
Updated November 12, 2019

Central America has received renewed attention from U.S. policymakers over the past few years as the region has remained a major transit corridor for illicit drugs and has surpassed Mexico as the largest 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. The U.S. government has worked more closely with partners in Central America to address those challenges since 2014, making some tentative progress. The region is now at serious risk of backsliding, however, as the Trump Administration has begun to withdraw U.S. diplomatic pressure and foreign aid while some Central American officials have begun to undermine anti-corruption campaigns and other structural reforms.

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 improve conditions in the region. With congressional support, it launched a new U.S. Strategy for Engagement in Central America and significantly increased aid to the region. The strategy took a more comprehensive approach than previous U.S. initiatives in Central America, based on the premise that efforts to promote prosperity, improve security, and strengthen governance are mutually reinforcing and of equal importance. The strategy focused primarily on the “Northern Triangle” countries of Central America (El Salvador, Guatemala, and Honduras), which face the greatest challenges, but it also provided a framework for U.S. engagement with Belize, Costa Rica, Nicaragua, and Panama.

Although the Trump Administration initially maintained the U.S. Strategy for Engagement in Central America, it has suspended most aid for the Northern Triangle since March 2019 due to the continued northward flow of migrants and asylum-seekers from the region. The Administration has withheld some assistance appropriated for the Northern Triangle in FY2017, reprogrammed nearly all assistance appropriated for the Northern Triangle in FY2018, and has yet to disburse most of the assistance appropriated for the Northern Triangle in FY2019. This aid suspension has forced U.S. agencies to begin closing down projects and canceling planned activities. The Trump Administration’s FY2020 budget proposal—released prior to the aid suspension—requested $445 million for Central America, including at least $180 million for the Northern Triangle.

Congressional Action

Congress has taken an active role in shaping U.S. policy toward Central America. It has appropriated nearly $2.6 billion for the region over the past four years, including $527.6 million in the Consolidated Appropriations Act, 2019 (P.L. 116-6). Congress also has placed strict conditions on the aid, requiring the Northern Triangle governments to address a range of concerns—including border security, corruption, and human rights—to receive assistance.

The 116th Congress could play a crucial role in determining the direction of U.S. policy in the region as it responds to the Administration’s aid suspension. Two authorization bills, H.R. 2615 and S. 1445, would authorize $577 million and $1.5 billion of assistance, respectively, for certain activities in Central America in FY2020. S. 1445 also would prohibit the Administration from reprogramming any assistance appropriated for the Northern Triangle nations since FY2016. A consolidated appropriations bill, H.R. 2740 (H.Rept. 116-78), passed by the House in June 2019, would appropriate $540.9 million for Central America in FY2020. The FY2020 State, Foreign Operations, and Related Programs Appropriations Act, S. 2583 (S.Rept. 116-126), introduced in September 2019, would provide “not less than” $515 million for Central America in FY2020. Both appropriations bills also would strengthen the funding directives for aid appropriated for Central America in FY2019. Since Congress has yet to enact either measure, a continuing resolution (P.L. 116-59) is currently funding foreign assistance programs at the FY2019 level until November 21, 2019.
Contents

Introduction ........................................................................................................................................................................................................................................... 1
U.S. Strategy for Engagement in Central America .......................................................................................................................................................................................... 3
  Background and Formulation ................................................................................................................................................................................................. 3
  Three Lines of Action ................................................................................................................................................................................................. 6
    Promoting Prosperity and Regional Integration ................................................................................................................................................. 6
    Strengthening Governance .................................................................................................................................................................................... 8
  Improving Security .............................................................................................................................................................................................. 10
Congressional Funding .......................................................................................................................................................................................... 12
Conditions on Assistance .................................................................................................................................................................................. 14
Relationship to the Alliance for Prosperity ...................................................................................................................................................... 16
Preliminary Results .......................................................................................................................................................................................... 18
Policy Issues for Congress.................................................................................................................................................................................. 19
  Suspension of U.S. Assistance to the Northern Triangle ..................................................................................................................................... 20
  Political Will in Central America ........................................................................................................................................................................... 23
  Aid Conditionality ............................................................................................................................................................................................ 25
  Implications of Other U.S. Policy Changes ................................................................................................................................................... 27
    Immigration ......................................................................................................................................................................................................................... 27
    Trade ............................................................................................................................................................................................................................. 29
    Drug Control ........................................................................................................................................................................................................... 30
Outlook .................................................................................................................................................................................................................. 31

Figures

Figure 1. U.S. Apprehensions of Northern Triangle Nationals at the Southwest Border:
  FY2012-FY2019 ........................................................................................................................................................................................................................................... 1
Figure 2. Map of Central America .................................................................................................................................................................................. 3
Figure 3. Central America Strategy Objectives and Lines of Action .................................................................................................................................................. 6
Figure 4. Funding for the U.S. Strategy for Engagement in Central America by Foreign
  Assistance Account: FY2016-FY2019 ................................................................................................................................................................. 14
Figure 5. U.S. Assistance to Central America: FY1946-FY2017 .................................................................................................................................................. 24
Figure 6. Remittances to Central America: 2018 ...................................................................................................................................................... 28
Figure 7. Central American Exports to the United States: 2018 .................................................................................................................................................. 29

Tables

Table 1. Central America Background Information ................................................................................................................................................................. 4
Table 2. Central America Socioeconomic Indicators ................................................................................................................................................... 7
Table 3. Central America Democracy and Governance Indicators ........................................................................................................................................... 9
Table 4. Central America Security Indicators ........................................................................................................................................................... 11
Table 5. Funding for the U.S. Strategy for Engagement in Central America by Country:
  FY2016-FY2020 ................................................................................................................................................................................................................. 13
Table 6. Alliance for Prosperity Funding by Country: 2016-2019 .............................................................................................................................................. 17
Table A-1. FY2016 Funding for the U.S. Strategy for Engagement in Central America .......... 33
Table A-2. FY2017 Funding for the U.S. Strategy for Engagement in Central America .......... 34
Table A-3. FY2018 Funding for the U.S. Strategy for Engagement in Central America .......... 35
Table A-4. FY2019 Funding for the U.S. Strategy for Engagement in Central America .......... 36
Table A-5. FY2020 Funding for the U.S. Strategy for Engagement in Central America .......... 36

Appendixes


Contacts

Author Information................................................................. 37
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, utilizing the region to traffic approximately 90% of cocaine destined for the United States, among other illicit activities. The region has also become a significant source of mixed migration flows of asylum-seekers and economic migrants to the United States. In FY2019, U.S. authorities apprehended nearly 608,000 unauthorized migrants from the Northern Triangle at the southwest border; 81% of those apprehended were families or unaccompanied minors, many of whom were seeking asylum (see Figure 1).

Figure 1. U.S. Apprehensions of Northern Triangle Nationals at the Southwest Border: FY2012-FY2019


Notes: Unaccompanied children = children under 18 years old without a parent or legal guardian at the time of apprehension. Family units = total number of individuals (children under 18 years old, parents, or legal guardians) apprehended with a family member.


2 For more information, see CRS In Focus IF11151, Central American Migration: Root Causes and U.S. Policy, by Peter J. Meyer and Maureen Taft-Morales.
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. According to the Obama Administration, this new 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 nearly $2.6 billion in aid for the region since FY2016 but has required the Northern Triangle governments to address a series of concerns prior to receiving U.S. support.

The Trump Administration initially maintained the U.S. Strategy for Engagement in Central America while adjusting the initiative to place more emphasis on preventing illegal immigration, combating transnational crime, and generating export and investment opportunities for U.S. businesses. The Administration also sought to scale back U.S. assistance to Central America. Congress has rejected some of the Administration’s proposed reductions, but annual appropriations for the region have declined by nearly 30% since FY2016 (see Table 5, below).

The future of the Central America strategy is now in question, however, as the Trump Administration has suspended most U.S. foreign assistance programs in El Salvador, Guatemala, and Honduras since March 2019. The suspension came after more than a year of threats from President Trump to cut off assistance to the Northern Triangle due to the continued northward flow of migrants and asylum-seekers from the region. Some Members of Congress have objected to the Administration’s policy shift and have introduced legislation that would restrict the Administration’s ability to transfer funds away from the region. The decisions made by the 116th Congress could play a crucial role in determining the direction of U.S. policy toward Central America in the coming years.

This report examines the U.S. Strategy for Engagement in Central America, including its formulation, objectives, funding, and relationship to the Alliance for Prosperity initiative put forward by the Northern Triangle governments. The report also analyzes the preliminary results of the strategy and several policy issues that the 116th Congress may assess as it considers the future of U.S. policy in Central America. These issues include the potential effects of suspending U.S. assistance to the Northern Triangle; the extent to which Central American governments are addressing their domestic challenges; the utility of conditions placed on assistance; and how changes in U.S. immigration, trade, and drug control policies could affect the region.

---


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 comparatively low levels of crime 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 but face growing security challenges (see Table 1). Given the geographic proximity of the region (see Figure 2), the

---

5 For more information, see CRS Report R43616, El Salvador: Background and U.S. Relations; CRS Report R42580, Guatemala: Political and Socioeconomic Conditions and U.S. Relations; CRS Report RL34027, Honduras: Background and U.S. Relations; CRS In Focus IF10908, Costa Rica: An Overview; and CRS In Focus IF10430, Panama: An Overview.
United States has historically maintained close ties to Central America and played a prominent role in the region’s political and economic development. It has also provided assistance to Central American nations designed to counter perceived threats to the United States, ranging from Soviet influence during the Cold War to illicit narcotics and irregular migration today.

Table 1. Central America Background Information

<table>
<thead>
<tr>
<th>People</th>
<th>Geography</th>
<th>Economy</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>Land Area</td>
<td>Gross Domestic Product</td>
<td>Head of Government</td>
</tr>
<tr>
<td>(2018 est.)</td>
<td>(sq. km.)</td>
<td>(GDP, 2018 est.)</td>
<td></td>
</tr>
<tr>
<td>Belize</td>
<td>0.4 million</td>
<td>$1.9 billion</td>
<td>Prime Minister Dean Barrow</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>5.0 million</td>
<td>$60.5 billion</td>
<td>President Carlos Alvarado</td>
</tr>
<tr>
<td>El Salvador</td>
<td>6.4 million</td>
<td>$26.1 billion</td>
<td>President Nayib Bukele</td>
</tr>
<tr>
<td>Guatemala</td>
<td>16.8 million</td>
<td>$78.5 billion</td>
<td>President Jimmy Morales</td>
</tr>
<tr>
<td>Honduras</td>
<td>9.2 million</td>
<td>$23.8 billion</td>
<td>President Juan Orlando Hernández</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>6.3 million</td>
<td>$13.1 billion</td>
<td>President Daniel Ortega</td>
</tr>
<tr>
<td>Panama</td>
<td>4.1 million</td>
<td>$65.1 billion</td>
<td>President Laurentino Cortizo</td>
</tr>
</tbody>
</table>

Sources: Population estimates from U.N. Economic Commission for Latin America and the Caribbean (ECLAC), Statistical Yearbook for Latin America and the Caribbean, 2018, March 2019; land area data from Central Intelligence Agency, World Factbook, 2019; GDP estimates from International Monetary Fund (IMF), World Economic Outlook Database October 2019, October 11, 2019.

Note: President-elect Alejandro Giammattei of Guatemala is scheduled to take office on January 14, 2020.

The U.S. Strategy for Engagement in Central America is the latest in a series of U.S. efforts over the past 20 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 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. 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.

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 rebranded 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

---

6 For more information, see CRS In Focus IF10394, Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), by M. Angeles Villarreal.

7 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 more information on the Millennium Challenge Corporation, see CRS Report RL32427, Millennium Challenge Corporation: Overview and Issues, by Nick M. Brown.
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.\(^8\)

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.\(^9\) As a result, the Obama Administration had already 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.\(^10\) Congress directed the Trump Administration to review and revise the strategy, but the updated version, released in August 2017, maintains the objectives and sub-objectives that the Obama Administration approved in 2014.\(^11\)

The U.S. Strategy for Engagement in Central America is intended to take 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.”\(^12\) Whereas other U.S. efforts over the past 20 years generally emphasized a single objective, such as economic growth or crime reduction, the current strategy is based on the premise that prosperity, security, and governance are “mutually reinforcing and of equal importance.”\(^13\)

The current 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.\(^14\) The U.S. Strategy for Engagement is 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 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.

---

\(^8\) 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.


\(^10\) CRS interview with State Department official, October 2016.


\(^12\) Ibid.


\(^14\) See, for example, Eric L. Olson et al., Crime and Violence in Central America’s Northern Triangle: How U.S. Policy Responses Are Helping, Hurting, and Can Be Improved, Woodrow Wilson International Center for Scholars, Reports on the Americas #34, December 2014.
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 (see Figure 3).

Figure 3. 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 have historically 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 is amidst a demographic shift 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 presents a window of opportunity to boost economic growth, 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></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>$4,862</td>
<td>Not available</td>
<td>3.0</td>
<td>27.3</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>$12,039</td>
<td>15.1</td>
<td>2.6</td>
<td>19.4</td>
</tr>
<tr>
<td>El Salvador</td>
<td>$3,922</td>
<td>37.8</td>
<td>2.5</td>
<td>27.2</td>
</tr>
<tr>
<td>Guatemala</td>
<td>$4,545</td>
<td>50.5a</td>
<td>3.1</td>
<td>26.6</td>
</tr>
<tr>
<td>Honduras</td>
<td>$2,524</td>
<td>53.2a</td>
<td>3.7</td>
<td>27.8</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>$2,031</td>
<td>46.3a</td>
<td>-3.8</td>
<td>13.2</td>
</tr>
<tr>
<td>Panama</td>
<td>$15,643</td>
<td>16.7</td>
<td>3.7</td>
<td>16.0</td>
</tr>
</tbody>
</table>


a. ECLAC considers a household below the poverty line if it is unable to satisfy the basic needs of its members. Data from 2016 for Honduras and 2014 for Guatemala and Nicaragua.

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 has sought to strengthen the capacities of regional organizations, including the Central America Integration System, to analyze, formulate, and implement regional trade policies. Likewise, the Department of Commerce has provided training and technical assistance intended to improve customs and border management and facilitate trade.

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, the State Department’s Bureau of Energy Resources has sought to strengthen the Central American power market and regional transmission system and enhance sustainable energy financing mechanisms to increase energy trade and attract investment in energy infrastructure. Similarly, USAID has worked with regional governments to develop uniform procurement processes and transmission rights as well as regulations to facilitate investment in renewable power generation projects.

15 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.

16 USAID, “Program Narrative: Central America Regional,” CN #151, July 20, 2018, pp. 3-4.


18 Ibid.

19 USAID, “Regional Program Narrative: Central America Regional,” CN #14, October 14, 2016, p. 4.
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 has supported 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 introduced farmers to new crops, technologies, and sanitary processes intended to increase agricultural productivity, improve farming practices and natural resource management, and boost exports.\textsuperscript{20}

Facilitating access to quality education is another way in which the strategy seeks to promote prosperity in Central America. For example, USAID has funded basic education programs in Nicaragua, including efforts to improve teacher training and student reading performance.\textsuperscript{21} In El Salvador, USAID has sought to develop partnerships between academia and the private sector and to better link tertiary education with labor-market needs. Among other activities, USAID has supported career centers, internship programs, and academic programs in key economic sectors.\textsuperscript{22}

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. For instance, USAID has worked with communities in the Western Highlands of Guatemala to reduce the region’s vulnerability to climate change. USAID has supported 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.\textsuperscript{23}

**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, did not establish their current civilian democratic regimes until the 1980s and 1990s, after decades of political repression and protracted civil conflicts.\textsuperscript{24} Although every Central American country now holds regular elections, several have been controversial, and 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 to improve the technical competence of government employees, depoliticize government institutions, and ensure continuity across administrations. In El Salvador, for example, USAID has supported civil society efforts to advocate for civil service reforms and the implementation of merit-based systems.\textsuperscript{25}

\textsuperscript{20} USAID, “Country Narrative: Honduras,” CN #97, April 10, 2018, pp. 5-6.
\textsuperscript{22} USAID, “Country Narrative: El Salvador,” CN #96, April 10, 2018, pp. 5-6.
\textsuperscript{24} 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 neighbors.
\textsuperscript{25} USAID, “Country Narrative: El Salvador,” CN #96, April 10, 2018, p. 3.
Table 3. Central America Democracy and Governance Indicators

<table>
<thead>
<tr>
<th></th>
<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>86, Free</td>
<td>30</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>91, Free</td>
<td>68</td>
<td>56</td>
<td>46</td>
</tr>
<tr>
<td>El Salvador</td>
<td>67, Free</td>
<td>37</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>Guatemala</td>
<td>53, Partly Free</td>
<td>24</td>
<td>27</td>
<td>41</td>
</tr>
<tr>
<td>Honduras</td>
<td>46, Partly Free</td>
<td>28</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>32, Not Free</td>
<td>19</td>
<td>25</td>
<td>46</td>
</tr>
<tr>
<td>Panama</td>
<td>84, Free</td>
<td>52</td>
<td>37</td>
<td>26</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, the Department of the Treasury has provided technical assistance to Guatemala’s Ministry of Finance intended to improve treasury management operations and develop an investment policy to ensure financial resources are used efficiently and transparently.26 At the same time, USAID has trained Guatemalan civil society organizations about transparency laws to strengthen the organizations’ capacities to hold the government accountable.27

Other activities are designed to ensure governments in the region uphold democratic values and practices, including respect for human rights. For example, USAID has supported independent media as well as civil society organizations working to promote and defend democracy in Nicaragua.28 The State Department’s Bureau of Democracy, Human Rights, and Labor (DRL) works throughout the region to support human rights defenders and civil society organizations that face threats and attacks as a result of their work. DRL assistance seeks to help individuals avoid or mitigate threats, withstand attacks, and continue advocacy efforts domestically and internationally.29

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) has provided training and technical assistance to prosecutors, judges, and other justice sector actors on issues such as case management and justice sector administration. INL has also provided specialized training and equipment designed to strengthen forensic capabilities, internal affairs offices, and investigative skills in the region. Moreover, INL has partially funded the operations of international anti-corruption commissions that assist local prosecutors in the investigation and prosecution of complex corruption cases.30

**Improving Security**

Violence has long plagued Central America, and Belize, El Salvador, Guatemala, and Honduras continue to 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 due to 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 has engaged in a variety of activities designed to improve the quality and strengthen the capacity of the Honduran National Police. Among other activities, INL has supported efforts to vet police officers, improve police academy curricula and training, and enhance police engagement with civil society.31 U.S. assistance has also funded regional efforts to employ intelligence-led policing, such as the expansion of the comparative statistics (COMPSTAT) model, which allows real-time mapping and analysis of criminal activity.32

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 interventions in the most violent Central American communities. USAID interventions have included 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

---


INL has funded primary prevention programs intended to reduce gang affiliation and increase job prospects for inmates who are eligible for early release. It also has supported the development of “model police precincts,” which are designed to build local confidence in law enforcement by converting police forces into community-based, service-oriented organizations.

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 (2018)</td>
<td>% of Population Reporting They Were the Victim of a Crime in the Past Year (2018/19)</td>
<td>Percentile Rank Globally; 0-100, Weakest to Strongest (2018)</td>
</tr>
<tr>
<td>Belize</td>
<td>36</td>
<td>Not available</td>
<td>20</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>12</td>
<td>22</td>
<td>69</td>
</tr>
<tr>
<td>El Salvador</td>
<td>51</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>Guatemala</td>
<td>22</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Honduras</td>
<td>41</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Not available</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Panama</td>
<td>10</td>
<td>22</td>
<td>52</td>
</tr>
</tbody>
</table>


**Note:** The homicide rate is not available for Nicaragua, where government repression led to more than 300 deaths in 2018 according to human rights organizations. In 2017, Nicaragua registered 431 total murders and a homicide rate of 7 per 100,000.

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. U.S. support for regional militaries also aims to increase their capabilities and strengthen military-to-military relationships. Central American armed forces personnel have received training on topics such as intelligence, defense acquisition, and search and rescue planning at military institutions in the United States.

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 has helped Panama’s national border service deploy tactical mobility vehicles and

---


34 See, for example, U.S. Department of State, “Congressional Notification 18-101—State Western Hemisphere Regional: Central America Regional Security Initiative (Carsi), El Salvador,” May 9, 2019, p. 4.


sustain fixed- and rotary-wing aircraft to protect its maritime and land borders.37 INL has used 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.38

**Congressional Funding**

Congress has appropriated nearly $2.6 billion for efforts under the U.S. Strategy for Engagement in Central America. This figure includes $750 million in FY2016, $684.8 million in FY2017, an estimated $614.5 million in FY2018, and an estimated $527.6 million in FY2019 (see Table 5 and the Appendix).39 The State Department and USAID have allocated the vast majority of the aid to El Salvador, Guatemala, and Honduras, including at least 76% of the funding appropriated in FY2016 and FY2017.40 Some of the aid Congress appropriated will never be delivered to the region, however, since the Trump Administration reprogramed more than $400 million of FY2018 assistance for the Northern Triangle to other countries around the world (see “Suspension of U.S. Assistance to the Northern Triangle,” below).

Prior to the aid suspension, the Trump Administration requested $445 million to continue implementing the U.S. Strategy for Engagement in Central America in FY2020. If enacted, aid to the region would decline by 16% compared to the FY2019 estimate. Nevertheless, assistance would remain above the pre-strategy average of $376 million between FY2010 and FY2014.41 The Labor, Health and Human Services, Education, Defense, State, Foreign Operations, and Energy and Water Development Appropriations Act, 2020 (H.R. 2740, H.Rept. 116-78), passed by the House in June 2019, would appropriate “not less than” $540.85 million for Central America. The FY2020 State, Foreign Operations, and Related Programs Appropriations Act, S. 2583 (S.Rept. 116-126), introduced in September 2019, would provide “not less than” $515 million for Central America in FY2020. Since Congress has yet to enact either measure, a continuing resolution (P.L. 116-59) is currently funding foreign assistance programs at the FY2019 level until November 21, 2019.

To date, Congress has appropriated all funds for the U.S. Strategy for Engagement in Central America to the State Department and USAID, with the exception of $2 million appropriated to the Overseas Private Investment Corporation in FY2016 and two $10 million transfers designated for the Inter-American Foundation in FY2018 and FY2019. Nevertheless, many other U.S. agencies are carrying out programs intended to advance the objectives of the strategy using their own resources and/or funds transferred from the State Department and USAID. The other agencies involved include the Department of Agriculture, the Department of Commerce, the Department of Defense, the Department of Homeland Security (DHS), the Department of Justice (DOJ), the Department of Labor, the Department of the Treasury, the Millennium Challenge Corporation, and the U.S. Trade and Development Agency.

---

38 See, for example, U.S. Department of State, “Congressional Notification 18-101—State Western Hemisphere Regional: Central America Regional Security Initiative (CARS), El Salvador,” May 9, 2018.
39 Previous versions of this report included slightly larger appropriations figures due to the inclusion of humanitarian food assistance (P.L. 480 Title II) for Guatemala.
Table 5. Funding for the U.S. Strategy for Engagement in Central America
by Country: FY2016-FY2020
(appropriations in millions of current U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018 (estimate)</th>
<th>FY2019 (estimate)</th>
<th>FY2020 (request)</th>
<th>% Change 2018-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>0.0</td>
<td>0.2</td>
<td>-83%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1.8</td>
<td>5.7</td>
<td>5.7</td>
<td>8.2</td>
<td>0.4</td>
<td>-93%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>67.9</td>
<td>72.8</td>
<td>57.7</td>
<td>0.0</td>
<td>45.7</td>
<td>-21%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>127.5</td>
<td>125.5</td>
<td>108.5</td>
<td>13.0</td>
<td>69.4</td>
<td>-36%</td>
</tr>
<tr>
<td>Honduras</td>
<td>98.3</td>
<td>95.3</td>
<td>79.7</td>
<td>0.0</td>
<td>65.8</td>
<td>-18%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>10.0</td>
<td>9.7</td>
<td>10.0</td>
<td>0.0</td>
<td>6.0</td>
<td>-40%</td>
</tr>
<tr>
<td>Panama</td>
<td>3.3</td>
<td>3.3</td>
<td>3.1</td>
<td>0.5</td>
<td>1.2</td>
<td>-61%</td>
</tr>
<tr>
<td>CARSI</td>
<td>348.5</td>
<td>329.2</td>
<td>319.2</td>
<td>290.0</td>
<td>250.3</td>
<td>-22%</td>
</tr>
<tr>
<td>Other Regional Assistance</td>
<td>91.4</td>
<td>42.1</td>
<td>29.5</td>
<td>215.9</td>
<td>6.0</td>
<td>-80%</td>
</tr>
<tr>
<td>Total</td>
<td>750.0</td>
<td>684.8</td>
<td>614.5</td>
<td>527.6</td>
<td>445.0</td>
<td>-28%</td>
</tr>
</tbody>
</table>


Notes: CARSI = Central America Regional Security Initiative. “Other Regional Assistance” includes assistance appropriated or requested for the entire Central American region through funding accounts such as the State Department’s Western Hemisphere Regional program, USAID’s Central America Regional program, the Overseas Private Investment Corporation, and the Inter-American Foundation. The State Department does not consider health assistance provided through USAID’s Central America Regional program to be part of the strategy.

a. The Trump Administration reprogrammed approximately $400 million of bilateral and regional aid that it had previously allocated to El Salvador, Guatemala, and Honduras. Revised allocations are not yet available.

b. For FY2019, Congress appropriated most assistance for Central America as regional aid, giving the State Department flexibility in allocating the resources among the seven nations of the isthmus. Country-by-country allocations are not yet available.

c. H.Rept. 116-9 stipulates that $32.5 million of CARSI assistance is to be allocated to Costa Rica.

Although many 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 expand ongoing security efforts. For FY2016-FY2019, Congress allocated funding for the Central America strategy in the following manner:

- 40% 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.

- 33% was appropriated through the International Narcotics Control and Law Enforcement account, with the funds roughly evenly divided between programs to support law enforcement and programs designed to strengthen other justice sector institutions.

- 20% 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.
• 5% 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 4).

Figure 4. Funding for the U.S. Strategy for Engagement in Central America by Foreign Assistance Account: FY2016-FY2019


Notes: “Other” includes funding appropriated through the Global Health Programs account (2%); the Overseas Private Investment Corporation (0.1%); and the Nonproliferation, Antiterrorism, Demining, and Related programs account (0.1%).

Conditions on Assistance

Congress has placed strict conditions on assistance to El Salvador, Guatemala, and Honduras in each of the foreign aid appropriations measures enacted since FY2016 in an attempt to bolster political will in the region and improve the effectiveness of U.S. programs. For example, the Consolidated Appropriations Act, 2018 (P.L. 115-141) 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

• informing its citizens of the dangers of the journey to the southwest border of the United States;
• combating human smuggling and trafficking;
• improving border security, including preventing illegal migration, human smuggling and trafficking, and trafficking of illicit drugs and other contraband; and
cooperating with U.S. government agencies and other governments in the region to facilitate the return, repatriation, and reintegration of illegal migrants arriving at the southwest border of the United States who do not qualify for asylum, consistent with international law.

The State Department certified that all three countries met those conditions in FY2016, FY2017, and FY2018, issuing the most recent certifications in August 2018.\footnote{U.S. Department of State, Certification Pursuant to Section 7045(a)(3)(A) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 (Div. K, P.L. 115-141), August 11, 2018.}

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 each government was

- working cooperatively with an autonomous, publicly accountable entity to provide oversight of the Plan of the Alliance for Prosperity in the Northern Triangle in Central America;\footnote{The Alliance for Prosperity is a complementary initiative developed by the Northern Triangle governments. For more information, see “Relationship to the Alliance for Prosperity,” below.}
- combating corruption, including investigating and prosecuting current and former government officials credibly alleged to be corrupt;
- implementing 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;
- implementing a policy to ensure that local communities, civil society organizations (including indigenous and other marginalized groups), and local governments are consulted in the design, and participate in the implementation and evaluation of, activities of the [Alliance for Prosperity] that affect such communities, organizations, and governments;
- countering the activities of criminal gangs, drug traffickers, and organized crime;
- investigating and prosecuting in the civilian justice system government personnel, including military and police personnel, who are credibly alleged to have violated human rights, and ensuring that such personnel are cooperating in such cases;
- cooperating with commissions against corruption and impunity and with regional human rights entities;
- supporting programs to reduce poverty, expand education and vocational training for at-risk youth, create jobs, and promote equitable economic growth, particularly in areas contributing to large numbers of migrants;
- implementing a plan that includes goals, benchmarks, and timelines to create a professional, accountable civilian police force and end the role of the military in internal policing, and make such plan available to the Department of State;
- protecting the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference;
- increasing government revenues, including by implementing tax reforms and strengthening customs agencies; and
• resolving 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 all three countries in FY2016 and FY2017. It did not issue certifications for any of the countries for FY2018.

The Consolidated Appropriations Act, 2019 (P.L. 116-6) maintained all 16 of those conditions, with some slight variations in wording. However, it consolidated the two separate certification requirements attached to 75% of assistance for the central governments into a single certification requirement attached to 50% of assistance for the central governments.44 The State Department has not issued any certifications for FY2019.

For FY2020, H.R. 2740 (H.Rept. 116-78) would once again tie 50% of aid to the central governments of El Salvador, Guatemala, and Honduras to the 16 conditions enacted in prior years. S. 2583 (S.Rept. 116-126), by contrast, would tie 100% of aid to those governments to a pared-down list of five conditions.

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 drafted with technical assistance from the Inter-American Development Bank (IDB) and announced by the Salvadoran, Guatemalan, and Honduran governments in September 2014. Originally envisioned as a five-year, $22 billion initiative, the Alliance for Prosperity 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.45

---

44 See Section 7045(a)(1) of P.L. 116-6.
45 Governments of El Salvador, Guatemala, and Honduras, *Plan of the Alliance for the Prosperity of the Northern*
The Northern Triangle governments collectively allocated approximately $7.2 billion for the Alliance for Prosperity from 2016 to 2018 (see Table 6). They also budgeted $2.8 billion for the initiative in 2019, though final allocations may be lower given that planned funding significantly exceeded actual funding in prior years. The resources allocated to the initiative have included government revenues as well as loans from the IDB and other international financial institutions. About 39% of the funds budgeted for the Alliance for Prosperity have been dedicated to developing human capital, 36% to stimulating the productive sector, 19% to improving public security and access to justice, and 7% to strengthening institutions and promoting transparency.46 Some analysts argue that the Alliance for Prosperity should focus more on the region’s most pressing challenges, such as reducing the size of the informal economy, and that the funds allocated to the plan could be better targeted toward the communities most in need of support.47

Table 6. Alliance for Prosperity Funding by Country: 2016-2019
(in millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 (planned)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Salvador</td>
<td>869</td>
<td>562</td>
<td>532</td>
<td>498</td>
<td>2,461</td>
</tr>
<tr>
<td>Guatemala</td>
<td>492</td>
<td>646</td>
<td>1,265</td>
<td>1,313</td>
<td>3,716</td>
</tr>
<tr>
<td>Honduras</td>
<td>965</td>
<td>910</td>
<td>981</td>
<td>952</td>
<td>3,808</td>
</tr>
<tr>
<td>Total</td>
<td>2,326</td>
<td>2,118</td>
<td>2,778</td>
<td>2,763</td>
<td>9,985</td>
</tr>
</tbody>
</table>


Note: 2018 data for Honduras reflects planned funding rather than final allocations.

Although the U.S. Strategy for Engagement in Central America and the Alliance for Prosperity have broadly similar objectives and fund complementary efforts, they prioritize different activities. Whereas the U.S. Strategy for Engagement in Central America is designed to advance U.S. interests in all seven nations of the isthmus, 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 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 partially focused on large-scale infrastructure projects, which are not funded by the U.S. Strategy for Engagement in Central America.48

46 Montos Presupuestados y Ejecutados Alineados al PAPTN, “document provided to CRS by the Inter-American Development Bank, June 2019.


48 Section 7045(a)(4)(B) of the Consolidated Appropriations Act, 2019 (P.L. 116-6) states, “None of the funds appropriated by this Act that are made available for assistance for countries in Central America may be made available for direct government-to-government assistance or for major infrastructure projects.”
Preliminary Results

Although the U.S. Strategy for Engagement in Central America was adopted more than five years ago and Congress first appropriated funding for the strategy nearly four years ago, it is too early to assess the full impact of the initiative. Due to delays in the budget process, certification requirements, and congressional holds, approximately 80% of the funding for the Central America strategy that Congress appropriated for FY2016 was obligated (i.e., agencies entered into contracts or submitted purchase orders for goods or services) from March to September 2017. Consequently, implementation of the strategy has been under way for about 2½ years.

The State Department and USAID selected 39 performance indicators to track progress toward each sub-objective of the strategy. Some of the metrics measure outputs, such as the number of civilian police trained by U.S. personnel, and others measure outcomes, such as the percentage of citizens in the region who trust the police. In FY2018, U.S. agencies reportedly met or exceeded their targets on 14 indicators while falling short on eight. INL apparently did not establish targets for the other 17 indicators. The State Department’s most recent monitoring and evaluation report, issued in May 2019, does not include any targets for FY2019 since the Administration had suspended foreign assistance programs in the Northern Triangle (see “Suspension of U.S. Assistance to the Northern Triangle,” below).

Many activities funded by the Central America strategy build upon previous U.S. assistance efforts that have proven successful. For example, USAID is expanding its community-based crime and violence prevention programs throughout the region. A three-year impact evaluation, published in 2014, found that communities where such programs were implemented reported 19% fewer robberies, 51% fewer extortion attempts, and 51% fewer murders than would have otherwise been expected based on trends in similar communities. USAID is also scaling up rural development efforts in the Northern Triangle. Since 2011, the agency’s agriculture programs have reportedly lifted approximately 90,000 Hondurans out of extreme poverty, leading the Honduran government to invest $56 million to replicate the model.

Although country-level indicators measure factors outside the control of the U.S. government, the State Department and USAID assert that U.S. programs can contribute to nationwide improvements over the longer term. The most recent statistics available suggest the Northern Triangle nations, which have received the vast majority of U.S. assistance, have achieved mixed results in recent years.

---


Security conditions have improved in some respects, as homicide rates declined by 51% in El Salvador, 27% in Guatemala, and 32% in Honduras from 2015 to 2018. Nevertheless, many individuals continue to feel insecure, and the percentage of individuals reporting they were victims of crime increased in all three Northern Triangle nations between 2014 and 2018.

Economic growth has remained steady since 2014, averaging 2.3% per year in El Salvador, 3.5% in Guatemala, and 3.9% in Honduras. However, the stable macroeconomic situation has not translated into better living conditions for many residents. The poverty rate has declined by nearly seven percentage points in El Salvador, but it appears relatively unchanged in Guatemala and Honduras.

Attorneys general in all three Northern Triangle countries, with some international support, have taken on high-profile corruption cases that have implicated presidents, cabinet ministers, and legislators. Those efforts to improve governance could be undermined or even reversed, though, as they face considerable opposition from political and economic elites in the region. Moreover, Freedom House has documented erosions in political rights and/or civil liberties in all three Northern Triangle nations since 2014.

The Trump Administration argues that the increase in apprehensions of Central American migrants and asylum-seekers at the U.S. border in FY2019 is evidence that the U.S. Strategy for Engagement in Central America “has not been effective.” Although Administration officials acknowledge U.S. foreign aid programs have been “producing the results [they] were intended to produce,” they maintain, “the only metric that matters is the question of what the migration situation looks like on the southern border.” There is evidence, however, that some aid programs also have reduced migration. In Honduras, for example, beneficiaries of a USAID agriculture and food security program migrated at half the rate of the surrounding community in 2018.

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


56 IMF, World Economic Outlook Database October 2019, October 11, 2019; and ECLAC, CEPALSTAT Database, accessed November 2019.

57 U.S. Department of State. May 2019, Attachment 3, p. 3.

58 See, for example, Jeff Ernst and Elisabeth Malkin, “In a Corruption Battle in Honduras, the Elites Hit Back,” New York Times, July 1, 2018; “El Salvador’s Top Cop Pursues Politicians; Now Some Want Him Gone,” Reuters, December 20, 2018; and Héctor Silva Ávalos and Parker Asmann, “5 Takeaways from CICIG, Guatemala’s Anti-Corruption Experiment,” Insight Crime, September 5, 2019.


60 “Senate Foreign Relations Committee Holds Hearing on State Department Fiscal 2020 Budget Request,” CQ Congressional Transcripts, April 10, 2019.

61 “Senate Foreign Relations Committee Holds Hearing on U.S. Policy in Mexico and Central America,” CQ Congressional Transcripts, September 25, 2019.

issues include the potential effects of suspending U.S. assistance to the Northern Triangle; 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 how changes in U.S. immigration, trade, and drug control policies could affect U.S. objectives in the region.

Suspension of U.S. Assistance to the Northern Triangle

In March 2019, the Trump Administration suspended most U.S. foreign assistance to El Salvador, Guatemala, and Honduras due to the continued northward flow of migrants and asylum-seekers from the Northern Triangle. Since then, the State Department has reportedly reprogrammed $404 million (82%) of the $490 million of FY2018 assistance that it had planned to provide to the Northern Triangle, sending the funds to Venezuela and a variety of other nations. It allocated the remaining $86 million of FY2018 assistance to previously awarded grants and contracts as well as DOJ and DHS programs intended to counter transnational crime and improve border security.

The State Department also was withholding approximately $164 million (26%) of the $620 million of FY2017 assistance that it previously had obligated for programs in the Northern Triangle. In October 2019, however, the State Department announced it would resume “targeted U.S. foreign assistance funding” for El Salvador, Guatemala, and Honduras. That decision reportedly will release about $143 million of FY2017 aid to carry out joint security efforts, promote economic growth, strengthen the rule of law and good governance, and help Northern Triangle governments strengthen their asylum systems.

It remains unclear whether the Administration intends to continue withholding assistance appropriated in FY2019 or revise its FY2020 budget proposal, which requested $445 million for Central America, including at least $180 million for the Northern Triangle. The Administration reportedly intends to launch a new economic development plan in 2020, but it has released few details thus far.

The aid suspension has forced USAID and INL to begin closing down projects and canceling planned activities. In June 2019, for example, USAID implementing partners laid off 140 agricultural technicians that had been assisting 125,000 poor and food insecure Hondurans in the midst of the drought-affected harvest season. Without additional funding, many more projects in

66 Ibid; CRS communication with USAID official, October 2019; and Nick Miroff, “President Trump Says He will Unfreeze Security Aid to Central American Countries,” Washington Post, October 16, 2019.
68 USAID Honduras, “Overview of how Loss of FY’18 Funds has affected USAID/Honduras Activities,” document provided to CRS, August 2019.
the Northern Triangle will end prematurely by the end of 2019. Those include a project to generate economic opportunities for youth in El Salvador, a project to improve urban security conditions in Guatemala, and a regional project to protect human rights defenders. In Honduras, the total number of beneficiaries of USAID projects fell from 1.5 million in March 2019 to 1.1 million in September 2019. Without new funding, USAID estimates that the number of Hondurans receiving some type of USAID support will fall to 700 million by December 2019 and 18,000 by December 2020. The USAID missions in El Salvador and Guatemala would likely face similar declines.

Since the aid suspension was announced, all three Northern Triangle governments have demonstrated a willingness to continue working with the United States to reduce irregular migration. They have signed several cooperation agreements with the Trump Administration, including agreements that could require some asylum-seekers to apply for protection in the Northern Triangle rather than in the United States. Acting Secretary of Homeland Security Kevin McAleenan asserts that the agreements are intended to provide “access to protection to those who need it, as close to home as possible” while limiting the ability of migrant smugglers “to profit off false promises and to exploit those individuals seeking to come to our border.” Critics argue that the Northern Triangle countries are not safe for their own citizens, let alone potential refugees.

Although the prospect of losing aid appears to have led the Northern Triangle governments to bolster their efforts to address U.S. concerns, the Administration’s abrupt policy change could lead some officials to question the reliability of the United States and begin to seek out other international partners. The president of the Salvadoran Congress, for example, reportedly responded to the aid suspension by noting that China was offering to cooperate with the country. An extended suspension of U.S. assistance could provide incentives for the region to further diversify its foreign and trade relationships.

The aid suspension is unlikely to have a major impact on economies in the region, especially if it is short-lived. In 2017, U.S. assistance was equivalent to about 0.3% of GDP in Guatemala, 0.5% of GDP in El Salvador, and 0.8% of GDP in Honduras. Nevertheless, the suspension could have much larger effects in the marginalized communities where U.S. development efforts are concentrated. In September 2019, for example, Catholic Relief Services was forced to close a USAID-funded food security program that had been assisting nearly 30,000 people in

---

70 Untitled USAID document provided to CRS, September 2019.
71 USAID Honduras, “Migration Briefing,” document provided to CRS, August 2019.
75 Carlos Mario Marquez, “Preocupación en Centroamérica por anuncio de Trump de Suspender Ayuda,” Agence France Presse, April 1, 2019.
76 USAID, Foreign Aid Explorer: The official Record of U.S. Foreign Aid, accessed June 2019; and International Monetary Fund, World Economic Outlook Database April 2019, April 9, 2019.
Guatemala’s eastern dry corridor, including acutely malnourished children.\textsuperscript{77} Aid organizations argue that the loss of U.S. support could accelerate out-migration from such areas.\textsuperscript{78}

The suspension of U.S. assistance also could jeopardize recent improvements in security conditions in the Northern Triangle. Although the Administration has continued to support specialized security force units established by U.S. agencies to support joint law enforcement operations, it has withdrawn funding for other security assistance programs, such as community policing initiatives, crime and violence prevention programs, and efforts to strengthen security and justice sector institutions. Homicide rates are reportedly increasing once again in some neighborhoods in Honduras from which USAID withdrew due a lack of funds.\textsuperscript{79}

In addition to those socioeconomic and security concerns, the Northern Triangle is at serious risk of backsliding with respect to governance and rule of law. U.S. assistance has offered crucial technical and diplomatic support to prosecutors combating high-level corruption, allowing them to take on unprecedented cases in recent years. Their tentative progress has generated fierce backlash from political and economic elites who benefit from the status quo.\textsuperscript{80} An extended suspension of U.S. assistance could undercut U.S. allies within the Northern Triangle governments and empower the sectors most resistant to change.

Congress appears to have provided the President with significant authority—in annual appropriations legislation (P.L. 115-141 and P.L. 116-6) and the Foreign Assistance Act of 1961, as amended (22 U.S.C. §§2151 et seq.)—to reprogram assistance away from the Northern Triangle. If Congress thinks the Administration is using that authority in ways that do not reflect congressional intent, it could enact legislation to restrict the Administration’s ability to transfer or reprogram assistance. For example, the Labor, Health and Human Services, Education, Defense, State, Foreign Operations, and Energy and Water Development Appropriations Act, 2020 (H.R. 2740, H.Rept. 116-78), passed by the House in June 2019, would appropriate “not less than” $540.85 million for Central America and strengthen the funding directives for FY2017, FY2018, and FY2019 foreign aid appropriations for the region. Similarly, the FY2020 State, Foreign Operations, and Related Programs Appropriations Act (S. 2583, S.Rept. 116-126), introduced in the Senate, would direct that “not less than” $525 million appropriated in FY2019 be made available for the region. The Central America Reform and Enforcement Act (S. 1445, Schumer), introduced in May 2019, would go further, prohibiting the reprogramming of any assistance appropriated for the Northern Triangle nations since FY2016.

Congress also could consider a foreign assistance authorization for Central America to guide aid levels and priorities and reassure partners in the region that the United States is committed to a long-term effort. S. 1445 would require the Secretary of State to develop a new five-year interagency strategy to advance reforms in Central America and would authorize $1.5 billion in FY2020 to carry out certain activities in support of the new strategy. The United States-Northern Triangle Enhanced Engagement Act (H.R. 2615, Engel), which the House passed in July 2019,

\textsuperscript{77} U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Western Hemisphere, Civilian Security and Trade, \textit{Assessing the Impact of Cutting Foreign Assistance to Central America}, Written Testimony of Rick Jones, Senior Technical Advisor for Latin America and the Caribbean, Catholic Relief Services, 116\textsuperscript{th} Cong., 1\textsuperscript{st} sess., September 25, 2019.

\textsuperscript{78} “U.S. Aid Cuts to Central America May Backfire, Fueling Migration North: Charities,” Reuters, April 2, 2019.

\textsuperscript{79} CRS meeting with USAID officials, August 2019.

\textsuperscript{80} Jeff Ernst and Elisabeth Malkin, “In a Corruption Battle in Honduras, the Elites Hit Back,” \textit{New York Times}, July 1, 2018; “El Salvador’s Top Cop Pursues Politicians; Now Some Want Him Gone,” Reuters, December 20, 2018; and Héctor Silva Ávalos and Parker Asmann, “5 Takeaways from CICIG, Guatemala’s Anti-Corruption Experiment,” \textit{Insight Crime}, September 5, 2019.
would authorize $577 million for the U.S. Strategy for Engagement in Central America in FY2020, including “not less than” $490 million for the Northern Triangle. The measure would also require the State Department, in coordination with other agencies, to develop five-year strategies to support inclusive economic growth, combat corruption, strengthen democratic institutions, and improve security conditions in the Northern Triangle.

**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. 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. 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.

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. 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 5)—were not always matched by far-reaching domestic reforms in the region. 

---


Over the past few years, Central American governments have demonstrated varying levels of commitment to internal reform. As discussed previously, the three Northern Triangle governments worked together to develop the Alliance for Prosperity, which includes numerous policy commitments. At the same time, tax collection has remained relatively flat in the region, leaving governments without the resources necessary to address chronic poverty or other challenges.

Moreover, some elected officials in the Northern Triangle have sought to undermine anti-corruption efforts. For example, Guatemalan President Jimmy Morales refused to renew the mandate of the U.N.-backed International Commission against Impunity in Guatemala (CICIG by its Spanish acronym), forcing it to end operations in September 2019. Similarly, Honduran President Juan Orlando Hernández has thus far refused to renew the mandate of the Organization of American States (OAS)-backed Mission to Support the Fight against Corruption and Impunity in Honduras (MACCIH by its Spanish acronym), which expires in January 2020.

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, H.Rept. 116-9, notes that the Consolidated Appropriations Act, 2019 (P.L. 116-6), “supports efforts to strengthen the rule of law by combating corruption and impunity in Central America” by providing $6 million for CICIG, $5 million for MACCIH, and $20 million for the attorneys general of El Salvador, Guatemala and

86 Instituto Centroamericano de Estudios Fiscales, *Perfiles Marcofiscales de Centroamérica: Por Una Política Fiscal para la Democracia y el Desarrollo*, No.11, April 2019, p. 27.
Honduras. The report also states that “the Secretary of State should consider the capacity, record, and commitment to the rule of law of each office” when allocating funds.

Congress could also continue to call attention to individuals in the region who seek to subvert reform efforts. For example, a reporting requirement in S.Rept. 115-282, made binding by the Consolidated Appropriations Act, 2019 (P.L. 116-6), required the Secretary of State to produce an assessment of grand corruption in the Northern Triangle. The report was required to include a list of senior Salvadoran, Guatemalan, and Honduran officials known, or credibly alleged, to have committed or facilitated such corruption and a description of steps taken to impose sanctions pursuant to the Global Magnitsky Human Rights Accountability Act (P.L. 114-328). The report, issued in May 2019, lists more than 60 current and former officials. It also notes that between January and April 2019, the State Department used its various sanctions authorities to revoke the visas of 85 individuals from the Northern Triangle suspected of corrupt acts.87

Congress could put additional pressure on corrupt individuals and attempt to deter others by enacting legislation to establish new economic sanctions regimes or by recommending sanctions pursuant to existing law. For example, the Guatemala Rule of Law Accountability Act (H.R. 1630, Torres) would direct the President to impose targeted sanctions (asset blocking and visa restrictions) against any current or former Guatemalan official who has knowingly (1) committed or facilitated significant corruption; (2) obstructed Guatemalan investigations or prosecutions of such corruption; (3) misused U.S. equipment provided to the Guatemalan military or police to combat drug trafficking or secure the border; (4) disobeyed rulings of the Guatemalan constitutional court; or (5) impeded or interfered with the work of any U.S. government agency or any institution that receives contributions from the U.S. government, including CICIG. Similarly, the United States-Northern Triangle Enhanced Engagement Act (H.R. 2615, Engel) would direct the President to impose targeted sanctions against any person the President determines to be engaged in an act of significant corruption that affects a Northern Triangle country, including corruption related to government contracts, bribery and extortion, or the facilitation or transfer of the proceeds of corruption.

Aid Conditionality

As noted previously, Congress has placed strict conditions on foreign aid for Central America in an attempt to bolster political will in the region and ensure U.S. assistance is used as effectively as possible (see “Conditions on Assistance”). Although U.S. officials acknowledge that aid restrictions give them leverage with partner governments, some argue that recent appropriations measures have included too many conditions and have withheld too much aid. The Consolidated Appropriations Act, 2019 (P.L. 116-6), requires the State Department to withhold 50% of “assistance for the central governments of El Salvador, Guatemala, and Honduras” until the Secretary of State certifies that those governments are addressing 16 different issues of congressional concern. Some U.S. officials contend that Congress should focus on a few top priorities given the limited capacities of the Northern Triangle governments. Along those lines, the FY2020 State, Foreign Operations, and Related Programs Appropriations Act, S. 2583 (S.Rept. 116-126) would require the Northern Triangle governments to meet five key conditions.

U.S. officials also argue that by subjecting “assistance for the central governments” to withholding requirements, Congress effectively prevents U.S. agencies from carrying out some programs that would advance U.S. interests and help the governments meet the conditions. For example, the State Department is required to withhold U.S. assistance to support police reform

efforts until it can certify that each government is “creating a professional, accountable civilian police force and ending the role of the military in internal policing.” Similarly, the State Department is required to withhold U.S. assistance to strengthen tax collection agencies until it can certify that each government is “implementing tax reforms.” Congress could prevent such unintended consequences by waiving withholding requirements for certain types of assistance. The Consolidated Appropriations Act, 2019 (P.L. 116-6), for example, states that the withholding requirements on assistance for the central governments of El Salvador, Honduras, and Guatemala “shall not apply to funds appropriated” for CICIG, MACCIH, humanitarian assistance, or food security programs.

Additionally, U.S. officials note that withholding requirements have contributed to delays in the implementation of the Central America strategy. In FY2016, the first year Congress approved funding for the strategy, Congress enacted full-year appropriations legislation on December 18, 2015. The State Department did not issue the final certification (for Honduras), however, until September 30, 2016—the last day of the fiscal year. Due to the certification requirements, as well as delays in the budget process and congressional holds, most aid did not begin to be delivered to the region until mid-2017. Although U.S. agencies obligated some aid not subject to the withholding requirements at earlier dates, they were hesitant to commit resources to specific activities until they knew whether they would have access to the remaining funding. Similar delays have occurred during the past three fiscal years.

Nevertheless, some Members of Congress and civil society organizations have occasionally criticized the State Department for issuing certifications too quickly, particularly with regard to human rights conditions. For example, on November 28, 2017, the State Department certified that Honduras had met the conditions necessary to receive assistance appropriated for FY2017, including by taking effective steps to “protect the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference.” The State Department issued the certification two days into Honduras’s disputed presidential election, and just days before the Honduran government declared a state of emergency to suspend certain constitutional rights and human rights organizations began to document the use of excessive force by security forces to disperse opposition protests. Human rights groups and some Members of Congress criticized the certification, with one Honduran union leader reportedly declaring, “They’re practically giving carte blanche so they can violate human rights in this country under the umbrella of the United States.”

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 too quickly and thereby weakening the effectiveness of human rights conditions could seek

---

88 See Section 7045(a)(1)(M) and (O) of the Consolidated Appropriations Act, 2019 (P.L. 116-6).
89 See Section 7045(a)(4)(A) of the Consolidated Appropriations Act, 2019 (P.L. 116-6).
changes to the certification process. For example, Congress could set more specific and/or measurable criteria for the Northern Triangle governments to meet prior to receiving assistance. The Berta Cáceres Human Rights in Honduras Act (H.R. 1945, H. Johnson) would suspend all U.S. security assistance to Honduras and direct U.S. representatives at multilateral development banks to oppose all loans for Honduran security forces until the State Department certifies that Honduras has effectively investigated and prosecuted a series of specific human rights abuses and satisfied several other conditions.

Implications of Other U.S. Policy Changes

Given Central America’s geographic proximity and close migration and commercial 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 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 2017, an estimated 3.3 million individuals born in Central America were living in the United States, including more than 1.3 million Salvadorans; 924,000 Guatemalans; 603,000 Hondurans; and 252,000 Nicaraguans. Those immigrant populations play crucial roles in Central American economies. Remittances from Central American migrants abroad—the vast majority (79%) of whom live in the United States—totaled nearly $22 billion in 2018 and were equivalent to 11% of GDP in Nicaragua, 12% of GDP in Guatemala, 20% of GDP in Honduras, and nearly 21% of GDP in El Salvador (see Figure 6, below).

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 nearly 1.9 million (about 58%) of the Central Americans residing in the United States in 2017 were unauthorized. In FY2018, U.S. Immigration and Customs Enforcement (ICE) removed nearly 96,000 Central Americans, including approximately 50,000 Guatemalans, 29,000 Hondurans, and 15,000 Salvadorans.

The Trump Administration’s immigration policies could accelerate removals from the United States. Since September 2017, for example, the Administration has terminated Temporary Protected Status (TPS), which provides relief from removal, for approximately 4,500 Nicaraguans and 81,000 Hondurans who have lived in the United States since 1998 and 252,000 Salvadorans who have lived in the United States since 2001. TPS was scheduled to expire on January 5, 2019, for Nicaraguans, and on September 9, 2019, for Salvadorans, but it remains in place pending the resolution of a lawsuit challenging the Administration’s termination decision. A lawsuit has also

---

95 Although most Central American migrants reside in the United States, about 45% of Nicaraguan migrants reside in Costa Rica. U.N. Population Division, Department of Economic and Social Affairs, International Migrant Stock: The 2017 Revision, December 2017.
96 Jeffrey S. Passel and D’Vera Cohn, Mexicans Decline to Less than Half the U.S. Unauthorized Immigration Population for the First Time, Pew Research Center, June 12, 2019.
temporarily halted the termination of TPS for Hondurans, scheduled for January 5, 2020.98 Although some individuals may be able to obtain another lawful status, the remainder would be subject to removal once TPS expires. In June 2019, the House passed the American Dream and Promise Act of 2019 (H.R. 6, Roybal-Allard), which would provide a path toward permanent resident status for some TPS holders.

**Figure 6. Remittances to Central America: 2018**

Central American officials are concerned that increased deportations could aggravate social tensions and fuel instability in the region. Although deportees could bring new skills and financial resources back to their countries of origin, they could also displace local workers competing for scarce employment opportunities.99 In addition, increased deportations could exacerbate poverty, as some 3.5 million households in the region reportedly depend on remittances for more than half of their household income.100 During the 1990s, U.S. deportations played a key role in the spread of gang violence in Central America. Consequently, many observers are concerned that a new wave of deportations could exacerbate security challenges in the region.101 Although most Central Americans at risk of deportation today have no connections to gangs, deported youth could become vulnerable to gang recruitment.102

If deportations accelerate, Congress could help mitigate the impact on the region (and potentially reduce the likelihood of repeat migration) by appropriating increased assistance for reintegration

---


efforts. From October 2013 to April 2018, USAID provided approximately $27 million to the International Organization for Migration to provide short-term assistance to migrants returning to the Northern Triangle and support deportees’ reintegration into their communities of origin.103

Trade

Most Central American nations have close commercial ties to the United States, and they have become more integrated into U.S. supply chains since the adoption of CAFTA-DR. In 2018, U.S. merchandise trade with the seven nations of Central America totaled nearly $51.5 billion. Although Central America accounts for a small portion (1.2%) of total U.S. trade, the United States is a major market for Central American goods.104 In 2018, the value of merchandise exports to the United States was equivalent to about 10% of GDP in El Salvador, 12% of GDP in Belize, 20% of GDP in Honduras, and 27% of GDP in Nicaragua (see Figure 7, below).

Figure 7. Central American Exports to the United States: 2018

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.105 The agreement would have allowed Vietnam and other nations 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.106 The

---


105 For more information on the Trans-Pacific Partnership (TPP) and U.S. withdrawal from the agreement, see CRS In Focus IF10000, TPP: Overview and Current Status, by Brock R. Williams and Ian F. Fergusson.

Salvadoran government and the Central American-Dominican Republic Apparel and Textile Council estimated that the first year of TPP implementation would have led to a 15%-18% contraction in industrial employment in the CAFTA-DR region.\textsuperscript{107} 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{108}

In October 2017, U.S. Trade Representative Robert Lighthizer reportedly asserted that the Trump Administration intends to modernize trade agreements throughout Latin America.\textsuperscript{109} Central American leaders think the Administration is unlikely to prioritize the renegotiation of CAFTA-DR or the U.S.-Panama Free Trade Agreement, however, since President Trump has focused primarily on reducing U.S. trade deficits and the United States ran a $10.3 billion trade surplus with Central America in 2018.\textsuperscript{110} Nevertheless, other potential changes to trade policy, such as imposing tariffs on imports, could be detrimental to Central American economies. In 2017, the IDB estimated 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{111}

### Drug Control

Although illicit drug production and consumption remain relatively limited in Central America,\textsuperscript{112} the region is seriously affected by the drug trade due to its location between cocaine producers in South America and consumers in the United States. In 2017, the State Department reported that about 90% of cocaine trafficked to the United States transits through Central America, along with unknown quantities of opiates, cannabis, and methamphetamine.\textsuperscript{113} The criminal groups that move cocaine through the region receive immense profits; in 2016, a security analyst estimated that trafficking generated $700 million per year in Honduras and similar amounts in Guatemala and El Salvador.\textsuperscript{114} 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 have also fostered corruption and impunity in Central America as criminal organizations have financed political campaigns and


\textsuperscript{111} Inter-American Development Bank, Running Out of Tailwinds: Opportunities to Foster Inclusive Growth in Central America and the Dominican Republic, 2017, p. 80.

\textsuperscript{112} According to State Department estimates, about 310 hectares of opium poppy were under cultivation in Guatemala in 2016 (most recent year available), with the potential to produce 7 metric tons of heroin. In comparison, Mexico had an estimated production potential of 685 metric tons of heroin in 2017. U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2019 International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control, March 2019, pp. 23-25.


parties; distorted markets by channeling proceeds into legitimate and illegitimate businesses; and bribed security forces, prosecutors, and judges.115

Upon the launch of the Mérida Initiative in 2008, 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.116 The Trump Administration, like the Obama Administration before it, has reiterated that pledge, asserting that the United States “recognizes its responsibility to address the demand for illegal drugs.”117 Between FY2009 and FY2019, U.S. expenditures on drug demand reduction efforts (i.e., prevention and treatment) increased from $9.2 billion to $17.3 billion and the portion of the U.S. drug control budget dedicated to demand reduction increased from 37% to 52%.118 The estimated number of individuals aged 12 or older currently using (past month use of) cocaine declined from about 1.9 million in 2008 to 1.4 million in 2011. It has climbed significantly since then, however, exceeding 1.9 million in 2018.119

Legislative measures to expand or improve the effectiveness of programs to reduce cocaine and other illicit drug consumption in the United States 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. The 116th Congress could build on measures adopted during the 115th Congress to address substance abuse and treatment, such as the Support for Patients and Communities Act (P.L. 115-271).120 The 116th Congress could also engage in a broader reassessment of U.S. drug control policy. It may draw on the work of the recently launched Western Hemisphere Drug Policy Commission, authorized by the Department of State Authorities Act, Fiscal Year 2017 (P.L. 114-323), which is charged with conducting a comprehensive review of U.S. counternarcotics policies in the region.

Outlook

Congress has appropriated nearly $2.6 billion of foreign aid since FY2016 to promote prosperity, strengthen governance, and improve security in Central America. Those are difficult, long-term endeavors, however, and U.S. efforts are about 2½ years into implementation. Although Central American nations have made some tentative progress in addressing long-standing challenges, the region is at serious risk of backsliding. Political and economic elites that benefit from the status quo are working to undermine anti-corruption efforts, and the Trump Administration has begun to withdraw the diplomatic pressure and foreign aid that had provided incentives for structural reforms. Necessary changes to achieve success in the medium and long terms likely would include stronger governing institutions, increased tax collection, more opportunities for young

115 Ibid.
118 Office of National Drug Control Policy (ONDCP), National Drug Control Budget, FY2018 Funding Highlights, May 2017, p. 19; and ONDCP, National Drug Control Budget, FY2020 Funding Highlights, March 2019, p. 14. These figures may not be strictly comparable due to a change in how Medicaid benefit outlays for substance use treatment are estimated. Moreover, there is considerable debate over whether the National Drug Control Budget captures the full scope of U.S. counter-drug activities.
120 For more information, see CRS Report R45423, Public Health and Other Related Provisions in P.L 115-271, the SUPPORT for Patients and Communities Act, coordinated by Elayne J. Heisler and Johnathan H. Duff.
people, and extensive international donor support over an extended period. Absent such efforts, conditions are likely to remain poor in several Central American countries, contributing to political and social instability that—as demonstrated by recent migration flows—is likely to affect the United States.

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>GHP</th>
<th>ESF</th>
<th>INCLE</th>
<th>NADR</th>
<th>IMET</th>
<th>FMF</th>
<th>OPIC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.2</td>
<td>1.0</td>
<td></td>
<td>1.2</td>
</tr>
<tr>
<td>Costa Rica</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.4</td>
<td>1.4</td>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td>El Salvador</td>
<td>65.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.0</td>
<td>1.9</td>
<td></td>
<td>67.9</td>
</tr>
<tr>
<td>Guatemala</td>
<td>112.0</td>
<td>13.0</td>
<td></td>
<td></td>
<td></td>
<td>0.8</td>
<td>1.7</td>
<td></td>
<td>127.5</td>
</tr>
<tr>
<td>Honduras</td>
<td>93.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.8</td>
<td>4.5</td>
<td></td>
<td>98.3</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>10.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.0</td>
</tr>
<tr>
<td>Panama</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.5</td>
<td>0.7</td>
<td>2.1</td>
<td>3.3</td>
</tr>
<tr>
<td>CARSI</td>
<td></td>
<td>126.5</td>
<td></td>
<td>222.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>348.5</td>
</tr>
<tr>
<td>Other Regional Programs</td>
<td>19.4</td>
<td>57.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>91.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>299.4</td>
<td>13.0</td>
<td>183.5</td>
<td>222.0</td>
<td>0.5</td>
<td>3.9</td>
<td>25.7</td>
<td>2.0</td>
<td>750.0</td>
</tr>
</tbody>
</table>

**Source:** U.S. Department of State, *Congressional Budget Justification for Department of State, Foreign Operations, and Related Programs, Fiscal Year 2018*, May 23, 2017.

**Notes:** Figures may not sum to totals due to rounding. DA = Development Assistance; GHP = Global Health Programs; ESF = Economic Support Fund; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; OPIC = Overseas Private Investment Corporation; and CARSI=Central America Regional Security Initiative.
### Table A-2. FY2017 Funding for the U.S. Strategy for Engagement in Central America

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

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>GHP</th>
<th>ESF</th>
<th>INCLE</th>
<th>NADR</th>
<th>IMET</th>
<th>FMF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.2</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
<td>5.0</td>
<td>5.7</td>
</tr>
<tr>
<td>El Salvador</td>
<td>70.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.9</td>
<td>1.9</td>
<td>72.8</td>
</tr>
<tr>
<td>Guatemala</td>
<td>110.0</td>
<td>13.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.8</td>
<td>1.7</td>
<td>125.5</td>
</tr>
<tr>
<td>Honduras</td>
<td>90.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.8</td>
<td>4.5</td>
<td>95.3</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>9.5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.1</td>
<td>—</td>
<td>9.7</td>
</tr>
<tr>
<td>Panama</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.5</td>
<td>0.8</td>
<td>2.0</td>
</tr>
<tr>
<td>CARSI</td>
<td>—</td>
<td>—</td>
<td>104.2</td>
<td>225.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>329.2</td>
</tr>
<tr>
<td>Other Regional Programs</td>
<td>17.6</td>
<td>—</td>
<td>12.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>12.5</td>
<td>42.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>297.2</td>
<td>13.0</td>
<td>116.2</td>
<td>225.0</td>
<td>0.5</td>
<td>4.2</td>
<td>28.6</td>
<td>684.8</td>
</tr>
</tbody>
</table>


**Notes:** Figures may not sum to totals due to rounding. DA = Development Assistance; GHP = Global Health Programs; ESF = Economic Support Fund; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; and CARSI=Central America Regional Security Initiative.
**Table A-3. FY2018 Funding for the U.S. Strategy for Engagement in Central America**  
(estimated appropriations in millions of current U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>GHP</th>
<th>ESF</th>
<th>INCLE</th>
<th>NADR</th>
<th>IMET</th>
<th>FMF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.1</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
<td>5.0</td>
<td>5.7</td>
</tr>
<tr>
<td>El Salvador</td>
<td>55.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
<td>1.9</td>
<td>57.7&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Guatemala</td>
<td>93.0</td>
<td>13.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
<td>1.7</td>
<td>108.5&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Honduras</td>
<td>75.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
<td>4.0</td>
<td>79.7&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>10.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10.0</td>
</tr>
<tr>
<td>Panama</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.5</td>
<td>0.6</td>
<td>2.0</td>
<td>3.1</td>
</tr>
<tr>
<td>CARSI</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>104.2</td>
<td>215.0</td>
<td>—</td>
<td>—</td>
<td>319.2&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Other Regional Programs</td>
<td>17.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>250.0</td>
<td>13.0</td>
<td>104.2</td>
<td>215.0</td>
<td>0.5</td>
<td>3.6</td>
<td>28.1</td>
<td>614.5&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**Sources**: U.S. Department of State, Congressional Budget Justification, Department of State, Foreign Operations, and Related Programs, Supplementary Tables, Fiscal Year 2020, May 2019; and “Explanatory Statement Submitted by Mr. Frelinghuysen, Chairman of the House Committee on Appropriations, Regarding the House Amendment to Senate Amendment on H.R. 1625,” Congressional Record, vol. 164, no. 50—book III (March 22, 2018), p. H2851.

**Notes**: Figures may not sum to totals due to rounding. DA = Development Assistance; GHP = Global Health Programs; ESF = Economic Support Fund; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; and CARSI=Central America Regional Security Initiative.

<sup>a</sup> The Trump Administration reprogrammed approximately $400 million of bilateral and regional aid that it had previously allocated to El Salvador, Guatemala, and Honduras. Revised allocations are not yet available.
Table A-4. FY2019 Funding for the U.S. Strategy for Engagement in Central America
(estimated appropriations in millions of current U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>GHP</th>
<th>ESF</th>
<th>INCLE</th>
<th>NADR</th>
<th>IMET</th>
<th>FMF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
<td>7.5</td>
<td>8.2</td>
</tr>
<tr>
<td>El Salvador</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Guatemala</td>
<td>—</td>
<td>13.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>13.0</td>
</tr>
<tr>
<td>Honduras</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Panama</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.5</td>
<td>—</td>
<td>—</td>
<td>0.5</td>
</tr>
<tr>
<td>CARSI</td>
<td>—</td>
<td>—</td>
<td>100.0</td>
<td>190.0b</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>290.0</td>
</tr>
<tr>
<td>Other Regional Programs</td>
<td>190.0a</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3.4a</td>
<td>22.5a</td>
<td>215.9</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>190.0</td>
<td>13.0</td>
<td>100.0</td>
<td>190.0</td>
<td>0.5</td>
<td>4.1</td>
<td>30.0</td>
<td>527.6</td>
</tr>
</tbody>
</table>

**Source:** H.Rept. 116-9.

**Notes:** Figures may not sum to totals due to rounding. DA = Development Assistance; GHP = Global Health Programs; ESF = Economic Support Fund; P.L. 480 = Food for Peace/Food Aid; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; and CARSI=Central America Regional Security Initiative.

a. Congress appropriated most FY2019 assistance for Central America as regional aid, giving the State Department flexibility in allocating the resources among the seven nations of the isthmus.

b. H.Rept. 116-9 stipulates that $32.5 million of CARSI INCLE assistance is to be allocated to Costa Rica.

Table A-5. FY2020 Funding for the U.S. Strategy for Engagement in Central America
(requested appropriations in millions of current U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>ESDF</th>
<th>GHP</th>
<th>INCLE</th>
<th>NADR</th>
<th>IMET</th>
<th>FMF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.2</td>
<td>—</td>
<td>0.2</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.4</td>
<td>—</td>
<td>0.4</td>
</tr>
<tr>
<td>El Salvador</td>
<td>—</td>
<td>45.0</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
<td>—</td>
<td>45.7</td>
</tr>
<tr>
<td>Guatemala</td>
<td>65.7</td>
<td>3.0</td>
<td>—</td>
<td>—</td>
<td>0.8</td>
<td>—</td>
<td>69.4</td>
</tr>
<tr>
<td>Honduras</td>
<td>65.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.8</td>
<td>—</td>
<td>65.8</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>6.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6.0</td>
</tr>
<tr>
<td>Panama</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.5</td>
<td>0.7</td>
<td>—</td>
<td>1.2</td>
</tr>
<tr>
<td>CARSI</td>
<td>95.0</td>
<td>—</td>
<td>155.3</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>250.3</td>
</tr>
<tr>
<td>Other Regional Programs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6.0</td>
<td>—</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>276.7</td>
<td>3.0</td>
<td>155.3</td>
<td>0.5</td>
<td>3.5</td>
<td>6.0</td>
<td>445.0</td>
</tr>
</tbody>
</table>

**Sources:** U.S. Department of State, Congressional Budget Justification, Department of State, Foreign Operations, and Related Programs, Supplementary Tables, Fiscal Year 2020, May 2019; and State Department briefing, May 2019.

**Notes:** Figures may not sum to totals due to rounding. ESDF = Economic Support and Development Fund; GHP = Global Health Programs; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; and CARSI=Central America Regional Security Initiative.
Author Information

Peter J. Meyer
Specialist in Latin American Affairs

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS’s institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.