

U.S. House of Representatives  
Committee on Homeland Security  
Subcommittee on Oversight, Management and Accountability

**Corruption in Central America**

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**Curtailing Corruption in Central America**

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Mr. Chairman, Mr. Ranking Member, members of the Subcommittee, it is an honor to be with you today to discuss the need for action to eliminate corruption in the nations of Central America, particularly El Salvador, Guatemala and Honduras.

The George W. Bush Institute – SMU Economic Growth Initiative, which I lead, focuses on North American economic integration and competitiveness; immigration reform; the role of cities in growth; and the conditions for growth in Central America.

Mr. Chairman, Mr. Ranking Member, members of the Committee, the spike in numbers of Central Americans risking their lives to enter the United States has produced the usual calls for quick fixes to address the “root causes” of this migration.

We know that the real solution is more complicated – but the situation is not hopeless and can be resolved, if we are practical and patient.

In 2018, the George W. Bush Institute launched our Central America Prosperity Project (CAPP), as it has come to be called, with the objective of proposing and promoting policy reforms to put the region’s economies on a more robust growth path. At the center of the CAPP approach is a working group that brings together 30 thought leaders from Guatemala, El Salvador, and Honduras. Half the group are women, and a third are under the age of 40. Participants represent business, policy, politics, academia, journalism, and civil society, including human rights, environmental, business and labor groups.

We brought our working group together for a series of structured roundtables to consider why the economies of the Northern Triangle don’t grow and create jobs more rapidly. One immediate and obvious answer is lack of private sector investment, but we encouraged our group to dig deeper. The group eventually agreed that the underlying cause of faltering investment and job creation is the corruption that is ubiquitous in the region.

The region's corruption ranges from the petty graft of a low-level functionary who demands a cash payment to do their job, or a customs inspector or cop on the beat who extorts money to look the other way – all the way to kickbacks for government contracts, and, ultimately, to government agencies that are so compromised by conflicts of interest that the public has lost all confidence in them.

Working with private sector colleagues in the U.S. and elsewhere, and academic partners, we came to the conclusion that wider use of digital technologies for access to government services would curtail opportunities for both petty and grand corruption, make government more transparent, and begin to restore public confidence.

The Bush Institute in May 2019 urged the three countries to develop and implement a regional digital strategy. This proposal was welcomed across the region and our working group felt empowered by encouragement from the U.S. government, many Members of Congress and international institutions like the Inter-American Development Bank.

During the ensuing year, we worked with our network to organize a series of workshops in the region to identify the policy impediments to mobile services and develop national implementation plans. In June 2020, we published a proposed roadmap to implementation of a regional digitization strategy that starts with each country's baseline and offers a pathway to a regionally integrated market for digital services.

We believe that the United States could encourage and shape these reforms simply by offering to enter into an agreement with the region on digital trade. In late 2020, we carried out a simulated negotiation of such an agreement, using the digital trade provisions of USMCA as a starting point. We assembled Guatemalan, Honduran and Salvadoran negotiating "delegations" made up of tech entrepreneurs, business association leaders, civil society representatives and experienced trade negotiators. To "play" the United States, we engaged two retired senior trade negotiators.

The outcome of this simulated negotiation, which we published earlier this year, suggests that the region has the necessary foundation, that the region's reforms are taking shape in ways that may or may not be consistent with U.S. practice, and that a formal agreement with the U.S. would both shape the reforms to be consistent with U.S. preferences and lock those reforms in over the long term.

Of course, the region's challenges go well beyond digital services – COVID has proven that. The value of the proposed digital agenda is not that it addresses every challenge. But it represents a very powerful tool backed by the commitment by a broad network of Central American leaders to the hard political work of driving reforms that will strengthen the foundation for future prosperity.

We believe that this model can make a down payment on reforms needed to curtail corruption in the Northern Triangle, enabling those countries to attract the investment needed to put them on a more robust and more inclusive growth trajectory.

Mr. Chairman, Mr. Ranking Member, members of the Committee: thank you again for the opportunity to be here today. I look forward to your questions and comments.