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Summary

Central America has received renewed attention from U.S. policymakers over the past few years as the region has become a major transit corridor for illicit drugs and a significant source of irregular migration to the United States. These narcotics and migrant flows are the latest symptoms of deep-rooted challenges in several countries in the region, including widespread insecurity, fragile political and judicial systems, and high levels of poverty and unemployment. Although the Obama Administration and governments in the region launched new initiatives designed to improve conditions in Central America, the future of those efforts will depend on the decisions of the Trump Administration and the 115th Congress.

U.S. Strategy for Engagement in Central America

The Obama Administration determined it was in the national security interests of the United States to work with Central American governments to address conditions in the region. Accordingly, the Obama Administration launched a new, whole-of-government U.S. Strategy for Engagement in Central America. The new strategy takes a broader and more comprehensive approach than previous U.S. initiatives in the region and is based on the premise that efforts to promote prosperity, improve security, and strengthen governance are mutually reinforcing and of equal importance. The new strategy focuses primarily on the “northern triangle” countries of Central America—El Salvador, Guatemala, and Honduras—which face the greatest challenges. Nevertheless, it also provides an overarching framework for U.S. engagement with the other countries in the region: Belize, Costa Rica, Nicaragua, and Panama. The new U.S. strategy and the northern triangle governments’ Alliance for Prosperity initiative have similar objectives and fund complementary efforts; however, they have prioritized different activities.

Initial Funding and Conditions

Congress has appropriated $1.3 billion to begin implementing the new Central America strategy, dividing the funds relatively equally among efforts to promote prosperity, strengthen governance, and improve security. This figure includes $560 million appropriated in FY2015 and $750 million appropriated in FY2016 (through P.L. 113-235 and P.L. 114-113, respectively). Congress placed strict conditions on the FY2016 aid, requiring the northern triangle governments to address a range of concerns, including border security, corruption, and human rights, to receive assistance. As a result of those legislative requirements and delays in the budget process, most of the FY2016 funding did not begin to be delivered to Central America until early 2017.

Future Appropriations and Other Policy Issues

Congress is still considering FY2017 appropriations and soon will begin deliberating over President Trump’s FY2018 budget request. The Obama Administration requested $750 million for the Central America strategy in FY2017, but assistance for the region currently is being provided through a continuing resolution (P.L. 114-254) that funds foreign aid programs at the FY2016 level minus an across-the-board reduction of 0.1901%, until April 28, 2017. The Trump Administration’s FY2018 budget blueprint proposes deep cuts to foreign aid globally, but does not specify how those cuts would affect Central America.

Congress may examine a number of policy issues as it deliberates on the future of the Central America strategy. These issues include the extent to which Central American governments are demonstrating the political will to undertake domestic reforms; the utility of the conditions placed on assistance to Central America; and the potential implications of changes to U.S. immigration, trade, and drug control policies for U.S. objectives in the region.
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Introduction

Instability in Central America—particularly the “northern triangle” nations of El Salvador, Guatemala, and Honduras—is one of the most pressing challenges for U.S. policy in the Western Hemisphere. These countries are struggling with widespread insecurity, fragile political and judicial systems, and high levels of poverty and unemployment. The inability of the northern triangle governments to address those challenges effectively has had far-reaching implications for the United States. Transnational criminal organizations have taken advantage of the situation, using the Central American corridor to traffic 90% of cocaine destined for the United States, among other illicit activities. The region also has become a significant source of mixed migration flows of asylum seekers and economic migrants to the United States. In FY2016, U.S. authorities at the southwestern border apprehended nearly 200,000 unauthorized migrants from the northern triangle; about 60% of those apprehended were unaccompanied minors or families, many of whom surrendered to law enforcement and requested humanitarian protection.

The Obama Administration determined that it was “in the national security interests of the United States” to work with Central American governments to improve security, strengthen governance, and promote economic prosperity in the region. Accordingly, the Obama Administration launched a new, whole-of-government U.S. Strategy for Engagement in Central America and requested significant increases in foreign assistance to implement the strategy, primarily through the State Department and U.S. Agency for International Development (USAID). Congress has appropriated $1.3 billion in aid for the region since FY2015—including $750 million in FY2016—but has required the northern triangle governments to address a series of concerns prior to receiving U.S. support.

The Trump Administration may seek to adjust the Central America strategy as part of its broader reevaluation of U.S. foreign policy. Although Secretary of Homeland Security John Kelly has asserted that the “U.S. government is committed to working with ... partners in the region to address the underlying issues driving illegal migration from Central America,” President Trump has proposed deep cuts to U.S. foreign assistance that could affect U.S. support to the region. Any shifts in funding priorities or levels would have to be approved by Congress.

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2 For more information, see CRS Report R43702, Unaccompanied Children from Central America: Foreign Policy Considerations, coordinated by Peter J. Meyer.
5 Congress appropriated $2 million of the FY2016 funds for the U.S. Strategy for Engagement in Central America through the Overseas Private Investment Corporation. Several other U.S. agencies also are carrying out programs intended to advance the objectives of the strategy, including the Department of Defense, the Department of Agriculture, the Department of the Treasury, the Department of Homeland Security, the Department of Labor, the Inter-American Foundation, and the Trade and Development Agency.
This report examines the U.S. Strategy for Engagement in Central America, including its formulation, objectives, funding, and relationship to the Alliance for Prosperity plan put forward by the northern triangle governments. The report also analyzes several policy issues that the 115th Congress may assess as it considers the future of the Central America strategy. These issues include the extent to which Central American governments are addressing their domestic challenges; the utility of conditions placed on assistance to the region; and how changes in U.S. immigration, trade, and drug control policies could impact conditions in the region.

**Figure 1. Map of Central America**

Source: Congressional Research Service (CRS) Graphics.

Notes: The “northern triangle” countries (El Salvador, Guatemala, and Honduras) are pictured in orange.

**U.S. Strategy for Engagement in Central America**

**Background and Formulation**

Central America is a diverse region that includes the northern triangle nations of El Salvador, Guatemala, and Honduras, which are facing acute economic, governance, and security challenges; the former British colony of Belize, which is stable politically but faces a difficult
economic and security situation; Nicaragua, which has a relatively stable security situation but a de facto single-party government and high levels of poverty; and Costa Rica and Panama, which have comparatively prosperous economies and strong institutions (see Figure 1 and Table 1). 7 Given the geographic proximity of the region, the United States historically has maintained close ties to Central America and played a prominent role in the region’s political and economic development. It also has provided assistance to Central American nations designed to counter potential threats to the United States, ranging from Soviet influence during the Cold War to illicit narcotics today.

### Table 1. Central America Background Information

<table>
<thead>
<tr>
<th></th>
<th>Population (2016 est.)</th>
<th>Land Area</th>
<th>Gross Domestic Product (GDP, 2016 est.)</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>367,000</td>
<td>22,806 sq. km.</td>
<td>$1.8 billion</td>
<td>Prime Minister Dean Barrow</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>4.9 million</td>
<td>51,060 sq. km.</td>
<td>$57.7 billion</td>
<td>President Luis Guillermo Solís</td>
</tr>
<tr>
<td>El Salvador</td>
<td>6.3 million</td>
<td>20,721 sq. km.</td>
<td>$26.6 billion</td>
<td>President Salvador Sánchez Cerén</td>
</tr>
<tr>
<td>Guatemala</td>
<td>16.2 million</td>
<td>107,159 sq. km.</td>
<td>$68.4 billion</td>
<td>President Jimmy Morales</td>
</tr>
<tr>
<td>Honduras</td>
<td>8.2 million</td>
<td>111,890 sq. km.</td>
<td>$20.9 billion</td>
<td>President Juan Orlando Hernández</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>6.2 million</td>
<td>119,990 sq. km.</td>
<td>$13.4 billion</td>
<td>President Daniel Ortega</td>
</tr>
<tr>
<td>Panama</td>
<td>4.0 million</td>
<td>74,340 sq. km.</td>
<td>$55.2 billion</td>
<td>President Juan Carlos Varela</td>
</tr>
</tbody>
</table>

**Sources:** Population estimates from U.N. Economic Commission for Latin America and the Caribbean (ECLAC), 2016 Statistical Yearbook for Latin America and the Caribbean, 2017; land area data from Central Intelligence Agency, World Factbook, 2017; GDP estimates from International Monetary Fund (IMF), World Economic Outlook Database October 2016, October 4, 2016; export data from Global Trade Atlas.

The U.S. Strategy for Engagement in Central America is the latest in a series of U.S. efforts over the past 15 years designed to produce sustained improvements in living conditions in the region. During the Administration of President George W. Bush, U.S. policy toward Central America primarily was focused on boosting economic growth through increased trade. The George W. Bush Administration negotiated the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and the U.S.-Panama Free Trade Agreement. 8 It also awarded Honduras, Nicaragua, and El Salvador $851 million of Millennium Challenge Corporation (MCC) aid intended to improve productivity and connect individuals to markets. 9

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9 Honduras received a five-year, $215 million compact in June 2005; it was later reduced to $205 million as a result of a 2009 coup. Nicaragua received a five-year, $175 million compact in July 2005; it was later reduced to $113.5 million as a result of disputed 2008 municipal elections. El Salvador received a $461 million compact in November 2006; the Obama Administration awarded the country a second five-year compact, worth $277 million, in September 2013. For (continued...)
U.S. policy toward Central America shifted significantly near the end of the George W. Bush Administration to address escalating levels of crime and violence in the region. The George W. Bush Administration launched a security assistance package for Mexico and Central America known as the Mérida Initiative in FY2008, and the Obama Administration re-branded the Central America portion of the aid package as the Central America Regional Security Initiative (CARSI) in FY2010. Congress appropriated nearly $1.2 billion in aid between FY2008 and FY2015 to provide Central American partners with equipment, training, and technical assistance to improve narcotics interdiction and disrupt criminal networks; strengthen the capacities of Central American law enforcement and justice sector institutions; and support community-based crime and violence prevention efforts in the region.\textsuperscript{10}

By the beginning of President Obama’s second term, the Administration had concluded that although the resources provided through MCC, CARSI, and other U.S. initiatives had “contributed to localized gains and proof-of-concept policy examples,” they had “not yielded sustained, broad-based improvements” in Central America.\textsuperscript{11} As a result, the Obama Administration already had begun to develop a new strategy for U.S. policy in Central America when an unexpected surge of unaccompanied minors and families from the northern triangle began to arrive at the U.S. border in 2014. The new strategy was approved by the National Security Council in August 2014 and became technically binding on all U.S. agencies in September 2014.\textsuperscript{12}

The U.S. Strategy for Engagement in Central America takes a broader, more comprehensive approach than previous U.S. initiatives in the region. Its stated objective is “the evolution of an economically integrated Central America that is fully democratic; provides economic opportunities to its people; enjoys more accountable, transparent, and effective institutions; and ensures a safe environment for its citizens.”\textsuperscript{13} Whereas other U.S. efforts over the past 15 years generally emphasized a single objective, such as economic growth or crime reduction, the new strategy is based on the premise that prosperity, security, and governance are “mutually reinforcing and of equal importance.”\textsuperscript{14}

The new strategy also prioritizes interagency coordination more than previous initiatives. Many analysts criticized CARSI as a collection of “stove-piped” programs, with each U.S. agency implementing its own activities and pursuing its own objectives, which sometimes conflicted with those of other agencies, international donors, or regional partners.\textsuperscript{15} The U.S. Strategy for Engagement is designed as a whole-of-government effort that provides an overarching framework for all U.S. government interactions in Central America. While U.S. agencies continue to carry out a wide range of programs, the strategy is intended to ensure their efforts—and the messages

(continued)

more information on the Millennium Challenge Corporation (MCC), see CRS Report RL32427, *Millennium Challenge Corporation*, by Curt Tarnoff.

\textsuperscript{10} For background information on the Central America Regional Security Initiative (CARSI), see CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by Peter J. Meyer and Clare Ribando Seelke.


\textsuperscript{12} CRS interview with State Department official, October 2016.


\textsuperscript{14} Ibid.

they deliver to partners in the region—are coordinated. The strategy also seeks to combine U.S. resources with those of other donors and ensure that Central American governments are committed to carrying out complementary reforms.

Three Lines of Action

To achieve its objectives, the U.S. Strategy for Engagement in Central America supports activities grouped under three overarching lines of action:

1. promoting prosperity and regional integration,
2. strengthening governance, and
3. improving security.

Figure 2. Central America Strategy Objectives and Lines of Action

Promoting Prosperity and Regional Integration

With the exceptions of Costa Rica and Panama, the countries of Central America are among the poorest in the Western Hemisphere. Land ownership and economic power historically have been concentrated in the hands of a small group of elites, leaving behind a legacy of extreme inequality that has been exacerbated by gender discrimination and the social exclusion of ethnic minorities. Although the adoption of market-oriented economic policies in the 1980s and 1990s produced greater macroeconomic stability and facilitated the diversification of Central America’s once predominantly agricultural economies, the economic gains have not translated into improved living conditions for many of the region’s residents. Central America currently is undergoing a
demographic transition in which the working age population, as a proportion of the total population, has grown significantly and is expected to continue growing in the coming decades. Although this transition presents a window of opportunity to boost economic growth rates, the region is failing to generate sufficient employment to absorb the growing labor supply (see Table 2).

### Table 2. Central America Socioeconomic Indicators

<table>
<thead>
<tr>
<th>Per Capita Income</th>
<th>Poverty</th>
<th>Economic Growth Rate</th>
<th>Youth Disconnection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>$4,693</td>
<td>41.3(\text{a})</td>
<td>0.0</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>$11,749</td>
<td>18.6</td>
<td>4.3</td>
</tr>
<tr>
<td>El Salvador</td>
<td>$4,330</td>
<td>41.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Guatemala</td>
<td>$4,102</td>
<td>67.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Honduras</td>
<td>$2,551</td>
<td>74.3(\text{b})</td>
<td>3.6</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>$2,115</td>
<td>58.3(\text{a})</td>
<td>4.5</td>
</tr>
<tr>
<td>Panama</td>
<td>$13,515</td>
<td>21.4</td>
<td>5.2</td>
</tr>
</tbody>
</table>

**Sources:** Per capita income and economic growth data from IMF, *World Economic Outlook Database October 2016, October 4, 2016*; poverty data from Statistical Institute of Belize and ECLAC, *2016 Statistical Yearbook for Latin America and the Caribbean, 2017*; youth disconnection data from Inter-American Development Bank (IDB), *Running Out of Tailwinds: Opportunities to Foster Inclusive Growth in Central America and the Dominican Republic, 2017.*

**Notes:**
- a. Poverty data for Belize and Nicaragua are from 2009.
- b. Poverty data for Honduras are from 2013.
- c. Youth disconnection data for Nicaragua are from 2012.

The U.S. Strategy for Engagement in Central America seeks to address these challenges through a variety of actions designed to promote prosperity and regional integration. The strategy aims to facilitate increased trade by helping the region take advantage of the opportunities provided by CAFTA-DR and other trade agreements. For example, USAID seeks to strengthen the capacities of regional organizations, including the Central America Integration System,\(^{16}\) to analyze, formulate, and implement regional trade policies. USAID is also supporting efforts to harmonize regulations among countries, streamline administrative procedures, and enhance border infrastructure to facilitate trade.\(^{17}\)

The strategy also seeks to diversify and connect electric grids in Central America to bring down the region’s high electricity costs, which are a drag on economic growth. For example, USAID is supporting efforts to improve the enabling environment for clean energy development. Among other activities, USAID is working with regional government institutions on the development of

\(^{16}\) The Central American Integration System is an international organization created in 1991 by the nations of Central America to foster regional integration. Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and the Dominican Republic are member states of the organization.

\(^{17}\) USAID, “Regional Program Narrative: Central America Regional,” CN #14, October 14, 2016, p. 2.
uniform procurement processes and transmission rights, regulations to facilitate investment in renewable power generation projects, and the harmonization of energy efficiency technical standards.\(^{18}\)

Other activities carried out under the Central America strategy aim to reduce poverty in the region and to help those living below the poverty line meet their basic needs. In Honduras, for example, USAID supports a multifaceted food security program designed to reduce extreme poverty and chronic malnutrition by helping subsistence farmers diversify their crops and increase household incomes. The program is introducing farmers to new crops, technologies, and sanitary processes intended to increase agricultural productivity, improve farming practices and natural resource management, and enable farmers to enter into business relationships and export their products.\(^{19}\)

Facilitating access to quality education is another way in which the strategy seeks to promote prosperity in Central America. For example, USAID funds basic education programs in Nicaragua, including efforts to improve teacher training and student reading performance.\(^{20}\) In El Salvador, USAID seeks to develop partnerships between academia and the private sector and to better link tertiary education with labor-market needs. Among other activities, USAID is providing support for career centers, internship programs, and academic programs in priority economic sectors.\(^{21}\)

Finally, the Central America strategy seeks to build resiliency to external shocks, such as the drought and coffee fungus outbreak that have devastated rural communities in recent years. In Guatemala, USAID is working with communities in the Western Highlands to reduce the region’s vulnerability to climate change. USAID supports efforts to increase access to climate information to inform community decisions, strengthen government capacity to address climate risks, and disseminate agricultural practices that are resilient to climate impacts.\(^{22}\)

### Strengthening Governance

A legacy of conflict and authoritarian rule has inhibited the development of strong democratic institutions in most of Central America. The countries of the region, with the exception of Costa Rica and Belize,\(^{23}\) did not establish their current civilian democratic regimes until the 1980s and 1990s, after decades of political repression and protracted civil conflicts. Although every Central American country now holds regular elections, other elements of democracy, such as the separation of powers, remain only partially institutionalized. Moreover, failures to reform and dedicate sufficient resources to the public sector have left many Central American governments weak and susceptible to corruption. As governments in the region have become embroiled in scandals and have struggled to address citizens’ concerns effectively, popular support for democracy has declined (see Table 3).

The U.S. Strategy for Engagement in Central America seeks to strengthen governance in the region in a variety of ways. It calls for the professionalization of Central American civil services

\(^{18}\) Ibid., p. 4.

\(^{19}\) USAID, “Country Narrative: Honduras,” CN #19, October 14, 2016, pp. 3-4.


\(^{23}\) Costa Rica has maintained civilian democratic rule since the end of a 1948 civil war. Belize, which obtained its independence from the United Kingdom in 1981, had a much different historical trajectory than its Central American neighbors.
to improve the technical competence of government employees, depoliticize government institutions, and ensure continuity across administrations. In El Salvador, for example, USAID is supporting civil society efforts to advocate for civil service reforms and the implementation of merit-based systems.  

Table 3. Central America Governance Indicators

<table>
<thead>
<tr>
<th>Political Rights and Civil Liberties</th>
<th>Government Effectiveness</th>
<th>Public-Sector Corruption</th>
<th>Satisfaction with Democracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>87, Free</td>
<td>25</td>
<td>Not available</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>91, Free</td>
<td>67</td>
<td>41</td>
</tr>
<tr>
<td>El Salvador</td>
<td>70, Free</td>
<td>45</td>
<td>36</td>
</tr>
<tr>
<td>Guatemala</td>
<td>54, Partly Free</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>Honduras</td>
<td>46, Partly Free</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>47, Partly Free</td>
<td>21</td>
<td>26</td>
</tr>
<tr>
<td>Panama</td>
<td>83, Free</td>
<td>65</td>
<td>38</td>
</tr>
</tbody>
</table>


The strategy also seeks to improve Central American governments’ capacities to raise revenues while ensuring public resources are managed responsibly. For example, USAID is providing technical assistance to Guatemala’s tax and customs authority and its Ministry of Finance intended to improve the efficiency of tax collection and implement procurement reforms designed to prevent corruption. At the same time, USAID is training Guatemalan civil society organizations about transparency laws to strengthen the organizations’ capacities to hold the government accountable.  

Other activities are designed to ensure partner governments uphold democratic values and practices, including respect for human rights. In Nicaragua, for example, USAID assisted civil society organizations that observed and documented the 2016 electoral process. In Honduras, USAID is supporting the implementation of a protection mechanism for human rights defenders, journalists, social communicators, and justice sector officials. USAID also is training Honduran civil society organizations that work on human rights issues, and fostering collaboration between human rights organizations and Honduran government institutions to ensure compliance with international and national human rights commitments.

Finally, the U.S. Strategy for Engagement in Central America seeks to improve governance in the region by advancing justice sector reforms designed to decrease impunity. The State Department’s Bureau of International Narcotics and Law Enforcement Affairs (INL) is providing training and technical assistance to prosecutors, judges, and other justice sector actors on issues such as case management and justice sector administration. INL also is providing specialized training and equipment designed to strengthen forensic capabilities, internal affairs offices, and investigative skills in the region. Moreover, INL is partially funding the operations of the U.N.-backed International Commission against Impunity in Guatemala (CICIG by its Spanish acronym) and the Organization of American States (OAS)-backed Mission to Support the Fight against Corruption and Impunity in Honduras (MACCIH by its Spanish acronym), which assist Guatemalan and Honduran efforts to investigate and prosecute complex cases.28

**Improving Security**

Security conditions in Central America have deteriorated significantly over the past 15 years. Violence has long plagued the region, and Belize, El Salvador, Guatemala, and Honduras now have some of the highest homicide rates in the world. Common crime is also widespread. A number of interrelated factors have contributed to the poor security situation, including high levels of poverty, fragmented families, and a lack of legitimate employment opportunities, which leave many youth in the region susceptible to recruitment by gangs or other criminal organizations. In addition, the region serves as an important drug-trafficking corridor as a result of its location between cocaine-producing countries in South America and consumers in the United States. Heavily armed and well-financed transnational criminal organizations have sought to secure trafficking routes through Central America by battling one another and local affiliates and seeking to intimidate and infiltrate government institutions. Security forces and other justice sector institutions in the region generally lack the personnel, equipment, and training necessary to respond to these threats and have struggled with systemic corruption. As a result, most crimes are committed with impunity (see Table 4).

The U.S. Strategy for Engagement in Central America aims to improve security in the region in a number of ways, including through the professionalization of civilian police forces. For example, INL is carrying out a number of activities designed to improve the quality and strengthen the capacity of the Honduran National Police. Among other activities, INL is supporting efforts to vet police officers, improve police academy curricula and training, and enhance police engagement with civil society.29 U.S. assistance also has funded regional efforts to employ intelligence-led policing, such as the integration of the comparative statistics (COMPSTAT) model—which allows real-time mapping and analysis of criminal activity—in each of Panama’s police zones.30

The strategy also expands crime and violence prevention efforts. USAID and INL have adopted a “place-based” approach that integrates their respective prevention and law enforcement

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interventions in the most violent Central American communities. USAID interventions include primary prevention programs that work with communities to create safe spaces for families and young people, secondary prevention programs that identify the youth most at risk of engaging in violent behavior and provide them and their families with behavior-change counseling, and tertiary prevention programs that seek to reintegrate juvenile offenders into society.\(^{31}\) INL interventions include the development of “model police precincts,” which are designed to build local confidence in law enforcement by converting police forces into more community-based, service-oriented organizations.\(^{32}\)

### Table 4. Central America Security Indicators

<table>
<thead>
<tr>
<th></th>
<th>Homicide Rate</th>
<th>Crime Victimization</th>
<th>Rule of Law</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Murders per 100,000 Residents (2016)</td>
<td>% of Population Reporting They or a Family Member Had Been the Victim of a Crime in the Past Year (2016)</td>
<td>Percentile Rank Globally; 0-100, Weakest to Strongest (2015)</td>
</tr>
<tr>
<td>Belize</td>
<td>37.2</td>
<td>Not available</td>
<td>26</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>11.8</td>
<td>35</td>
<td>69</td>
</tr>
<tr>
<td>El Salvador</td>
<td>81.2</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Guatemala</td>
<td>27.3</td>
<td>36</td>
<td>15</td>
</tr>
<tr>
<td>Honduras</td>
<td>59.0</td>
<td>38</td>
<td>17</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>7.0</td>
<td>31</td>
<td>28</td>
</tr>
<tr>
<td>Panama</td>
<td>9.3</td>
<td>32</td>
<td>53</td>
</tr>
</tbody>
</table>


The U.S. Strategy for Engagement in Central America also continues long-standing U.S. assistance designed to professionalize regional armed forces. The strategy aims to encourage Central American militaries to transition out of internal law enforcement roles, strengthen regional defense cooperation, and enhance respect for human rights and civilian control of the military.\(^{33}\) U.S. support for regional militaries also is designed to increase their capabilities and strengthen military-to-military relationships. For example, some Central American armed forces personnel are receiving English language, patrol craft maintenance, and aircraft technical training at military institutions in the United States.\(^{34}\)

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In addition, the strategy seeks to reduce the influence of organized crime and gangs. Some U.S. assistance is designed to extend the reach of the region’s security forces. For example, the U.S. government is providing Costa Rica with several patrol ships, planes, and other equipment, as well as training and maintenance, to enhance the capabilities of Costa Rican security forces to effectively patrol national territory, waters, and air space.\textsuperscript{35} INL is using other U.S. assistance to maintain specialized law enforcement units that are vetted by, and work with, U.S. personnel to investigate and disrupt the operations of transnational gangs and organized crime networks.\textsuperscript{36}

Congressional Funding and Conditions

Congress has appropriated more than $1.3 billion for efforts under the U.S. Strategy for Engagement in Central America (see Table 5). This figure includes $560 million in FY2015 and $750 million in FY2016. Prior to the launch of the new strategy, State Department and USAID assistance to Central America totaled roughly $350 million annually. The vast majority of the aid has been allocated to El Salvador, Guatemala, and Honduras. Congress placed strict conditions on FY2016 aid to those three countries, however, requiring the northern triangle governments to address a range of concerns to receive assistance (see “FY2016 Appropriations,” below). Due to these legislative conditions and to delays in the budget process, most FY2016 funding did not begin to be delivered to Central America until early 2017.

Table 5. Central America Strategy Funding by Country: FY2015-FY2017

(appropriations in millions of current U.S. dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017 (request)</th>
<th>FY2017 (S. 3117)</th>
<th>FY2017 (H.R. 5912)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>1.1</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1.7</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>7.1</td>
</tr>
<tr>
<td>El Salvador</td>
<td>46.5</td>
<td>67.9</td>
<td>88.0</td>
<td>77.7</td>
<td>77.7</td>
</tr>
<tr>
<td>Guatemala</td>
<td>113.1</td>
<td>127.5</td>
<td>145.1</td>
<td>134.5</td>
<td>133.0</td>
</tr>
<tr>
<td>Honduras</td>
<td>71.2</td>
<td>98.3</td>
<td>105.7</td>
<td>103.3</td>
<td>102.8</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>12.1</td>
<td>10.0</td>
<td>14.8</td>
<td>13.1</td>
<td>10.0</td>
</tr>
<tr>
<td>Panama</td>
<td>4.1</td>
<td>3.4</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>CARSI</td>
<td>270.0</td>
<td>348.5</td>
<td>305.3</td>
<td>260.3</td>
<td>393.0</td>
</tr>
<tr>
<td>USAID Central America Regional</td>
<td>29.8</td>
<td>19.4</td>
<td>32.5</td>
<td>26.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Other Regional Assistance</td>
<td>11.0</td>
<td>72.0</td>
<td>53.0</td>
<td>29.0</td>
<td>22.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>560.5</strong></td>
<td><strong>750.0</strong></td>
<td><strong>750.6</strong></td>
<td><strong>650.6</strong></td>
<td><strong>750.0</strong></td>
</tr>
</tbody>
</table>


Notes: “Other Regional Assistance” includes assistance appropriated or requested for the region as a whole through funding accounts such as the State Department’s Western Hemisphere Regional program, the Overseas Private Investment Corporation, and the State Department’s Bureau of Oceans and International Environmental and Scientific Affairs. CARSI = Central America Regional Security Initiative; USAID = U.S. Agency for International Development.

The Obama Administration requested $750 million to continue implementation of the Central America strategy in FY2017, but Congress has yet to pass a full-year foreign aid appropriations bill. Assistance for the region currently is based on a continuing resolution (P.L. 114-254) that funds foreign aid programs at the FY2016 level minus an across-the-board reduction of 0.1901%, until April 28, 2017. Funding provided through the continuing resolution is subject to the same conditions as were enacted in FY2016. The foreign aid appropriations measures reported out of the Senate and House Appropriations Committees in the second session of the 114th Congress (S. 3117 and H.R. 5912) would have provided $650.6 million and $750 million, respectively, for the Central America strategy. Both measures would have maintained similar conditions to those enacted in FY2016 (see “FY2017 Appropriations,” below).

Figure 3. Central America Strategy FY2015 and FY2016 Funding by Aid Account


Notes: “Other” includes funding appropriated through the Global Health Programs account (2.06%); the Food for Peace account (0.57%); the Overseas Private Investment Corporation (0.15%); and the Nonproliferation, Antiterrorism, Demining, and Related programs account (0.15%).

Although some of the activities supported by the Central America strategy are not new, higher levels of assistance have allowed the U.S. government to significantly scale up programs focused
on prosperity and governance and to expand ongoing security efforts. For FY2015 and FY2016, Congress allocated funding for the Central America strategy in the following manner:

- 35% was appropriated through the Development Assistance account, which is designed to foster sustainable, broad-based economic progress and social stability by supporting long-term projects in areas such as democracy promotion, economic reform, agriculture, education, and environmental protection.

- 31% was appropriated through the International Narcotics Control and Law Enforcement account, with the funds roughly evenly divided between programs to support law enforcement efforts and programs designed to strengthen other justice sector institutions.

- 30% was appropriated through the Economic Support Fund account, which funds USAID crime and violence prevention programs as well as efforts to promote economic reform and other more traditional development projects.

- 3% was appropriated through the Foreign Military Financing and International Military Education and Training accounts, which provide equipment and personnel training to regional militaries (see Figure 3).

**FY2015 Appropriations**

In December 2014, Congress enacted the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), which provided $560.5 million to begin implementation of the U.S. Strategy for Engagement in Central America. The Obama Administration’s original FY2015 foreign aid budget request, which was released in April 2014, included $329.7 million for Central America. The surge in Central American migration over the summer of 2014, however, prompted the Obama Administration to request an additional $300 million in FY2014 supplemental appropriations to “begin more fully addressing the lack of economic opportunity, extreme violence, and weak, ineffective state institutions that have resulted in serious irregular migration from the region.” Although Congress opted not to fund the FY2014 supplemental request, it appropriated about $231 million more than the Obama Administration originally requested for FY2015.

**FY2016 Appropriations**

In December 2015, Congress enacted the Consolidated Appropriations Act, 2016 (P.L. 114-113), which provided $750 million to implement the U.S. Strategy for Engagement in Central America. The appropriations for the region were $250 million less than the $1 billion the Obama Administration requested.

In addition, Congress placed numerous conditions on aid for the three northern triangle governments.

The act stipulated that 25% of the “assistance for the central governments of El Salvador, Guatemala, and Honduras” could not be obligated until the Secretary of State certified that each government was “taking effective steps” to

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• inform its citizens of the dangers of the journey to the southwestern border of the United States;
• combat human smuggling and trafficking;
• improve border security; and
• cooperate with U.S. government agencies and other governments in the region to facilitate the return, repatriation, and reintegration of illegal migrants arriving at the southwestern border of the United States who do not qualify as refugees consistent with international law.

The State Department issued certifications for all three northern triangle governments related to those conditions on March 10, 2016.39

The act also stipulated that another 50% of the “assistance for the central governments of El Salvador, Guatemala, and Honduras” could not be obligated until the Secretary of State certified the governments were “taking effective steps” to

• establish an autonomous, publicly accountable entity to provide oversight of the [Alliance for Prosperity] plan;
• combat corruption, including investigating and prosecuting government officials credibly alleged to be corrupt;
• implement reforms, policies, and programs to improve transparency and strengthen public institutions, including increasing the capacity and independence of the judiciary and the Office of the Attorney General;
• establish and implement a policy that local communities, civil society organizations (including indigenous and marginalized groups), and local governments are to be consulted in the design and participate in the implementation and evaluation of activities of the [Alliance for Prosperity] plan that affect such communities, organizations, and governments;
• counter the activities of criminal gangs, drug traffickers, and organized crime;
• investigate and prosecute in the civilian justice system members of military and police forces who are credibly alleged to have violated human rights, and ensure that the military and police are cooperating in such cases;
• cooperate with commissions against impunity, as appropriate, and with regional human rights entities;
• support programs to reduce poverty, create jobs, and promote equitable economic growth in areas contributing to large numbers of migrants;
• establish and implement a plan to create a professional, accountable civilian police force and curtail the role of the military in internal policing;
• protect the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference;
• increase government revenues, including by implementing tax reforms and strengthening customs agencies; and

resolve commercial disputes, including the confiscation of real property, between United States entities and such government.

The State Department issued certifications related to those conditions for Guatemala on June 28, 2016; for El Salvador on August 29, 2016; and for Honduras on September 30, 2016.\(^{40}\)

**FY2017 Appropriations**

On December 10, 2016, President Obama signed into law a continuing resolution (P.L. 114-254) that funds foreign aid programs in Central America at the FY2016 level, minus an across-the-board reduction of 0.1901%, until April 28, 2017. The funding is subject to the same conditions as were enacted in FY2016 (see “FY2016 Appropriations”).

As Congress considers aid appropriations for the remainder of FY2017, it may draw from the Department of State, Foreign Operations, and Related Programs appropriations measures that were reported out of the Senate and House Appropriations Committees in the second session of the 114\(^{th}\) Congress. The Senate bill, S. 3117, would have provided $650.6 million for the Central America strategy, which is about $100 million less than the Obama Administration requested. It also would have maintained the withholding conditions that were enacted in FY2016. The House bill, H.R. 5912, would have provided $750 million to continue implementation of the Central America strategy in FY2017. It also would have maintained withholding conditions similar to those that were enacted in FY2016 but would have extended them to 100% of aid for the central governments of the northern triangle.

**Relationship to the Alliance for Prosperity**

Many observers have confused the U.S. Strategy for Engagement in Central America with the Plan of the Alliance for Prosperity in the Northern Triangle, which was announced by the Salvadoran, Guatemalan, and Honduran governments in September 2014. Drafted with technical assistance from the Inter-American Development Bank (IDB), the five-year, $22 billion initiative aims to accelerate structural changes in the northern triangle that would create incentives for people to remain in their own countries. It includes four primary objectives and strategic actions to achieve them:

1. **Stimulate the productive sector**, by supporting strategic sectors (such as textiles, agro-industry, light manufacturing, and tourism); creating special economic zones to attract new investment; modernizing and expanding infrastructure; deepening regional trade and energy integration; and supporting the development of micro, small, and medium enterprises and their integration into regional production chains.

2. **Develop human capital**, by improving access to, and the quality of, education and vocational training; expanding access to health care and adequate nutrition; expanding social protection systems, including conditional cash transfer programs for the most vulnerable; and strengthening protection and reintegration mechanisms for migrants.

3. **Improve public safety and access to justice**, by investing in violence prevention programs; ensuring schools are safe spaces; furthering the

professionalization of the police, including through the adoption of community policing practices; enhancing the capacity of investigators and prosecutors; and strengthening prison systems.

4. **Strengthen institutions and promote transparency**, by improving tax administration and revenue collection; professionalizing human resources; strengthening government procurement processes; and increasing budget transparency and access to public information.41

The northern triangle governments budgeted nearly $2.9 billion for the Alliance for Prosperity in 2016, which was the first official year of implementation (see Table 6). The resources allocated to the plan included government revenues as well as loans from the IDB and other international financial institutions. About 41% of the funding was dedicated to stimulating the productive sector, 38% to developing human capital, 11% to improving public safety, and 10% to strengthening institutions.

**Table 6. Alliance for Prosperity Funding by Country: 2016** (in millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Goal</th>
<th>El Salvador</th>
<th>Guatemala</th>
<th>Honduras</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stimulate Productive Sector</td>
<td>351</td>
<td>438</td>
<td>369</td>
<td>1,158</td>
</tr>
<tr>
<td>Develop Human Capital</td>
<td>305</td>
<td>368</td>
<td>421</td>
<td>1,094</td>
</tr>
<tr>
<td>Improve Public Safety</td>
<td>87</td>
<td>62</td>
<td>164</td>
<td>313</td>
</tr>
<tr>
<td>Strengthen Institutions</td>
<td>273</td>
<td>7</td>
<td>14</td>
<td>294</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,016</td>
<td>875</td>
<td>968</td>
<td>2,859</td>
</tr>
</tbody>
</table>


The Obama Administration praised the northern triangle governments for developing the Alliance for Prosperity and committed to working to align U.S. programs and resources with the strategic priorities identified under the initiative.42 Congress also expressed support for the initiative and appropriated funds to implement the U.S. Strategy for Engagement in Central America “in support of the Plan of the Alliance for Prosperity in the Northern Triangle” in the Consolidated Appropriations Act, 2016 (P.L. 114-113). Nevertheless, the Alliance for Prosperity and the U.S. Strategy for Engagement in Central America remain separate initiatives.

Although the two initiatives have broadly similar objectives and fund complementary efforts, they prioritize different activities since the U.S. Strategy for Engagement in Central America is designed to advance U.S. interests in all seven nations of the isthmus and the Alliance for Prosperity represents the agendas of the three northern triangle governments. For example, the U.S. Strategy for Engagement in Central America devotes significant funding to efforts intended

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42 White House, Office of the Press Secretary, “The Blair House Communique: Joint Communique of the Presidents of El Salvador, Guatemala, and Honduras, and the Vice President of the United States of America in Relation to the Plan of the Alliance for Prosperity in the Northern Triangle,” February 26, 2016.
to strengthen the capacity of civil society groups, which—to date—have played relatively minor roles in the Alliance for Prosperity. Similarly, the Alliance for Prosperity has focused heavily on large-scale infrastructure projects, which are not funded by the U.S. Strategy for Engagement in Central America.

Policy Issues for Congress

Congress may examine a number of policy issues as it deliberates on potential changes to the U.S. Strategy for Engagement in Central America and future appropriations for the initiative. These issues include the extent to which Central American governments are demonstrating the political will to undertake domestic reforms, the utility of the conditions placed on assistance to Central America, and the potential implications of changes to U.S. immigration, trade, and drug control policies for U.S. objectives in the region.

Political Will in Central America

Although many analysts assert that Central American nations will require external support to address their challenges, they also contend that significant improvements in the region ultimately will depend on Central American leaders carrying out substantial internal reforms.\(^{43}\) That contention is supported by multiple studies conducted over the past decade, which have found that aid recipients’ domestic political institutions play a crucial role in determining the relative effectiveness of foreign aid.\(^{44}\) Some scholars argue that this conclusion is also supported by the region’s history:

> How did Costa Rica do so much better by its citizens than its four northern neighbors since 1950? The answer, we contend, stems from the political will of Costa Rican leaders. Even though they shared the same disadvantageous economic context of the rest of Central America, Costa Rica’s leaders adopted and kept democracy, abolished the armed forces, moderated income inequality, and invested in education and health over the long haul. The leaders of the other nations did not make these choices, at least not consistently enough to do the job.\(^{45}\)

One of the underlying assumptions of the U.S. Strategy for Engagement in Central America is that “Central American governments will continue to demonstrate leadership and contribute significant resources to address challenges” if they are supported by international partners.\(^{46}\) Such political will cannot be taken for granted, however, given that previous U.S. efforts to ramp up assistance to Central America—including substantial increases in development aid during the 1960s under President John F. Kennedy’s Alliance for Progress and massive aid flows in the 1980s during the Central American conflicts (see Figure 4)—were not matched by far-reaching domestic reforms in the region.\(^{47}\)

\(^{43}\) See, for example, Roger Noriega, “How to Turn Off the Latin Refugee Flood at the Source,” New York Post, February 24, 2017; and Adriana Beltrán, “Children and Families Fleeing Violence in Central America,” Washington Office on Latin America (WOLA), February 21, 2017.

\(^{44}\) Jonathan Glennie and Andy Sumner, The $138.5 Billion Question: When Does Foreign Aid Work (and When Doesn’t It)?, Center for Global Development, CGD Policy Paper 049, November 2014, pp. 35-42.


\(^{47}\) See, for example, Eduardo Frei Montalva, “The Alliance that Lost its Way,” Foreign Affairs, April 1967; and U.S. Congress, Joint Economic Committee, The Caribbean Basin: Economic and Security Issues, committee print, Central (continued...)
Over the past few years, Central American governments have demonstrated varying levels of commitment to internal reform. As noted previously, the three northern triangle governments worked together to develop the Alliance for Prosperity, which includes numerous policy commitments. They already have implemented some legislative reforms and identified resources to advance the plan’s objectives. For example, El Salvador has begun to implement a comprehensive security plan, Guatemala has developed a new strategy to combat chronic malnutrition, and Honduras has entered into an agreement with Transparency International to monitor and improve the government’s management of public finances.\(^{48}\) At the same time, tax collection has remained relatively flat in the region, inhibiting the governments’ abilities to invest additional resources in key institutions and programs.\(^{49}\)

Central American nations also have begun to combat systemic corruption. Attorneys general in the region, with the backing of CICIG in Guatemala and MACCIH in Honduras, have taken on high-profile cases that have implicated presidents, Cabinet ministers, legislators, and members of the security forces. In Guatemala, for example, investigations into a corruption ring at the


\(^{49}\) Instituto Centroamericano de Estudios Fiscales (ICEFI), *Perfiles Marcofiscales de Centroamérica: Por Una Política Fiscal para la Democracia y el Desarrollo*, December 2016.
national tax agency led to the arrests of dozens of officials, including then-President Otto Pérez Molina. Nevertheless, many elected officials in the region have supported these types of anticorruption efforts only reluctantly. In Honduras, for example, President Juan Orlando Hernández established MACCIH in an attempt to mollify protestors after reports circulated that $330 million was embezzled from the Honduran social security institute and that some of the stolen funds were used to fund Hernández’s 2013 election campaign. Hernández refused to grant MACCIH independent investigatory or prosecutorial powers like those of CICIG, and the Honduran Congress has repeatedly delayed and modified MACCIH’s proposed reforms.\(^5\) The Salvadoran government has ruled out establishing any type of international anti-impunity commission.\(^5\)

Congress could consider a number of actions to support reform efforts in the region. In addition to placing legislative conditions on aid, which is discussed in the following section (see “Aid Conditionality”), Congress could continue to offer vocal and financial support to individuals and institutions committed to change. For example, the House Committee on Foreign Affairs adopted a resolution in March 2017, H.Res. 145, that recognizes the anticorruption efforts of CICIG, MACCIH, and the attorneys general of El Salvador, Guatemala, and Honduras, and calls on the northern triangle governments to provide the attorneys general with the support, resources, and independence they need to carry out their responsibilities. Similarly, S.Rept. 114-290 and H.Rept. 114-693, which accompanied the FY2017 foreign aid appropriations bills reported out of committee in the 114\(^{th}\) Congress, designated specific funding to support attorneys general and international anticorruption commissions in the region. Congress also could call on the President to impose economic sanctions on, or to deny entry into the United States to, foreign individuals responsible for gross violations of human rights or significant corruption pursuant to the Global Magnitsky Human Rights Accountability Act, which was adopted as part of the FY2017 National Defense Authorization Act (P.L. 114-328) in December 2016.\(^5\)

**Aid Conditionality**

Congress has placed strict conditions on assistance to Central America in an attempt to bolster political will in the region and ensure foreign aid is used as effectively as possible. As noted previously, the Consolidated Appropriations Act, 2016 (P.L. 114-113), required the State Department to withhold 75% of “assistance for the central governments of El Salvador, Guatemala, and Honduras” until the Secretary of State could certify those governments were “taking effective steps” to address a variety of issues. The act linked 25% of the withheld aid to efforts to improve border security, combat human smuggling and trafficking, inform citizens of the dangers of the journey to the United States, and cooperate with the U.S. government on repatriation. It linked the remaining 50% to 12 other issues, including efforts to combat corruption, increase revenues, and address human rights concerns (see “FY2016 Appropriations” for the full list of conditions). The FY2017 foreign aid appropriations bills that were reported out of committee during the second session of the 114\(^{th}\) Congress (S. 3117 and H.R. 5912) included similar conditions, and some Members of Congress have called for maintaining the conditions in FY2018.


\(^5\) For more information, see CRS In Focus IF10576, *The Global Magnitsky Human Rights Accountability Act*, by Dianne E. Rennack.
Although U.S. officials acknowledge that aid restrictions give them leverage with partner governments, many argue that the FY2016 appropriations measure included too many conditions and withheld too much aid. They contend that it is important to focus on a few key issues given the limited capacities of the northern triangle governments and that such prioritization is difficult with 16 different conditions. They also assert that it requires significant time to track efforts to meet the conditions and that those resources could be better used overseeing implementation of the Central America strategy.

U.S. officials argue that by subjecting nearly all “assistance for the central governments” to the withholding requirements, Congress effectively prevented U.S. agencies from carrying out some programs that would help the governments meet the conditions. For example, U.S. assistance to support police reform efforts had to be withheld until the State Department could certify that the northern triangle governments were taking effective steps to “establish and implement a plan to create a professional, accountable civilian police force and curtail the role of the military in internal policing.” Similarly, U.S. assistance to strengthen tax collection agencies had to be withheld until the State Department could certify that the northern triangle governments were taking effective steps to “increase government revenues, including by implementing tax reforms and strengthening customs agencies.” Congress could prevent such unintended consequences in the future by adding legislative language to waive withholding requirements for aid that would directly address the conditions themselves.

Withholding requirements also delayed implementation of the Central America strategy. Although the FY2016 appropriations bill was adopted in December 2015, the State Department did not issue the final certification (for Honduras) until September 30, 2016—the last day of the fiscal year. Consequently, most aid did not begin to be delivered until early 2017 (see Figure 5). U.S. agencies obligated some aid not subject to the withholding requirements at earlier dates but they were hesitant to commit resources to specific activities until they knew whether they would have access to the remaining funding. According to the State Department, approximately $43 million in aid for El Salvador, $35 million in aid for Guatemala, and $55 million in aid for Honduras was linked to the certification requirements.53

**Figure 5. Central America Strategy Funding Timeline**

*(status of FY2016 foreign assistance for the northern triangle)*

<table>
<thead>
<tr>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2, 2015</td>
<td><strong>Dec 18, 2015</strong> Congress adopts FY2016 foreign aid</td>
<td><strong>Oct 2016–now</strong> State Dept. and USAID notify Congress of</td>
</tr>
<tr>
<td>Obama Admin.</td>
<td>legislation, requires northern triangle govt’s conditions</td>
<td>intent to obligate FY2016 aid funding to northern triangle</td>
</tr>
<tr>
<td>requests FY2016</td>
<td>to meet two sets of conditions prior to release of funds</td>
<td>assistance begins to be delivered</td>
</tr>
<tr>
<td>foreign aid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Mar 16, 2016</strong> Northern triangle govt’s meet 1st set</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>June 28, 2016</strong> Guatemalan govt meets 2nd set of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Aug 29, 2016</strong> Salvadoran govt meets 2nd set of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sep 30, 2016</strong> Honduran govt meets 2nd set of conditions</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** CRS Graphics.

At the same time, some Members of Congress and civil society organizations argue that the State Department was too quick to issue the certifications. To date, most of the criticism has focused on the State Department’s decision to certify that the Honduran government had met the second set

53 CRS correspondence with State Department official, December 16, 2016.
of conditions, tied to 50% of the funds, which included several human rights requirements. The disagreement stems from the subjective wording of the legislation, which requires the State Department to certify that the government is “taking effective steps” to

- investigate and prosecute in the civilian justice system members of military and police forces who are credibly alleged to have violated human rights, and ensure that the military and police are cooperating in such cases;
- cooperate with commissions against impunity, as appropriate, and with regional human rights entities; and
- protect the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference.

In the memorandum of justification accompanying the certification, the State Department noted that an active duty Army Special Forces officer had been arrested and was facing prosecution in the civilian justice system for his alleged involvement in the murder of Berta Caceres, a high-profile indigenous and environmental activist. It also asserted that the public ministry was investigating dozens of high-level police officers, including some who allegedly were involved in the murders of top Honduran counternarcotics and anti-money laundering officials. With regard to cooperation with anti-impunity and human rights entities, the memorandum of justification noted that the Honduran government signed an agreement with the OAS to establish the MACCIH, invited the U.N. Office of the High Commissioner for Human Rights to open an office in Honduras, and hosted multiple visits from special rapporteurs from the OAS and the United Nations. Finally, the memorandum of justification asserted that the Honduran government is implementing a 2015 law to protect human rights defenders, journalists, social communicators, and justice sector officials, and is dedicating additional resources and consulting with outside experts to improve the government’s protection program.  

Critics argue that the human rights situation in Honduras remains poor despite those efforts and that the State Department’s certification “makes a mockery” of the legislative conditions. Human rights groups note that political and social activists in Honduras continue to be killed, including numerous individuals who had been granted precautionary measures by the Inter-American Commission on Human Rights (IACHR) and were supposed to be under government protection at the time they were murdered. The IACHR asserts that “no adequate or effective measures are being implemented to protect the beneficiaries of precautionary measures.” The perpetrators of many of these attacks have yet to be identified.

Studies of aid conditionality have found that conditions generally fail to alter aid recipients’ behavior when recipients think donors are unlikely to follow through on their threats to withhold aid. Members of Congress who are concerned that the State Department is issuing certifications

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too quickly and thereby weakening the conditions’ effectiveness could seek changes to future appropriations bills that would require the northern triangle governments to meet specific criteria that could be measured objectively prior to receiving assistance.

Implications of other U.S. Policy Changes

Given Central America’s geographic proximity and close commercial and migration ties to the United States, changes in U.S. immigration, trade, and drug control policies can have far-reaching effects in the region. As Congress considers the future of the U.S. Strategy for Engagement in Central America, it also may wish to evaluate how changes to other U.S. policies might support or hinder the strategy’s objectives.

Immigration

Central American nations have strong migration ties to the United States. In 2015, an estimated 3.4 million individuals born in Central America were living in the United States, including nearly 1.4 million Salvadorans; 928,000 Guatemalans; 599,000 Hondurans; and 256,000 Nicaraguans. Those immigrant populations play crucial roles in Central American economies. Remittances from migrant workers abroad—the vast majority (78%) of whom live in the United States—are equivalent to 11% of GDP in Guatemala, 17% of GDP in El Salvador, and more than 18% of GDP in Honduras (see Figure 6).

Many Central Americans reside in the United States in an unauthorized status, however, and are therefore at risk of being removed (deported) from the country. The Pew Research Center estimates that 1.7 million (more than half) of the Central Americans residing in the United States in 2014 were unauthorized migrants. Although Secretary of Homeland Security John Kelly has asserted that “there will be no mass deportations,” Central American officials are concerned that removals from the United States may accelerate as a result of President Trump’s executive orders on immigration enforcement. In FY2016, the last full year of the Obama Administration, U.S. Immigration and Customs Enforcement (ICE) removed nearly 77,000 Central Americans, including about 34,000 Guatemalans; 22,000 Hondurans; and 21,000 Salvadorans. Although some observers maintain that deportees could bring new skills and entrepreneurial mindsets back to their countries of origin, a significant increase in removals from the United States likely would take a toll on Central American economies as a result of reduced remittances.

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59 Although most Central American migrants reside in the United States, about 47% of Nicaraguan migrants reside in Costa Rica. U.N. Population Division, Department of Economic and Social Affairs, Trends in International Migrant Stock: Migrants by Destination and Origin, December 2015.
60 Jeffrey S. Passel and D’vera Cohn, Overall Number of U.S. Unauthorized Immigrants Holds Steady Since 2009, Pew Research Center, September 20, 2016.
61 “Secretary of State Rex Tillerson Delivers Remarks with Mexican Foreign Minister Luis Videgaray,” CQ Newsmaker Transcripts, February 23, 2017.
In addition to the potential economic impact, increased deportations could fuel instability in the region. The northern triangle countries already are struggling to absorb deportees as a result of the countries’ weak labor markets and lack of social services, and an increase in deportations likely would aggravate social tensions.66 Other Central American nations, such as Costa Rica, fear that stricter immigration enforcement in the United States could lead to higher levels of intraregional migration that would strain their government resources.67 Some Central American officials also assert that deportations from the United States are exacerbating security problems. Although U.S. deportations in the 1990s contributed to the spread of gang violence in Central America, many analysts argue that more recent deportations have had a minimal effect on security conditions in the region. In FY2016, fewer than 2,100 individuals removed by ICE were classified as suspected or confirmed gang members.68


Ibid.


Trade

Most Central American nations have close commercial ties to the United States and have become more integrated into U.S. supply chains since the adoption of CAFTA-DR. In 2016, U.S. merchandise trade with the seven nations of Central America amounted to nearly $47 billion. Although Central America accounts for a small portion (1.3%) of total U.S. trade, the United States is a major market for Central American goods.\footnote{U.S. Department of Commerce data, as presented by Global Trade Atlas, accessed March 2017.} In 2016, the value of merchandise exports to the United States was equivalent to nearly 8% of GDP in Costa Rica, 9% of GDP in El Salvador, 22% of GDP in Honduras, and 25% of GDP in Nicaragua (see Figure 7).

![Figure 7. Central American Exports to the United States: 2016](image)

Given the economic importance of access to the U.S. market, Central American nations have closely tracked recent developments in U.S. trade policy. Some in the region were relieved by President Trump’s decision to withdraw from the Trans-Pacific Partnership (TPP), a proposed trade agreement among 12 Asia-Pacific countries.\footnote{For more information on the Trans-Pacific Partnership (TPP) and U.S. withdrawal from the agreement, see CRS Insight IN10443, \textit{CRS Products on the Trans-Pacific Partnership (TPP)}, by Ian F. Fergusson and Brock R. Williams.} Provisions of the agreement would have allowed nations such as Vietnam to export apparel to the United States duty-free, which could have eliminated much of the competitive advantage now enjoyed by Central American apparel producers as a result of CAFTA-DR.\footnote{CRS Report R44610, \textit{U.S. Textile Manufacturing and the Proposed Trans-Pacific Partnership Agreement}, by Michaela D. Platzer.} The Salvadoran government and the Central American-Dominican Republic Apparel and Textile Council estimated that the CAFTA-DR region would
have experienced a 15%-18% contraction in industrial employment in the first year after the TPP was implemented.\textsuperscript{72} If the United States enters into a similar trade agreement in the future, Congress could consider granting Central American nations trade preferences equal to those included in the new agreement to ameliorate the shock to economies in the region.\textsuperscript{73}

The Trump Administration’s initial trade policy decisions, including withdrawing from TPP and proposing to renegotiate the North American Free Trade Agreement (NAFTA), have led some observers to question whether CAFTA-DR and the U.S.-Panama Free Trade Agreement also may be reviewed. Central American leaders think the agreements are unlikely to receive new scrutiny because the United States ran a trade surplus of $8.3 billion with Central America in 2016, including bilateral surpluses with every country but Nicaragua, and the Trump Administration has focused primarily on reducing U.S. trade deficits.\textsuperscript{74} Nevertheless, other potential changes to trade policy that the President has floated, such as imposing tariffs on imports, could be detrimental to Central American economies. The IDB estimates that if the United States increased the average tariff for imports from Central America by 20% of their value, the region’s GDP would decline by 2.2-4.4 percentage points.\textsuperscript{75}

**Drug Control**

Although illicit drug production and consumption remain relatively limited in Central America,\textsuperscript{76} the region is seriously affected by the drug trade as a result of its location between cocaine producers in South America and consumers in the United States. About 90% of cocaine trafficked to the United States in 2016 transited through Central America, along with unknown quantities of opiates, cannabis, and methamphetamine.\textsuperscript{77} The criminal groups that move cocaine through the region receive immense profits; in Honduras alone, trafficking is estimated to generate $700 million per year, which is equivalent to 3.3% of the country’s GDP.\textsuperscript{78} Violence in the region has escalated as rival criminal organizations have fought for control over the lucrative drug trade and gangs have battled to control local distribution. The illicit funds produced by drug trafficking also have fostered corruption and impunity in Central America as criminal organizations have financed political campaigns and parties; distorted markets by channeling proceeds into legitimate and illegitimate businesses; and bribed security forces, prosecutors, and judges.\textsuperscript{79}


\textsuperscript{75} Inter-American Development Bank, *Running Out of Tailwinds: Opportunities to Foster Inclusive Growth in Central America and the Dominican Republic*, 2017, p. 80.

\textsuperscript{76} According to State Department estimates, about 260 hectares of opium poppy were under cultivation in Guatemala in 2015, with the potential to produce 6 metric tons of heroin. (In comparison, Mexico had an estimated production potential in 2015 of 600 metric tons of heroin). U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2017 *International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control*, March 2017.

\textsuperscript{77} Although Mexico is the source of most heroin in the United States, the State Department estimates that about 1,100 hectares of opium poppy were under cultivation in Colombia in 2015, with the potential to produce 24 metric tons of heroin. Ibid.


\textsuperscript{79} Ibid.
Upon the launch of the Mérida Initiative in FY2008, the George W. Bush Administration pledged to reduce drug demand in the United States as part of its “shared responsibility” to address the challenges posed by transnational crime. The Obama Administration reiterated that pledge. Between FY2008 and FY2016, U.S. expenditures on drug demand reduction efforts increased from $8.6 billion to $14.7 billion and the portion of the U.S. drug control budget dedicated to demand reduction increased from 39.3% to 48.2%. The estimated number of individuals aged 12 or older currently using (past month use of) cocaine declined from about 2.1 million in 2007 to 1.4 million in 2011 before climbing back up to 1.9 million in 2015 (the most recent year for which data are available).

Under the Obama Administration’s FY2017 budget request, demand reduction efforts would receive $15.8 billion and would account for a majority (50.9%) of the drug control budget for the first time. Congress has yet to conclude final action on FY2017 appropriations, but it provided additional funds specifically to address heroin and other opioid abuse in the continuing resolution (P.L. 114-254). The 114th Congress also enacted two other laws that address drug abuse and treatment—the Comprehensive Addiction and Recovery Act (P.L. 114-198) and the 21st Century Cures Act (P.L. 114-255). Legislative measures to expand or improve the effectiveness of programs to reduce cocaine and other illicit drug consumption in the United States likely would complement efforts under the Central America strategy and would maintain the sense of “shared responsibility” that has guided U.S. relations with the region over the past decade.

Outlook

Central America has made some progress in recent years but continues to face significant challenges. Although economic growth has accelerated since the end of the global financial crisis and U.S. recession, it has failed to produce enough employment to absorb the region’s growing labor force or reduce poverty. Civil society has grown stronger, taking to the streets to demand government accountability, but anticorruption efforts have sparked a fierce backlash from those who benefit from the status quo. Violence has declined in several countries, yet the region continues to be one of the most violent in the world, with persistent human rights abuses and widespread impunity.

The United States has begun to implement a new U.S. Strategy for Engagement in Central America, with Congress appropriating $1.3 billion since FY2015 to promote prosperity, strengthen governance, and improve security in the region. Most analysts think it will be difficult to achieve these objectives, however, and living conditions in the region are unlikely to improve significantly in the short-term. To achieve success in the medium- and long-term, Central American leaders would need to address long-standing issues such as weak institutions, precarious tax bases, and the lack of opportunities for young people. International donors would

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83 ONDCP, FY2017 Budget and Performance Summary, December 2016. There is considerable debate over whether the National Drug Control Budget captures the full scope of U.S. counter-drug activities. For more information, see CRS Report R41535, Reauthorizing the Office of National Drug Control Policy: Issues for Consideration, by Lisa N. Sacco and Kristin Finklea.
need to provide extensive support over an extended period of time. All of the stakeholders involved would need to enhance their coordination. Absent such efforts, conditions are likely to remain poor in several Central American countries, contributing to periodic instability that—as demonstrated by recent migrant flows—is likely to affect the United States.

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