

REPORT TO UPDATE THE UNITED STATES STRATEGY FOR ENGAGEMENT IN  
CENTRAL AMERICA

Pursuant to section 7045(a) of the Consolidated Appropriations Act, 2017 (Div. J, P.L. 115-31), the U.S. Department of State hereby submits a report to update the United States Strategy for Engagement in Central America (Strategy).

**Mission Statement:** The Strategy’s mission is to secure U.S. borders and protect American citizens by addressing the security, governance, and economic drivers of illegal immigration and illicit trafficking, and to promote private sector investment in Central America.

**Achievable Goals and Objectives:** The goals of the Strategy are to reduce insecurity and violence, enhance economic opportunity, and fight impunity and corruption in Central America to address the drivers of illegal immigration and disrupt transnational criminal organizations (TCOs). As noted by Vice President Pence June 15 at the Conference on Prosperity and Security in Central America, the security and prosperity of Central America is directly linked to the security and prosperity of the United States. The U.S. government will continue to advance prosperity, security, and governance goals and work closely with the Northern Triangle Governments of El Salvador, Guatemala, and Honduras, along with international financial institutions, to ensure U.S. efforts complement their Plan for the Alliance for Prosperity (A4P).<sup>1</sup>

**Prosperity:** The Strategy’s prosperity goals are to work with Central American governments to improve the business environment, create jobs, enhance food security, expand energy security, and increase U.S. investment and trade. The U.S. government will coordinate with the Inter-American Development Bank, International Monetary Fund, and World Bank, along with other regional stakeholders, to provide appropriate policy advice and leverage funding in support of these objectives. The U.S. government will implement economic development programs to augment workforce training, improve the framework for regional trade, reduce energy costs, and integrate regional electrical markets. Efforts will also support the development of small and medium enterprises (SMEs) and improve the competitiveness of Central American firms to compete in international markets. U.S. government programming will develop job market-oriented skills and abilities of youth, particularly those at risk of joining gangs. Programs will promote regional trade facilitation by addressing border transit issues to mitigate corruption and ease the secure flow of goods to the United States and among regional markets.

**Security:** The Strategy’s security goals support the President’s Executive Order 13773 on “Enforcing Federal Law With Respect to Transnational Criminal Organizations and Preventing International Trafficking” by combatting drug and human trafficking, smuggling of people and illicit goods, and transnational gangs and criminal organizations before they reach the United States. The U.S. government focuses on increasing security and rule of law collaboration among regional governments; enhancing citizen security; re-establishing state presence and security in communities at risk; scaling up integrated, targeted violence prevention and law enforcement

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<sup>1</sup> The A4P is a five-year reform initiative that targets four main lines of action: stimulate the productive sector, develop opportunities for their people, improve public safety, and enhance access to the legal system and strengthen institutions. The Northern Triangle governments committed approximately \$2.8 billion in 2016 and \$2.6 billion in 2017 to advance implementation of A4P.

activities in communities and targeting individuals most susceptible to gang recruitment and those already in conflict with the law; countering illicit financial activity associated with drug trafficking, organized crime, and corruption; and enhancing information sharing to better track migratory patterns and the flow of illicit goods entering and transiting Central America.

Governance: The Strategy's governance goals are to focus on reducing impunity and corruption through the creation of more transparent, efficient governments that deliver services effectively, including justice. U.S. programming prioritizes work with governments and civil society partners to reduce impunity, combat corruption, improve the business environment, increase tax revenues and budget transparency, support justice sector reform, and protect human rights. Assistance will continue to support the region's attorneys general and international efforts to fight corruption and impunity in Guatemala and Honduras as part of U.S. efforts to combat TCOs. Strengthening governance is key to the sustainability of progress in the prosperity and security lines of effort.

**Appropriate Benchmarks and Timelines:** The U.S. government's Results Architecture presents the main Strategy objectives and includes a comprehensive framework for tracking results and evaluating U.S. assistance under the Strategy. The Northern Triangle governments' A4P plans also provide the U.S. government the ability to regularly assess the progress these governments are making toward meeting identified priorities through budgetary and programmatic investments. Each country presents unique development and security challenges. In some areas, particularly in governance, it will require sustained efforts over many years to fully implement reforms and establish rule of law.

U.S. Government Process for Evaluating Benchmarks: The U.S. government will use indicators and evaluations within the Results Architecture as the benchmarks for assessing progress under the Strategy. All U.S. agencies implementing foreign assistance as part of the Strategy have established performance output and outcome indicators that can be directly attributed to programs, and will update these indicators as appropriate. Agencies must also set specific targets with timeframes based on planned or actual resource levels prior to program implementation. The performance indicators vary by country, objective, and sub-objective. Whenever practical, to help ensure data quality and reporting consistency, the U.S. government will utilize foreign assistance standard indicators. Annual data calls will allow the U.S. government to assess the effectiveness of foreign assistance in support of the Strategy. The Results Architecture will continue to evolve, adapting to regional changes and U.S. foreign policy and programmatic needs. In addition, the Inter-American Development Bank, in its role as the A4P technical secretariat, will begin monitoring and evaluating the Northern Triangle governments' implementation of A4P programs. This will provide another set of benchmarks against which the U.S. government can assess progress towards meeting strategic goals in the region.

The U.S. government also identified a series of context indicators to provide a high-level view of the operating environment and track long-term progress across multiple sectors. National government sources and reputable third-party organizations provide data for these indicators. Data collected will be compared to international and regional benchmarks, as appropriate, and to previous-year country data. As with all context indicators, U.S. assistance can only be viewed as contributing to these indicators, and the outcomes cannot be directly tied to our efforts.

**Complementary Benchmarks by Central American Partners:** Beyond the benchmarks established under the Results Architecture, the U.S. government will assess the success of the Strategy through benchmarks outlined by our regional partners. The U.S. and Northern Triangle governments each issued a fact sheet at the end of the June 2017 Conference on Security and Prosperity in Central America. Each fact sheet contained a number of commitments. The U.S. government will conduct periodic follow-up with international organizations, the private sector, and civil society organizations to track progress.

The participation of Belize, Costa Rica, Nicaragua, and Panama at the Central America Conference underscored the importance of sustaining cooperation on shared economic, security, and governance goals and enhancing regional integration. The U.S. government's diplomatic engagement and foreign assistance will complement the priorities and benchmarks of each government's goals, while also fulfilling Strategy goals.

**Timelines:** In the short-term (1-3 years), U.S. agencies are focused on quickly scaling up programs that can have an immediate impact on conditions driving illegal immigration, as well as on technical and policy efforts needed to build long-term capacity of regional governments. These initial investments will create the necessary foundation for future programming and investment in the region. In the medium-term (3-5 years), U.S. agencies will support programs designed for broader, long-term impact to advance transparency, stimulate economic growth, expand evidence-based programs to reduce and prevent violence in the region's most violent communities, and combat trafficking and its destabilizing impacts on the region. These efforts will lay the groundwork to ensure U.S. investments are sustainable and transition the responsibility to host governments and other actors. In the long-term (5-10+ years), U.S. agencies will support all three Strategy lines of effort through diplomatic engagement and assistance, subject to the availability of funds, to sustain the systemic change required for irreversible gains.

**Assessment of Progress Made under the Current Strategy:** U.S. agencies have advanced prosperity, security, and governance goals. The Central American governments continue to take actions and implement reforms to dismantle TCOs, combat drug trafficking and illegal immigration, and promote sustainable economic growth. Still, significant systemic and long-term problems remain, particularly in the areas of addressing corruption and the commitment to implement some reforms. The U.S. government will continue to apply diplomatic pressure in areas where progress is still needed and calibrate U.S. assistance to promote implementation of critical reforms. Central American government partners, the U.S. government, the private sector, international organizations, civil society, and the broader international community will need to sustain efforts to ensure continued progress to address the systemic challenges facing the region.

The Department of State is on track to provide annual reporting on program implementation as developed under the Results Architecture. Results attributable to FY 2016 Strategy funds will have a natural lag time given the time required to implement programs and measure results. Implementation of the Strategy started with existing programs, which were funded with prior year funding allocations. U.S. agencies are now ramping up new activities and moving successful pilot projects to broader implementation, as appropriate. Below are preliminary examples of progress that support the Strategy's lines of effort.

**Prosperity:** U.S. assistance is enabling measurable improvements in regional trade while ensuring U.S. border security. U.S. assistance is supporting trade facilitation by reducing the customs burdens at select borders, which benefits U.S. and regional businesses alike. Based on the most recent data at one border crossing targeted by U.S. assistance, the average time to move goods from El Salvador to Guatemala has declined by nearly 40 percent from early 2016 to mid-2017, and from Guatemala to El Salvador by 70 percent during the same time period. U.S. diplomatic support resulted in the establishment of the Mexico and Central America Interconnection Commission in May 2016 to advance power market integration. U.S. programs also support strengthening Central America's electricity sector and regional interconnection.

U.S. agencies are also helping governments create jobs, improve business climates, and improve revenue collection and processing. Across the region, U.S. programs help SMEs and farmers increase sales, create new jobs, and combat food insecurity, thus reducing factors potentially contributing to illegal immigration and involvement in illegal activities. In Honduras, U.S. investments have lifted over 13,500 families out of extreme poverty since 2011. U.S. assistance to 11,000 SMEs in El Salvador generated over \$153 million in sales and exports and 22,000 new jobs between 2011 and 2016. As a result of U.S. diplomatic engagement, Honduras announced the creation of a governmental agency responsible for product registration in May 2017. Product registration has been a significant barrier to trade with Honduras, where U.S. exporters face lengthy delays in introducing new products into the market. With U.S. support, a revenue collection working group in El Salvador reduced the time it takes to process tax payments from one to three business days to between two and three hours.

**Security:** With U.S. capacity building, technical assistance, and equipment donations, Central American countries are achieving key successes in citizen security. In El Salvador, prosecutors maintained a 74 percent conviction rate against extortion defendants in 2016, while U.S.-supported units maintained a 96 percent conviction rate against extortion defendants in 2016. The community of Chamelecón in San Pedro Sula, Honduras, a focus of U.S. government programming, experienced a 62 percent decrease in homicide rates from 2014 to 2016. The U.S. government supported the launch of Operation Phoenix in September 2016, a Guatemalan national police action aimed at curbing gang control in three neighborhoods. Preliminary homicide reports show a 40 percent decrease in homicides in targeted neighborhoods since operations began. In Nicaragua, U.S. funding is directed to civil society organizations to strengthen citizen security and decrease support for transnational criminal organizations. As a result of U.S. support, one civil society organization developed 31 communal and seven municipal committees to carry out violence prevention activities and reached one million Nicaraguans through a media campaign aimed at reducing youth violence and drug abuse.

U.S. support is also increasing the capacity of regional governments to interdict illicit narcotics before reaching the United States. Costa Rica's cocaine seizures rose 22 percent to 24 metric tons (MT) from 2015 to 2016, aided significantly by U.S. support for Costa Rica's law enforcement services. With U.S. support, Panama seized a record 56 MT of cocaine in 2016.

U.S. technical assistance also plays a critical role in supporting regional law enforcement actions to enhance the security of the United States. In 2016, several regional operations with U.S. support resulted in over 100 active investigations, including at least 15 investigations of cases

with links to the United States. U.S.-supported specialized units in El Salvador convicted 1,365 gang members and affiliates in 2016. In 2017 alone, U.S. support has led to the forfeiture of over \$800 million in cartel assets in Honduras. Since 2014, the Northern Triangle countries, through training and U.S. support, have traced more than 20,000 firearms recovered in those countries, resulting in leads for U.S. investigators and regional counterparts to identify and target the routes, organizations, and persons involved in the trafficking of firearms.

**Governance:** U.S. support of governmental and international efforts to reduce corruption and impunity to build stronger, more accountable institutions are beginning to have an impact in the region. The U.S. government has supported the UN-led International Commission Against Impunity in Guatemala (CICIG) since 2008. CICIG investigations led to the arrests of ex-President Perez Molina and ex-Vice President Baldetti, and the dismantling of long-standing, corruption rings in the Guatemalan government. U.S. support for the creation of the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH) in 2016 enabled the hiring of anti-corruption judges, prosecutors, and investigators. Working with the Honduran attorney general, MACCIH achieved three high-profile convictions and took on three other emblematic corruption cases within its first 12 months of operations. The U.S. government is providing technical assistance to the Northern Triangle attorneys general to support their work to combat corruption, reduce impunity, and promote the rule of law.

Central American governments are reporting improvements in their justice sector as a result of U.S. support. In Panama, U.S. training for the transition to a new accusatory justice system reduced average case processing times from 278 days to 82 days from 2015 to 2016. In Belize, processing times for appeals requests decreased from three weeks to two days after the U.S. government installed audio recording systems in the court system in 2016. In Costa Rica, the U.S. government helped create an investigative unit and a real-time wiretap intercept program that has helped investigators disrupt 130 criminal networks from June 2015 to December 2016.

**Explanation of Any Changes Relative to the Current Strategy:** Under the Trump Administration, the Strategy will place a stronger emphasis on the drivers of transnational criminal activity and illegal immigration to ensure the U.S. government confronts these challenges before they reach U.S. borders. U.S. diplomatic engagement and programs will emphasize the U.S. national interests of securing U.S. borders and protecting American citizens. Building on the June 2017 Conference, the Strategy will also enhance efforts to promote private sector investment in Central America and its role in identifying public policies needed to improve the business climate to generate opportunities for U.S. investment and exports. Finally, the Strategy will expand coordination with other countries and multilateral development banks to maximize the impact of U.S. investments in the region.