Extorsión al sector de transporte de Honduras genera US\$27 mn al año: Gobierno,” *InSight Crime*, February 18, 2014, <https://es.insightcrime.org/noticias/noticias-del-dia/extorsion-al-sector-de-transporte-de-honduras-genera-us-mn-al-ano-gobierno/>.

90 *Maras y Pandillas en Honduras*, AID-DOT-I-00-08-00034 (*InSight Crime* and La Asociación para una Sociedad más Justa, 2015), <https://vdocuments.net/reader/full/preparado-por-insight-crime-asj-honduras-maras-y-pandillas-en-honduras-preparado>.

91 “\$200 millones van a extorsiones,” *La Prensa*.

To update these estimates, this report analyzed a variety of data sources. It began with official data from authorities on the number of extortion cases reported by victims as well as the number and type of STRs submitted by financial institutions. To complement official data, this report also analyzes surveys of individuals, households, and businesses. Finally, in some cases it includes estimates by law enforcement based on previous investigations and asset seizures.

Several methodological issues impact the reliability of this analysis. To start with, official reports of extortions only represent those cases that are brought to the authorities; survey data suggests that for every one victim that comes forward, at least two do not. Second, while survey victimization data can help fill gaps in official estimates, many surveys face challenges with *renta*, which not all respondents recognize as a form of extortion. Third, it should be noted that there are more extortion victims than extortion payments, both because not all victims end up paying, and because not all payments are financial in nature. As previously mentioned, extortion can also include other items of value, including political favors or in-kind goods and services, which are very difficult to assess quantitatively. Fourth, surveys of formal businesses leave out the vast majority of the economy, while surveys that include informal businesses (in large part, unipersonal) may overlap with individual survey data. Fifth, the costs to society – both economic and human – are much greater than the sum of financial payments. For these reasons and many more, this report uses ranges and emphasizes that these are estimates, not hard data.

This report finds that, based on available data and with the caveats mentioned above, financial extortion amounts to over US\$1 billion a year for the Northern Triangle as of 2022. Financial extortion amounts US\$40 million - US\$57 million a year for Guatemala, US\$52 million - US\$72 million a year for Honduras, and US\$1.05 billion - US\$1.1 billion a year for El Salvador. The table below provides additional details.

Table 3: The Estimated Value of Extortion Payments in the Northern Triangle, 2022 (in U.S. Dollars)

COUNTRY	INDIVIDUALS		BUSINESSES		TOTAL	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
Guatemala	\$40M	\$57M	n/a	n/a	\$40M	\$57M
El Salvador	\$190M	\$245M	n/a	\$862M	\$1.052B	\$1.107B
Honduras	\$30M	\$50M	\$22M	n/a	\$52M	\$72M
<i>Regional</i>	\$260M	\$352M	\$884M		\$1.144B	\$1.236B

Source: Author's estimates. For more detail on these calculations, see tables for each country presented in the Appendix.

The data that is available suggests that El Salvador has the highest levels of extortion proceeds by dollar value, not only for individuals but significantly so for businesses. We debated whether to include a private sector estimate for El Salvador when data was less readily available for neighboring countries. However, we decided to do so for several reasons. First, the estimate from El Salvador is based on an official source, the Central Bank of El Salvador. Second, it is consistent with other sources, which show that the private sector in El Salvador has been heavily affected. For example, a 2019

International Monetary Fund analysis notes that an estimated ninety percent of small and medium enterprises in El Salvador are subject to extortion.⁹² A 2021 study of a single company in El Salvador showed that it paid 50,695 extortion payments averaging US\$8.10/payment from 2012-2019.⁹³ It also corresponds with the estimated number of gang members in each country: approximately 22,000 in Guatemala,⁹⁴ 25,000 in Honduras,⁹⁵ and 60,000 in El Salvador.⁹⁶ Not only does El Salvador have the largest estimated gang population, it has the smallest national population of the three countries. Moreover, gangs have territorial presence in at least 247 out of 262 towns.⁹⁷ Finally, the higher estimate for El Salvador reflects higher rates of payment. In Guatemala, for example, not all extortion victims pay the aggressor. In El Salvador, however, “not paying is not an option,” according to one expert.⁹⁸

92 International Monetary Fund, “El Salvador: 2019 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for El Salvador,” *IMF Staff Country Reports* 2019, 143 (2019), A001, <https://www.elibrary.imf.org/view/journals/002/2019/143/article-A001-en.xml>.

93 Brown et al., “Market Structure and Extortion,” 13.

94 Jose Miguel Cruz et al., *A study of gang disengagement in Guatemala*, (Arlington, VA: American Institutes for Research & Florida International University, 2020), 5, <https://lacc.fiu.edu/research/the-new-faces-of-street-gangs-in-central-america/guatemala-gang.pdf>.

95 Ibid., 7.

96 Human Rights Watch World Report 2019, “El Salvador: Events of 2018,” <https://www.hrw.org/world-report/2019/country-chapters/el-salvador>.

97 Ibid.

98 Interview conducted by this project with anonymous, January 2022.

Efforts to Address The Proceeds of Extortion

As experts have noted, “extortion could be depicted as the ‘perfect crime’ since it is hardly reported, let alone investigated.”⁹⁹ Authorities in Central America as well as independent organizations and researchers are trying to change that, though it has been difficult. In the past five years, a slew of new initiatives have emerged that seek to better understand extortion and develop effective tools to combat it. Still, challenges remain.

This is a relatively new area, data is limited, and many of the approaches are experimental. In many cases, victims are reluctant to report extortion and policymakers have hesitated to address it. In some communities, it is perceived as taboo or politically sensitive. Moreover, addressing it requires tackling parallel issues of corruption, governance, state presence, and impunity.

One of the first steps taken by countries in the region has been to establish special units to investigate cases of extortion. In Guatemala, a specific unit of the AG’s office was created in 2009 to handle extortion cases, which has expanded to different geographical areas of the country, helping to ensure better knowledge of local gangs as well as more efficient investigations.¹⁰⁰ In Honduras, the National Anti-Extortion Force (*Fuerza Nacional Antextorsión* or FNA), an inter-agency effort comprised of the AG’s office, the police, the army, and intelligence units, was created in 2013; it was subsequently renamed as the National Anti-Gang Force (*Fuerza Nacional Anti Maras y Pandillas* or FNAMP) in 2018. In El Salvador, a special anti-extortion unit of police and soldiers was created in 2014.¹⁰¹ There is also collaboration among these entities; in the Regional Shield Operations, law enforcement from the three countries carry out coordinated responses.¹⁰² While the creation of specialized anti-extortion units is a positive first step, issues of staffing, resources, technical capacity, and institutional integrity must be considered when evaluating their effectiveness.¹⁰³

Second, countries have engaged in public education. Initially, these campaigns focused on encouraging victims to report crimes to authorities. In Guatemala, for example, only 35 percent of victims report to authorities, according to recent surveys.¹⁰⁴ However, among those who do report, a relatively high percentage (76 percent) have been satisfied with the way that authorities responded.¹⁰⁵ Beyond public awareness campaigns that promote reporting extortion, authorities have tried to educate the public about how to better assess risks. In El Salvador, authorities created a cellphone app that notifies users if a call is coming from a number that has been previously reported for extortion.¹⁰⁶ More recently, national authorities have also sought to raise awareness regarding financial risks. For ex-

99 Dammert, “Extortion,” 3.

100 Dedik and Menchú, *De la renta a la extorsión*, 32.

101 “Contará con mil elementos unidad antextorsión de El Salvador,” *SinEmbargo*, June 13, 2013, <https://www.sinembargo.mx/13-06-2013/654237>.

102 Grettel Castillo, “Operativo internacional contra las extorsiones deja más de 370 capturados en el Triángulo Norte,” *Radio TGW/Gobierno de Guatemala: Ministerio de Comunicaciones, Infraestructura y Vivienda*, November 6, 2018, <https://radiotgw.gob.gt/operativo-internacional-contra-las-extorsiones-deja-mas-de-370-capturados-en-el-triangulo-norte/>.

103 Efren Lemus, “Los atajos inútiles de la Policía Antextorsiones,” *El Faro*, February 12, 2018, <https://elfaro.net/es/201802/salanegra/21449/Los-atajos-in%C3%BAtiles-de-la-Polic%C3%ADa-Antextorsiones.htm>.

104 *Encuesta Nacional de Percepción de Seguridad Pública y Victimización (ENPEVI)*, 162.

105 Ibid., 76.

106 Arturo Villeda, “FGR lanza APP para víctimas de extorsión,” *Fiscalía General de la Repùblica*, September 25, 2017, <https://www.fiscalia.gob.sv/fgr-junto-pnc-lanza-campana-la-extorsion-salvador/>.

ample, the Guatemalan FIU and AG's office, in partnership with financial institutions, have raised awareness of the risks of lending use of a bank account to a third party through the campaign “*No prestes tu cuenta.*”

Third, countries have increased efforts to pursue criminal proceeds. In Honduras, extortion cases are required to be linked to ML cases.¹⁰⁷ In El Salvador, there is increased understanding of the financial side of gang operations, with four massive cases in recent years investigating extortion-related financial flows (See Graphics 4 & 5). In Honduras, the FNAMP has seized accounting books used by gangs and analyzed them to understand financial flows, according to expert interviews.

Fourth, countries have developed specific red flag indicators to help financial institutions and other reporting entities to detect extortion-related proceeds. This is particularly important because, according to experts in all three countries, the account owner is typically neither the victim nor the perpetrator of extortion, which adds a level of complexity for obligated subjects as well as for law enforcement.

Table 4: Red Flag Indicators for Extortion Proceeds in Guatemala

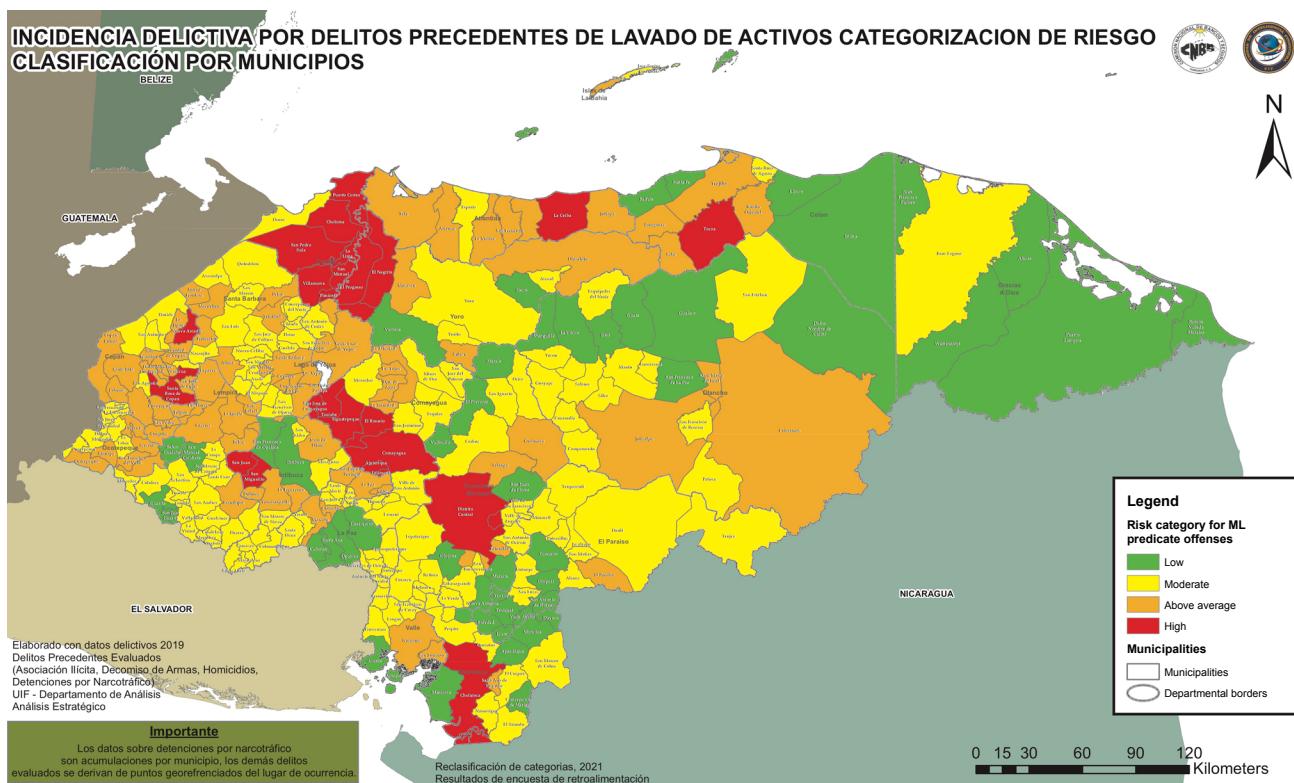
Use of third party bank accounts, particularly owned by associates of gang members or by female or underage family members.	Use of low-value bank accounts for large deposits or withdrawals that cannot be justified.
Frequent deposits and withdrawals, where the deposit and the withdrawal occur in different geographical regions of the country.	Use of child bank accounts that exhibit high volatility and large amounts of funds.
Repeated phone numbers linked to different bank accounts.	Large, regular deposits that are not consistent with the occupation of the client.
Rapid deposits and withdrawals, such as funds entering at 8 am and being withdrawn at 8:30 am.	Unusual activity in geographic zones with high levels of extortion.

Source: FIU of Guatemala, Interview conducted for this project, January 2022.

In addition to providing red flag indicators, authorities have conducted geographical analysis of risks and shared this information with financial institutions. In Honduras, for example, the FIU published a map showing areas with heightened risks of ML. This information can be helpful for financial institutions and obligated subjects in evaluating risk levels.

¹⁰⁷ Financial Action Task Force of Latin America, *Mutual Evaluation Report of the Republic of Honduras* (Buenos Aires: GALIFAT, 2016), 37, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsr/GAFILAT-MER-Honduras-2016-English.pdf>.

Graphic 6: Risks of Money Laundering by Honduran Municipality, 2019



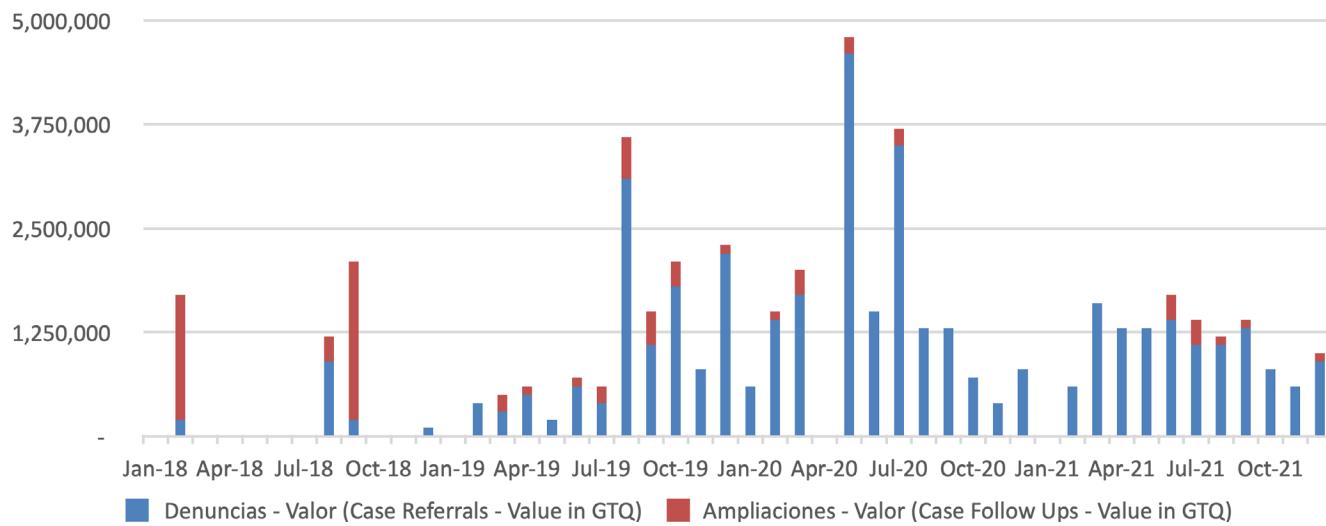
Source: <https://pplaft.cnbs.gob.hn/wp-content/uploads/2021/06/Mapa-de-riesgo-por-delitos-reclasificacion-4-categorias.pdf>

Of course, if financial institutions and other obligated subjects detect unusual financial activity, they are required by law to report it. The primary reporting mechanism is the STR, which merits special discussion. Under national laws and international standards, obligated subjects (financial institutions, as well as other entities with AML/CFT reporting obligations) must submit STR reports to the FIU. The effectiveness of this mechanism depends on the quality, quantity and timeliness of information flow. The FIU, for its part, must assess incoming information from the STRs, while also referring cases to the AG's office.

Data from Guatemala suggests that the STR mechanism is being actively used, which is a positive sign. STRs related to extortion generated 542 case referrals and 103 case follow-ups to the AG's office during the period 2018-2021.¹⁰⁸ In total, these STRs amounted to over Q42,600,000 (US\$5.5 million) in referrals and Q7,300,000 (US\$948,000) in follow-ups for this period. For 2021, the most recent year available, they represented over Q12,00,000 (US\$1.5 million) in case referrals and over Q900,000 (US\$116,000) in case follow-ups. The following graphics provide additional detail.

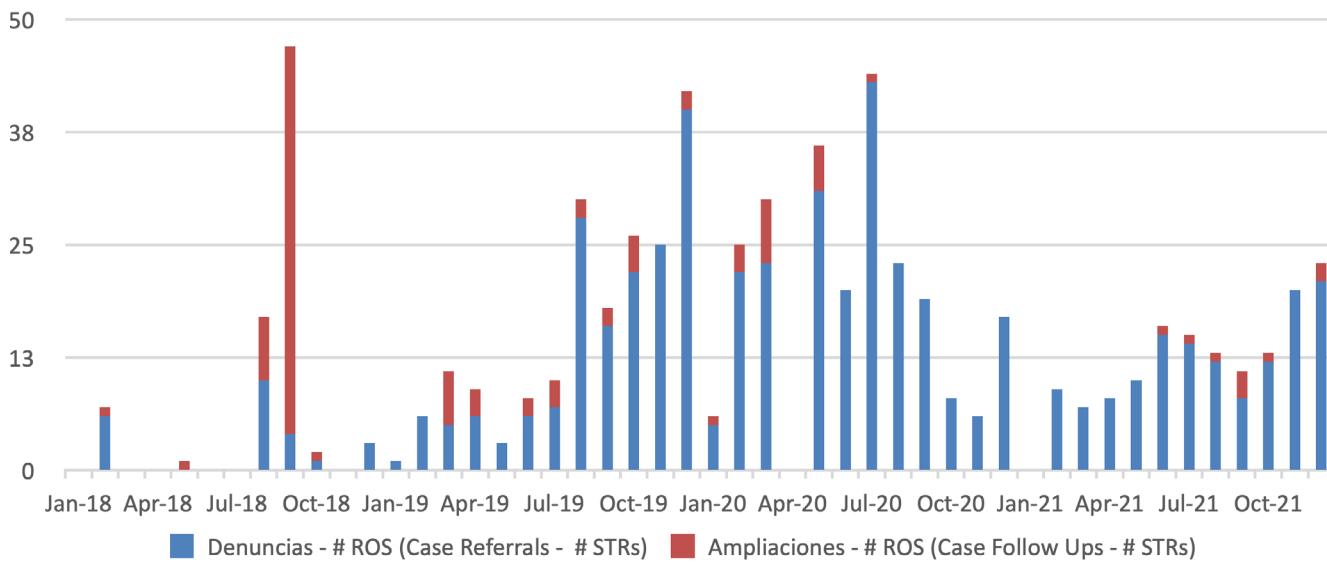
¹⁰⁸ STRs are submitted by Obligated Subjects to the Guatemalan FIU, known as the Special Verification Intendancy (IVE). IVE analyzes STRs and where there is indication that a crime may have occurred, refers cases (*denuncias* in Spanish) to the AG's office. These cases are sometimes expanded through a case follow up (*ampliación* in Spanish), which contains additional information that could be useful for the corresponding criminal investigation. It is worth mentioning that a *denuncia* or *ampliación* may include one or more STRs.

Graphic 7: Value in GTQ of Extortion-Related Case Referrals and Case Follow-Ups Filed by the FIU of Guatemala with the AG's Office, 2018-2021



Source: Data provided by IVE, the Guatemalan FIU, March 2022.

Graphic 8: Number of Extortion-Related STRs Involved in Case Referrals and Case Follow-Ups Filed by the FIU of Guatemala with the AG's Office, 2018-2021



Source: Data provided by IVE, the Guatemalan FIU, March 2022.

However, several issues emerge when analyzing Guatemalan STRs. To begin with, the STR data suggests that financial institutions and other obligated subjects are having difficulty identifying extortion-related financial flows. The approximately US\$1.6 million in STRs referred by the FIU to the AG's office in 2021 should be compared to the estimated US\$40 million - US\$57 million a year in extortion proceeds generated in the country (See Table 3). There are many possible reasons that they

are having difficulties, and it should be noted that detecting suspicious transactions and reporting them through STRs is a global challenge.

However, in the case of Guatemala, one important factor is fear. Guatemalan compliance officers and other experts interviewed for this project stated unequivocally that submitting STRs related to extortion leads to reprisals. One expert interviewed noted that compliance officials can easily be identified, particularly in the interior of the country, and have faced physical threats against themselves and their families when they have submitted STRs related to extortion. Others highlighted that STRs are typically submitted through the main office in Guatemala City, since submitting them via local branches or offices would result in compliance officers being threatened or killed. Another expert noted that the AG's office may require compliance officers to testify in court and/or may list specific compliance officers' names on public court documents, which exposes their identity to criminal networks. Another compliance officer stated that they had received intimidating communications from the AG's office itself, asking why they were "denouncing" a politically exposed person, when they had merely filed a STR to the FIU, as required by law.¹⁰⁹ These dynamics have a chilling effect on the STR process, which could be addressed by strengthening privacy requirements surrounding the individual submitting the STR, particularly in public court cases (see Recommendations section), as well as by instituting appropriate communication protocols between the AG, the FIU, and the financial institution with regards to STRs.

While countries are taking steps to try to address extortion and extortion proceeds, more can be done. Recommendations to bolster these efforts are discussed in the following section.

¹⁰⁹ Interviews conducted for this project with anonymous sources.

Policy Recommendations

The following policy recommendations have been developed to address the proceeds of extortion from an AML/CFT perspective. They are not intended to stand alone, and should be implemented alongside measures to promote democratic governance, human security, and economic development more broadly. Critically important is the role of penitentiary system reform, since pursuing criminal cases against extortion networks is futile if the leaders are sentenced to serve time in prisons where they continue extorting.

- **Leverage AML tools as part of efforts to combat extortion:** Extortion is a financially motivated crime, and efforts to detect, investigate and combat it should include a “follow the money” approach. Central American governments have begun to utilize this approach and it has shown initial successes, but much more needs to be done.
- **Ensure that financial institutions can identify red flags for extortion:** Extortion proceeds often end up in financial institutions, and it is important for staff to recognize red flags and know how to report transactions. The FIUs of all three countries should be more proactive in publishing red flag information for financial institutions and updating it in light of changing typologies.
- **Review AML/CFT prevention and detection strategies to ensure that they encompass both occasional extortion as well as ongoing extortion (*renta*):** Financial institutions and other private sector stakeholders should review the measures and parameters that they have in place to ensure that they would detect and/or prevent both types of extortion, recognizing that they have fundamentally different characteristics.
- **Protect the personal information of compliance officials reporting STRs:** Compliance officers face reprisals and physical danger when they report STRs related to extortion. In light of these dynamics, FIUs and AGs’ offices should implement stronger identity protection protocols for compliance officials who submit STRs. Moreover, they should clarify to their own staff in explicit terms that filing an STR is not an accusation. STRs, while never perfect, are one of the strongest tools available to report extortion proceeds and they rely on open communication from obligated subjects to authorities.
- **Implement beneficial ownership:** The proceeds of extortion are often laundered through cash-intensive local businesses that are directly or indirectly controlled by criminal groups. Because El Salvador, Guatemala and Honduras do not have beneficial ownership registries, authorities do not have information on the real people who own and control companies. Implementing beneficial ownership registries in line with FATF Recommendation 24 is an important first step. Beneficial ownership will be most effective if it is accompanied by efforts to verify information as well as to support formalization of small and medium enterprises (SMEs).
- **Address data quality issues in official statistics:** Better data is needed to assess extortion and to measure the effectiveness of interventions.¹¹⁰ Greater consistency is needed among Central

¹¹⁰ For a more detailed discussion of this, see Guillermo Vázquez del Mercado, Luis Félix, and Gerardo Carballo, *Building a Data-Driven Culture: Challenges of measuring extortion in Central America* (Geneva: Global Initiative Against Transnational Organized Crime, 2021), <https://globalinitiative.net/wp-content/uploads/2021/06/GITOC-CAMObs-Building-a-Data-driven-culture-Challenges-of-measuring-extortion-in-Central-America.pdf>.

American countries as well as within countries, across multiple government agencies, to ensure that cases are properly recorded and tracked— and to avoid overcounting or undercounting the phenomenon. In Guatemala, for example, the police and the AG’s office should track extortion cases in a single database rather than maintaining separate records that do not coincide.

- **Anticipate definitional issues:** Individuals and communities experiencing extortion may use diverse terms and have different understandings of what counts as extortion. Effective interventions and studies must account for these definitional issues.
- **Engage telecommunications companies in finding solutions:** Most extortion threats are conducted via cell phones, and yet, telecommunications companies are often absent from conversations about how to combat this crime. As one report noted, “if there is a card that should be removed from the house of cards of extortion, it would be to control the phone aspect.”¹¹¹ It is worth considering ways to incentivize phone registration, as well as to disincentivize the use of unregistered phones. In Guatemala, a country of approximately 17 million residents, there are 22 million cellphones in use, of which 90 percent are prepaid and unregistered.¹¹² Moreover, action is needed to block outgoing calls from prisons, especially in Guatemala. According to expert interviews, government officials and private sector companies have the ability and authority to block these calls but have not done so. From one cell phone and a single SIM card, over 6,000 outgoing calls can be generated over a 1-month period.¹¹³
- **Promote electronic payment methods:** As has been discussed, extortion is a heavily cash-based crime. Electronic (non-cash) payments offer economic development benefits, while also reducing opportunities for extortion, particularly in high-risk sectors. For example, reducing the amount of cash that drivers and passengers carry on public transportation and transitioning to card or chip payment may help reduce exposure and victimization.
- **Promote financial inclusion:** Extortion thrives in cash-based economies. Access to bank, credit union, or mobile money accounts offers many important benefits, including greater AML/CFT oversight over financial flows and less cash circulating in vulnerable sectors and neighborhoods. As Manuel Orozco, a financial sector expert, noted in an interview conducted for this project, “financial inclusion is part of financial integrity, and vice versa.”¹¹⁴
- **Update AML legal frameworks to address new financial technologies:** Financial technology (Fintech) laws should strike a balance between AML supervision and financial inclusion. When regulatory frameworks place undue barriers on new technologies, consumer adoption lags, and cash remains prevalent, as in the case of Guatemala. When new technologies are adopted without clear AML controls, new financial channels can be misused, as in the case of El Salvador. According to one expert interviewed, criminal groups in Central America see crypto “as an opportunity.”¹¹⁵ All three countries should urgently update AML legal frameworks to address new financial technologies.

¹¹¹ Dammert, “Extortion,” 5.

¹¹² La Fundación para el Desarrollo de Guatemala, “Extorsiones: Coalición por la Seguridad Ciudadana,” *Mejoremos Guate Ed. 12* (FUNDESA/CACIF, 2015), 17, <https://www.scribd.com/document/389163968/Extorsiones-Coalicion-Por-La-Seguridad-Ciudadana>.

¹¹³ Ibid.

¹¹⁴ Interview conducted by the project with Manuel Orozco, December 2021.

¹¹⁵ Interview conducted for this project with anonymous, February 2022.

- **Tackle issues of physical and digital identification:** Whether adopting Fintech solutions, promoting phone registration, ensuring financial inclusion, or requiring beneficial ownership information, Central American countries will need to ensure that citizens can access physical and digital forms of identification (ID). In the region, over three million people lack access to ID cards, and many more wait months to receive them.¹¹⁶ Moreover, matters of digital identification and AML requirements are murky in all three countries.
- **Incorporate anti-corruption measures in anti-extortion programming:** Unfortunately, the corruption-extortion cycle is strong for all three countries. Initiatives by governments as well those initiatives provided through international donor technical assistance should anticipate significant levels of corruption within government and law enforcement, and implement mitigating measures accordingly.

¹¹⁶ World Bank, “Data Catalog,” Identification for Development (ID4D) Global Data Set, accessed February 28, 2022, <https://datacatalog.worldbank.org/search/dataset/0040787>.

Appendix: Estimating the Financial Value of Extortion

GUATEMALA

Table 5: Estimates of the Financial Cost of Extortion in Guatemala, Various Methodologies (in U.S. Dollars)

NATIONAL AVERAGE METHOD: Considering that 1.12 percent of ENPEVI survey respondents experienced extortion in the past 12 months and 38 percent ended up paying, this estimate extends these percentages across the adult population of Guatemala.	
% Respondents victimized by extortion in past 12 months	1.12%
National population, adults over 15 years of age	9,928,561
National population victimized in past 12 months	111,200
Percent of victims who pay extortion fee	38%
Population of victims paying extortion fee	42,256
Average amount paid, among those who pay	US\$845
Frequency of victimization during past 12 months, among those who paid	1.6
Total paid during past 12 months	US\$57,020,296
REPORTED CASES METHOD: This takes the number of extortion cases reported to the authorities, multiplies it by an underreporting coefficient, and uses data on financial losses from the ENPEVI survey.	
Cases reported, May 2021 - May 2022	15,662
Underreporting rate	5
Estimated total cases in 2021	78,310
Percent of victims who pay	38%
Average payment	US\$845
Frequency of victimization during past 12 months, among those who paid	1.6
Estimated total	US\$40,232,545

Sources: Victimization data, percent paying, average paid and frequency: Author's calculations using ENPEVI data (2018); Underreporting rate: Whereas ENPEVI data suggests that approximately one in three victims report, expert interviews conducted for this project suggested that it may be much lower, and for this reason a rate of one in five is used for estimation purposes; reported cases, data from the Policía Nacional Civil, as published in Diálogos, Informe sobre extorsiones en Guatemala (mayo de 2022). See <https://dialogos.org.gt/publicaciones/informe-sobre-extorsiones-en-guatemala-mayo-de-2022>. Totals may not be exact due to exchange rate calculations and rounding of decimals.

EL SALVADOR

Table 6: Estimates of the Financial Cost of Extortion in El Salvador, Various Methodologies (in U.S. Dollars)

GDP METHOD: Considering a 2014 estimate by the Government of El Salvador that the costs of extortion to private businesses amounted to 3% of GDP, this method updates the figure using the 2021 GDP.	
The costs of extortion to private businesses in El Salvador as a percentage of GDP ¹¹⁷	3%
GDP of El Salvador, 2021	US\$28,736,940,000
Estimated costs of extortion as of 2021	US\$862,108,200
SMALL BUSINESS SURVEY METHOD: Using a 2016 survey published by the Inter-American Development Bank, this method estimates the cost to small businesses considering that 10% reported being victims of crimes, and extortion was the most common crime reported (49% of all crimes).	
Small businesses in El Salvador	317,795
% victims of extortion	4.9%
Number of small businesses victims of extortion	15,572
% of businesses paying	66%
Average payment	US\$925
Total extortion payments by small businesses	US\$9,506,706
VICTIMIZATION METHOD FOR HOUSEHOLDS: Considering that a survey by the Latin America Public Opinion Project (LAPOP) found that 9.5 percent of households had been victimized in the past 12 months, this method extends that estimate to the total population of households in El Salvador.	
Victimization by extortion, rate among immediate family in the past 12 months	9.5%
Households in El Salvador	1,938,530
Households victims of extortion	184,160
% of households paying	40%
Average payment frequency over 12-month period	3.6
Average payment	US\$925
Total - Yearly by households	US\$245,301,586.20
VICTIMIZATION METHOD FOR INDIVIDUALS: Considering that a survey by the <i>Instituto Universitario de Opinión Pública</i> (IUDOP) found that 2.85 percent of individuals had been victimized in the past 12 months, this method extends this percentage to the total adult population of El Salvador.	
Victimization by extortion, rate among individuals past 12 months	2.85%

¹¹⁷ Peñate Guerra et al., *Estimación del Costo Económico de la Violencia en El Salvador*.

Individuals in El Salvador, 16 years and older	4,995,745
Individual victims in El Salvador	142,378
% of individuals paying	40%
Average payment frequency	3.6
Average payment	US\$925
Total - Yearly by individuals	US\$189,647,496

Source: For costs of extortion as percentage of GDP, Salvadoran Government with ANEP Data, 2014; for GDP of El Salvador, World Bank data, GDP in Current US Dollars, 2020; for small business victimization rates, "El costo del crimen para las micro y pequeñas empresas en El Salvador," Inter-American Development Bank, 2021, available at [https://blogs.iadb.org/seguridad-ciudadana/es/el-costo-del-crimen-pa-ra-las-micro-y-pequenas-empresas-en-el-salvador/](https://blogs.iadb.org/seguridad-ciudadana/es/el-costo-del-crimen-para-las-micro-y-pequenas-empresas-en-el-salvador/); For number of small businesses in El Salvador, see CONAMYPE, ENCUESTA NACIONAL DE LA MICRO Y PEQUEÑA EMPRESA 2017, available at <https://www.conamype.gob.sv/download/encuesta-nacional-de-la-mype-2017/>; For percentage of businesses paying, author's estimate based on expert interviews; For household victimization rates, LA POP Survey 2021; households in El Salvador, Encuesta de Hogares, 2019, available at <https://www.transparencia.gob.sv/institutions/mirec/documents/401354/download>; for individual victimization rates, IUDOP, 2021 available at <https://uca.edu.sv/iudop/wp-content/uploads/Bol-Eva-de-ano-2021-MOD.pdf>; For payment rate, payment frequency, and amounts paid, author's estimates based on Encuesta Cultura de Paz 2017 and 2018, available at <https://www.seguridad.gob.sv/dia/monitoreo-y-evaluacion/encuesta-de-victimizacion/Individuos> in El Salvador, Encuesta de Hogares, 2019, available at <https://www.transparencia.gob.sv/institutions/mirec/documents/401354/download>. Totals may not be exact due to rounding of decimals.

HONDURAS

Table 7: Estimates of the Financial Cost of Extortion in Honduras, Various Methodologies (in U.S. Dollars)

VICTIMIZATION METHOD FOR INDIVIDUALS: Considering that a survey by the EPHPM found that 1.2 percent of individuals had experienced extortion, this method applies that percentage to the adult population of El Salvador, using information on payment value and frequency reported in the media.	
Individuals experiencing extortion	1.2%
National population, 15 years and older	6,530,324
Individuals experiencing extortion	78,364
Percent of victims who pay	60%
Average payment	US\$12.20 - US\$20.35 per week
Weeks per year	52
Annual estimate	US\$30,072,926 - \$50,121,543
MONTHLY EARNINGS ESTIMATE: Considering data from FNAMP on monthly earnings of criminal groups based on information obtained in accounting books at the time of arrest, this method multiplied by 12 for the total estimated yearly amount.	
Money earned by criminal groups from extortion, monthly estimate	US\$813,853 (L20 million)
Money earned by criminal groups from extortion, yearly estimate	US\$9,766,236
Number of major criminal groups in Honduras	5+
Annual estimate	US\$48,831,180

BUSINESS ESTIMATE: Considering survey data by FOSDEH that 14 percent of businesses experienced threats of extortion over the period 2016-2017, this is applied to the number of businesses in the country.	
Businesses in Honduras	149,345
Experienced threats or extortion (2016-2017)	14%
Percentage of respondents who provided paid the extortion or otherwise complied	61%
Average amount of financial losses in 12-month period	L42,657 (US\$1735)
Estimated annual value of extortion to businesses	US\$22,128,299

Sources: For Extortion Victimization, Encuesta Hogares 2018, available at <https://www.ine.gob.hn/V3/ephpm/>; Adult population, INE Projections based on 2013 National Census, available at https://www.ine.gob.hn/publicaciones/Censos/Censo_2013/09Tomo-IX-Proyecciones-de-Poblacion/Cuadros%20xls/1.pdf; Average payments, <https://vdocuments.net/reader/full/preparado-por-insight-crime-asi-honduras-maras-y-pandillas-en-honduras-preparado>, pg 26. For estimates of monthly earnings of criminal groups from extortion, FNAMP with information obtained in accounting books at the time of arrest. Information provided to GFI by request on 1/25/2022. For number of major criminal groups in Honduras, InSight Crime, see <https://es.insightcrime.org/noticias/crimen-organizado-honduras/honduras/>; For number of businesses in Honduras: <https://www.ine.gob.hn/publicaciones/anuarios%20sen/Anuariosen2014-2018/3SectoresEconomicos.html> Note that the number of informal businesses may be much higher. Victimization rates, financial losses and payment of extortion among businesses: Encuesta de Victimización de Empresas Centroamericanas 2016-2017, Foro Social de Deuda Externa y Desarrollo de Honduras (FOSDEH), Available at <https://microdata.worldbank.org/index.php/catalog/2833/get-microdata>. Note that the study includes businesses in the following sectors: industry, retail and services. It does not include the agricultural or fishing sectors. Totals may not be exact due to exchange rate calculations and rounding of decimals.