

THE GLOBAL INITIATIVE  
AGAINST TRANSNATIONAL  
ORGANIZED CRIME

An InSight Crime–Global Initiative Report

# A Criminal Culture

EXTORTION IN CENTRAL AMERICA



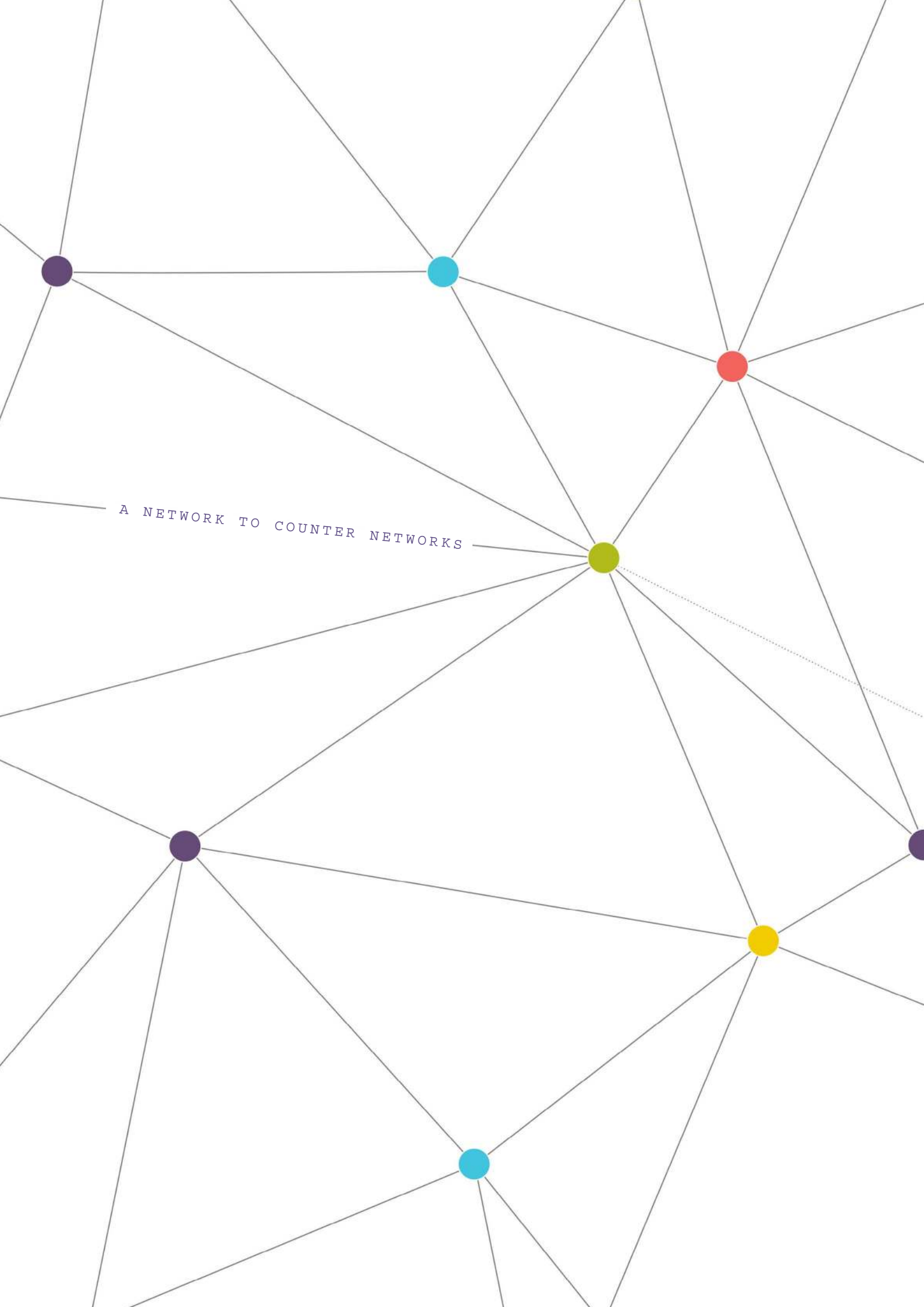
COALICIONES POR  
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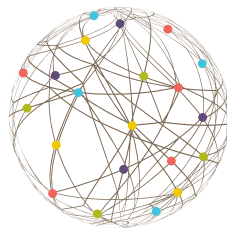
**InSight Crime**  
Investigation and Analysis  
of Organized Crime

May 2019



A NETWORK TO COUNTER NETWORKS





# A CRIMINAL CULTURE

## *Extortion in Central America*

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AN INSIGHT CRIME-GLOBAL INITIATIVE REPORT

May 2019



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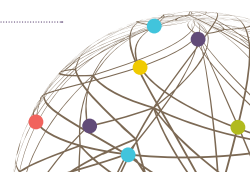




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## Executive summary

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In parts of Central America, extortion has become so endemic that it is now a feature of the daily socio-economic life of citizens, businesses and the fabric of the state. The pervasive impunity and weakness of state institutions to combat extortion have meant that, for many central American communities, extortion, or the threat of it, has become a normalized facet of life – a form of violent, omnipresent, criminally enforced taxation – and its effects are far-reaching on a personal, economic and societal level.

For the violent, armed street gangs that continually threaten and harass communities in the Northern Triangle countries (El Salvador, Guatemala and Honduras) – a region that is the main focus of this report – the extortion market is the main security threat to those countries and one of the principal sources of criminal income. These gangs have bred a criminal regional economy on such a scale that extortion forms a sizeable tranche of some Northern Triangle countries' GDP. The revenue from extortion has provided some gangs in the region with a solid economic operating base, and at the same time allowed them to diversify into other criminal enterprises, including drug trafficking, and human smuggling and trafficking, which means that they have consolidated their influence over broader transnational organized-crime networks operating in the region. Meanwhile, extortion revenue is laundered through investments in formal businesses, extending the gangs' economic stranglehold over the communities they target.

“The revenue from extortion has provided some gangs in the region with a solid economic operating base, and at the same time allowed them to diversify into other criminal enterprises.”

In Panama and Costa Rica, the dynamics are somewhat different; there, gangs, and the threat of extortion they pose, are also present but the groups in these countries rely more on revenue from drug trafficking than from extortion markets.

The response to the extortion markets by Central American governments, as well as by non-governmental organizations and community self-support groups, has been largely ineffective, mainly because the violent control exerted by the gangs makes individual citizens and organizations powerless to resist.

In some cases, state interventions, in the form of heavy-handed crackdowns by law-enforcement authorities, including mass incarceration of gangsters, have served not to quell the problem, but to exacerbate it, creating more problems than solutions. Non-police intervention policies, involving preventative, rehabilitative and reintegrative measures, have been limited.

Another factor that perpetuates the vortex of gang violence is corruption, which weakens state institutions and law-enforcement agencies, and leads to impunity; as a result, some arms of the state have become cells of criminal governance. Until the chain of collusion between corrupt political actors (and other civil servants) and the criminal rackets can be broken, it will be difficult for policy interventions to penetrate and break the circuit of criminality, which reaches into the very organs of state that are constitutionally instituted to combat it.

This report offers a comprehensive picture of the nature and impact of the various kinds of gang-based extortion schemes across Central America, but particularly in the trio of countries in the Northern Triangle, and the political-economic environment in which they occur. The report develops a typology of modes of extortion that have been reported in the region under study, with case studies on how certain schemes operate and the impact they have



on their victims. In the face of the growing scourge of regional extortion markets, it also examines more innovative ways of responding to extortion and analyzes some promising trends that may threaten the regional gang networks. There has been a shift, for example, towards dismantling the financial structures of the gangs, and investigations into money-laundering schemes they use to conceal their revenue, which may offer the kind of intelligence needed to combat the regional transnational networks.

Some citizen- and community-initiated pushbacks against the extortion have shown promise and they have, if only to a small degree, mitigated the impact wrought by the gangs on society by helping generate resilience initiatives. Where these have connected multiple actors within civil society and the private sector, the potential for impact is considerable, and suggests that a whole of community approach to addressing extortion might be a promising practice that could be replicated.

The report is the culmination of recent extensive research conducted jointly by the Global Initiative Against Transnational Organized Crime and InSight Crime, an investigative research foundation dedicated to the study of crime trends in Latin America. To produce a comprehensive and balanced analysis of the extortion economy in Central America, field researchers interviewed a large number of representative participants, including victims and perpetrators of extortion; members of regional law-enforcement agencies; analysts; politicians; members of the judiciary and academia; businesspeople; journalists; and civil-society organizations. To corroborate the field investigation, and to provide a broader quantitative framework to inform the findings, statistics on the regional extortion markets were analyzed and a literature review was carried out. The authors also drew from previous investigations by InSight Crime on gangs in the Northern Triangle.

This report is the first phase of the 'Building coalitions against extortion in Central America' project developed by the Global Initiative. During the second phase, this report will enable the project to gather stakeholders from each country to discuss and analyze this pervasive phenomenon in the region. It will also allow the creation of a network of experts and stakeholders who will, firstly, exchange information and practices to tackle extortion and then, regionally, discuss alternatives to better respond to the issue. During the third and final phase, the project will aim to strengthen local resilience through a training initiative to help affected communities to better respond to extortion and mitigate its effects, and a roadmap to help build municipal strategies in the medium and long run.







## Introduction and background

‘Extortion is a monster,’ whispered the owner of a small business in San Pedro Sula, Honduras. He couldn’t be quoted – the risks are too high. Disrespect for the extortionists results in immediate, and often fatal, punishment.

In many parts of Central America, extortion is a way of life. In certain countries, principally those of the Northern Triangle (i.e. El Salvador, Guatemala and Honduras), few businesses escape its clutches. Extortion has become so ubiquitous in parts of the region that it is embedded in the culture. Most victims are powerless to resist, as are the governments that are supposed to protect them. Collusion between officials and the street gangs, and criminal groups that control extortion, is common. It destroys communities, displaces families and corrodes governance.

In Honduras, Guatemala and El Salvador, the growth of extortion was defined by the expansion of the Mara Salvatrucha and Barrio 18 street gangs, known locally as *maras* (the former is often abbreviated to MS13; the latter is also known as 18th Street). Using brutal violence, these groups have made extortion one of their principal sources of income, essentially creating their own criminal economy by taxing the lives and livelihoods of ordinary people.

Extortion is very difficult to measure. It is a hidden crime that is largely based on threat and fear, and it is grossly under-reported. From the scarce data that is available, however, it seems that El Salvador is the nation hardest hit – victims pay an estimated 1.7 per cent of the country’s gross domestic product (GDP) in extortion fees. Honduras comes next, with about 1 per cent of GDP in extortion fees. Guatemala has the highest reported rates of extortion, but pays the smallest amount, averaging some US\$60 million a year.<sup>1</sup> The (rare) estimates available vary considerably, however. A report by El Salvador’s Central Bank estimated that the country’s private sector alone paid an equivalent of 3 per cent of national GDP in extortion fees in 2014.<sup>2</sup>

In Central America, the victims of extortion come from all social and economic spheres, from residents of slums, and informal business owners to major international companies. And they don’t pay just in cash – food, products, goods and services, as well as sexual payments, are all accepted ‘currencies’. Extortion has an additional symbolic



value, whereby the regular payments, no matter how small, are a sign of the authority that criminal groups exert over the community. In short, they are the marker of criminal governance that reinforces the potency and legitimacy of criminal groups.

The damage caused by extortion is huge and widespread. It harms the economy of these nations, the legitimacy of government and the social fabric of families and communities. Extortion has become a major driver, although not always the root cause, in the displacement and forced migration of families in the Northern Triangle region. Tens of thousands of Central American undocumented migrants entering Mexico and the United States are fleeing gang violence related to extortion in their home countries. Extortion causes schools to close and limits access to social services. The increasing role of women in extortion schemes – and the subsequent spike in the rates of their incarceration – is also impacting families and further exposing children and adolescents to gang recruitment, making this an inter-generational problem.

“The increasing role of women in extortion schemes is impacting families, and exposing children and adolescents to gang recruitment, making this an inter-generational problem.”

The proceeds underpin and strengthen the gangs by providing them with a steady source of income, perpetuating the cycle of crime, and help fund other criminal enterprises and markets by providing revenue that can be invested in drugs, weapons and other infrastructure. The steady profits generated by extortion are helping the gangs become more sophisticated and diversify their criminal portfolios into drug trafficking, micro-trafficking (local sale of narcotics), human smuggling and human trafficking, among others. Extortion revenue is increasingly laundered through legitimate businesses of which the gangs and other criminal operators are gaining ownership. This grows their social and economic power in communities by making them employers and business partners in otherwise legitimate industries, such as car washes, motels and restaurants.

New criminal parasites – referred to as copycat groups – that have arisen around extortion over the last decade owing to the low barriers to entry – imitate the modus operandi developed by the *maras* to make an easy buck. Their activities increase the prevalence of extortion in communities.

In neighbouring Panama and Costa Rica, research revealed a different dynamic. At present, drug trafficking trumps extortion because it reaps higher profits and entails less risk, leaving the local population largely unscathed by the gang phenomenon seen elsewhere. As both countries are transshipment points on the major cocaine routes, criminal organizations simply have more tempting illegal enterprises and larger profits to make than to focus their efforts on extortion.

That said, however, Panamanian officials say that there are around 2 500 gang members in the country, who form part of any one of the 150 estimated gangs,<sup>3</sup> and neither of the two major street gangs that control extortion markets in the Northern Triangle nations have a presence in Panama or Costa Rica. They are also significantly less violent, though Costa Rica is experiencing rising homicide rates in a nation that was once considered a safe haven during the region's civil war in the 1980s and 90s. Although drug trafficking proceeds could be financing growing criminal markets related to extortion, such as loan sharking, field research found that extortion is still not a major concern to the authorities – yet. It remains a priority to monitor, however, not least because data shows that extortion is on the rise in both countries, and because extortion is a crime better addressed early, before it can fully entrench itself.

Across the region, states have made substantial efforts to push back against extortion and the actors behind it, albeit with limited results.



The violence used by the main actors – the gangs – renders many victims powerless to resist. It also undermines the state agents and actors empowered to fight it, even when they are well-armed and militarized. In many cases, in fact, government crackdowns have served to strengthen, as opposed to weaken, the criminal entities behind extortion through mass incarceration. These measures have effectively handed gangs their own ‘headquarters’ in prisons, boosted their recruitment and created new incentives to increase criminal proceeds from extortion.

More recent measures, such as attempts to block phone signals within penitentiaries as well as the construction of new, high-security jails that better limit inmates’ contact with the outside world, have had some success. Meanwhile, the introduction and use of telephone-tapping laws around the region has helped some governments execute complex money-laundering investigations that threaten the financial structure behind gang extortion schemes. This is a promising trend.

Fundamentally, however, until corruption within state institutions and law-enforcement agencies is addressed effectively, and impunity is removed, it will be a considerable challenge for state actors to address the scourge of extortion in Central America.

In this study, therefore, we also sought to identify and document several civilian resistance efforts that have arisen in response to extortion. These courageous initiatives by local communities to stem the tide of criminal governance offer a prospective alternative to the heavily security and justice led efforts of the region’s governments. The report explores how these responses could be reinforced, be made sustainable, and crafted to avoid creating new insecurity dynamics.

## Methodology

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This report, jointly produced by InsightCrime and the Global Initiative Against Transnational Organized Crime and researched during 2018, combined desk-based analysis of data, media coverage and literature on extortion with in-depth fieldwork in the three target nations of the Northern Triangle, as well as Costa Rica and Panama, states chosen to assess the level and potential for a developing extortion risk. Researchers spoke to victims, perpetrators, law-enforcement officers, analysts and politicians to gain a better understanding of this criminal economy.

Extensive interviews were also carried out with current and former national and municipal government officials from the executive and judicial branches; academics; security experts; members of the private sector; journalists and actors from civil society. Overall, the information and analysis presented in this report stem from exchanges with more than 120 sources, many of whom are referred to anonymously owing to safety concerns. When citing anonymous sources, the report provides as comprehensive a description as possible of the person’s office or role.

The material gathered from field research allowed for analyses of the extortion markets and the production of detailed case studies to illustrate key aspects of extortion in the region.

Parallel to field investigation, existing extortion statistics were scanned. Official extortion and homicide data was gathered when publicly available, or requested from governments when not. Judicial documents outlining extortion investigations and trials were also studied. A review of the academic literature on extortion and the street gangs – an issue inextricably linked to extortion – was carried out. Coverage of extortion events by official press releases and media outlets was also monitored, and previous field investigations by InSight Crime on the issue of street gangs in the Northern Triangle proved crucial.

Information gathered in the form of quantitative data helped provide an understanding of the birth and evolution of mass extortion, as well as the criminal trends that have shaped the market over the years. Complemented with analytical work by the Global Initiative Against Transnational Organized Crime, as well as a dedicated expert group convened in Vienna in December 2018, this provided the material needed for mapping extortion in the Northern Triangle, and the identification of key intervention opportunities.



Qualitative data was central to deciphering structural components of the criminal market. This exercise included studying the different types of extortion and their modus operandi; the nature of the extortionist actors and victims' profiles; the efficacy of community and state responses; and risk factors that make some communities more vulnerable to extortion than others.

Due to the illegal nature of the activity and severe under-reporting of extortion in all the target countries, the quantitative data was limited. This is particularly true in Costa Rica and Panama, where extortion has not engendered much concern among the authorities.

The study was also challenged by how broad the issue of extortion is, including in the normative legal sense.<sup>4</sup> Extortion is generally defined as the unlawful appropriation of money or property by means of threats,<sup>5</sup> but the nature of these threats can vary greatly. Blackmail, for instance, is considered a form of extortion under Costa Rica<sup>6</sup> and Panama's penal codes,<sup>7</sup> even though the threat is to the victim's reputation, and not his or her physical integrity.

Given the study's aim of depicting the extortion markets in the region, this report focuses on various kinds of extortion schemes – and their victims. But the crime's inextricable link to the growth of the Northern Triangle street gangs and the disproportionate impact of their schemes on Central American society mean that the report tends to lean heavily on mass gang extortion, now perpetrated on an industrial scale and which has become the main civil and national security threat in these nations.







## Evolution of extortion and the rise of the street gangs

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### A history of criminality

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El Salvador, Guatemala and Honduras are all poor nations that share a criminal history marked by political turmoil, violence and the notorious Mara Salvatrucha and Barrio 18 street gangs. The region they form – the Northern Triangle – is one of the most violent in the world.

El Salvador and Guatemala emerged from civil wars in the 1990s that left them with weak state institutions, shrunken economies, a divided society and a culture of violence. Honduras underwent periods of military rule, and in most recent years has experienced acute political instability and upheaval – best exemplified by the coup that ousted President Manuel Zelaya in 2009 and the current crisis of legitimacy engulfing President Juan Orlando Hernández.<sup>8</sup> All three are source countries of large numbers of migrants to the United States, driven in part by high levels of criminality and insecurity.

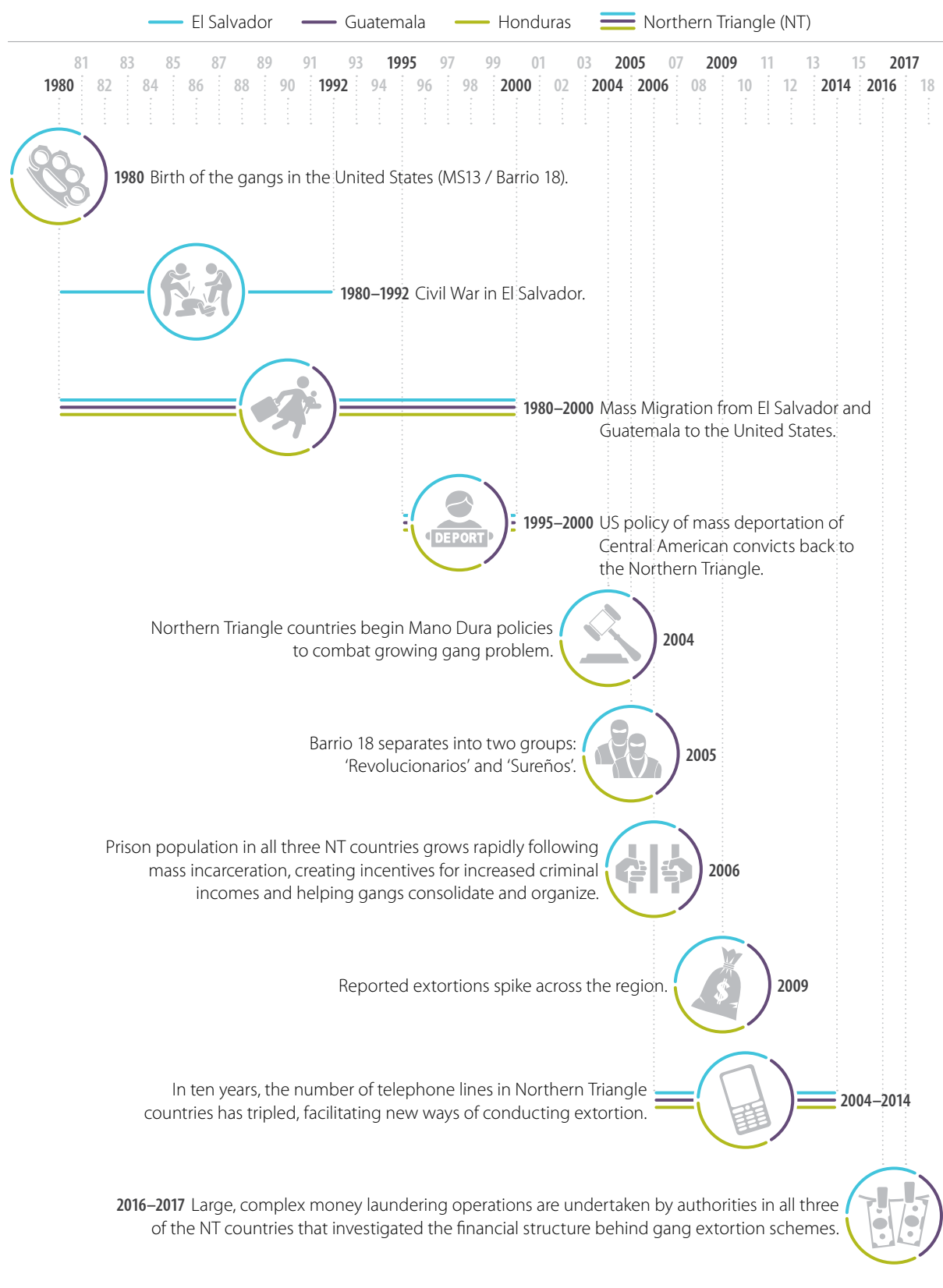
Costa Rica, on the other hand, had historically been seen as an oasis of relative peace in otherwise conflict- and crime-ravaged Central America. However, in recent years, the country has experienced record levels of violence, which authorities have blamed on its growing role as a drug transshipment point, although the violence remains considerably lower than in the Northern Triangle. Crime groups in Costa Rica do not appear to pose a major national security threat, although their growing involvement with transnational criminal organizations expanding their operations in Costa Rica could feed their capacity for violence and corruption.

Panama, like Costa Rica, does not experience the levels of gang-driven insecurity and violence seen in the Northern Triangle countries. It is a money-laundering centre and home to many transnational criminal organizations, however.<sup>9</sup>





**Figure 1:** Key extortion events in the Northern Triangle, 1980–2017



Sources: InSight Crime, Institute for Criminal Policy Research and open sources.

Billions of dollars of illicit money pass through the country every year, and its status as a global trade hub because of the Panama Canal has made it a major player in the movement of contraband and criminal commodities around the world. The publishing of the 'Panama papers' shone a light on many of these dynamics, and the role of the country's lawyers in facilitating the movement and camouflaging of money.

Crucially, every nation in this study lies between the world's coca-producing region and one of the biggest cocaine consumption markets, the United States. As a result, each has seen an uptick in drug trafficking activity in the last few decades, and most are key locations in the transportation of illicit drugs to the United States and Europe, as well as in the processing of the profits generated.

“El Salvador and Guatemala emerged from civil wars in the 1990s that left them with weak state institutions, shrunken economies, a divided society and a culture of violence.”

The timeline tracks key events that have shaped the development of the extortion economy and the rise of the gangs in the region (see Figure 1).

Below we outline the evolution of extortion in Guatemala, Honduras and El Salvador over the last few decades, and highlight what governments have done in an attempt to combat this booming criminal market and the main actors behind it – the gangs.

## Growth of the street gangs and extortion

It is impossible to separate the criminal dynamics of the extortion markets in the Northern Triangle countries from the MS13 and Barrio 18 gangs. The origins of the MS13 can be traced back to the late 1970s, when El Salvador experienced major outflows of migration towards the United States as a result of the brutal civil war that rocked the country from 1980 to 1992.<sup>10</sup> Migrant groups settled mainly in Los Angeles, where they rivalled the gangs already present in the city.

The Barrio 18 began as a southern California street gang made up of primarily Mexican immigrants, and has reportedly existed in southern California since the early 1960s.<sup>11</sup> However, like the MS13, the Barrio 18 benefited from the constant flow of Salvadoran migrants fleeing civil war in the late 1970s and throughout the 1980s.<sup>12</sup> Despite their deadly rivalry, both gangs answered to the Mexican Mafia – a prison gang that operated as an umbrella organization and provided protection for Latino inmates in southern California.<sup>13</sup>

**MANO DURA** = detentions,  
incarcerations and harassment  
= violence & jail population up



The spread of both gangs into the Northern Triangle is widely attributed to the change in US immigration policies during the 1990s, as new laws allowed for the deportation of ex-convicts back to Central America.<sup>14</sup> According to the Department of Homeland Security, out of 129 726 convicted criminals deported to Central America between 2001 and 2010, 90 per cent were sent to the Northern Triangle.<sup>15</sup>

As members of MS13 and Barrio 18 were sent back to their home countries, weak institutions, together with a lack of state presence, allowed gang members to consolidate themselves in



their countries of origin. Social reintegration also proved burdensome, as many deportees faced social stigma upon returning to Central America.<sup>16</sup>

However, the policies of Central American governments during the early 2000s to combat gang presence ironically exacerbated and consolidated the gangs' grip on society. This is key to understanding the growth of extortion in these nations. What have become known as *mano dura*, (iron fist) policies resulted in the mass incarceration of suspected gang members.<sup>17</sup> This had the effect of providing the *maras* with their own safe headquarters, from where they were able to form national structures, first in El Salvador, then in Honduras and Guatemala. This dynamic was reinforced by the segregation of gang members in prisons to keep them separate from other inmates.<sup>18</sup> Extortion became their main source of income.

“The spread of both gangs into the Northern Triangle is widely attributed to the change in US immigration policies during the 1990s.”

Mass incarceration has been one of the defining features of the *mano dura* strategy that Northern Triangle governments have pursued with varying degrees of severity. Authorities have confronted their increasing gang problems and the related criminality by rounding up suspected gang members and throwing them in jail.<sup>19</sup> This was achieved by passing laws and regulations that criminalized gang membership in the three countries.<sup>20</sup>

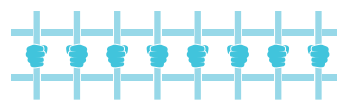
With the adoption of *mano dura* in 2004, in El Salvador, for example (a policy that was eventually annulled by the Constitutional Court) and, later, *super mano dura*, which remains in force, the police had the power to stop, search and detain suspected gang members.<sup>21</sup> Some law-enforcement officials and experts believe these sorts of legal instruments and interventions made the whole phenomenon worse, and led to greater organization among the gangs.

Between 1999 and 2014, the number of incarcerated Hondurans grew by about 50 per cent. Currently, the country's prisons operate at 189 per cent over capacity, with most inmates being held in pre-trial detention.<sup>22</sup> El Salvador's prison population more than quadrupled from 2000 to 2016,<sup>23</sup> and the number of gang members behind bars grew from 7 555 in 2009 to nearly 13 000 by 2015.<sup>24</sup> In Guatemala, the number of people in prison tripled between 2000 and 2014.<sup>25</sup>

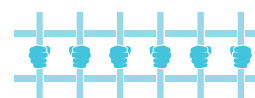
There are several reasons to justify this region-wide crackdown. Extortion is but one of the many criminal markets in the portfolio of both the MS13 and the Barrio 18, which continue to have a grave impact on the region's overall security situation. The gangs also kidnap and murder local rivals, neighbours and security personnel. Their grip on many communities has crippled some areas, shut down transport networks, handicapped local businesses and thwarted the economy. Their rise has also corresponded with higher murder rates, and is the major reason why the Northern Triangle currently ranks as one of the most dangerous regions in the world.

The *mano dura* policy of mass incarceration impacted the gangs' criminal economy. Faced with increasing legal actions against them, the gangs sought more money to pay for lawyers and cover other costs associated with trials and jail time. The result was a concerted effort to move from occasional to more systematic and permanent extortion, targeting principally small businesses, the public transport sector and eventually delivery services.<sup>26</sup>

El Salvador's prison population more than **QUADRUPLED** from 2000 to 2016, and the number of gang members behind bars grew from 7 555 in 2009 to nearly 13 000 by 2015.



In Guatemala, the number of people in prison **TRIPLED** between 2000 and 2014.



The gangs came to depend on the proceeds of extortion and drug trafficking to support incarcerated leaders and sustain their members.<sup>27</sup>

‘Once a gang member is sentenced, he creates a mental list of ten people whom he can extort to maintain himself and his family,’ former El Salvadoran truce mediator Raúl Mijango said.<sup>28</sup>

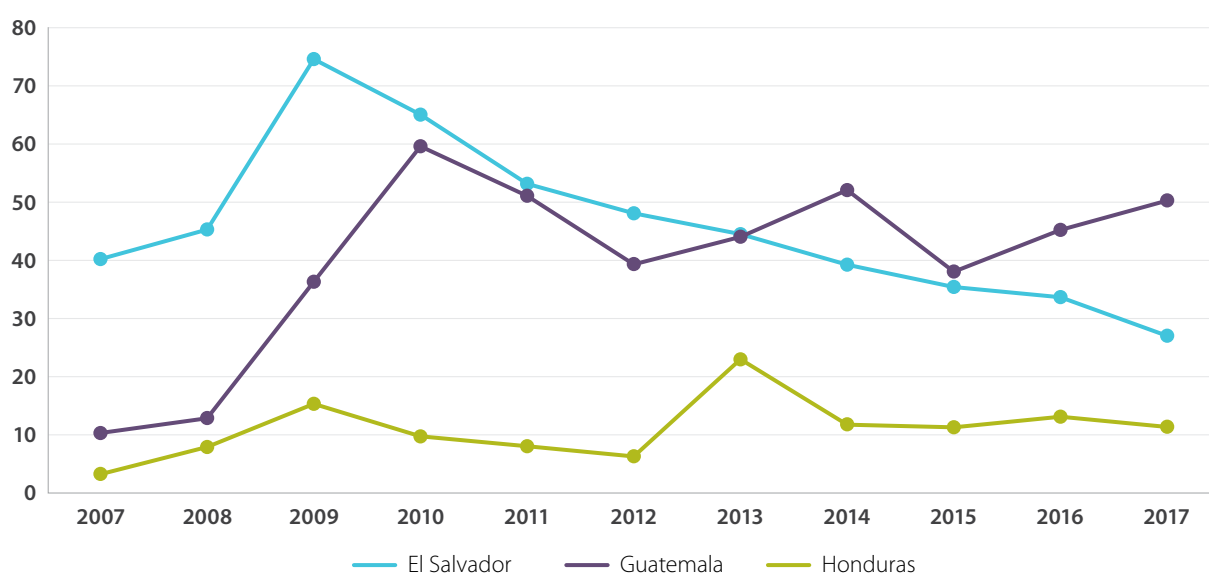
The impact was profound. The number of extortion complaints filed with El Salvador’s national police increased 14-fold between 2003 and 2009.<sup>29</sup> The sums of money that were extorted created an economy that included gang leaders and their families, as well as police and prison personnel. In other words, segregated imprisonment under *mano dura* meant the gangs were able to systematize their criminal activities.<sup>30</sup> This way, the jails came to serve as incubators of organized crime, as opposed to a system that reformed it.<sup>31</sup>

“Extortion is but one of the many criminal markets in the portfolio of both the MS13 and the Barrio 18, which continue to have a grave impact on the region’s overall security situation.”

According to a former director of Guatemala’s prison system, Eddy Morales, 80 per cent of the extortion activity in Guatemala is organized from within the country’s three main prisons and the Zone 18 detention centre in Guatemala City.<sup>32</sup> Prisoners buy access to their networks outside the prison by bribing prison staff for phones or access to free Wi-Fi networks. An official in the Attorney General’s anti-extortion unit reported that a phone belonging to a prisoner was used 400 times in one day to make extortion calls.<sup>33</sup>

El Salvador’s former director of prisons, Rodil Hernández, said in a 2016 radio interview that prisoners were coordinating criminal operations using WhatsApp.<sup>34</sup> In Honduras, the gangs organize the collection of macro extortion payments from within the prisons.<sup>35</sup>

**Figure 2:** Reported extortion rates, Northern Triangle countries (reported extortions per 100 000 citizens)



Sources: Guatemala Attorney General’s Office; El Salvador’s National Civil Police; Honduras Attorney General’s Office and Directorate of Police Investigation (for data from 2007–2012), Anti-Extortion Unit within the National Directorate of Investigation and Intelligence (for data from 2013–2017).



And, besides the unforeseen financial impact, *mano dura* and the criminalization of gangs may also have inadvertently bolstered them by giving them a 'cause' in the face of adversity imposed by a repressive state.

Although the extortion market has certainly boomed in the Northern Triangle, legislative changes can cause what appear to be spikes in the occurrence and perception of extortion but may reflect something else – such as an increase in reporting of this crime due the creation of new legal definitions and mechanisms for victims.

In Guatemala, for example, analysts attributed a spike in reported extortions in 2009 to changes in the country's penal code and the creation of a new law against organized crime rather than an actual increase in incidents (which were already high before that). Article 261 was added to Guatemala's penal code to legislate the crime of extortion and made it punishable with between six and 12 years of prison.<sup>36</sup> In 2006, the Law against Organized Crime came into being, and classified two categories of extortion: through intimidation and transport-related extortion.<sup>37</sup>

“Gangs have developed some of their systematic schemes to enable them to carry out centralized extortion of a number of victims at once.”

'These two legal changes were fundamental, as well as changes to methods of criminal investigation which also totally altered the way that the police investigated [these matters]. What changed was that they allowed wiretapping which allowed strategic, legal persecutions,' said Walter Menchú, an analyst at Guatemala's Centre for National Economic Investigations (Centro de Investigaciones Económicas Nacionales – CIEN). Hence, more investigations and convictions made the crimes more visible.

A similar change in El Salvador's legislative framework also led to an increase in the reported incidents of extortion, according to observers. In August 2006, a reform to Article 214 of the country's penal code made the crime of extortion a more serious offence and increased the types of legal actions that could be taken against it. These changes 'coincided with an increase in the number of reports of extortion received that year,' said Karla Andrade in a report on the phenomenon of the gangs and extortion in El Salvador.<sup>38</sup> Likewise, changes to the law in El Salvador in 2010 allowed for the use of phone tapping in criminal investigations, which led to an increase in the number and reach of legal raids and cases against extortionists, raising awareness of the crime across the country.

In addition, gangs have developed some of their systematic schemes to enable them to carry out centralized extortion of a number of victims at once. From extorting individual bus drivers, for instance, some gangs have shifted to carrying out a single, large extortion demand from the company's headquarters. Combined with the normalization of extortion, these kinds of developments may also have had the result of bringing down the number of complaints, masking the real growth in extortion.

## An under-reported crime

The very nature of extortion makes it difficult to gauge, as the threat and fear factor involved, combined with a lack of confidence in authorities across the region, deter many victims from coming forward. Reports and evidence of corruption within state security institutions and agencies cause people to worry that information they share may be leaked to criminal actors. The participation of police in extortion rackets also reduces people's willingness to appeal to them for help. For example, security officers are reportedly involved in extortion schemes targeting vulnerable groups, such as sex workers, and elements in both the police and the military have collaborated





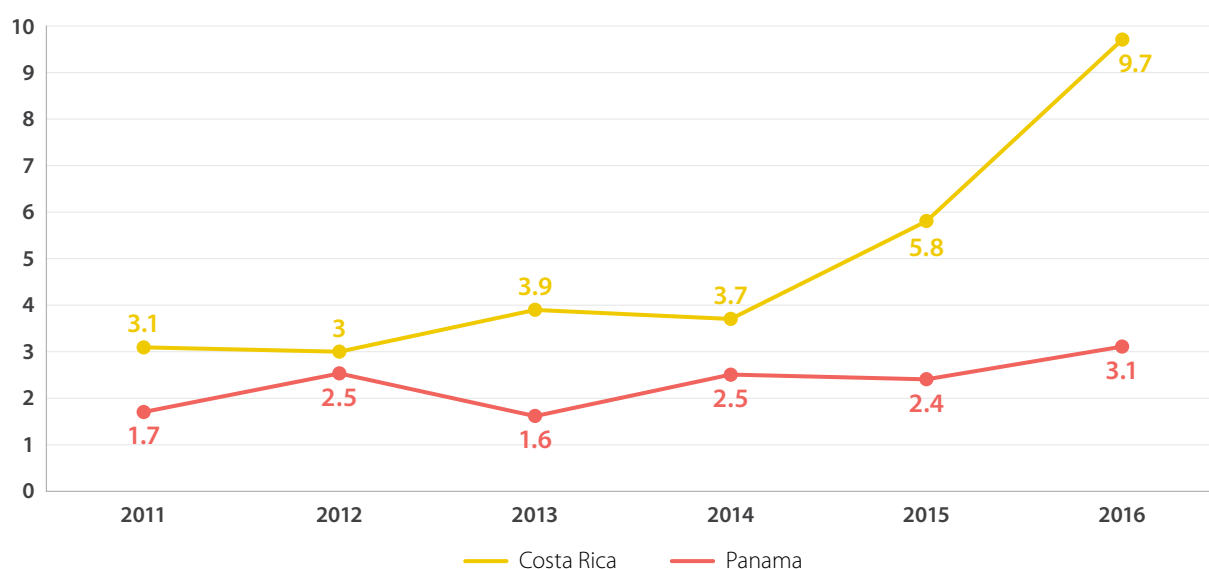
with criminal actors, mostly notably in the Northern Triangle countries. In addition, extortionists often warn their victims not to go contact the police and promise reprisals should they do so.

Nevertheless, most experts across the region agree that reporting the crime is crucial. 'How are we going to do away with extortion? Through reporting [to the police] – it's the only way to identify who is behind the phone calls,' said Carmen Rosa de León, director of the Institute for the Teaching of Sustainable Development (Instituto de Enseñanza para el Desarrollo Sostenible).<sup>39</sup> 'The police can respond to extortion reports by tracing the origin of the call to determine whether it is coming from prison or from some other opportunist.'

According to one estimate, in El Salvador, 75 per cent of extortion incidents go unreported.<sup>40</sup> In Panama, research suggests that 85 per cent of extortions aren't reported to the authorities, suggesting that trust in the police in Panama is as low, if not worse, than it is in countries that are worse affected by extortion.<sup>41</sup>

Overall, extortion rates in Panama and Costa Rica are lower than in the Northern Triangle. This is in large part due to the lack of a presence of the street gangs in those two countries, which are responsible for so much of the extortion-related crimes in Guatemala, Honduras and El Salvador. However, although low, extortion rates have increased steadily in recent years in both countries – and more so in Costa Rica than in Panama. This trend appears to be the result of extortion schemes increasingly being carried out in tandem with other criminal activities there, such as drug trafficking.

**Figure 3:** Reported extortion rates, Costa Rica and Panama (reported extortions per 100 000 citizens)



Sources: Costa Rica; Judicial Investigation Department; Panama: National Integrated System of Criminal Statistics.

In addition, although without experiencing the same high rates of mass incarceration seen in the Northern Triangle countries, jails in Costa Rica and Panama are still centres for extortion and an easy criminal environment to enter.<sup>42</sup>

## A primarily urban phenomenon

Research suggests that extortion markets tend to be concentrated in densely populated urban areas in all of the target countries. Major cities are the main focus for extortion schemes in the Northern Triangle countries, as these tend to be bastions of territorial control for the street gangs and have a concentration of transport networks and businesses, which are major targets for extortion. In Panama and Costa Rica, extortion markets also tend to be focused in urban centres.



That said, research shows that extortion is by no means limited to urban areas. In El Salvador, for example, the extortion of businesses in the agriculture sector in rural areas, such as the sugar-producing and coffee industries, is common, and press reports have pointed to the extortion of fishermen in more isolated parts of the country.<sup>43</sup> And in Guatemala, extortion markets were evident outside of the capital, with high levels of reporting in the departments of Jalapa, Sacatepéquez, Suchitepéquez and Quetzaltenango, according to media reports and government data (see Figures 4 to 6).<sup>44</sup>

## State actors: The most efficient extortionists?

As with other criminal activities in the region, corrupt government officials and members of law enforcement have come to play a role in extortion schemes, either turning a blind eye to extortionists or directly participating in them. The nature of involvement of corrupt police officers in extortion rackets varies – from extorting sex workers, to acting as accomplices with gangs to carry out or allow extortions, and laundering money.

One 2017 report, for example, highlights how police in Honduras are systematically involved in extorting sex workers in Tegucigalpa and Comayagua.<sup>45</sup> According to the report, the national, military and municipal police all partake in extorting sex workers by demanding sex in exchange for not arresting them.

A similar scheme has allegedly occurred in Panama, according to a report by NGO Mujeres con Dignidad y Derecho de Panamá (Women with Dignity and Rights – MDDP).<sup>46</sup> Their study found that members of the police in Panama City do the same. Of the women who participated in the survey, 55 per cent claimed that police officers had demanded cash in exchange for not arresting them; 45 per cent said that they had been extorted for sexual favours.

Reports from El Salvador,<sup>47</sup> Guatemala<sup>48</sup> and Honduras<sup>49</sup> also point to the role that police officers have played in extorting the general populace.

The relationships between police and gangs vary from nation to nation. A former judge in Honduras said that if the police were to listen to conversations taking place in the prisons, they could put an end to extortion.<sup>50</sup> Omar Rivera, the head of the commission charged with addressing corruption in the police in Honduras, said that before the purging of corruption in the police force began in 2016, the relationship between law enforcement and the gangs was like a ‘marriage’, especially with the MS13. ‘A lot of police officers were part of the gang,’ said Rivera.<sup>51</sup>

In El Salvador, on the other hand, the relationship between the police and the gangs was not collaborative, but adversarial. Many death squads that assassinated suspected gang members extrajudicially and staged crime scenes are connected to and involve the police. Gangs respond by targeting the security forces.<sup>52</sup>

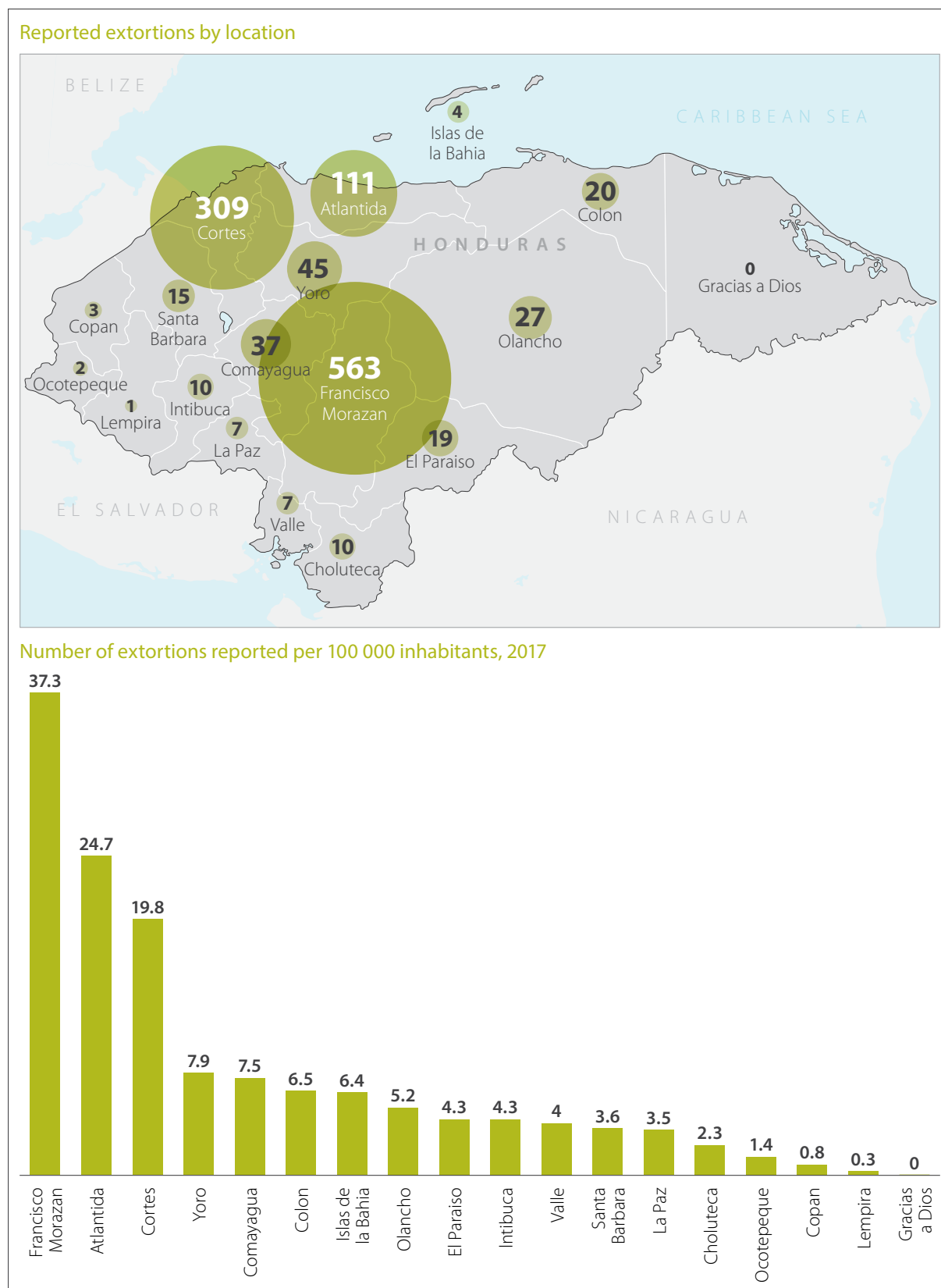
The involvement of military officials in extortion in the five countries appears to be rare, although sporadic cases of low-level military personnel being implicated in extortion rackets have surfaced in recent years in Honduras<sup>53</sup> and El Salvador.<sup>54</sup> But a recent case in Guatemala suggests that the highest echelons of the military hierarchy in the region are being increasingly targeted to launder profits derived from extortion.

In April 2018, a Guatemalan army colonel, Arias Salvador de León, was arrested for allegedly laundering extortion proceeds for the MS13.<sup>55</sup> Salvador de León was supposedly laundering extortion proceeds by buying and selling vehicles and vehicle oil.<sup>56</sup>

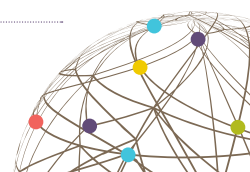
As gangs have adopted more sophisticated criminal portfolios, the case of Salvador de León suggests that they could be increasingly looking to exploit military officials in the region to further invest their profits derived from extortion.



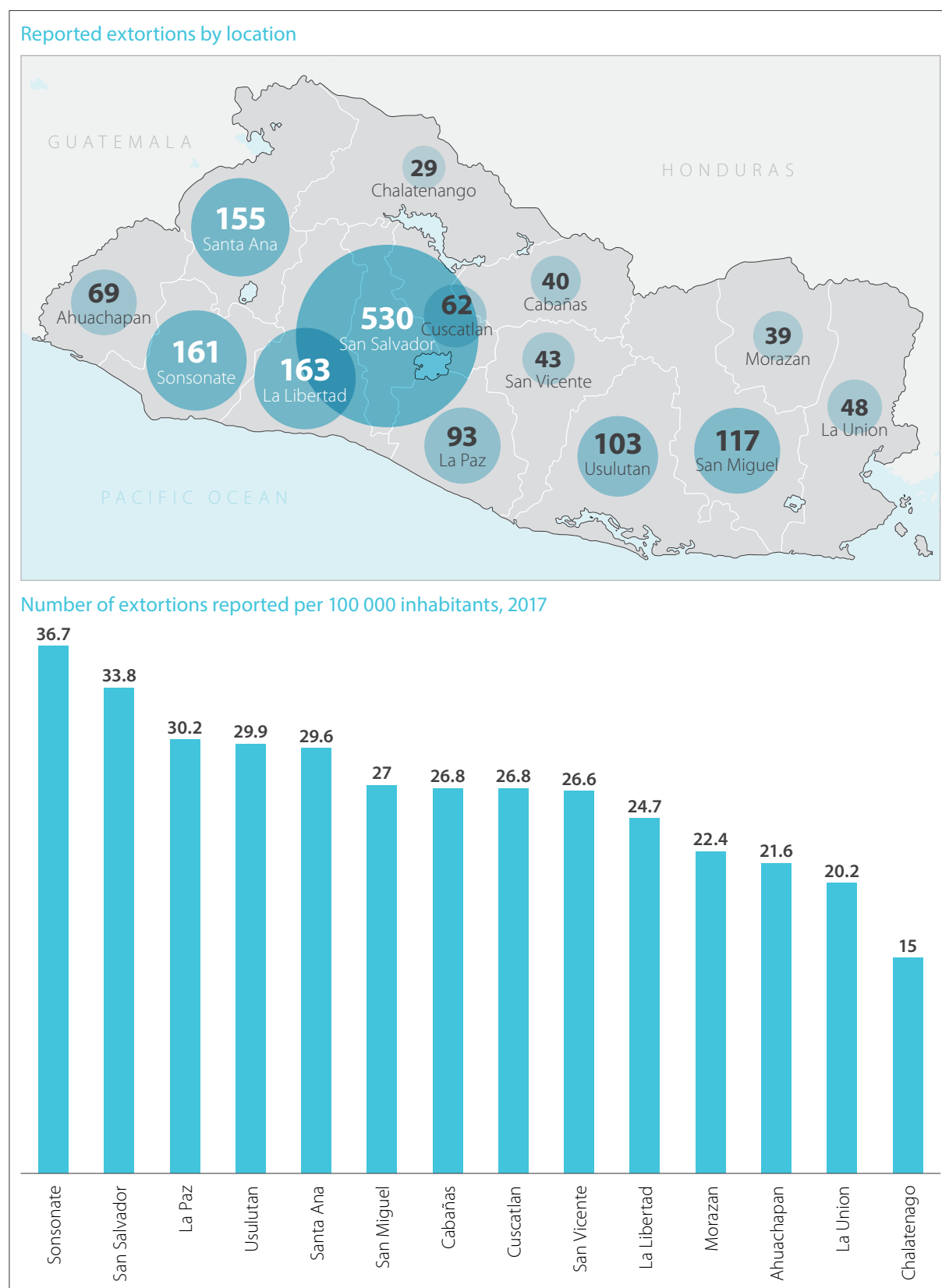
**Figure 4:** Reported extortion rates and locations, Honduras, 2017



Source: Attorney General's Office and Secretary of Security.

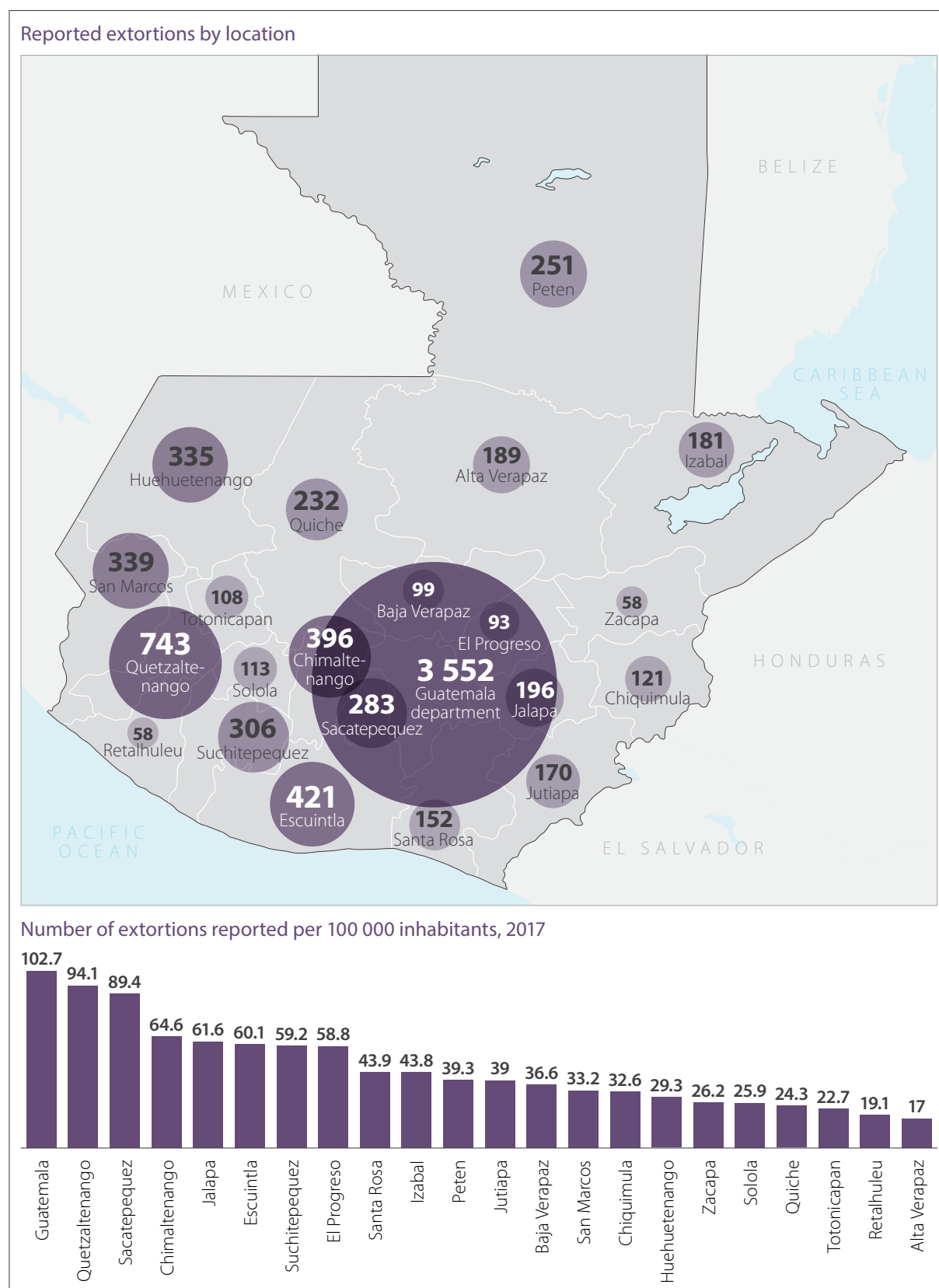


**Figure 5:** Reported extortion rates and locations, El Salvador, 2017



Source: National Civil Police.

**Figure 6:** Reported extortion rates and locations, Guatemala, 2017



Source: Guatemala Attorney General's Office.







## Drivers of extortion

Extortion has largely underwritten criminal development in the Northern Triangle. This contrasts with the normal pattern around Latin America and the Caribbean, which has traditionally seen drug trafficking as the economic foundation of organized crime. Broadly, there have been three main drivers of extortion in the region: increasing criminal organization, the use of mobile phone technology in extortion activities, and criminal imitators, also known as copycat groups.

### Organized crime becomes more organized

As mentioned, extortion began to boom in the region as it began to generate revenue to finance the gangs' infrastructure and the capital to invest in weapons and the wholesale purchase of drugs.

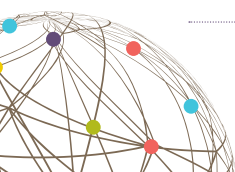
'The situation worsened when the gangs acquired more sophisticated weapons; with the extortion funds they began to buy weapons from arms traffickers,' said Denis Roberto Martinez: '... According to official data, in Guatemala in 2004 there were 22,419 legally registered weapons; ... and in 2013 there were 465,146 registered weapons.' However, it is estimated that there are today over a million illegal weapons in the country.<sup>57</sup>

The growing income from extortion meant the need to launder the proceeds, which, in turn, gave the gangs in the Northern Triangle the opportunity to invest in legitimate businesses, increasing their economic and social power.

In 2004 there were **22 419** legally registered weapons.



In 2013 there were **465 146** registered weapons. It is estimated that there are today **over a million** illegal weapons in the country.



## Cellphone technology

The second major driver behind the growth of the extortion markets across the region – both on the streets and in the prisons – was the arrival of cheap cellphones and, later, smartphone technology.

In 2006 El Salvador registered 63.2 mobile lines per 100 inhabitants; ten years later, that figure had risen to 140.7. A similar surge happened in Guatemala and Honduras, which in 2006 registered 55.2 and 31.8 mobile phone lines, respectively, per 100. By 2016, that number had grown to 115.3 (Guatemala) and 91.2 (Honduras).<sup>58</sup>

Widespread cellphone coverage, and the subsequent migration to smartphones, created a boom in extortion by creating new criminal opportunities. In the Northern Triangle countries, victims, law-enforcement officials and former gang members spoke of how gangs or other types of extortionists send messengers, often women, who

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leave telephones in people's properties and business premises. The extortionists then ring the phone to threaten their targets. Previously, extortionists would leave written notes or threaten their victims face to face – methods that were more time-consuming and less systematic than telephone extortion.

For more than a decade, governments across the region have attempted to combat phone extortion by blocking the cellphone signal in correctional facilities – generally to little effect (more on this in the section 'State responses to extortion').

## Other players – criminal imitators

New, independent criminal groups have emerged and evolved as extortion has boomed. People's widespread fear of street gangs has become exploited by copycat groups who pose as gang members to extort victims. These criminal operators are now a part of the criminal problem in their own right. In Guatemala and Honduras, our researchers found evidence of copycat groups who are capitalizing on the fear generated by the established gangs to create their own extortion rackets.<sup>59</sup> Some even pose as gang members.<sup>60</sup>

As a result, more people are becoming victims of extortion, and extortion is becoming ubiquitous and normalized. As a judge working in one of San Salvador's municipalities said, 'In reality, what I see here is that extortion is now so common in our country that I have the impression that it is more a social and economic phenomenon than a criminal one, like a social parasite.' People are now so used to it, he said, that they put the money aside as they would for a tax; extortion costs have become part of people's regular expenditure.<sup>61</sup>

It is impossible to know how much extortion the copycat groups account for, but it is clear that the lack of confidence in the authorities, combined with such a high incidence of successfully executed extortions, has encouraged other non-gang groups to enter the market.

There is one critical difference between extortion threats from the gangs and those from copycat groups, however, according to Francisco Cisneros, former head of the homicides department of the Special Division for Criminal Investigation in Guatemala: the copycats don't usually kill, as they tend not to have the capacity to harm the victim.

'This is a defining factor that helps us know from the start if it is a gang extortion or a copycat one: here the gangs will take a phone to a person or a business and make the threat. There's no negotiating: if you don't pay, they try and kill you,' he said. The imitators, on the other hand, will make a threat but not an attempt on the person's life. However, because the victims don't know if a threat is from a gang or an imitator, they tend to pay, said Cisneros.<sup>62</sup>



### Copycat extortionists – Guatemala's criminal chancers

It was 2 a.m. when Eliza's husband received the call. On his way to the car park where the couple kept their garbage collection trucks, he answered his phone and heard the same threats so many other Guatemalans have heard.

'They told him they knew where we lived, they knew how many kids we had,' Eliza\* said, recalling the December 2014 incident. 'They knew how we worked, where we kept the trucks, who were the people working with us ...'

This was the first of many times that Eliza and her husband would turn to Guatemala's anti-gang unit (the División del Programa Nacional Contra el Desarrollo Criminal de las Pandillas) for help.

'The police started investigating and found out that the person behind this was one of our own employees,' Eliza explained. A man who worked as a garbage collector on one of their trucks was operating as a copycat – passing himself off as a gang member to dupe the couple into paying.

#### Fear and impunity

'[Extortion] is an offence associated with the gangs, but that's not necessarily always what happens,' noted Rosa de León, director of the Institute for the Teaching of Sustainable Development. She believes that up to a third of extortion attempts in the country could be the work of copycats. 'It's a crime that is easy to imitate ... and based on impunity and fear.'

Data from Guatemala's Attorney General's Office shows that nearly 8 400 extortion complaints were filed in 2017, but less than 700 convictions made.<sup>63</sup> Amid such high levels of impunity, fear of reprisals for not paying extortion demands is a huge concern among victims.

'Unfortunately, [extortion] is a crime that is easy to commit. At the end of the day, all you need is a phone to call people and to say, "I'm a gang member" ... people panic and deposit sums of money,' said Emma Flores, a Guatemalan prosecutor. Copycats even imitate the way gang members speak, and use their vocabulary, she explained.

The copycat phenomenon has become widespread enough to impact Central America's extortion dynamics. Former Guatemalan Interior Minister Francisco Rivas believes one in every four extortion attempts is the work of copycats.<sup>64</sup> In El Salvador, high-ranking police officers estimate that these criminal chancers could be responsible for between 40 and 70 per cent of all extortion attempts.<sup>65</sup>

Reflecting the scale of extortion in the region, the phenomenon has gone well beyond individuals looking to make a quick buck. It now feeds entire criminal structures. On 8 August 2018, Guatemalan authorities launched 36 coordinated operations to bring down a copycat organization composed of 30 individuals.<sup>66</sup> Less than six months earlier, another group of 30 gang imitators was being dismantled, giving credence to the idea that copycats are responsible for a sizeable proportion of Guatemala's extortion.<sup>67</sup>

Copycat cases even point to frequent instances of people extorting their own family members, underlining the normalization of the presence of extortion in Northern Triangle countries and suggesting that it is now as much a social and cultural problem as it is a criminal one.<sup>68</sup>

\* The victim's name has been changed for security.







## A typology of extortion

Broadly-speaking, extortion schemes are built on threats of violence and the assumption that the state cannot protect people from such threats. But a number of variables, such as the nature of the threat and the payment form, or the source of the extortionist's power, come into play to create a range of different types extortion schemes in the region. Added to this are the wide array of criminal actors involved in extortion and the vastly different ways they conduct their activities.

As a result, there seems to be little in common between, for example, systematic extortion in gang-controlled neighborhoods and one-off, digital blackmail types of extortion that are multiplying in Costa Rica, or extortion of a sexual nature that overlaps with human trafficking and slavery.

What is clear is that in the case of Central America, this is a wholly predatory criminal activity. Some have argued that organized crime provides services in the form of protection in exchange for 'taxes'.<sup>69</sup> Although these types of symbiotic or mutually beneficial relationships may exist in some parts of the world,<sup>70</sup> Central American victims reap no benefits from the types of extortion carried out in the region. The following sections examine types of extortion commonly experienced in the region.

### Territorial-based gang extortion

In the Northern Triangle, systematic extortion on a large scale in urban and rural areas by the MS13 and Barrio 18 gangs is the most common face of the crime and affects the highest number of victims. In El Salvador, the mere fact of living in gang-controlled areas can mean paying extortion money.

This type of extortion is based on territorial control, reflected in the name it is given, 'the rent' (*la renta*) in El Salvador or the 'war tax' (*impuesto de guerra*), as it is called in Honduras. It is a system that, according to one study, accounted



for nearly a quarter of all extortion schemes by 2013.<sup>71</sup> With this common type of extortion, victims are often instructed to deliver the money to a specific location or are given bank account details into which they are ordered to deposit cash. Some of this money is then taken to the country's prisons and handed to gang leaders.

People who have informal businesses, such as street vendors and sex workers, or legal small businesses, such as shops, are easy targets for the gangs. They usually have to pay a weekly, twice monthly or monthly extortion fee. The extent of gangs' territorial control allows the system to go after large companies too, although not all business sectors are equally affected. The transport industry was one of the first to be subjected to extortion. It is one that has suffered much of the extortion-related violence, with bus drivers representing a disproportionate number of murder victims in Guatemala, for instance.<sup>72</sup> In El Salvador, gangs now target the owners of bus companies, extorting from them larger payments in a process that is more efficient and less work-intensive for the gangs. 'They get the phone numbers of the owners – they don't target the drivers any more,' said transport entrepreneur Genaro Ramírez.<sup>73</sup> 'They've shot up my offices three times to demand extortion payments or when they want to up the quota.'

“People who have informal businesses, such as street vendors and sex workers, or legal small businesses, such as shops, are easy targets for the gangs.”

In Honduras, of the estimated US\$200 million paid in extortion in 2015, US\$25 million originated in the transport sector alone.<sup>74</sup>

Gangs have also targeted multinationals. In Guatemala, in November 2017, the Barrio 18 launched five coordinated attacks against telecommunications company Movistar, which left four employees dead and forced the firm to temporarily shut down its activities.<sup>75</sup> In response to gangs scaling up their extortion activities, some large companies and multinationals have modified their business operations to mitigate the extortion risk.<sup>76</sup>

In El Salvador and Honduras, territorial gang extortion has also spread to the countryside. Criminal structures levy fees from agriculture businesses, such as sugar cane producers and coffee growers, by barring access to the fields, burning the crops or killing workers.<sup>77</sup> Cattle ranchers in certain areas of El Salvador are also reported to pay an extortion fee per animal. Interviews for this report revealed evidence of this in Bajo Lempa, for example, around an hour's drive from San Salvador. And reports have also circulated of the gangs extorting fishermen and controlling the fishing trade in the Cerrón Grande reservoir, in Chalatenango.<sup>78</sup>



The extortion money is placed in a bag and a designated vendor is ordered by phone to deliver it to the gang members. The faces of those who collect the payments for the gang are never seen, but victims believe that they are between 15 and 20 years old. Female gang members are tasked with delivering the phones and surveying the vendors.

### Markets: The real gold mines for extortionists

San Martín de Porres is one of Guatemala City's largest marketplaces, with a huge variety of products piled high on numerous market stalls. The municipality charges each vendor between 150 and 3 000 quetzales (between US\$20 and US\$400) a month. But an MS13 clique (or '*clica*' – a local branch of the gang) also operates in the market, charging a parallel rent, according to the police. It sets extortion fees from 100 to 300 quetzales (roughly US\$13–40), depending on their assessment of the size and earnings of the business.

A vendor from the market explained how it all started about three years ago when gang members began leaving notes demanding 100 quetzales from each stall. Vendors refused to pay at first, but quickly changed their minds when several people were killed by the gang. Now they all pay.

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'The police came once and asked us all if we were paying extortion fees, but we weren't about to say yes in front of everyone ... And, what's the point? The police here don't do anything,' lamented one market vendor. Victims are simply too afraid to denounce the gangs.

Under constant pressure and fear from the gangs, many were eventually forced to close shop. Their abandoned spots can be opened once more, but on condition that the new store owner pay the monthly fee as well as a large down payment of between 50 000 and 75 000 quetzales (roughly US\$6 750 to US\$10 100) to the gang.

The MS13 has ordered all vendors to display a small flag of Guatemala somewhere on their stall if they are up to date with extortion payments. And reprisal is instantaneous for those who are not.

## Virtual extortion

With this widespread type of extortion, the extortionist and the victim never physically meet. Gangs often use this method when extorting from within prisons. Gang members rely on their co-conspirators outside prison to collect the money or carry out the death threat if the victim resists. The copycat groups also use this means of extortion.

## Extortion of prison inmates

As mentioned, throughout the Northern Triangle, prisons are home to well-established extortion markets. This has come about because prison staff have taken control and enforced a system on inmates in which everything must be paid for – visiting rights, living space, establishing small businesses and arranging phones to be used by the gang inmates. 'Everything has a quota that must be paid,' wrote Steven Dudley, InSight Crime's co-director. 'This money goes from the business operator to the coordinator to the administrator and, the inmates say, to the warden.'<sup>79</sup> This extortion form has spawned an entire criminal prison economy, whose proceeds pass through the hands of the prison coordinator and administrator. One inmate explained how the system worked in a Honduran prison: 'The prison administrator told me there were no private rooms. But if I wanted, he would sell me a small piece of the cell block, so that I could have my own private space.'<sup>80</sup>

This system has become endemic in some countries in the region. It relies on the threat of violence between inmates and the collusion of prison authorities – a relationship that has become symbiotic.



## Sexual violence and 'sex-tortion'

Many extortion schemes involve sexual violence, which happens in one of two ways: the payment requested is of a sexual nature, rather than cash, or it is the threat that is explicitly sexual. For women living in gang territory, the threat of sexual violence is omnipresent. Gangs have been known to pressure victims into paying by threatening to inflict sexual violence on their wives or daughters. In other cases, when the victim cannot meet extortionists' monetary demands, the payment can be made in kind.

'There is a type of sexual extortion that develops under gangs' pressure on women in the communities, in particular young women,' Ana Elena Bandilla, the representative of UN Women in El Salvador, told Salvadoran newspaper *La Prensa Gráfica*.<sup>81</sup>

José Miguel Cruz, a professor and the director of research at the Latin American and Caribbean Center, corroborated the presence of sexual extortion: 'Sometimes, women and girls describe a situation where they have been directly threatened. But, other times, simply because they live in a gang-controlled area, it is understood that they have to collaborate with the gang in order to be safe – even if the gang hasn't directly made a threat. It's the way things work. If you turn 13, 14, 15, if you are not associated with the gang, at some point it is expected that gang members will target you ... as a sexual object.'<sup>82</sup>

The issue is also often deeply rooted in prejudice. Sex workers, for instance, who had been extorted financially and sexually by gangs or corrupt security forces, reported that their access to care centres was generally denied due to the stigmatized nature of their work.<sup>83</sup>

The term 'sexual extortion' does not carry any legal weight, confirmed a Salvadoran judge. But it does serve to describe a situation where a person is forced to act in a way that is detrimental to their physical integrity. The concept also comes to mind when considering reports that the Barrio 18 had threatened parents into handing over their underage daughters, who were taken to prisons to be sexually exploited by gang leaders before being returned to their homes. The scandal surrounding the revelation of these crimes prompted the ex Interior Minister, Carlos Menocal, to restrict minors' visits to prisons.<sup>84</sup>

Gender-focused judicial tools to address extortion of a sexual nature are lacking in the region. Victims of these types of schemes have little recourse, although some centres do provide support for victims of sexual violence.<sup>85</sup>

Sex-tortion (which can also be categorized as a form of blackmail) is a method under which the extortionist – generally a woman – initiates a conversation with an individual on a social-media platform and seduces the victim; the aim is for intimate images to be exchanged. The victim is then blackmailed into sending money to avoid the intimate material from being published online or shared with his family and friends. Extortionists either demand a once-off transfer, or repeated payments over time. Costa Rican authorities warned in one instance of a group of Eastern European women who carried out sex-tortion scams.<sup>86</sup>

In Costa Rica, men make up for more than 85 per cent of victims. The frequency of sex-tortion in that country increased exponentially – from nine reported incidents in 2012 to an estimated 190 in 2016.<sup>87</sup>

Extortion in El Salvador spares neither women nor men. But women suffer from a more insidious form of it shaped by the threat of sexual violence that blurs the lines between extortion, slavery and human trafficking.

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### Extortion and sexual violence: Women's unspoken suffering

Maria\* was 23 when she first sought out the local gang leader in her neighborhood in 2010 as a last resort against extortion.

'The father of her child lost his job, so they couldn't pay the extortion fee any more, a daily instalment you had to pay to live in the area,' Celia Medrano, chief of operations at the Cristosal human-rights non-profit organization, told researchers.

'The gang started to threaten to kill her companion, so this very beautiful young woman with a one-and-a-half-year-old toddler went to complain to the authority in the area, the gang leader.'

In a surprise decision, the gang leader seemed to show understanding. But what started out as a reprieve from extortion until her husband got back on his feet turned into a nightmare of sexual exploitation that lasted for years.

'After a while, the gang leader showed up at the house, demanding that Maria do his laundry and, little by little, he began to stay there. Eventually he moved into her house. Maria's companion had to leave, and the gang leader took over as the owner of the house and became her "husband";' explained Medrano, describing the case that Cristosal has brought to El Salvador's Supreme Court.

Maria would endure nearly three years of sexual and physical abuse. Twice she succeeded in escaping; twice the gang tracked her down to where she had fled and forced her to return by threatening to hurt her child and her mother.

Maria's suffering continued, only, this time, it was at the hands of the state. When she first went to the authorities in 2016 with the help of Cristosal, El Salvador's Attorney General's office viewed Maria as a repenting criminal rather than a victim.

'Because she had spent three years immersed in the criminal structure, they told her that they could help her only if she accepted to testify under a plea agreement, and they started to interrogate her, so that she would give them everything she knew about all the gang members in the area,' Medrano said.

While sexual violence is used as a powerful and efficient threat within an extortive scheme, it also constitutes a form of payment in cases such as Maria's. And her suffering is not an isolated incident. Medrano said Cristosal was handling four other court cases of a similar nature, dubbed 'the girlfriend cases'.

Cases like Maria's and those involving the abduction of children may cross over into criminal categories of slavery and human trafficking, particularly from a judicial perspective. Maria's case is hence being brought as a human-trafficking case to the Supreme Court by Cristosal, while El Salvador's Attorney General's office has filed it as one of sexual assault and kidnapping. Either way, such cases are poignant reminders of the insidious sexual impact that extortion markets can have on women.

\* The name of the victim has been changed to protect her identity.



## Non-monetary extortion

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Some extortion schemes compel victims to hand over payment in non-cash forms – such as food, products and services,<sup>88</sup> highlighting how extortion has, for many people, now become used as a means of survival.<sup>89</sup>

In El Salvador, extortionists' demands have evolved to incorporate a variety of services that include storing drugs and illegal proceeds; offering gang members free rent or fake employment; and even babysitting children of incarcerated gang members in the case of the Barrio 18.<sup>90</sup> Gangs have been known to threaten house owners, demanding to occupy their buildings. 'This happens mostly in marginalized areas,' said Cisneros.<sup>91</sup>

Such non-monetary forms of payments have also been reported in the other Northern Triangle countries.

Salvadoran investigations into the MS13's financial structure have revealed instances where the gangs obliged victims to launder proceeds through their businesses. In other cases, the gangs acquired parts of businesses as a form of payment, a process also seen in Honduras.

'Much like a bank, MS13 will take a portion, and eventually the whole, of a transport business that does not pay what it is owed,'<sup>92</sup> said Steven Dudley and David Gagne. 'This policy has allowed the group to become part or full owners of numerous bus and taxi cooperatives around the country. Once they gain ownership, MS13 can keep a close eye on all the cooperatives' income streams, and then adjust their extortion rates accordingly. There are also ancillary benefits, such as employment or "ghost jobs" for relatives and friends in these cooperatives.'

## Extortion of – and by – state actors

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Territorial control using violence enables gangs to exert a certain level of social influence. These elements have given MS13 enough leverage to be able to extort local state actors in El Salvador. Gangs demand cash payments from municipalities in exchange for exerting lower levels of violence. In addition, they extort jobs from local authorities for gang members, municipal funds for gang-controlled neighbourhoods and even discretionary power when allowing public space to be used.<sup>93</sup>

Corruption within state institutions is a pervasive problem in the region, with many security officials using their institutional or political powers to extort. The collusion of corrupt officials in extortion markets operating both on the streets and behind the walls of the region's prisons is fundamental to sustaining this form of criminal activity.

As mentioned above, women sex workers throughout Central America say they have been forced to pay police officers in order to avoid arrest, even in countries where autonomous prostitution is not a crime. Many say they were asked to provide free sexual services when they could not meet the monetary demands of the police (as the case study below illustrates).

A nationwide survey of sex workers in Panama published in December 2017 shows the scale of the problem.<sup>94</sup> The majority of respondents claimed to have been extorted by security forces, and nearly half said that officers had asked for free sexual services from them. A third said that they had been threatened with a firearm, according to the MDDP, which published the survey.

Gladys Murillo, president of the MDDP, said that corrupt officers would stake out prostitutes until a client arrived. They would then intervene, threatening to detain the sex worker and blackmailing the client caught in the embarrassing, but not illegal, situation.

Yet Murillo says that the extortion rates among this vulnerable community have recently dropped: 'Arbitrary detentions no longer occur like they used to,' said Murillo. The change is partly the result of recent efforts by the sex-worker community to draw public attention to police abuses, and changes in Panama's judicial reform.



### Panama's sex workers easy prey for extortionist cops

In Panama, women in the sex trade are exposed to monetary and sexual extortion by corrupt police officers. But a new prosecution system has gone some way to bringing down this abuse of power.

'I was raped. There was a police captain who always came looking for me. He would take me in his patrol car to the Ancón hilltop [a Panama City neighbourhood], and he would have sexual intercourse with me.'

In her early 50s, Amparo\* is composed, but a slight tremble in her voice suggests stress. 'Once, five police officers took me there, and all five made me have sex with them. That was back in 2005 or 2006.'

Now an activist with an association called Independent Women Fighting for Their Rights (Mujeres Independientes Luchando por sus Derechos), Amparo is dedicated to exposing police abuses against sex workers in Panama City.

'The police would tell you: give us 50, 30 or 20 bucks and we'll leave you alone.'

As she and her younger colleague, Juliana,\* talk, the contours of a well-oiled extortion system begin to emerge.

'In the 5 de Mayo Plaza area, they would bring you to the Calidonia police substation and extort between US\$30 or US\$50 to let you go. But if they got you on the Vía España, they would detain you at the Bella Vista substation and charge between US\$200 and US\$300,' Juliana said.

Often, the women were obliged to perform free sexual services to avoid arbitrary and prolonged detention.

After years of police abuse, Amparo said that the extortion levels of sex workers may have dropped considerably, thanks to recent judicial reform and increased public attention. But, as Juliana says, it still goes on.

\* The names of the women have been changed.

## Extortion and loan sharking

In Costa Rica and Panama, there is a relationship between loan sharking and extortion – crimes whose incidence has increased in recent years.

Figures from the Attorney General's office show that there were 105 reports of this type of extortion from January 2017 to July 2018.<sup>95</sup> But, in the eyes of the victims, there is little incentive to reveal the perpetrators: the loans are conducted illegally without contracts, and victims fear physical and psychological reprisals if they go to the police.

Daniel Calderón, head of Costa Rica's security forces, said that extortion is linked to other criminal activities, which makes sense given the country's strategic location in a major transshipment corridor. Calderón explained that loan sharking 'is an accessory activity, but they do it because it's been very lucrative for them and allows them to keep control over certain areas by compromising certain people in the community'. What was once seen as a supplementary means for criminal groups to diversify their illicit income has quickly become a major concern for authorities, who may face a growing challenge as loan sharking grows in tandem with drug-trafficking revenues.

Researchers found that local criminal structures in Costa Rica use violence as part of their loan-sharking activities and have access to firearms. Victims have been kidnapped and tortured for failing to repay the high interest instalments on the loans.<sup>96</sup>



In Panama, certain ethnic communities are more vulnerable to this form of extortion than others. Chinese nationals and descendants of Chinese migrants seem to be a preferred target because many own small shops and tend to maintain little contact with the authorities, meaning that very few denounce cases of extortion.

Panama's prosecutor for organized crime, David Mendoza, said that authorities had similar difficulties reaching out to the Israeli community, despite reports of extortion within it. Communities of foreign nationals may also be more affected by loan sharking owing to their greater difficulty in obtaining bank loans.

Mendoza believes that the scheme could have been imported from abroad.<sup>97</sup>

### Loan sharking: Colombia's criminal export to Costa Rica

Costa Rica's economic crisis and its strategic position along drug trafficking routes have created the perfect storm for a type of extortion to take root that the country has not seen until recently: loan sharking.

Referred to as '*gota a gota*' (drop by drop) in Colombia, this began as micro-credit or short-term loans for those who do not qualify for bank loans. In Colombia such loans are for short periods, to carry people over while they wait for their pay checks. Now they are appearing in many parts of Latin America, including Costa Rica, usually managed by Colombians. Authorities face a new challenge in this illicit market imported by foreign criminal groups.

Dozens of flyers pop up every day on the streets of Costa Rica offering credit. They feature a phone number and promise large amounts of money, promising passers-by that their cash-flow problems will disappear with a single call.

Within just 15 minutes of making a call, someone will show up at a meeting point offering to lend up to US\$15 000. All the lender requires is identification and proof of address, and the only condition is that the recipient will pay the interest charged.

Although this practice is most widely known as loan sharking, authorities have classified it as a type of extortion, and one that has been gaining ground among criminal markets.

According to Steven Sánchez, an investigator with the Judicial Investigation Agency (Organismo de Investigación Judicial – OIJ), these types of loans come from 'people with no connections to financial institutions'.

'They give you US\$100 and ask for US\$25 a week, but it gets worse. As you start to fall behind, they charge more ... Then, if you don't pay, they tell you they're going to kill you, and they go to your house and send collectors – and that's where it turns into extortion,' Sánchez said.

### Semi-organized networks

In early 2017, the OIJ began investigating a loan-sharking network in the district of Escazú, near the Costa Rican capital, San José. The group lent large sums of money, the repayment of which was enforced through violence. Two brothers, Ziad and Elías Akl, ran the criminal enterprise. Of Canadian-Lebanese origin, the Akl brothers were suspected of drug trafficking by Canadian authorities and had fled to Costa Rica.<sup>98</sup>

The Akls' modus operandi for collecting due loan payments was brutal and simple: they severely beat their victims in a gym that they owned, reportedly with golf clubs or their bare knuckles. They would lend between 100 000 and 1 million colones (approximately US\$175–US\$1 700) in cash, without intermediaries, and on the sole condition that the borrower would return the money with interest.



The moneylenders would approach unofficial taxi drivers and people who already had debts, who hoped to buy a car or house, according to OIJ director Wálter Espinoza. Such hopes were swiftly dashed, however, when the loans led to debtors being harshly beaten or family members were threatened.

On 15 May 2017, Elías Akl was murdered, apparently as a result of personal score settling. At the time, at least 18 extortion complaints had been brought against him. Days later, his brother Ziad was arrested as he attempted to flee the country.

'The structure was completely dismantled' after the Akls' fall, according to Espinoza, who added that 'while it is possible people are using their name to make loans, the cases are isolated, and the group no longer functions as an organized gang.'

## Overlapping criminal economies

### Extortion and drug trafficking

The growth in prominence of the Central American drug trafficking corridor in recent decades has been a benefit for the local gangs. The US government estimates that some 90 per cent of the cocaine that ends up in the United States passes through Honduras, and that over 1 400 tonnes of cocaine were smuggled through Guatemala in 2017.<sup>99</sup> This flow inevitably feeds local markets in the Northern Triangle nations. The MS13 and Barrio 18 use their local territorial control to sell or tax the sale of drugs, and there are anecdotal reports of the gangs escorting drug shipments through their territories and even beyond.

“Local street gangs now make huge profits from extortion, capitalizing on the territorial control that they wield.”

Research, as well as interviews with former gang members in Honduras, showed that the same *maras* that collected extortion proceeds also bagged up and prepped drugs for street sales. 'They sell drugs – cocaine, marijuana, various drugs. We used to buy it, then we'd prepare and sell it and whatever we sold we would get a cut,' a former female gang member in San Pedro Sula, Honduras, said.

Another former gang member said the same when interviewed in a rehabilitation centre in Tegucigalpa, Honduras. He had recently been released from the juvenile detention centre after doing time for extortion, as well as drug trafficking and illegal possession of a firearm.

In Guatemala, Edwin Escobar, the mayor of the municipality of Villa Nueva, claims that an increase in the transit of drugs has strengthened and emboldened the street gangs behind extortion. Local street gangs now make huge profits from extortion, capitalizing on the territorial control that they wield, and this allows them to control local drug sales, he said.



## Extortion and human trafficking

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Although hard to quantify, human trafficking in Panama has reportedly increased in recent years, primarily due to the influx of Venezuelan migrants and the ongoing migration of Colombian nationals.<sup>100</sup>

These migration flows include a pool of individuals who are vulnerable to all types of exploitation and abuses, including extortion. Lola Barcala, director of the X-ellas non-profit organization against human trafficking, said that there have been recent cases that present overlaps between human trafficking and extortion. One investigation uncovered an individual who held 19 women captive and extorted the victims' families by calling them in their home country, asking for money in exchange for – supposedly – not harming the sequestered women.

## Extortion and corruption

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Corruption is a driver of extortion, and vice versa, to the extent that these two criminal markets should also be considering as overlapping. In Panama, for example, high-profile cases of extortion point to a synergy between extortion and corruption where both criminal activities feed each other. These cases depict sporadic types of extortion, but the sums of money involved dwarf those of systematic extortion fees.

In July 2018, for instance, authorities captured the director and subdirector of the La Joyita Prison along with a police commissioner and officer, and a guard.<sup>101</sup> The arrests followed the case of an Israeli inmate who was escorted to a bank by corrupt officials, reportedly insisting that the prisoner withdraw a million dollars for extortion fees. The inmate claims he received death threats from his prison guards since the day he arrived in La Joyita.<sup>102</sup>

In another case, one that involved the highest-ranking politician in the country, former President Ricardo Martinelli allegedly attempted to extort an Italian company to the tune of US\$2 million, threatening to revoke a Panamanian state contract that the foreign firm had won. An Italian court ruling convicted a former associate of Martinelli and established the former head of state as the architect behind the extortion scheme.<sup>103</sup>

## Extortion and money laundering: Growing sophistication

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The growth of gang extortion to levels seen in the Northern Triangle has pushed criminal structures to develop money-laundering mechanisms. The growing tendency of the gangs to invest earnings from extortion into other – usually licit – businesses and markets, strengthens the presence of organized crime in the legal economy and increases their economic, social and political hold on communities.

At the most basic level, extortion proceeds are used to buy basic commodities, such as food, for low-ranking gang members, and to acquire illegal weapons or drugs that do not require the money to be laundered. At the next level, street gangs whitewash proceeds by depositing small amounts in bank accounts or wire the money, or use small cash businesses, such as carwash services, to launder the money.

In some schemes, it is products that change hands, as opposed money. In the case of the extortion of Salvadoran rice production company San Francisco, court documents show that the commercial group began paying the gangs in kind – rice, beans, oil, nappies and other products that it distributed.

'These products were received as extortion payments and could be sold, and after a number of meetings [Raul] Mijango [one of the people allegedly involved in the extortion scheme] managed to convince the gang members that it was better to receive products instead of cash in order to start businesses that appear legal, generate jobs for the families and earn money for the gangs.'<sup>104</sup>



**Figure 7:** Money-laundering schemes: From basic to sophisticated



Source: InSight Crime.

Court documents show that each gang – the MS13, the 18 Revolucionarios and 18 Sureños – received US\$2 000 worth of products each month, at least during 2013. The company, on delivery of the products, allegedly gave the gangs receipts, according to court documents, so that if questioned by the police, they could show that they had purchased the goods. The indictment also claims that the money generated from the sales of the products was ultimately used to buy weapons.

The MS13 has gone further and is laundering extortion profits to the tune of millions of dollars. In El Salvador, police investigations show that small businesses were let off monetary extortion but forced to launder extortion proceeds from other victims. In some cases, the gang reportedly acquired shares of victims' businesses. The Jaque investigation (Operation Jaque, meaning Operation Checkmate) – the first regional criminal investigation into the financial structure behind the gang's extortion activities – revealed the extent of gang leaders' legal economic portfolio, and the use of real estate and import–export companies to launder extortion proceeds on a large scale and build some of the top leaders' personal estates.<sup>105</sup>

A similar trend is unfolding in Guatemala. The most profitable money laundering method is real estate, Cisneros said, in reference to a money-laundering investigation into the MS13 in 2015 and the gang's use of front men.<sup>106</sup>

'Two import companies were identified, but there were also third parties involved that used other types of businesses ... Bank transfers, the use of invoices, goods acquisition and import: those were the four methods they used to launder money for the organization,' said Cisneros.

Besides building gang members' purchasing power, the sophistication of their money-laundering mechanisms could have significant implications for the gang's future development. Not only does it increase their infiltration into the legal economy, and their resultant social and political power, but it also creates new revenue streams for the gangs that supplement their criminal incomes and could, ultimately, replace them completely.





Money-laundering schemes also have implications for legitimate partner businesses because suppliers may not be aware that the entity they are doing business with is part owned by a street gang or being used to launder its money.

‘They’re banking the dirty money and stepping into legal businesses to clean it ... they could be moving out of the [extortion] business right now and we wouldn’t even know it,’ said Tefel. ‘It is a long-term strategic plan for the survival of the street gangs. Because I think they have realized that to continue to cover themselves in tattoos, extort and kill – at some point it’s just not going to be sustainable.’

## Women’s growing role in extortion schemes

The high prevalence of extortion markets in poor urban neighbourhoods has converted this criminal economy into a major source of informal employment for women – many of whom have connections to members of the MS13 or Barrio 18 gangs in Guatemala’s jails. Extortion is the most common crime for which women are imprisoned in Guatemala, and that statistic has been on the rise since 2009. In 2014, there were 382 women serving prison sentences for extortion. By 2017, the number had more than doubled, reaching 791 – out of a total of 2 612 women incarcerated in the country, according to official figures.

In an environment characterized by a lack of job opportunities, poverty, decimated families and multiple children, women’s involvement in extortion schemes is understandable, sometimes necessary, and often naive.

### Women in Guatemala: The new faces of extortion?

A visit to a women’s prison in Quetzaltenango, a city in Guatemala’s western highlands, shows the increasing role that women play in extortion rackets.

A knock on the huge, faded red door prompts a thin piece of wood placed over a makeshift square peephole to slide upwards. We are eyed by the guard inside, and the door opens. We step into a cold, dark atrium of what was once a beautiful colonial building. The walls are now painted a lurid green and at the end is a doorway blocked by bars.

Once a school, this is now a women’s prison. Behind the bars at the end of the atrium is an open-air courtyard flanked by a wall of dirty yellow arches. Most of the 130 women inmates sit around on white plastic chairs, talking quietly. Some play with their young children, who are permitted to be with them in jail until they are four years old.

When we step inside, there is a hush. The women are waiting for us. Andrea Barrios from Colectivo Artesana, a non-profit organization that works with women in prisons across the country, explains we are here to speak to those who are being processed for extortion. She says that the rest of the women can go about their business.

Of the hundred-plus women present, a few wander away; most stay. The women line up to tell their stories – most of which are strikingly similar. They were approached by a young male acquaintance, either in jail or outside, and were asked to give their bank account details, they explain. Most of the women say they were told friends or family were going to send much-needed funds to their account, and that they would be doing them a huge favour by bringing those deposits into the prison or giving them to a ‘family member’ on the outside.

Julia is a 57-year-old housewife; she is short and stocky, with shoulder-length hair. Julia said she was approached when she was visiting her son in prison. One of his companions said his grandfather wanted to



send him some money, so she received 1 000 quetzales (now about US\$136) and took it to him in prison. She said eight years passed before she was arrested by Guatemala's anti-gang police in her house at 6 a.m. and accused of extortion on the basis of that one bank deposit.

For Dulce, 34, it was the second time she was doing time in jail on extortion charges. She didn't go into much detail about the relationship she has with a gang member, but her tattooed eyebrows suggest it is a committed one. She is frank about how the gang used her bank account to collect extortion deposits: 'At first I didn't know [that it was dirty money] – but then I did.'

When she talked about her two sons, now in the custody of their father, she pauses and takes a deep breath. Huge tears start to roll down her cheeks. She says she's sorry but she can't stop. The circle of women around us watch her cry calmly – they're more than used to it. A number of small children are wandering around the jail playing with empty Coke bottles and other trash. One of them, her daughter, plays at her feet as she cries.

### **'Most are connected to the gangs'**

There is one more thing most of the women who spoke with us have in common: they say they were duped. They didn't know their bank accounts were being used for extortion, they claim. They didn't know the people asking them to lend their accounts were gang members but insist that they let it happen only once and then they closed their accounts but were arrested years later on the basis of one or two deposits.

Ana, who has a black line tattooed around her lips, said that when her boyfriend was put in jail he wasn't a member of the gang, but joined up while behind bars. She tried to cut ties with him, she says, but she needed money for an operation for her young son, who was having trouble breathing. The child's father promised to send money he was earning from work he was doing inside the prison to her account. But, as it turned out, the money coming into her account, and her sister's, was extortion money, and now they are both behind bars.

Irma, a 58-year-old woman from Honduras who was in the prison on money-laundering charges, said that the women change their stories once they get caught. 'The majority of them know what they were doing but they get here and they want to wash their hands of it – most of them are connected to the gangs,' she says.

Barrios agrees: 'They all have family or husbands in prison and they've been told what to say because they think it will get them out.'

What is striking is how the connection of so many women to gang members already in jail helped suck them into the extortion market, either wittingly or unwittingly. Before they ended up here, many of them visited their gang-member partners or sons or brothers in prison, and got initiated into their criminal ways, if they weren't already.

As we prepare to leave the jail, I watch the women sharing food and laughing as they watch their children play. Barrios doesn't think the peace will last. 'They're going to get 15-year sentences. They're friends now but they will become enemies and turn against each other and try to kill each other,' she says ominously.

Referring to the power of the gangs and the growing number of women in jail for crimes related to them, Irma is equally pessimistic: 'No one can stop this. Only God.'





## The impact of extortion

The impact of extortion in Central America goes well beyond its detrimental economic effect on the victims. It also has enhanced the capacity of the gangs, especially MS13, to grow and evolve by providing a stable income and legitimacy with the communities where they operate. The normalization of extortion fees in gang territory has delegitimized the state and provided the criminal groups with social capital. Government failure to curb extortion only serves to exacerbate these trends.

“The territorial control that the gangs have established in order to be able to extort communities has also helped them control street-level drug sales.”

The territorial control that the gangs have established in order to be able to extort communities has also helped them control street-level drug sales. Rivas, Guatemala’s former interior minister, said that he thinks that the MS13 today earns more from street-level drug sales and the protection of drug routes for transnational drug trafficking groups than they do from extortion. Salvadoran Police Commissioner Mauricio Arriaza Chicas agreed.<sup>107</sup>

According to an Insight Crime report, ‘powerful cliques of the MS13 in El Salvador have provided protection services for international drug trafficking organizations. In Nueva Concepción in Chalatenango in northern El Salvador, for example, the Fulton Locos clique ensured safe passage for drugs controlled by the Taxis Cartel, one of the two major Salvadoran drug trafficking organizations.’<sup>108</sup> The gang could also be operating extortion markets there.



In Honduras, the gang has developed ties to at least one figure with connections that reach to Colombia. And some gang researchers claim the MS13 is working hard to control drug routes in the areas surrounding San Pedro Sula, which, according to researchers, is a strategic decision taken by the gang leadership.<sup>109</sup>

That said, these are isolated examples and the MS13 is still perceived as a transnational gang, and not a transnational criminal organization:

While the gang has a presence in two continents and at least a half-dozen nations, the gang is a small, part-time player in international criminal schemes. In cases of international drug trafficking, for instance, the MS13 is dependent on other criminal actors, such as the Mexican Mafia. The gang plays a similar, part-time role in other international criminal activities, such as human smuggling, as well. Its diffuse organizational structure and public displays of violence are two of the main reasons why the gang has not succeeded in transforming itself into a transnational criminal organization. And while some criminal activity – most notably the MS13's involvement in petty drug dealing on a local level – is driving the gang's maturation process and leading it to new opportunities, this is a slow process that is causing significant conflict within the gang.<sup>110</sup>

## Extortion as a form of criminal governance

Extortion is how criminal groups exercise control of their territory and flex the limits of their authority. Most importantly, extortion is the point at which the gangs and crime touches the lives of ordinary people. It is not only the financial value of the payment that counts, but the regular and repeated symbolic value of making that payment reinforces the control the gang has over the community.

In both Honduras and El Salvador, the MS13 has used the control it exerts over neighbourhoods to enter community-based groups and other social organizations. 'Gang leaders regularly interact with local community and religious leaders. The interaction is obligatory for these leaders, who find themselves negotiating with various gangs so that people can cross invisible boundaries to go to school, travel to work or visit with friends and relatives.'<sup>111</sup>

The socio-governance aspect of the extortion tax is a critical part of what makes it such a pernicious problem, and challenge to the state.

## Extortion and homicide

A positive correlation between national homicide rates and extortion cannot be statistically established. Inadequate government data doesn't allow one to determine how many homicides are directly tied to extortion, and annual changes in the number of complaints filed does not necessarily reflect the extortion market's real impact, due to under-reporting.

Nevertheless, there is little doubt that extortion impacts murder rates among specific segments of the population, notably bus and taxi drivers.

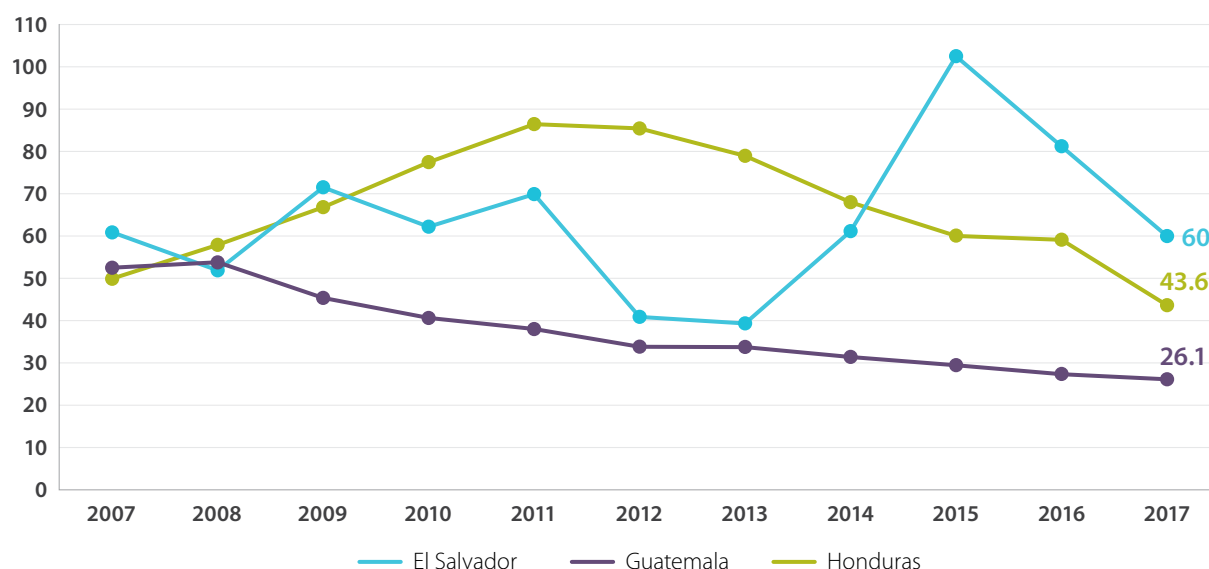
The killing of bus drivers is a fundamental part of the modus operandi of transport extortion schemes and serves as a public warning of the consequences of refusing to pay extortion. In Guatemala, as gangs systemized extortion of bus drivers, the homicide rate exploded to reach 135 drivers per 100 000 in 2009 – more than three times the national rate at the time. Throughout the Northern Triangle countries, transport workers are some of the most endangered citizens. In 2015, three to five taxi drivers in Honduras were being murdered each month for failing to pay extortion fees.<sup>112</sup>

Police in Honduras say transport operators are often complicit in the extortion rings that exploit their own drivers, showing how the range of actors involved in these schemes extends beyond the gangs.<sup>113</sup>





**Figure 8:** Northern Triangle Homicide Rates (reported homicides per 100 000 citizens)



Sources: El Salvador: National Civil Police, Statistics compiled by FUNDEMOSPAZ; Guatemala: National Civil Police; Honduras: General Directorate of Forensic Medicine, National Police, Press Monitoring, Local/National Violence Observer – UNAH – Honduras.

## Extortion, or protection from it, as a social tool

Although the gangs introduced extortion, they also have the power to stop it, control the violence and cast themselves in the role of community benefactors. The territorial-based control on which extortion is based breeds a certain level of social influence over the communities, and in some parts of El Salvador and Honduras the gangs, particularly MS13, are perceived as the community's protectors.

In the case of Honduras, for example, the MS13 *muchachos* want to be perceived as taking care of the neighbourhood and 'saviours' of the locals. 'In some areas, the gang has become the go-to arbiter for domestic and neighbor-to-neighbor conflicts, according to police and community association leaders in these areas. Domestic abuse is not tolerated, they said. In the municipality of Tela, for instance, the MS13 will reportedly give a husband a warning after the first instance of abuse, a beating after the second instance, and banish him from the community after the third.'<sup>114</sup>

In Honduras and El Salvador, the gang is often the least-bad option for many residents, and their extortion rackets turn into a form of protection – whereby residents would rather pay one dominant group than several rival gangs or factions in conflict with one another.

Extortion rackets, and the territorial control linked to them, can also limit the access of residents to vital social services – a factor that overwhelmingly impacts women and children, with the closure of schools, for example. In Honduras, schools have been forced to close due to extortion,<sup>115</sup> and school attendance has declined as a result of school pupils having been targeted.<sup>116</sup> In April 2018, police were deployed in 53 schools across the country to combat this.<sup>117</sup>

It is a pattern that is also evident in El Salvador, where extortion and gang threats reportedly affected 60 per cent of the country's schools in 2016, denying an estimated 39 000 children schooling.<sup>118</sup>

In Guatemala City's shanty towns, the 'shut-in youth' were identified as the majority of the school-age population. 'They seek refuge in television, internet, radio, and cell phones. They practically do not socialize in person with their peers, nor do they belong,' writes author Denis Roberto Martinez – in large part because of the fear of violence related to extortion and the weapons used to enforce it by the gangs.<sup>119</sup>

## Economic impact of extortion

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Many companies now integrate extortion charges into their operating costs and have upped their spending on private security, insurance and other measures that they take to limit the impact of extortion on their operations. The high levels of extortion not only inhibit the ability of companies to operate and impact their efficiency, but also discourage new investment in business activities vulnerable to these criminal schemes.

In 2018, 54 per cent of extortion victims in Honduras were businesses, and just over 20 per cent of these were transport networks.<sup>120</sup> Some 80 per cent of registered small businesses and informal traders reported they had been extorted.<sup>121</sup> The business community – cowed into silence by the gangs – eventually came together to work closely with Honduras's National Anti-Extortion Force (Fuerza Nacional Anti-Extorsión – FNA).

A 2010 survey commissioned by Guatemala's Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations (Comité de Asociaciones Agrícolas, Comerciales, Industriales y Financieras), suggested that 14 of Guatemala's 34 professional associations have reported extortion attempts against their employees.<sup>122</sup>

“Many companies now integrate extortion charges into their operating costs and have upped their spending on private security, insurance and other measures.”

Jorge Daboub, former head of the National Association of Private Enterprise (Asociación Nacional de Empresas Privadas) in El Salvador, said that the extortion of big business is endemic. The gangs tend to focus on larger businesses, which can afford bigger payments – major companies can allegedly pay up to US\$1 million a year. Private companies are forced to consider extortion as a ‘non-deductible expenditure,’ according to Daboub, which translates into a fixed production cost in their accounting, and eventually an increase in the product's price, so the cost of extortion is ultimately passed on to the consumer.

In Guatemala, business leaders said the same thing. ‘Unfortunately, some businesses already have an item in their budget that covers the cost of extortions. It's part of their operating budget,’ said Juan Carlos Tefel, head of the Guatemalan Chamber of Industry.

Tefel said businesses report paying out around US\$10 million a year in extortion payments, and that figure doesn't include the costs of security and insurance that a lot of companies also take on to mitigate extortion problems. Other members of the business community in El Salvador and Guatemala said that insurance companies will no longer cover distribution fleets unless they have an armed guard on board. Meanwhile, banks often ask those applying for business accounts how much money they pay in extortion.

The most vulnerable are delivery businesses, Tefel said. The concentration of extortion threats on delivery companies (for example, businesses delivering food, gas and water to retail stores, homes and restaurants) means that they struggle to operate if they don't pay the extortionists' fees.

## Extortion as a motor for displacement

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Human-rights observers say the reasons many families abandon their homes in Central America, especially the Northern Triangle countries, are connected to the threat of violence and extortion meted out by the gangs. These claims echo testimonies of many migrants travelling with the Central American caravans.<sup>123</sup>





Extortion has become a major driver of displacement and forced migration of families in the Northern Triangle region



Gang violence is one of the leading causes of forced displacement in gang-controlled communities throughout the region due to the threat it poses to powerless civilians, especially women and children, according to the International Crisis Group.<sup>124</sup> The UN Refugee Agency has identified a direct link between forced displacement and coercive territorial control, sexual abuse, killing and extortion. 'In numerous occasions, threats include killings of family members (the killing of up to six members of the same family has been recorded) for not agreeing to the payment of extortions,' said a report on the subject.<sup>125</sup>

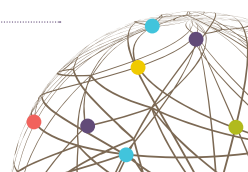
Experts interviewed concurred. Arnau Baulenas, a human-rights lawyer at the Institute of Human Rights at the University of Central America (Instituto de Derechos Humanos de la Universidad Centro Americana), works with many victims of displacement in El Salvador, and said that extortion, or fear of extortion, was one of the principal factors that caused people to abandon their homes.

More than 1 400 Hondurans were internally displaced in 2017, fleeing death threats, violence, extortion and gang recruitment, according to the National Human Rights Commission (Comisión Nacional de Derechos Humanos).<sup>126</sup> This compares with 757 reported cases in 2016.<sup>127</sup> But, in reality, the true number of Hondurans displaced directly by extortion is unknown.

Alexandre Formisano, who works for the International Red Cross in Tegucigalpa, said that extortion is present in nearly all cases of displacement, but that it isn't always the root cause. 'People want to become invisible. They try to stop existing – to disappear – because they know that the gangs have the ability to find them in every corner of the country. And they know that if the gangs don't find them, they will find their children, and they fear for their kids' lives ... so, for a lot of these people, it is unthinkable that they would go to the authorities [to report a gang problem],' Formisano told our researchers.

Celia Medrano, of Cristosal in El Salvador, said that many families flee for fear of being extorted after witnessing it happening to their friends and neighbours. A recent report by her organization says about 15 per cent of displaced children or young adults in 2017 were the victims of extortion.<sup>128</sup>

Interviews suggest that former gang members or those used by the gangs to extort were also forced to flee if they wanted out of the criminal game – much like the victims they preyed upon.<sup>129</sup>







## State responses to extortion

Governments, especially in the Northern Triangle, continue to rely on *mano dura*-style anti-gang policies, and have passed legislation in recent years directly aimed at extortion, and have provided law enforcement with more tools to combat it. Although Guatemala is affected by many of the same gang-related problems, it has never introduced the same sort of anti-gang legislation that El Salvador and Honduras have. Attempts have been made to pass legislation aimed directly at gangs in Guatemala (in 2005 and 2010), but on both occasions, the laws failed to receive the necessary votes.<sup>130</sup> Nevertheless, although the country's laws are relatively softer on gangs, the official narrative and the mass incarceration trends are very much akin to those of its Northern Triangle neighbours.

In 2009, Guatemala reformed its Penal Code Article 261 to include a broader definition of the crime of extortion. The increase in reported extortions was also linked to the inclusion of two specifications within the Law against Organized Crime: intimidation and extortion of the public transport sector, according to CIEN analyst Walter Menchú.<sup>131</sup>

### Telecommunications measures

Northern Triangle governments have tried to tackle phone-based extortion conducted inside prisons by blocking cell signals around prison facilities. In Guatemala, a 2014 telecommunications law was passed to force mobile-phone operators to take responsibility for blocking the cell phone signal in and around the country's jails.<sup>132</sup> The country's phone companies spent around US\$3.3 million installing signal blockers in jails. The measure failed: the government claimed the technology did not work, while operators accused corrupt penitentiary guards of hampering the equipment.

In March 2016, the law was ruled unconstitutional and annulled amid pressure from telecommunications companies, and various human-rights and religious groups.<sup>133</sup> Cell phone communication between prisons and the outside world therefore continues, as does the debate over who is responsible for blocking the phone signal.<sup>134</sup>



Similar initiatives to limit cell phone services in jails were introduced in Honduras in 2015<sup>135</sup> and in El Salvador in 2016.<sup>136</sup> Salvadoran regulations provide that telecommunications operators that did not cut services in and around prisons by an established deadline would be subject to fines, and that new telecommunications infrastructure, such as cell towers, could not be placed within 500 metres of any prison.<sup>137</sup> These regulations, passed under the Extraordinary Measures policy, which severely limits high-profile prisoners' contact with the outside world, have now been made permanent.

This series of measures seems to have efficiently curtailed gang leaders' ability to carry out extortion activities, but they come at the cost of international criticism. In November 2017, the UN High Commissioner for Human Rights, Zeid bin Ra'ad Zeid al-Husseini, urged the Salvadoran government to stop the extraordinary measures.<sup>138</sup> His remarks were echoed by the Special Rapporteur on extrajudicial, summary or arbitrary executions, Agnes Callamard, who labelled the security measures as 'inhumane' and said 'they were 'creating far more problems than solutions'.<sup>139</sup>

“Phone tapping will undoubtedly be key in future investigations seeking to bring down criminal financial structures that are built off extortion proceeds.”

Law enforcement in the Northern Triangle has also been given more tools to investigate extortion via phone-tapping legislation that has been passed in recent years. Authorities have leaned heavily on phone tapping to build criminal investigations into extortion schemes conducted by MS13, Barrio 18 and imitator groups. In 2016 alone, Salvadoran authorities carried out a total of 209 009 phone tapings, most of them to investigate the MS13 during Operation Jaque.<sup>140</sup>

Phone tapping will undoubtedly be key in future investigations seeking to bring down criminal financial structures that are built off of extortion proceeds.

Similar laws have been passed in Panama and Costa Rica, but the extent to which this law-enforcement tactic has been used to disrupt extortion schemes is unclear.

## Anti-money-laundering investigations targeting extortion proceeds

In recent years, law-enforcement authorities in the Northern Triangle have altered their investigation tactics. Although incarcerating large numbers of gang members remains standard in these countries, authorities are increasingly attempting to attack the intricate financial structures that support these groups.

Anti-money-laundering investigations have allowed governments to become more aware of how gangs like the MS13 spend proceeds derived from extortion. A shift towards dismantling the financial structures of these criminal groups could prove to be a much more effective long-term strategy at combating transnational gangs.

In El Salvador, Operation Jaque revealed how illicit revenue obtained through extortion is used by the MS13. According to the official indictment, the money gained through extortion, or any other illicit means, is used for members who have been injured or hospitalized while committing criminal acts. Money is also sent to higher-ranking gang members.<sup>141</sup> Since many of them are in prison, money is also sent to penitentiaries to buy food, medicine, shoes and clothing, among other items. Illicit revenue is also used to purchase firearms and drugs.

The investigations have shed light on some of the intricacies of money-laundering schemes that gangs use to conceal their profits. Revealing the common modus operandi that gangs use in Guatemala to launder money, the



Public Ministry (Ministerio Público) presented the case of a prominent hotel owner in the department of Jutiapa who was uncovered during Operación Escudo Regional (Operation Regional Shield). According to the case, a clique leader, Jaime Ernesto Espina – alias ‘El Demonio’ – allegedly gave illicit revenue to the hotel owner to be laundered. The hotelier would then deposit the money in a bank account and claim that the revenue had come from his hotel business. Besides forcing the hotel owner to launder the gang’s illicit revenue, gang members also extorted the hotel by forcing the owner to allow MS13 members from El Salvador to stay in his hotel for free.<sup>142</sup>

Operations Avalanche, in Honduras, and Jaque and Cuscatlán, in El Salvador, have pointed to the use of clinics, used-car dealerships, fuel stations, bus, taxi and transport companies, bars, restaurants, brothels and motels, among others, to conceal illicit revenue.<sup>143</sup>

Although these investigations provide a gold mine of information to help us understand and better tackle street gangs, the successful prosecution of financial crimes remains a challenge for authorities. While a total of 61 individuals, including a number of high-ranking gang members, were sentenced on the basis of Operation Jaque, all suspects charged for money-laundering crimes were later released.<sup>144</sup>

## A missed opportunity for rehabilitation interventions

Northern Triangle governments’ softer-handed efforts, such as non-policing measures, to tackle the gang issue are limited, despite how essential these measures are, particularly when it comes to dealing with minors and women.

‘We must think about what we’re going to do with this multitude of minors that are increasingly involved with crime and that you need to drive away from a criminal life,’ said Carmen Rosa de León, director of the Guatemala Institute for Education for Sustainable Development (Instituto de Enseñanza para el Desarrollo Sostenible).

Lack of education is a major problem, added former Guatemalan interior minister Francisco Rivas, who says that only a fifth of children attend middle school, leaving four out of five adolescents much more vulnerable to gang recruitment.

“We must think about what we’re going to do with this multitude of minors that are increasingly involved with crime.”

Financial resources, which would signal real political dedication to the issue, are also lacking. As a result, the limited socio-economic opportunities that impoverished youth face remain a key part of the problem. ‘There are some networks with purely criminal intentions but there are also networks that collaborate [with gangs] because they don’t have any economic alternative,’ insisted Carmen de León. ‘What this highlights is that poverty feeds extortion.’

Socio-economic opportunities are also key in motivating individuals to successfully leave the gang. ‘It’s important to provide life opportunities, such as school, jobs and rehabilitation services, for those who want to leave the gangs,’ said Professor Cruz.<sup>145</sup>

A recent report by Cruz based on a survey of 1 200 active and former Salvadoran gang members notes: ‘A major challenge for the former gang members interviewed was the idea that they would never be able to find a job, as they would be discriminated against. Many complained about the lack of opportunities in the labor market.’<sup>146</sup>

According to the same study, a former gang member said that ‘nowadays, it is hard to find employment for somebody coming out of the gang because [when interviewing for a job] in many places, companies, factories, there are medical staff who remove the clothes to see if they have tattoos.’



Yet little, if anything, is done by central authorities to help individuals leave the gang. ‘Government officials will tell you they’re working on rehabilitation, that they want gang members to go back to society. They will even show you some programs on paper. But in reality, I don’t see anything happening, and I don’t see the government really interested in conducting rehabilitation programs,’ Cruz argued.

There is a prevailing sense among law-enforcement actors that gang members cannot be rehabilitated, so why should they waste resources on this policy.

Similarly, although many agree on the importance of addressing the role of women, little seems to be implemented from a policy perspective. ‘If you don’t give opportunities to women, in particular economic opportunities, it’s very hard for them to resist [the gang],’ said Rivas.

‘The challenge of prevention is developing policies with a gender focus – there are no gender-focused policies,’ said Barrios. In fact, arrest figures suggest that Salvadoran and Guatemalan authorities are increasingly pursuing female members of extortionist gangs.

‘Instead of viewing women and minors as being part of a criminal structure, which would give them the opportunity to speak out [to authorities] about the leader, they are judged solely for the crime [of extortion] itself while the clique leader remains free,’ argued Rosa de León.

But there is some cause for hope. A network of outreach centres in Honduras, for example, an initiative partly funded by USAID, is having some effect, keeping young people off the streets and away from the gangs and drugs. Pastor Arnold Linares, who heads up one such centre in the notorious Rivera Hernandez neighbourhood, said that they cater to at least 100 young people a week, including those who come from families headed by gang members. ‘We believe that by helping the son of a gang member we are helping the gang member,’ he told InSight Crime.

## Better-paid, better-performing police?

Factors such as police pay and training standards differ across the region and should be taken into account when considering the variations in extortion markets around Central America.

The police in Panama are among the highest paid in Latin America. The lowest-ranking police officers earn on average US\$850 a month; commissioners earn between US\$3 100 and US\$4 300 on average, depending on rank.<sup>147</sup>

In Costa Rica, police officers earn less. Low-ranking officers start at around US\$520, mid-level officers earn close to US\$1 100 and those in the higher ranks around US\$1 500. The wages for police in Guatemala and Honduras were lower; in El Salvador they were comparable.

Neither Costa Rica nor Panama have a formal military. Costa Rica disbanded its military in 1949, while Panama followed suit in 1989 after the US invasion that ousted former strongman Manuel Noriega. In theory, that means that those nations can allocate more public spending to policing and other facets of public security. According to a 2016 report by Red de Seguridad y Defensa De America Latina, Costa Rica spent 1.6 per cent of its GDP on law enforcement, and Panama 2.3 per cent.

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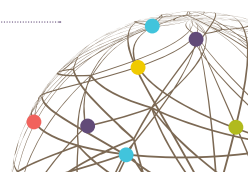
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In the Northern Triangle, Honduras, like Costa Rica, spends some 1.6 per cent of its GDP on law enforcement but El Salvador and Guatemala, which arguably face more severe criminal threats, spend just 0.5 and 0.3 per cent, respectively. El Salvador has the most agents per 100 000 citizens, at an average of 365, followed by Costa Rica (255), Guatemala (219) and Honduras (155). Figures for Panama were not publicly available.

Corruption is a problem within the police throughout the region, albeit to a lesser extent in Costa Rica and Panama. Death squads and extrajudicial killings connected to the police abound in El Salvador. Honduras – before it began its police reform – had one of the most criminally corroded and least trusted police forces in the region, according to public-perception surveys. The state launched an extensive police-reform effort following allegations that top-ranking officers had plotted the assassination of the country's drug tsar under orders from drug traffickers, and subsequently homicides have halved in the last few years.

Costa Rica has one of Latin America's most trusted police forces and, compared with other Central American countries, Costa Ricans do not widely perceive their police as being involved in criminal activities. Panama's police are also among the most trusted in the region, enjoying high levels of public trust and confidence.<sup>148</sup>

Further research and analysis are needed to understand the importance of police forces in determining levels of extortion. Police training, transparency and oversight in how they carry out their duties, types of policing strategies, as well as measures of efficiency, are all crucial issues that require further study. Higher wages, for example, in theory, should make law-enforcement personnel less corruptible. Academic opinion is split on this issue, however. A 2015 study found that doubling the wages of police in Ghana actually increased police corruption and efforts to collect bribes, whereas a 2013 experiment found the opposite.<sup>149</sup>

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## Municipal responses

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Some local politicians have replicated the *mano dura* approach by advocating a confrontational response to the gangs. San José de Guayabal's long-time mayor in El Salvador, Mauricio Vilanova, earned himself the media nickname 'the Sheriff' for patrolling the streets of his city armed with an assault rifle; he described the gang situation in the country as a war.<sup>150</sup>

But there are also municipal initiatives to tackle the gang issue from a different perspective, with greater emphasis on prevention of violence and gang recruitment, and on addressing root causes. These initiatives remain limited, however, owing to budgetary constraints; international funds, in particular from the United States, are central to their development but they are still at an early stage in addressing the underlying issue. Nevertheless, such municipal initiatives can offer something new and distinct from national law-enforcement programmes, as the case study from Guatemala City shows.



## Municipalities fight back in Guatemala's gang-ridden neighbourhoods

On the outskirts of Guatemala City lie impoverished neighborhoods, home to millions who commute to work in the capital. These so-called dorm cities, long neglected by the state and lacking in basic services, have turned into violent gang recruitment grounds over the years. But the efforts by municipalities that combine both policing and prevention strategies show promising signs of being part of the solution to gangs and their extortion activities.

Sitting in his large office next to a wall of television screens showing live local security footage, Neto Bran isn't your average municipal mayor. In his late thirties and in charge of the sprawling, violent Mixco municipality, his hair is gelled and his shirt unbuttoned nearly to the waist, exposing a rosary hanging from his neck.

The mayor of Guatemala's second most populous city recounted how he went into battle with extortionists following his 2016 election, amid the spiking killings of bus drivers.

'We started seeing a killing a day [but] the mayor doesn't have much to do with security, he doesn't have armed forces,' Bran said, pointing to the necessary intervention of the national police (Policía Nacional Civil – PNC).

'So I went to one of the bus stops where a bus driver had been shot and said, "I'm not moving until the competent authorities act."

This stunt, in March 2016, was Neto Bran's first in a series that included driving a minibus on a route that had shut down because of extortion and basing himself at a desk in the middle of Mixco's central market.

'Obviously, when the media learned that the Mixco mayor was at a market waiting for extortionists, the military and the police sent men down, because it would've looked really awful if something bad had happened.

'I was there for a month with all the security, so the extortionists probably decided it was best to go somewhere else, because not a quetzal was paid to them there,' he said.

'It caused trouble between gang members because we weren't letting payments go through, so they came and left corpses ... they decapitated people in front of my office and my house.'

His efforts were more publicity stunts than long-term anti-extortion efforts, but they did serve to highlight the magnitude of the issue in the municipality.

They also preceded a more comprehensive strategy based around the development of an armed unit within the municipal police deployed to Mixco's most sensitive neighbourhoods, alongside violence-prevention programmes. And the same strategy seems to be bearing fruit in Villa Nueva, the other major municipality on the periphery of the capital.

By local authorities' own admission, both Mixco and Villa Nueva have been long neglected by the state.<sup>151</sup> Combined with the low-income background of many households, a weak state presence and a lack of basic social services, these zones provided fertile ground for street gangs to flourish.

Guatemalan police estimated that extortion in Villa Nueva generated US\$4 million in 2007;<sup>152</sup> Villa Nueva, like Mixco, is an extortion hotspot.

These 'red zones' are also key recruitment pools, according to Stu Velasco, a former police deputy director of criminal investigation. 'We realized that there was a geographic area in Zona 12 [of Villa Nueva] from where a high percentage of gang leaders and lower members came,' Velasco said.<sup>153</sup>



Juan Alberto Sánchez, security coordinator for Villa Nueva's municipal police and the former chief of Mixco's traffic police, agreed that both areas had similar weaknesses, on which gangs prey.

As the gangs grew, so did the rate of homicides in these areas. And despite a decrease in killings in recent years,<sup>154</sup> Mixco and Villa Nueva continue to suffer from the violent reputation of some of their neighbourhoods: some job offers explicitly bar Mixco and Villa Nueva residents from applying for fear of gang infiltration, further limiting youths' dim economic opportunities and facilitating the gangs' recruitment work.<sup>155</sup>

### **The Colombian model: Policing and prevention**

First Villa Nueva in 2012 and then Mixco in 2016, municipalities that drew from Medellín and Bogotá's urban security success stories, launched a comprehensive strategy involving a combination of policing action and prevention work.

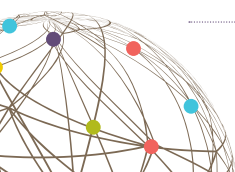
In an attempt to weigh more on public security, the municipalities developed within their police forces an armed unit tasked with similar missions to the PNC's. In contrast, Guatemalan municipal police forces have traditionally been charged with protecting buildings and controlling traffic.

Both municipalities also invested in initiatives meant to prevent violence and undermine gang recruitment, including educational programmes on weekends or recreational spaces, such as parks, open-air gyms and sports clubs; Villa Nueva has also created a special municipal office catering to unemployed youth.

The objective of these programmes was two-fold. Firstly, the thinking was, every moment young people spent in recreational environments was time away from the streets, diminishing their risk of being recruited by the gangs. It was commonly agreed that the youth are the key to prevent the 'generational replacement' of gang members.<sup>156</sup>

For Bran, the key aspects are 'prevention, protection of the youth and adolescents, and protection for women'.

Secondly, efforts to clean up and retake control of public spaces were designed to increase security. 'If you feel safe because you see other people safe walking in the space that you previously perceived as dangerous, your perception changes,' Villa Nueva's mayor, Edwin Escobar, said. 'In the end, it's 95 per cent perception, and 5 per cent reality,' he said, describing the cocktail to reducing insecurity as consisting of one-third policing, one-third prevention and one-third good municipal governance.<sup>157</sup>





## Community responses to extortion

Given the weakness of the state and state institutions in the countries under study, citizens tend to have low expectations of the efficacy of reporting cases of extortion. Extortion is increasingly becoming an accepted part of life, and although there is a certain level of reporting and campaigning around the issue by victims in all five nations, holding the state to account tends to be limited. The reality is that most people simply give in to the extortionists' demands and pay.

'Maybe, society has accepted it and let it go because it is cheaper and easier to solve things directly with the gang member than go file a police complaint,' said Daboub, former head of El Salvador's National Association of Private Enterprise.<sup>158</sup> It isn't so much that people do not trust the police, but that it simply isn't worth it, said Daboub.

Communities have their hands tied and can often achieve little without help from the authorities. But there are some exceptions: some communities have pushed back against gang incursions – albeit temporarily – while others have sought out cooperation mechanisms with the authorities. In a context where governments have failed to tackle extortion carried out on an industrial scale, these responses have at the very least mitigated some of the damage wreaked by extortion schemes.

One community response mechanism lies with the victims, many of whom report extortion even while they pay the fees the gangs demand, which carries the risk of reprisals if the gang gets wind of it or if authorities are unable to act fast. Others report matters only when they reach rock bottom. Even then, one victim of extortion in a market in Guatemala explained that most market vendors simply closed shop and left once they could no longer pay extortion fees.

There are examples of victims across the region who have the courage to report the crime, and some help the authorities by participating in monitored payment deliveries, which constitute evidence against extortionists in court – but it is a risky procedure.





Some community groups in the region have vocally denounced their victimization. Sex workers, for instance, have launched a campaign through a regional network of NGOs to denounce the extortion they suffer from security forces. At this point, such efforts appear to have limited impact because they are concentrated within a small group or geographic area. The state or the international community could explore ways to incubate, protect and replicate those examples that have shown nascent success.

## Outreach

Some civil-society associations deal with aspects of the extortion issue every day. Guatemalan NGO Colectivo Artesana, for instance, works with female convicts in a country where most female inmates have been sentenced on extortion-related charges. Andrea Barrios, the head of the organization, said that 93 per cent of female inmates become repeat offenders.<sup>159</sup>

Measures advocated by Colectivo Artesana aimed at limiting the contact between incarcerated male gang members and their female friends and family could have an impact on women's involvement in extortion.

Another key part of outreach responses are prevention programmes for youths that aim to place them at less risk of gang recruitment. Although there is no concrete data to certify the impact of such programmes, officials and observers all agree that young people must be a central component of any comprehensive solution, as the youth are the gangs' vital bloodline.<sup>160</sup>

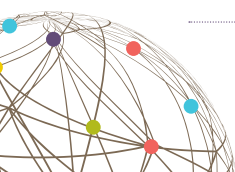
“There are ways to diminish the gang phenomenon by helping repenting gang members leave their criminal structure.”

Simultaneously, there are ways to diminish the gang phenomenon by helping repenting gang members leave their criminal structure. Although the success rate of such initiatives, led largely by Evangelical Church actors, is unclear, the move could be one among many efforts to chip away at the pool of extortionists in the region. 'Becoming an active member of a religious community remains virtually the only way someone can leave Mara Salvatrucha alive,' wrote Steven Dudley.<sup>161</sup>

Alongside civil society and the Church, some actors in the private sector have reached out to repenting gang members and offered them arguably the most successful way out of the system – employment. 'The key is to be able to generate an income that can sustain [the gang member] and his family,' explained Rafael Zevallos, director of the Fundación Jesús Luz De Oportunidades NGO, which helps former gang members reintegrate into society through work in Panama City. 'If you replace the income he receives from the gang ... with an opportunity for a licit income, you've got a real shot at winning the battle.'<sup>162</sup>

The businessmen behind the NGO, such as Zevallos, have gone beyond simply providing repenting criminals with employment or helping them look for work. In addition to running workshops and courses for former gang members to acquire professional skills, the foundation provides personalized support to help each new professional adapt to his environment.

'We realized that the main reason why some failed in the workplace wasn't the fact they were stealing or because they didn't work well. They failed because of their lack of people skills – human relations, absenteeism or arriving late,' Zevallos explained. 'They receive training for those sorts of things ... how to deal with a superior ... a client who raises his voice, how to communicate.'



## Armed resistance: Private security and armed resistance

As a last resort, some victims arm themselves and fight fire with fire. For those who possess the confidence and resources, this response relies heavily on contracting private security and sourcing weapons.

‘There are private security companies that ... can access a lot of information that the police can’t because of a lack of resources,’ said Genaro Ramírez, president of the Association of Salvadoran Bus Companies (la Asociación de Empresarios de Autobuses Salvadoreños).

Using private security contractors, Ramírez said that he has put entire families of extortionists behind bars. He said that he has sent a strong message to extortionists that private security firms are a threat to them. He said he no longer pays the gangs: ‘We told them [gang members], “We know who your family is, we know about you, we know how you operate”... so they’re afraid. At the end of the day, they’re human beings, just like us.’

Ramírez is not the only Salvadoran member of the transport industry to opt for this armed stance. Catalino Miranda, another bus owner, claims he refuses to pay gang extortion fees. Instead, he is willing to spend up to US\$30 000 a month on hiring ex-soldiers, military equipment and private investigators.<sup>163</sup>

“Some groups and communities that do not have the resources to safeguard their neighbourhoods by hiring private security arm themselves.”

But, although the suffocating impact of extortion can understandably push victims to the brink, armed resistance is arguably a flawed response. Firstly, it raises legal issues over the arming of civilians and the use of force by people who aren’t sanctioned to do so. Secondly, it can protect only those who have the resources to maintain the effort, and, even then, it functions at the level of the individual or corporation, without tackling the issue in a broader societal way.

Some groups and communities that do not have the resources to safeguard their neighbourhoods by hiring private security arm themselves. But, in the long run, self-defence vigilante groups often become the problem that they were created to combat. Failed attempts at vigilantism can turn extremely bloody, as witnessed in the case of La Ceiba, Honduras,<sup>164</sup> and other parts of the wider region, such as Mexico and Colombia. A plethora of regional examples show that vigilante movements can quickly turn criminal to sustain their own existence, often setting up their own extortion schemes under the banner of ‘protection services’ – only to replace one criminal actor with another.<sup>165</sup>

In Mexico, in states such as Michoacán, several self-defence movements that rose up against powerful organized-crime groups have been co-opted in varying degrees by the state. Levels of violence there remain high. Many self-defence groups in Mexico are reportedly financed by and work for drug-trafficking syndicates and other criminal groups; however, others have achieved remarkable success against organized crime and are models of peaceful community resilience.

And when Colombia approved the creation of citizen security groups, such as Convivir, in the early 1990s, the move was supposed to bolster the state’s fight against violence and crime. But, 20 years later, these groups linger on, running shadowy criminal networks in Colombia’s second largest city, charging residents a ‘security’ tax.<sup>166</sup>





### An urban neighbourhood stands up to the MS13

The Jardines de Bulevar residential zone in San Salvador made headlines when residents took an armed stand against the MS13.

Just before lunchtime one day in September 2017, Pedro Lopez was inside the small shop that provides basic food and household goods to the residents of the neighbourhood in east San Salvador. But the white bars over the shopfront that separated him from customers provided little protection from the shots fired by marauding members of the MS13 gang, who pulled up outside the shop on motorbikes and opened fire after forcing their way into the barrio that afternoon.

The gang's plan, according to residents, was to impose its control. But they weren't expecting Pedro to fire back.

Juan, the owner of the shop, is dark-skinned and stout. He leans back in a red plastic chair, hands on his lap and a radio clipped to his belt, as he recounts the events of that day. About 15 gang members passed by the private security at the gate that cuts the neighbourhood off from the main road. On the other side of that thoroughfare is a neighbourhood called April 22, a notorious stronghold of the MS13 in San Salvador.

Those living in the neighbourhood said that the armed private guards didn't put up a fight and let the gang through. 'The gang fanned out, guns in hand, intimidating people,' recalls Juan. 'Then some of them came into my shop.'

But what the gang thought would be a killing turned into a gun fight as Pedro returned fire. They soon backed down and ran away. Occupants of the 600 or so small, brightly coloured houses that make up the zone came together the night after the shoot-out took place.

The neighbourhood committee was immediately dissolved, and security decisions were placed in the hands of Juan, who formed a commission of eight people to help him. 'There was nothing left for us to do but to decide how we were going to defend ourselves.' 'Coming together gave us strength,' he said.

Although the gang members fled that day, residents felt they might return at any moment. That first incursion took place on September 12, and just a couple of weeks later there was another brush with the gangsters.

'As my friend was coming in he heard them loading guns inside the cars. ... He told us to get ready, that they were going to come in again,' said Juan. The private-security guards reacted by trying to leave, but the community threatened them with legal action if they did so, and also called the police, who arrived in some 10 patrol cars within 20 minutes. The gang retreated, and the community fired the private security firm shortly after.

Although some 65 soldiers and more than a hundred police were initially sent to provide protection to local citizens when the first incursion occurred, they stayed for less than two months, according to locals. Residents of Jardines de Bulevar knew that if they wished to keep the MS13 at bay, they were going to have to come up with their own, longer-term solution.

So, according to Juan, they dug in, sourced their own weapons and mounted armed patrols around the neighbourhood. The community manned the gates themselves, and expenses were financed by the residents.

'We took shifts – some took the day shift, and then they would go and sleep and another four of us would be up all night.'

When we interviewed the residents of Jardines del Bulevar in April 2018, they remained under siege, holding off against an imminent invasion of the gang members. Although army and police patrols are frequent, it is the residents who remain vigilant 24 hours a day, aided by a new private security firm, whose guards man the gates, wearing black balaclavas to hide their identity.



## Public–private partnerships

Considering how restricted independent community responses appear to be in their impact on extortion, part of the solution may rest in joint community–state efforts. And in that domain, the private sector seems the most reactive to extortion, given that it is one of its biggest victims.

In Guatemala, for instance, the Chamber of Commerce has built a relationship with the Attorney General's office in recent years to combat extortion, says Juan Carlos Tefel, the chamber's president.<sup>167</sup>

Under this framework, the Chamber of Commerce works as a channel of communication between the judiciary and private actors who are often sceptical about the sincerity and capability of the authorities. Improving trust between both parties is key to the success of this partnership, Tefel says.

In El Salvador, the sugar cane sector has taken cooperation a step beyond intelligence sharing and has established an official framework to offer police logistical support. Regional examples highlight the latent risk of the privatization of security forces, but this partnership appears to be working so far.

Several factors explain the private sector's readiness to respond to the challenge. First, business often has experience of cooperation and coordination, which are key to help catalyze and organize a response. In some cases, coordination mechanisms may already exist between organizations in the same industry. Secondly, the private sector has considerably more resources at its disposal than most Central American communities, which allows it to finance responses that others cannot. And business often has access to high-level state officials, a privilege that can help forge productive links with security and judicial officials, as the case study below illustrates.

### How the private sector helped counter rural extortion in El Salvador

El Salvador's sugar cane industry and the National Civil Police have succeeded in reining in extortion in the countryside by way of a private–public partnership that stands as a potential blueprint for rural economic actors to follow across the region.

It all began with a wave of criminal migration. Under pressure from El Salvador's security forces in urban centres, members of the MS13 and Barrio 18 street gangs turned their attention to the Central American nation's countryside and potential extortion markets there. They eyed El Salvador's 7 000 sugar cane producers.

'The gangs' reasoning was simple: there's a lot of money in sugar cane, and its producers are easy targets. [By 2011], some cooperatives were paying US\$30 000 [in extortion fees] annually,' Luis Felipe Trigueros of El Salvador's Sugar Association (Asociación Azucarera de El Salvador - AAES) remembered.

Victims had every reason to pay. As elsewhere in the country, gangs were ready to see their threats through. 'In the sugar industry some eight or ten individuals were killed for not paying the extortion fee,' Trigueros said.

But while entire parts of the country's economy remain subject to systematic extortion, El Salvador's sugar cane sector appears to have found a way out by providing material and logistical support to the country's police, while working hand in hand to reconstruct broken ties between law enforcement and communities.

'Cooperatives that used to pay US\$25 000 a year haven't paid anything in three years,' said Trigueros. 'There are some sugar producers that still pay extortion, but a much smaller number, and the fees are much smaller.'

### Rising rural extortion

Sugar cane in El Salvador is an industry that employs 50 000 people and generates over US\$185 million a year. For gangs that rely on extortion as a primary source of revenue, the sector was a treasure waiting to be plundered.



Although rural extortion had begun growing since 2009, the crime boomed within the sugar industry following a large extortion payment delivered 2011 in the Jiquilisco municipality of the Bajo Lempa region.

'I think that's what sent the signal to all gang members that it was easy to operate in rural areas,' Trigueros said. Extortion spread rapidly, and particularly in the coastal departments.

The modus operandi was simple: gangs would contact either the owner or the farm manager and demand an average of US\$200 dollars a month for access to the fields. As in other sectors, the extortionist would at times request jobs for gang members instead of cash payments. And in addition to taxing access to the fields, gangs would also request a fee from sugar cane transporters.

Other rural industries were also targeted. Ranchers paid a fee per animal, and the gangs would destroy coffee fields of uncooperative growers. In all, Triguero believes that the agro-industrial sector came to pay between three and four million dollars a year in extortion.

### **A public-private response programme**

In 2009, as gangs began stepping up their activities in the countryside, an association of producers from all agro-industrial sectors had begun testing out the idea of supporting the police in their public security tasks. Although the project fell through, sugar cane producers continued with the plan independently of the other sectors, and in October 2013 they launched a programme to provide material and logistical support to the PNC in the La Libertad department.

'The first programme was launched with five patrols, each composed of three police officers that worked four-day shifts,' Trigueros explained. 'We provided motorcycles, for the officers, and all the logistics.'

Following the experiment's success in improving security, the programme was made permanent in 2014. Over the past four years, the number of patrols in La Libertad has tripled, and the programme has been replicated across El Salvador in areas where sugar cane is grown, with a total of 39 operational patrols across the country comprising nearly 120 men.

In June 2016, the sugar cane producers' association and El Salvador's government signed an agreement to formally establish the private-public partnership. The agreement provides that the AAES will supply motorcycles, pick-up vehicles, radios and housing for police officers; the government, meanwhile, provides the trained men. Extortion fell as a result of the programme, said Trigueros.

The partnership was not simply about providing law enforcement. Trigueros explained that it has also brought the police closer to the local community when the latter's distrust in law enforcement was widely considered one of the main barriers to bringing down extortion.

'The officers began doing what a community police force is meant to do: connect with the people,' Trigueros said. 'They would grab a kid working as a gang lookout, bring him to his parents and say: 'Look, this is what your kid is messing with; it's going to be your responsibility when this kid falls into serious trouble'.

As trust levels began to grow, more and more sugar cane producers and other extortion victims began denouncing the gangs, offering intelligence that law enforcement could act on to dismantle extortion groups. Sugar professionals have gone so far as to provide drones for law enforcement to hover over fields where gang members had taken refuge in order to locate the suspects. And the AAES is currently developing a mobile application for its members to facilitate reporting of extortion.

The partnership's success seems to rest on the level of organization of El Salvador's sugar sector. All the country's sugar producers process their product through just six mills, which serve as structural nodes around which the sector is organized. 'Initially, when we started holding our meetings at the mills, we called them the Zafra meetings [sugar harvest meetings], in which the miller, the producers and the government participated,' Trigueros said.



Trigueros said that his Guatemalan and Honduran counterparts are looking at the possibility of replicating the example set by El Salvador. Given the sums lost to extortion and the high cost of private security, some such as Daboub argue that financially supporting the government may be the private sector's cheapest option against extortion in the long run.

'Think about it this way: if I have private security, I may have men on the ground, but I can't act legally. In other words, it's like looking after just yourself and that's not the agro-industry's spirit,' Trigueros said. 'The idea is that all the communities in our area of influence can benefit, and the only way to reach that is with law enforcement. The truth is, the state can't solve the problem on its own: we have to help.'

But public-private partnerships have not enjoyed the same degree of success everywhere. In Honduras, a programme that started out as an innovative partnership involving big business and the anti-extortion police, facilitated by the regional chambers of commerce, eventually faltered.

The businesses that collaborated provided crucial information to the authorities. This proved to be a gold mine for Honduras's National Anti-Extortion Force to start dismantling extortion structures. Meanwhile, the authorities provided personalized security services to the group of companies involved by arranging convoys in gang-controlled territories to protect their operations.

Despite its initial successes, the private sector's participation in this particular fight against extortion raises the issue of uneven access to justice. It was also ultimately hampered by mistrust of the police.

The Anti-Extortion Force's resources are constrained, and mobilizing men and providing vehicles for convoys to protect companies was an opportunity cost, diverting time and resources away from others in need.

The benefits didn't trickle down and only its members benefited from the committee, conceded Eric Spears of the Cortes department's Chamber of Commerce in the violent city of San Pedro Sula. In La Ceiba, a June 2017 report noted that the Anti-Extortion Force unit seemed to attend mostly to the needs of businessmen and economic elites, while the general population were left out. Unfortunately, the consensus among the general population was that extortion and petty crime have gone up.



## Conclusion and recommendations

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It is clear that extortion in Central America is a pernicious and entrenched problem that is both now stitched into, but at the same time ripping apart, the social and economic fabric of the three countries of the Northern Triangle. It touches every part of people's lives, doing inter-generational damage by introducing violence and hampering the growth potential of individuals, families, youth, entrepreneurs and established businesses. Extortion has reinforced and rewarded the violent strength and legitimacy of gangs at the expense of the state.

While there is clearly no silver bullet to preventing extortion, our research shows that there is still a lot to be learned from failed responses that appear nonetheless to be repeated, often exacerbating the problems they were intended to solve. Criminal-justice solutions, employed exclusively, have gained little traction, and have made the prison system the epicentres of the extortion crisis.

“Criminal-justice solutions, employed exclusively, have gained little traction, and have made the prison system the epicentres of the extortion crisis.”

There has been experimentation into new approaches – using technology, addressing some of the socio-economic drivers of the gang phenomenon and the role extortion plays in building their legitimacy; and bringing new stakeholders (the private sector and civil society) into the picture – and these are all promising practices that offer a new set of lessons learned. However, far too little energy and resources are being put into these solutions, despite the promise that they have shown. Far more can and should be done to identify and disseminate those lessons across the region, and to experiment with other strategies, so that a coherent and regional response can be developed.

This year-long investigation and global best practice both highlight a number of nascent ways forward for the countries in the region, which may support the development of a more integrated, consolidated and holistic approach to address extortion, gangs and the criminal governance that they exert in the communities of the Northern Triangle. For the benefit of policymakers and practitioners, both state and civil society, we would like to summarize these as recommendations for consideration.

First, any state that is serious about addressing extortion will need to keep its own house clean. Corruption is a driver of extortion and vice versa, and the cases where state officials are the extortion agents have a manifold impact on the community: it erodes any credibility that the state could have as community protectors or service providers. The instances of high-level state officials acting to extort contribute to an overwhelming aura of impunity and delegitimize the state, hampering its capacity to intervene. This, coupled with *mano dura* initiatives that can appear overly punitive and militarize community policing, does little to build an effective dynamic around which to change the prevailing paradigm.

Instead, states must address promptly, publicly and symbolically any cases of state officials involved in extortion. Pursuing corrupt state officials for extortion crimes as doggedly as gang members is critical to reinforcing the legitimacy of state action.

This research has highlighted three main drivers that have super-charged the extortion markets in the region: the increasing organization of the gangs and criminal groups involved; the use of mobile phone technology for extortion purposes; and, finally, the emergence of copycat groups. Each of these phenomena requires a dedicated strategy to address it.





## Addressing criminal groups and gangs

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There is a considerable body of evidence around the importance of transforming the gang dynamic, and the need to support the legitimization and rehabilitation of gang members. It is time to rebalance the level of investment that is made into addressing the root causes and social dynamics that underpin the gangs and their reliance on extortion.

There are some very powerful and positive examples of gang transformation. In the past decade, the Government of Ecuador has engaged in a sustained and successful campaign to legitimize and transform gangs from criminal enterprises into legitimate social enterprises.<sup>168</sup> This report has highlighted a number of small-scale efforts by civil society and international organizations to engage with gangs directly, to provide social capital and legal alternative livelihoods. However, they are isolated and under-resourced, without the sustained funding that is essential to offering a meaningful alternative to the gangs.

Reinforcing efforts at the municipal rather than federal level provides another entry point. One way forward would be to identify receptive municipalities where local leadership still have credibility with the community and where criminal gangs have not yet fully penetrated into the state and local law enforcement. Local civil society and religious groups can provide an intermediary role or means to convene a dialogue around violence prevention or community-resilience approaches.

“The government of Ecuador has engaged in a sustained and successful campaign to legitimize and transform gangs from criminal enterprises into legitimate social enterprises.”

In San Pedro Sula in Honduras, one neighbourhood has progressively recovered by providing recreational spaces for children and community-building activities, which have also functioned as violence-prevention centres. The 2016 initiative, led by a city pastor, involved recovering spaces used for gang meetings and turning them into centres for children's activities or community gatherings, even inviting gang members to participate in, for example, sports activities. What this achieved, according to community leaders, was to decrease the image of rivalry between gang members, and the community in general, while simultaneously protecting at-risk youth.<sup>169</sup> Recruitment was directly tackled, preventing the spread of crime up to a certain point. Community leaders estimated that the number of gang members in the neighbourhood was reduced by 25 per cent in three years.<sup>170</sup>

Well-calibrated public-private partnerships to directly counter extortion threats have shown some success. The model of the cooperation between sugar cane producers in El Salvador, which was formalized and endorsed by the government, is worthy of replication and dissemination. In southern Italy, a socio-economic transformation project known as *Addiopizzo* (translating as 'farewell extortion') creates coalitions between local consumers and local businesses to resist paying extortion, or supporting the businesses that are extorted.<sup>171</sup>

## Harnessing technology to counter extortion

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Mobile phone technology has enabled extortionists to more effectively threaten individuals in the community, and to act without being identified or censured. But technology can offer many ways to change the dynamic and put greater power and information into the hands of citizens and law enforcement.

Guatemalan authorities have created a permanent hotline to report extortion, and a phone-based app that individuals can use to report and log calls for investigation, which also provides victim support. In 2016, the data



collected from the hotline and app resulted in three raids, which yielded 200 arrests. This mechanism has enabled a useful data mechanism for both investigation and prosecution, which has translated in increased credibility within the community to reporting the crime.<sup>172</sup>

“Technology can offer many ways to change the dynamic and put greater power and information into the hands of citizens and law enforcement.”

Other forms of technology can be leveraged in different ways – for example to remove cash from transactions in sectors particularly vulnerable to extortion, the transport sector being a prime example. Models of e-government – where digital transactions replace cash payments for government services – have been successfully employed to reduce corruption by reducing personal contacts.<sup>173</sup> The same principle could be applied to extortion, for example by taking the cash out of payments on public transportation, which would reduce the risk that bus drivers and passengers are extorted for the money they carry.<sup>174</sup>

Technology can also be used to allow citizens to feed into monitoring of safety and security threats, including violent incidents or crimes, to promote citizen collaboration with the police, or even to promote oversight of policing.<sup>175</sup>

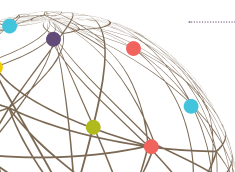
## Copycat groups

The report found that copycat groups have arisen because other opportunistic criminal elements are capitalizing on the fear generated by the established gangs to create their own extortion rackets, and in some cases posing as gang members. Engaging and legitimizing gangs following the Ecuadorian model also offers a potential response to this challenge. It actually reinforces the identity aspects of gang membership, and the pride that gang members feel in their membership, acknowledging their social influence and control, but turns it towards positive community outcomes.

Addressing the challenge of copycat groups offers an opportunity to find common ground and an entry point to potentially working with gangs. Copycats cannibalize the extortion markets of both the community and the criminal gangs, and thus there are vested interests on both sides to stop their activities. While the experiments with gang truces have been mixed to poor, they have thus far been focused more on violence reduction than changing the nature of their economic activity and social contract.<sup>176</sup> As a consequence, while violence dropped, criminal activity, and in particular extortion rose, and that continued to feed the gangs' culture rather than fundamentally change it.

Instead, a gang truce predicated on (a) recognizing the gangs' capacity for territorial control; and (b) a reciprocal understanding of the social legitimacy that the gangs have and the responsibility that comes with it, could allow an agreement to be formed by which the gangs are able to tax local populations in return for services provided, the refusal from violent extortion, and preventing copycats. If both the gangs and the state target copycats and violators of the truce agreement, then this particular emerging extortion challenge will be given little room to develop further.

Evidence shows that the eradication of extortion can seldom be achieved through government repression by force, but where it has been most successful, it has come with the legitimization of the extortionists with conditionalities imposed on their behaviour so that they can become mainstreamed into economic socio-political life.<sup>177</sup>



## Early intervention for prevention

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Finally, while the problem of extortion remains far less acute in Panama and Costa Rica, the pernicious nature of gangs and extortion make it an issue that warrants monitoring and early, proactive steps to mitigate the incipient signs of development. Many of the same lessons and strategies that the Northern Triangle countries will employ also apply in these two countries. But, for Panama and Costa Rica, the following responses in particular should be a priority:

- Review national legal frameworks to ensure the necessary articles to:
  - criminalize groups and collective crimes;
  - criminalize both intimidation and transport-related extortion; and
  - make permissible the necessary forms of criminal investigation for such crimes.
- Put in place pre-emptive citizen and business reporting mechanisms to allow monitoring of the crime and its evolution. Technology solutions used in the Northern Triangle to increase reporting rates can be considered a good practice in this regard. These should be targeted through awareness raising and dissemination campaigns at the communities, sectors and industries identified as most vulnerable to extortion, including the economies of the night-time.
- Address promptly, publicly and symbolically any cases of state officials involved in extortion, to ensure that the state–criminal nexus does not develop around the extortion economy.



## Notes

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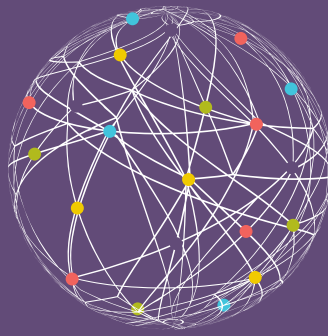


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