

**STATE, FOREIGN OPERATIONS, AND RELATED
PROGRAMS APPROPRIATIONS FOR FISCAL
YEAR 2018**

TUESDAY, MAY 23, 2017

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:30 p.m. in room SD-124, Dirksen Senate Office Building, Hon. Lindsey Graham (chairman) presiding.

Present: Senators Graham, Shaheen, Lankford, Leahy, Daines, Boozman, Merkley, and Van Hollen.

**U.S. ASSISTANCE FOR THE NORTHERN TRIANGLE OF
CENTRAL AMERICA**

STATEMENTS OF:

**HON. JOHN D. NEGROPONTE, VICE CHAIRMAN OF McLARTY ASSO-
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ECONOMIC OPPORTUNITY TASK FORCE, ATLANTIC COUNCIL
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MALA, MILLENNIUM CHALLENGE CORPORATION**

OPENING STATEMENT OF SENATOR LINDSEY GRAHAM

Senator GRAHAM. The hearing will come to order. Senator Leahy is on his way. We have Senator Shaheen and Senator Lankford, along with myself.

We have a great panel here. John Negroponte, Vice Chairman at McLarty Associates, who has had about every job you can have from Director of National Intelligence to ambassadorships all over the world, and has been involved in this part of the world for a very long time. Thanks, John, for taking time out to participate. Eric Farnsworth, Vice President, Council of the Americas. Thank you for coming. John Wingle, the Millennium Challenge Corporation Country Director for Honduras and Guatemala. Adriana Beltrán, Senior Associate for Citizen Security, Washington Office on Latin America, an NGO heavily involved in rule of law issues.

The purposes of this hearing is that the American people, through our budget process, are going to spend some money in the Northern Triangle countries, and I want to make sure that they

understand why we are spending, what we hope to get for it, and how important it is for us to stay involved in our own backyard. If you are worried about illegal immigration, I think this subcommittee hearing is very important because we are going to try to address the root cause of why a lot of people leave these countries, try to come to America for a better life.

I worry about losing influence in our backyard. Russia and China are all over the place. If people in the region think we are indifferent, take their support for granted, we are making a mistake. What we are going to ask for in terms of money given is deliverables. I can go back to South Carolina or we can go back to New Hampshire and Oklahoma and say, "You are getting better government in a part of the world that really matters. It means less illegal immigration. It means better trading partners. It means more stability in our own backyard."

So that is the purpose of this hearing and the four people on the panel have unique experiences and perspectives and we appreciate you coming and sharing your thoughts with us so we can make an informed decision.

Senator Lankford is the brainchild behind this hearing. He has taken a unique interest in these three countries and I appreciate that very much along with Senator Rubio and Senator Durbin and Senator Shaheen and many others on the Democratic side. We understand how important this region is to our national security and economic wellbeing and dealing with the problems like legal immigration.

So, with that, Senator Shaheen, would you like to make opening comments?

STATEMENT OF SENATOR JEANNE SHAHEEN

Senator SHAHEEN. Just thank you all very much for being here. I am sure Senator Leahy would say that as well and echo the comments of Senator Graham about the importance of these three countries to both Latin America, but also to the United States.

Senator GRAHAM. Senator Lankford, do you want to make a statement?

STATEMENT OF SENATOR JAMES LANKFORD

Senator LANKFORD. I would just only make a brief comment, and one is to thank the Chairman for holding this hearing. This is a tremendous amount of money that needs some accountability and oversight. This started with a dream and a purpose to say what are we doing to be able to help encounter narcotics, what are we doing to help stabilize a region of the world that is incredibly important to us that we are geographically close to, but also relationally close to with many people that are Americans that have their heritage in Guatemala, Honduras, or El Salvador, but also what are we doing with immigration?

We saw a flood of immigration starting in 2014 from this particular region that came into our country illegally. The countries in that area all raised their hand and said, "We want our citizens to stay home. We do not want them to run to another country. We want to have a stable environment here."

It is to our benefit to be able to have a stable Central America. We want an ongoing trade partner in that area. We want ongoing relationships. This is in our hemisphere and we should take this to account. So these three nations have worked to be able to cooperate together economically. They are democracies that are passionate about serving their own people and about staying connected to our country and I think it is right that we pay attention.

But every tax dollar that has been in place, whether it is a tax dollar they are spending locally, they should be able to show people in their own nation how they are gaining value. We should certainly be able to do that for American citizens as well in saying, "Is the money that we are being spent just throwing money and saying we did something or what can we show that we accomplished?" So the metrics of it will be exceptionally important in the days ahead to say, "Millions of dollars were spent. This is what the American taxpayer got from it. And this is how it affected the families and the communities there in Central America as well."

So I look forward to this conversation and I would assume within the hour we will solve all of those problems.

Senator GRAHAM. Or at least try. Let us start with Mr. Negroponte.

STATEMENT OF HON. JOHN D. NEGROPONTE, VICE CHAIRMAN OF McLARTY ASSOCIATES, U.S. CO-CHAIR, NORTHERN TRIANGLE SECURITY AND ECONOMIC OPPORTUNITY TASK FORCE, ATLANTIC COUNCIL

Mr. NEGROPONTE. Thank you very much, Mr. Chairman and Members of the subcommittee. I am delighted to be here today. As somebody who served as United States Ambassador to Honduras from 1981, believe it or not, to 1985, I feel a little bit like Rip Van Winkle here and sort of ask myself, you know, what am I doing here and what has happened in all these intervening years that we should still be having hearings on Central America. But be that as it may, that is the situation we find ourselves in. And have to deal with it.

I have an additional reason for being interested in Central America and Honduras. I have a permanent recollection of that country in that I have five adopted Honduran children that I have raised in my household over these many years and very proud indeed of those five children.

And lastly, by way of introduction, because General John Kelly was asked by President Trump to be the Secretary of Homeland Security and he had been chairing an Atlantic Council Task Force on Central America, I was at the, kind of last minute, invited to stand in for him as the American co-chair. This was a four-way task force with co-chairs from the U.S., Guatemala, El Salvador, and Honduras. And we just published our report about 2 weeks ago and we have made it available to various Members of the subcommittee. And it is one task force's opinion on what we should do about the situation down there, but the general thrust of it is that we should continue to be supportive.

So let me just say by way of a brief opening statement that I believe that the problems of the Northern Triangle have a direct bearing on the security and the economic wellbeing of the people of the United States. Illicit drug flows, trafficking in persons, and

unauthorized migration can and do have adverse impacts throughout our country. The root causes for these activities are complex. There are the so-called pull factors in our own country such as high drug demand and the need for unskilled labor, among other factors. On the push side, the Northern Triangle countries have been afflicted by chronically poor governance, although that situation is improving, and generally poor development of social and economic institutions.

Intense population growth, especially in Guatemala and Honduras, has also been a factor. Also, although the ideological wars of the 1980s are over, the gang wars of this century are very much in evidence. Indeed, the size of armed groups in these three countries exceeds—I am talking about the gangs now—exceeds the size of their armed forces.

Under the Alliance for Prosperity Plan, very useful assistance has been provided to Guatemala, Honduras, and El Salvador in the areas of security, institution building, and economic development. I think we can see palpable progress, but there is work that remains to be done and our continued engagement will be an encouragement to those Central Americans seeking to better the lives of their people and consolidate a true partnership with the United States to deal with the scourge of transnational crime and the other ills that I mentioned previously.

The Atlantic Council Task Force report, which I co-chaired along with representatives from Guatemala, Honduras, and El Salvador, recommends continued support for the Alliance for Prosperity Plan, if possible, on a multiyear basis. This is a recommendation which I wholeheartedly support and believe to be in the national security interest of the United States.

I thank you for your attention and I would be pleased to try and answer any questions which you might have. Thank you very much, Chairman.

[The statement follows:]

PREPARED STATEMENT OF HON. JOHN D. NEGROPONTE

Chairman Graham, Ranking Member Leahy, and members: thank you very much for the invitation to testify this afternoon on U.S. assistance to the Northern Triangle of Central America. This region—and the issues it faces—are very dear to me. I was U.S. Ambassador to Honduras from 1981 to 1985. While in Honduras, my wife and I adopted two Honduran children. In later years we adopted another three Honduran infants into our household. So, this is not just an interesting subject study for me, my connection to the region runs deeper than that. As I analyze where the region stands today, I would be remiss not to reflect on how the situation unfolded when I was Ambassador. Back then, 35 years ago, the problems in the region involved Cold War tensions and ideological violence. People were fleeing to Honduras from El Salvador and Guatemala.

Today, the situation is different, but not any less concerning. The region has seen 50,000 murders over the past 3 years, high-profile corruption scandals have tested overburdened institutions and exacerbated discontent, and nearly 10 percent of the region's 30 million residents have left in recent years. As you very well know, the combination of these issues in the Northern Triangle have direct implications for U.S. national security. These issues end up at our doorstep and become our problem if we neglect to collaborate with the three countries to address root causes. We saw it in 2014 with the unaccompanied children and we will inevitably continue to see it happen if we do not change the status quo.

However, we are usually more focused on conflicts in the Middle East or tensions with North Korea instead of looking at our own hemisphere. Realistically speaking, the issues of Northern Triangle matter more to—and have a greater impact on—the American taxpayer than conflicts on the other side of the world. It is justifiable to

spend U.S. taxpayer money on helping the Northern Triangle deal with its problems. Simply put, what happens in San Salvador has direct implications for the citizens of Charleston and Burlington. Combatting drug trafficking and illicit flows—and working to curb unauthorized migration to the U.S.—are naturally the most pressing issues from the prism of national security. Moreover, the Northern Triangle represents a key opportunity for the U.S. economy and U.S. businesses. There is an enormous need for employment generation in the Northern Triangle in order to achieve greater prosperity. U.S. businesses can help do exactly that, through investments in infrastructure, agriculture, and customs modernization, in a way that benefits the U.S. economy as well as our national security.

FACTORS DRIVING MIGRATION

For the past 6 months, I have been the U.S. co-chair of the Atlantic Council's Northern Triangle Security and Economic Opportunity Task Force. As part of the Task Force, the Atlantic Council commissioned a tri-country poll that gauged citizen's perception of their situation and their leaders. Unsurprisingly, the results were a scathing indictment of the situation in the Northern Triangle.

Poll respondents expressed virtually no trust in their institutions. Whether it's judges, members of the police, tax authorities, more than 75 percent of respondents said they had little to no confidence in any of them. Even public trust in priests and pastors barely reached 50 percent in Guatemala and Honduras, failing to register 30 percent in El Salvador. The deep challenges faced by people in the region must be solved with a holistic solution that focuses on economic development, rule of law, and security.

SUCCESES AND FAILURES OF US ASSISTANCE

History has shown that any concerted effort cannot neglect key development issues. For instance, the Central America Regional Security Initiative (CARSI), which achieved some significant successes, was nevertheless insufficient in improving economic development and strengthening the rule of law.

That, of course, improved with the Plan of the Alliance for Prosperity, which cut across three main interconnected themes: economic development, institution building, and security. The plan underscored that to reduce migration and remove stress from our Southwest border, it was imperative to tackle the root causes of violence and joblessness.

There has been one aspect that has been key to the success of this plan: the commitment and collaboration of the Northern Triangle governments. The fact is that 80 percent of Alliance for Prosperity funding comes from the three countries themselves. These countries have shown a real, tangible commitment to taking the necessary steps to bolster economic development and curb migration. The reforms that have been enacted and the admirable work of attorneys general in the region, while supported by the U.S., are homegrown efforts.

A RENEWED CALL TO ACTION

It is thus crucial, in my view, to push for a renewed call to action here in the U.S. that builds on the laudable efforts of this honorable Congress and that of the three countries.

Earlier this month, I participated in the release of the report of the Atlantic Council Task Force (Attachment 1) that focuses precisely on the issue at hand today. Along with esteemed colleagues from El Salvador, Honduras, and Guatemala—and under the direction of the Atlantic Council—we devised what we consider to be a blueprint for building a brighter future for the Northern Triangle countries in Central America.

As we think about fiscal year 2018, we must build off the Plan of the Alliance but go beyond what we are currently doing. First, we should be thinking about a multi-year authorization rather than a yearly package, providing a plan that goes beyond short-term measures.

Second, a new strategy for U.S. engagement in the Northern Triangle should not be simply about providing more funds or creating new projects. It is important to take stock of what is working and what is not. Thus, any fiscal year 2018 strategy must have a large accountability component. Our report suggests working with the Inter-American Development Bank to track host country spending in areas that complement U.S. support. That way, through open and transparent access to data, we will be able to ensure that (a) the three countries continue to complement U.S. funding with their own and (b) U.S. funding is spent effectively and efficiently.

Before getting into other actions the U.S. should take, it is crucial to discuss conditionality. The support provided through the Alliance for Prosperity was heavily

conditioned on enacting a series of measures to strengthen institutions and curb migration. The recent omnibus bill approved by Congress did the same.

While there is a discussion to be had about the swiftness of the certification process to disburse funds, conditionality has proven effective in spurring important reforms and will continue to be a key tool to ensure that recent anti-corruption efforts are sustained.

SPECIFIC RECOMMENDATIONS

In terms of concrete actions, our Northern Triangle Task Force report outlines recommendations directed at the administration as well as Congress for building sustainable economic development, strengthening the rule of law, and improving security.

On rule of law, we must continue supporting the work of CICIG, MACCIH, and El Salvador's anti-impunity unit, while also pushing heavily for more structural reforms to be enacted. This is the only way to ensure sustained institution building and reduce dependency on international commissions that depend on the sitting president for renewal. One such reform would be improving transparency of secondary public officials such as supreme court magistrates and attorneys general to depoliticize the process.

On security, we must move beyond mere iron fist strategies. Strengthening and promoting properly implemented community policing initiatives such as the model police precincts (MPPs) is crucial. Promoting an increase in the number of women in the police force could reduce rates of sexual assault, rape, and violence. We've done this in Afghanistan and Iraq and could replicate it in the Northern Triangle.

On sustainable economic development, the Inter-American Development Bank has been behind setting up an infrastructure fund in the region. U.S. support of such efforts is essential in order to spur and provide reassurance to private investment, as well as incentivize American businesses to participate. We already have the capacity to expand in this area via OPIC and USTDA. Any new strategy must balance investment in migrant-sending communities with investment in intermediary cities that have the highest employment-generating potential. It is simple: if jobs are not created in the region, people will continue to migrate north.

Regarding human capital, I am reminded of the time when I was Ambassador to Honduras and the National Bipartisan Commission on Central America, chaired by Dr. Henry Kissinger, analyzed the problems of the region then. The Commission concluded that reforming the region's schools and funding scholarships for study in the U.S. were critical steps toward stability and prosperity. We should provide more funding for scholarships that bring Central American students to the United States, targeting low-income applicants and requiring them to return to their home countries after completing their education.

On immigration, we need to expand information sharing on deported gang members and criminals. Otherwise, we will continue to feed into this vicious cycle in which we deport criminals to ameliorate violence in our own streets but simultaneously contribute to heightened insecurity in the Northern Triangle, which eventually boils over into our borders once again.

MULTI-YEAR AUTHORIZATION

Before concluding, I would like to emphasize the following. We see this happen every time: the issues in the Northern Triangle boil over and it becomes news in the United States. Once they are back on our radar and that of the media, only then are we compelled to act. Once the frenzy dies down, we put the region on the backburner again and shift to focusing on other parts of the world. We must be more consistent in the attention we give to this critical region.

It is essential that assistance to the region is not only holistic, but most importantly, sustained. A multi-year authorization for the region would help build lasting change in Guatemala, El Salvador, and Honduras.

Thank you, once again. I look forward to answering your questions.

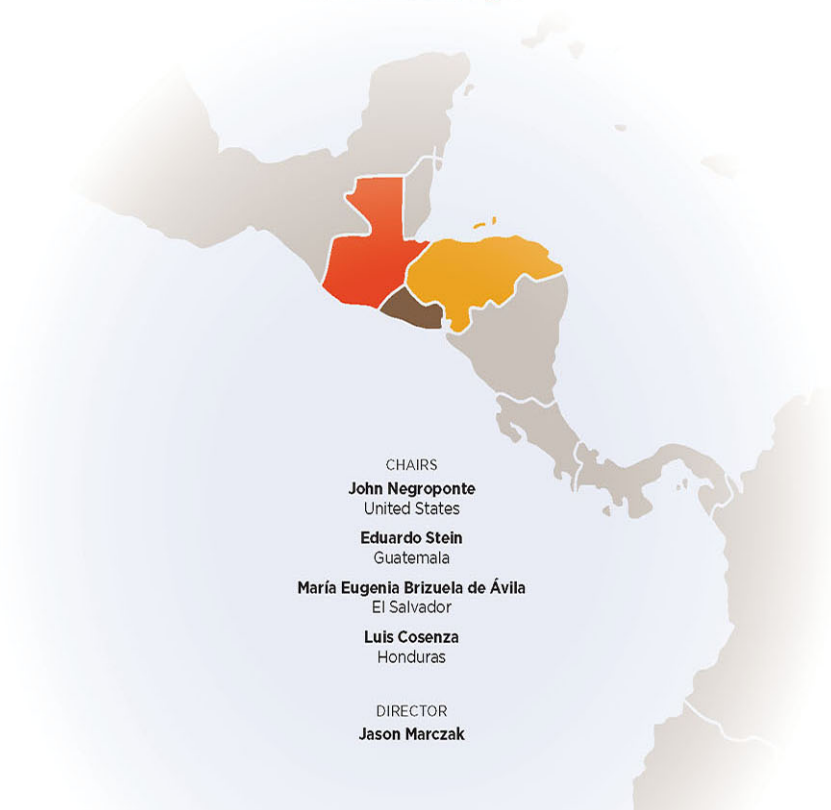
ATTACHMENT 1



INDEPENDENT TASK FORCE REPORT

BUILDING A BETTER FUTURE

A Blueprint for Central America's
Northern Triangle



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The Atlantic Council's Adrienne Arsht Latin America Center is dedicated to broadening awareness of the transformational political, economic, and social changes throughout Latin America. It is focused on bringing in new political, corporate, civil society, and academic leaders to change the fundamental nature of discussions on Latin America and to develop new ideas and innovative policy recommendations that highlight the region's potential as a strategic and economic partner for Europe, the United States, and beyond. The nonpartisan Arsht Center began operations in October 2013.

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Building a Better Future

A Blueprint for Central America's Northern Triangle

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Foreword

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To many Americans, the difficult issues facing Central America's Northern Triangle—El Salvador, Guatemala, and Honduras—may seem distant. But the future of the United States is tied to these countries as some of our closest neighbors. Geography alone demonstrates that their stability and prosperity is critical to our national interest.

Trafficking, gang violence, economic underdevelopment, and an atmosphere of impunity and corruption continue to present serious challenges to the Northern Triangle. Some progress has been made, but more needs to be done to ensure that the citizens of those countries feel they have options other than making the perilous trek north to the United States.

The United States has ready and willing partners in the region to help tackle these issues. Democrats and Republicans must come together to reinforce and build on the desire for progress. This includes helping provide momentum for nascent efforts to address crime and impunity.

US assistance to the Northern Triangle has been very effective in providing unique local leverage and complements significant domestic contributions. Still, we believe more can be done. Future efforts should prioritize game-changing issues that provide the maximum return for our investment.

Deep-rooted challenges will not disappear overnight. Only long-term investment and partnership in sustainable economic development, rule of law, and security will set the region on the right course. That is why the US Congress should consider a multiyear bipartisan funding authorization for the Northern Triangle. Plan Colombia is a prime example of what's possible when Congress puts aside differences to help move a country in the right direction. And just as in Colombia, national commitment exists in these three countries to collabora-

tively work with the United States.

We signed on as honorary co-chairs of the Atlantic Council's Northern Triangle Security and Economic Opportunity Task Force because its work gets to the heart of the solutions needed for the region. The task force set out to address those concerns, which have been identified as top priorities by citizens across the region. Its work considered diverse opinions from the public and private sectors and civil society in the three countries, plus the United States. And its strong leadership from all four countries considers multiple vantage points and political positions.

This report should be viewed as a blueprint for our work in Congress: It addresses short-term solutions and long-term structural changes. The key pillars of security, rule of law, and sustainable economic development are a familiar refrain for the US approach to the region. But those pillars support proposals that offer a fresh outlook for the sustained effort that the region needs. Policy recommendations are directed at both the United States and the Northern Triangle, because regional problems require multilateral partnership.

We hope our colleagues consider the ideas in this report as a starting point for a renewed emphasis on the Northern Triangle. And we hope that the three governments also recognize the imperative of joint action. As the ranking member of the House Committee on Foreign Affairs and as the co-chair of the Congressional Central America Caucus, we are proud to be working together as part of this task force.

This spirit of bipartisanship has the potential to solve the region's challenges once and for all. As discussions on Central America continue, we will use this report as an important tool in our work and encourage our colleagues on both sides of the aisle to do the same.

Executive Summary

Central America's Northern Triangle is at a crossroads. The region has seen 50,000 murders over the past three years, along with high-profile corruption scandals that have tested overburdened institutions and stirred public dissatisfaction. Lack of economic opportunity, weak governance, and criminality have led to nearly 10 percent of El Salvador, Guatemala, and Honduras's thirty million residents leaving in recent years. The status quo cannot continue domestically or with regard to US policy. Without a major recalibration of both US strategy and that of the three countries, the challenges faced in the region today will increasingly lead to bleak long-term national prospects and a more direct effect on US national security interests.

This report provides a new direction for how to regain positive momentum. It is the product of an independent, multisector task force launched in September 2016 by the Atlantic Council's Adrienne Arsht Latin America Center. Composed of high-level policy makers, business executives, and civil society leaders from each of the Northern Triangle countries plus the United States, the task force addresses regional challenges with practical, impact-driven solutions. The recommendations in this report are informed by a public opinion survey conducted by CID-Gallup in the Northern Triangle countries in fall 2016. It found high levels of distrust in virtually all institutions and a desire for more international

assistance. Based on the poll's responses and additional consultations, the recommendations fall into three interconnected categories: sustainable economic development, rule of law, and security.

Like both the region-led Alliance for Prosperity and current US support for the Northern Triangle, the task force operates on the premise that increasing border security alone will not stem the flow of unauthorized migration. People will continue to head north if no other option is available. Illicit drugs will continue to head north as well. The three countries themselves will never shed the title

of weak states without a renewed push to change course. That is why we must redouble efforts to facilitate the necessary conditions for Guatemalan, Honduran, and Salvadoran leaders to make the hard but necessary choices that will provide renewed momentum for achieving prosperity.

Local leaders have shown an increasing desire to enact change.

They are also invested, with more than 80 percent of Alliance for Prosperity spending coming from the Northern Triangle. But their actions, like those of the United States up to this point, are only first steps. The outsized influence of the United States in these three countries—and the direct implications of inaction for US interests—makes financial and technical assistance an investment that is not merely aid but a down payment on greater US homeland security.

A starting point for US assistance is demonstrating the return on investment for US taxpayers. This

Northern Triangle countries will never shed the title of weak states without a renewed push to change course.



A National Civil Police agent patrols a trade district in zone 1, Guatemala City, Guatemala.

SOURCE: JESUS ALFONSO / WORLD BANK

must be done in terms of showing both results achieved and complementary funding allocated by the three countries themselves. For that reason, and for the purpose of creating greater transparency in the region, the task force believes it is critical to develop publicly accessible, easy-to-use resources to track the amount of funding budgeted and spent by the three countries in the areas that complement US investment. These significant in-country commitments need to be more closely tracked.

In all three countries, the lack of economic opportunity is a key motivator for migration. A three-pronged approach to boost economic prospects should focus on integration and infrastructure, key

sector development, and human capital. Joblessness poses grave risks in violent societies, where gang recruitment thrives among poor youth and fragile families. This report identifies strategic sectors of Northern Triangle economies that present immediate opportunities for growth (see p.20). Commercial activity demands reliable infrastructure. To support this, the task force calls for getting behind a recently created infrastructure fund that facilitates public-private partnerships while addressing one of the key impediments to growth (see p.18). To operate effectively, this fund must include mechanisms to reduce corruption.

Improving customs procedures would also spark greater commerce among the three countries and



Hondurans march against corruption in 2015 demanding a United Nations-backed impunity commission. Local mobilization was instrumental in the creation of MACCIH.

greater exports from the United States. For that, we propose a trinational institution for border coordination (see p.19). Another priority is to invest in communities with high economic potential, such as intermediary cities (see p.20), while also providing robust support for the communities from which children are migrating. Another tool is to provide more scholarships for Central American students to help their countries transition to a knowledge-based economy (see p.23).

Systemic corruption, inefficient public spending, and a lack of oversight of financial flows compromise the Northern Triangle's potential for economic growth and ability to address regional security problems. Three areas hinder progress in rule of law, where both the United States and each government

can make headway with the right investment: corruption and financial crimes, public finance regimes, and the strength of judicial institutions.

Corruption can be reduced by clamping down on money laundering through digitizing financial transactions and implementing a roadmap to comply with and enforce international anti-money laundering standards (see p.28). The United States can help deter and prosecute financial crimes by providing technical support to the relevant authorities (see p.27). Additionally, the three governments must continue their efforts to reform judicial institutions and tackle corruption, including reaching agreements for US and other international advisors to help judges and prosecutors clear the backlog of cases (see p.25). Ensuring

SOURCE: RBREVE/Flickr

the success of anti-impunity efforts, such as Guatemala's International Commission Against Impunity (CICIG), Honduras's Mission to Support the Fight Against Corruption and Impunity (MACCIH), and El Salvador's anti-corruption unit, would significantly help to ensure local improvements in the rule of law (see p.25). At the same time, Northern Triangle governments should fix uneven tax playing fields to improve spending efficiency and revenue collection (see p.29).

Prosperity in the region will not materialize without security improvements; 95 percent of homicides go unsolved, more than 75 percent of poll respondents have little or no trust in the police, and few mechanisms exist to address the temptation to join gangs or reduce their influence. The inability of the authorities to curtail the effects of gang violence has led to a widespread sense of lawlessness, which consequently has contributed to high emigration rates. The region also has become a transit corridor for illicit narcotics on their way to the United States. A strategy that combats insecurity should focus on policing improvements, criminal justice and prison reform, and a crack down on gangs and trafficking.

As with the task force's recommendation to send advisors to help clear judicial backlogs, more US advisors should be sent to provide technical assistance and training to local police forces. Community policing initiatives offer an opportunity to make inroads in combating rampant insecurity as well (see p.33). Governments in the region must also double down on strengthening police accountability (see p.33). Communities need a comprehensive push to diminish the strength of gangs. This includes both prevention programs in high-risk neighborhoods, as well as making sure that overcrowded prisons are not breeding grounds for

gang recruitment (see p.34). With an expected rise in US deportations, greater information sharing is necessary with the Northern Triangle governments regarding returnees (see p.35). Illicit trafficking will only continue to rise without new strategies from both the United States and the Northern Triangle countries. Here, regional governments can build on the new trinational anti-gang force. The United States should also work with local authorities to concentrate on constricting illicit corridors (see p.37).

The task force understands that these solutions must be implemented as part of a broad-based interconnected strategy. No solution will succeed as a stand-alone initiative. Simply put, infrastructure projects cannot thrive without addressing corrup-

tion. High-scale prosecutions and convictions will be piecemeal advances without profound judicial reform and the political will to enact it. A better-equipped police force will not achieve far-reaching success if the economic incentives to join gangs continue to exist.

Guatemala, Honduras, and El Salvador are at a moment of reckoning. Action now is essential to prevent a further downward spiral that will directly affect US interests.

Funding that balances security and development, provides technical support, and is subject to stringent external oversight will be critical in expanding economic opportunity and building institutional capacity. As President Donald Trump and Congress identify priorities, a comprehensive, long-term strategy for the Northern Triangle—advanced through a multi-year authorization bill—would provide the stability for the necessary strategic planning to further US priorities. This report serves as a blueprint for addressing the challenges and responses that would strengthen US national security and regional stability.

This report serves as a blueprint for addressing the challenges and responses that would strengthen US national security and regional stability.

Overview of Recommendations

SUSTAINABLE ECONOMIC DEVELOPMENT

	US-Focused Recommendations	Northern Triangle-Focused Recommendations
Integration and infrastructure	<p>Support the new infrastructure fund coordinated by the IDB (p.18).</p> <p>Double down on current efforts to modernize and streamline customs procedures (p.19).</p> <p>Organize a public-private supply chain security initiative that focuses on the physical safety of transported goods (p.19).</p> <p>Introduce technology to trace trucks and public transportation vehicles (p.19).</p>	<p>Prioritize improving secondary and tertiary roads in key economic development zones (p.18).</p> <p>Create a trinational institution in charge of coordination among all border actors (p.19).</p>
Key sector development	<p>Focus assistance on migrant-sending communities and intermediary cities (p.20).</p> <p>Support and build on agriculture projects that empower small farmers (p.21).</p>	<p>Focus funding on strategic sectors for economic growth (p.20).</p> <p>Reduce informality with a sector-specific strategy that includes stricter penalties for business tax evasion (p.21).</p>
Human capital	<p>Increase information-sharing to help put in place an effective system to help reintegrate returned Northern Triangle residents (p.22).</p> <p>Support more funding for scholarships that bring Central American students to the United States (p.23).</p>	<p>Implement a jobs-creation initiative that targets small and medium-sized enterprises (SMEs) (p.22).</p> <p>Incorporate more youth and women into the workforce (p.23).</p> <p>Promote more effective job reinsertion programs for former gang members (p.23).</p>

RULE OF LAW		
	US-Focused Recommendations	Northern Triangle-Focused Recommendations
Judicial institution building	<p>Continue supporting the work of CICIG and ensure the success of MACCIH and El Salvador's anti-impunity unit (p.25).</p> <p>Direct existing funds toward understaffed <i>fiscalías</i> (attorneys general) (p.26).</p>	<p>Reach an agreement to receive US advisors to help clear the backlog of legal cases (p.25).</p> <p>Promote sharing of best practices among judicial bodies of each country (p.26).</p> <p>Increase transparency in the election of secondary public officials (p.26).</p>
Corruption and illicit flows	<p>Provide technical assistance to train police, prosecutors, and judges to investigate financial crimes (p.27).</p> <p>Offer increased technical assistance to banking regulatory agencies, the private sector, and multilaterals (p.28).</p>	<p>Create incentives to digitize financial transactions and reduce reliance on cash (p.27).</p> <p>Implement an accelerated roadmap to comply with international anti-money laundering standards (p.28).</p>
Public finance regimes	<p>Direct more funding to local entities with verified track records in transparent spending (p.28).</p>	<p>Fix uneven tax playing fields to generate public funds (p.29).</p>
SECURITY		
	US-Focused Recommendations	Northern Triangle-Focused Recommendations
Policing improvements	<p>Send US advisors and coordinate the participation of additional international advisers to train local police forces (p.32).</p> <p>Strengthen and promote properly implemented community policing initiatives (p.33).</p> <p>Promote and increase the number of women in the police force (p.33).</p>	<p>Improve police accountability through: greater independent reporting and denouncing of police abuses; and new internal and external controls in the police force (p.33).</p>
Criminal justice & prison reform	<p>Ramp up financial and technical support to reform the prison system (p.34).</p>	<p>Implement comprehensive criminal prison reform, focused on rehabilitation (p.34).</p>
Gangs	<p>Increase information sharing on deported gang members and criminals (p.35).</p>	<p>Target high-risk neighborhoods for increased social and educational programs (p.35).</p>
Illicit trafficking	<p>Work with Northern Triangle authorities to identify, monitor, and constrict illicit corridors (p.37).</p> <p>Commit to sharing financial information on Northern Triangle nationals in the United States suspected of illicit activities (p.37).</p>	<p>Expand capabilities of the new trinational anti-gang force to address organized crime and trafficking (p.36).</p>

An Imperative for Joint Action

A three-hour flight from Miami or Houston, Central America's Northern Triangle is locked into a vicious cycle of lost opportunity and violence. Made up of El Salvador, Guatemala, and Honduras, the region has seen 50,000 murders over the past three years, the majority due to gang violence and drug trafficking.¹ Weak governance in the three countries has helped give rise to an illicit corridor for narco-trafficking and organized crime that begins just 2,500 miles from the US Southwest border. These crimes not only pose a crisis for law enforcement and the citizenry overall, but also have broad implications for Central America and beyond. For the United States, insecurity and illicit activity combined with the push of migrants north, makes the region a national security priority.

The region's business and political leaders have taken renewed interest in carving a better path forward for their countries, but sustained outside assistance is critical. Solutions to today's crises will require unparalleled US cooperation with its Central American partners. The region never fully recovered from the civil wars of the 1980s and 1990s, and continues to grapple with the repercussions of a significant increase in gang member deportations from the United States. Today, weak institutions and underdeveloped economies have yet to fully address the social inequalities that first gave rise to these conflicts, or the culture of violence that ensued. The

result: a lack of economic opportunities, gang and narco-trafficking proliferation, and an outward flow of human capital.

The combination of poor job prospects, weak governance, and rising criminality seen in the Northern Triangle led to the unaccompanied minor crisis in 2014 and brought the Northern Triangle back onto the radar of the US public. That year, US officials apprehended 68,541 unaccompanied children and 68,445 family units at the border.² Today, we continue to see that the majority of unauthorized migrants entering through Mexico are from the Northern Triangle. In total, nearly 10 percent of El Salvador, Guatemala, and Honduras' thirty mil-

lion residents have left in recent years, seeking reunification with their families, relief from poverty, and, in some cases, refuge or protection from growing violence.³

There have been efforts among the region's stakeholders to ameliorate the instability, but more must be done. The Plan of the Alliance for Prosperity, a development strategy created by the three countries with support from the Inter-American Development Bank (IDB)⁴ is a step in the right direction, but even greater comprehensive efforts are needed—ones that include policy makers, civil society, and the private sector from the outset. In late 2015, the US Congress passed a \$750 million aid package to support the Alliance for Prosperity and address the underlying structural causes of the recent migration trend. This increase in appropriations—which far exceeds prior funding to Central

Nearly 10 percent of El Salvador, Guatemala, and Honduras' thirty million residents have left in recent years.



The Mexico-Guatemala border is a key checkpoint for Central Americans embarking on the ominous trek to the United States.

America—including development assistance and was tied to conditions requiring governments to make progress fighting crime, impunity, and corruption. Its premise: Increasing border security alone would not stem the unauthorized migrant flow.⁵

Although Honduras, El Salvador, and Guatemala face similar problems, each requires a unique plan of action. But the starting point for all three countries is determining innovative, cost-effective ways to partner together to push for actions that improve local conditions and, in the process, address direct US interests. Addressing and advancing that process is the intent of this report.

In the United States, lawmakers should note that only a holistic approach will relieve stress on regional border enforcement and illicit drug trafficking, and improve US commercial interests. Such a strategy must include working with key US partners, including Mexico, on issues ranging from security to economic development. In the Northern Triangle, the governments of Juan Orlando Hernández (Honduras), Salvador Sánchez Cerén (El Salvador),

and Jimmy Morales (Guatemala) must double down on finding collaborative solutions to regional problems and drive forward critical domestic change.

The writing is on the wall. Without a sustained, long-term US commitment to help push local action, a combination of lack of human capital advancement, weak institutions, and insecurity risk creating even greater national crises in each country.

Volatility in the Northern Triangle has grave implications for security throughout the region. Over the next four years and beyond, it would benefit the US government to acknowledge that only multifaceted, innovative solutions to address the internal barriers to economic development, rule of law, and security in those countries will make the United States safer as well. Both the Trump administration and the US Congress have the opportunity to implement a holistic, long-term policy that will help spur more precise, effective action in the three countries, and pay dividends in security for the American people.

SOURCE: MIKE STENHOUSE/FLOKOR

Northern Triangle Security and Economic Opportunity Task Force

This Atlantic Council Task Force has its origins in a public opinion survey in Northern Triangle countries conducted in late August/early September 2016. The poll served as a critical starting point to bring the voices of the people and their concerns into the work of the task force. Commissioned by the Adrienne Arsht Latin America Center and carried out by CID-Gallup, it found that 75 percent of residents believe their country is on the wrong path; nine out of ten people in all three countries believe that corruption is widespread and that the justice system favors the rich and powerful.

The door-to-door poll was organized around three regional issues: security, rule of law, and economic development. Participants encompassed a range of ages (18+), education and income levels, family situations, occupations, and geographic locations with the sample being representative of the countries as a whole. It had a 3.4 percent margin of error and a 95 percent confidence interval.

Responses to the poll paint a portrait of deep frustration and pessimism about Northern Triangle governments, the economy, and the security situation. Roughly half of those surveyed said they were in a worse economic position than one year earlier. The poll also found that economic hopelessness and rising crime have contributed to high migration rates, and the small percentage of respondents who report that their family is better off than a year ago tend to be the same respondents who report having relatives in the United States.

Public perception of a leadership deficit is evident, along with distrust of most government institutions. More than three-quarters of respondents in the three countries have little to no confidence in judges, the police, the military, tax authorities, or attorneys general. A similar percentage believes that judges can be bribed in exchange for favorable sentences. Even public trust in priests and pastors barely reached 50 percent in Guatemala and Honduras, failing to register 30 percent in El



Northern Triangle Task Force members engage in discussions during the December 2016 meeting in Washington, DC. This marked the second meeting of a yearlong effort.

SOURCE: ATLANTIC COUNCIL

Salvador. On average, a majority of citizens in the three countries were open to calls for international bodies to oversee tax authorities and the judicial sector more broadly (beyond just anti-corruption). The message is clear: citizens of the Northern Triangle do not believe in their governments, their institutions, or their leaders, making it a clear objective of this task force to help reverse this trend.

With the poll serving as a starting point, this independent, multisector task force sought to better understand the drivers of the challenges enveloping the Northern Triangle, in order to explain the on-the-ground reality and offer concrete solutions not only to policy makers, businesspeople, and the public in the United States, but also to direct stakeholders in the three countries themselves. Recommendations expand upon the Plan of the Alliance for Prosperity but also propose new, innovative ways to move the needle and break the cycle of criminality and lack of economic opportunity that feed into the resulting US security concerns.

The Northern Triangle Security and Economic Opportunity Task Force first convened at the Seattle International Foundation's Central American Donors Forum in Antigua, Guatemala, in September 2016. A follow-up meeting was held in Washington, DC in December 2016; members remotely convened in February 2017 as well. The task force includes high-level policy makers, business executives, and civil society leaders from each of the Northern Triangle countries, along with US policy and private-sector leaders. (A full membership list is on p.39)

Co-chaired by former US Deputy Secretary of State John Negroponte (who replaced General John Kelly in December 2016, following his appointment as Secretary of Homeland Security), former Vice President of Guatemala Eduardo Stein, former Min-

ister of the Presidency of Honduras Luis Cosenza, and former Minister of Foreign Affairs of El Salvador María Eugenia Brizuela de Ávila, the task force has received input from scores of additional public and private stakeholders, seeking bold, concrete, locally driven solutions to improve security and economic development in the region.

In addition to identifying areas of priority for US collaboration, the task force has focused on how its findings can help advance the momentum for change

in the Northern Triangle, as well as how US policy makers approach the US role in the region. As President Trump and Congress identify their priorities, there is more need than ever for a unified effort to take stock of the current situation in the Northern Triangle: what is working, what can be improved, and how different sectors can come together to achieve meaningful reform. Now is the time to lay out a comprehensive, long-term strategy

that serves both the interests of the Northern Triangle countries and US security concerns.

The goals of the task force are fourfold:

1. To provide a roadmap that builds on existing efforts and lays out new ideas that address how the United States can secure its national interests by better supporting the Northern Triangle in improving sustainable economic development, rule of law, and security.
2. To raise awareness and spur action among the three countries toward enacting the reforms necessary to improve security and economic opportunity.
3. To build consensus across sectors and political affiliations for a strategy that builds on the Alliance for Prosperity.
4. To ensure momentum for efforts to make the Northern Triangle a long-term foreign policy priority.

This independent, multisector task force sought to better understand the drivers of the challenges enveloping the Northern Triangle.

Current Efforts to Build Momentum

The 2014 surge of unaccompanied children and adults with children from the Northern Triangle to the Southwest border of the United States galvanized bipartisan US support for a strategy to reduce child migration from the Northern Triangle. The increased financial support, technical assistance, and diplomatic attention by the United States and much of the international community represented an unprecedented investment in laying the groundwork for a secure and prosperous Central America—with modern borders, strong institutions, interconnected electricity and infrastructure grids, and productive human capital. To date, international attention has helped push local leaders to action, most notably in the judicial sector, but far-reaching, comprehensive progress remains a long-term proposition.

The US Congress recognized the importance of this effort and came together to support the Plan of the Alliance for Prosperity in the Northern Triangle of Central America. At the Plan's launch in November 2014, the US Congress authorized a 75 percent increase in aid for Central America, from \$317 million in fiscal year 2014 to \$560 million in fiscal year 2015. Congress increased the Central America aid budget by an additional 34 percent to \$750 million in fiscal year 2016.⁶ These funds must reach the countries in a timely manner and be disbursed effectively.

In an effort to hold Northern Triangle governments accountable for reform, US aid is conditioned

on specific actions, such as tackling corruption, strengthening institutions, facilitating the safe repatriation of unauthorized migrants, and countering the activities of criminal organizations.⁷ Funding that balances security and development, provides technical support, and is subject to stringent external oversight will be critical in expanding economic opportunity and building institutional capacity. But while the \$750 million in aid to Central America is an important catalyst for reform, it alone will not be enough to create sustainable change.

It is imperative to recognize the direct benefits to the United States of a more prosperous Northern Triangle. This will not happen overnight, making it critical to put in place a multiyear bipartisan effort. With a long-term commitment, the United States will be best positioned as a partner in producing durable, constructive results.

To be successful, a multiyear strategy also must address challenges on the US side. Implementation must be focused on a core objective while still adaptable enough to respond to congressional calls for immediate re-

sults to justify increased US involvement.

Course corrections are inevitable with any such long-term foreign assistance program—as was the case when Plan Colombia (see the next page) evolved from a counter-narcotics strategy to a narco-terrorist strategy post-9/11—and this flexibility will be critical to sustained US involvement in the Northern Triangle. Finally, any long-term strategy

The region's business and political leaders have taken renewed interest in carving a better path forward for their countries, but sustained outside assistance is critical.

should balance the preference of some US lawmakers for a focus on security assistance with those who prefer support for justice and rule of law institutions. Both are fundamental to success. This report seeks to balance these complementary objectives through its recommendations.

BUILDING ON US ASSISTANCE

The new funding follows substantive but still fragmented US approaches toward assistance for the Northern Triangle in previous years. The Central America Regional Security Initiative (CARSI), led by the US Department of State, has contributed \$1.5 billion since 2008 to disrupting criminal networks and enhancing state security apparatuses, as part of a broader strategy to strengthen law enforcement, build institutional capacity, and address underlying socioeconomic challenges in Central America.⁸ While the program has improved law enforcement capabilities, it must also promote an integrated approach among countries and garner equal commitment from host governments.

Another US entity, the Millennium Challenge Corporation (MCC), has made laudable advances toward fostering private investment and improving infrastructure.⁹ Since 2005, it has provided nearly \$1 billion to the three countries through both compacts and threshold programs, with El Salvador receiving the bulk (\$738 million) of those funds. Both CARSI and MCC funding levels face an uncertain future in the current budgetary cycle.

By comparison, Plan Colombia, which helped put a blighted country on the path to becoming a middle-income nation, began in 2000 with \$860 million in US assistance and involved nearly \$10 billion in aid over fifteen years, spurring significant investments by the Colombian government

and international financial institutions.¹⁰ Colombian taxpayer funds financed nearly 95 percent of the total investment in Plan Colombia. The plan succeeded because of bipartisan support in Congress and a shared interest between the United States and Colombia to address the roots of lawlessness and clamp down on narco-trafficking guerrillas.

The challenges in the Northern Triangle are distinct from those in Colombia: It is a drug-transit region, rather than drug-producing, for example, and has a narrower tax base that is unable to sup-



Presidents Salvador Sánchez Cerén, Juan Orlando Hernández, and Jimmy Morales (l to r) at a 2016 Northern Triangle presidential summit.

port similar levels of complementary funding. But a comprehensive and sustained effort, like that of Plan Colombia, will be imperative to a similar revitalization. Already, Colombian advisors—with key US funding—have provided assistance to security forces in the Northern Triangle, training nearly 10,000 security officers in the three countries combined.¹¹ Now, the critical challenge is measuring this effort's long-term success.

Guatemala, Honduras, and El Salvador have each demonstrated significant political will by taking steps in crucial areas, most notably by strengthening judicial institutions. The UN-backed Interna-

SOURCE: PRESIDENCIA EL SALVADOR/FLICKR

tional Commission Against Impunity in Guatemala (CICIG) has revealed deep-seated corruption within the political and judicial systems. Its investigative work led to the exposure of corruption under the Otto Pérez Molina administration, including the ouster of both Pérez Molina and Vice President Roxana Baldetti. In Honduras, the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH), established in February 2016 with support from the Organization of American States (OAS), has begun investigating an embezzlement scandal involving the Honduran Social Security system (IHSS).¹² The Honduran Congress, spurred by MACCIH, enacted a campaign finance law in January 2017 to prevent illegal funds from entering politics and to increase oversight of political parties.¹³ In El Salvador, the new attorney general, Douglas Meléndez, has launched a number of high-profile corruption investigations, including cases against former presidents Antonio Saca and Mauricio Funes.

One lesson learned: Any successful course of action must be embraced by stakeholders in civil society and the private sector. Guatemalans' support for CICIG helped extend its mandate, and Hondurans' outrage over the IHSS embezzlement case led to the creation of MACCIH. In El Salvador, a coalition of civil society organizations pushed for a new law guaranteeing public access to government information.¹⁴

ALLIANCE FOR PROSPERITY: A STEP IN THE RIGHT DIRECTION

The three Northern Triangle countries launched the Plan of the Alliance for Prosperity in the Northern Triangle in November 2014, with technical assistance from the IDB. The Alliance for Prosperity aims to create economic opportunities for citizens in the three Northern Triangle countries, so that they will be motivated to stay. It is working in four strategic areas: developing human capital; improving public safety and access to the justice

system; fostering the productive sector; and strengthening institutions.

To support the five-year development plan, the US Congress approved a record \$750 million aid package for the region.¹⁵ While none of the initial funds approved had reached the Northern Triangle by the end of 2016, Honduras had received \$125 million and El Salvador \$98 million as of February 2017.

Most importantly, the Plan of the Alliance for Prosperity represents a crucial improvement in how the region leverages US assistance with its own financial commitments. The governments of the three



CICIG Commissioner Iván Velásquez, Assistant Secretary for International Narcotics and Law Enforcement Affairs William Brownfield, Attorney General Thelma Aldana, and US Ambassador to Guatemala Todd Robinson (left to right) following a meeting at the US Embassy in March 2017.

SOURCE: US EMBASSY GUATEMALA/Flickr



Representatives from the Northern Triangle countries and the United States meet during a 2015 Alliance for Prosperity summit.

countries have taken ownership of the plan and have worked to annually complement US funding with their own. Guatemala, El Salvador, and Honduras collectively budgeted \$2.8 billion for the plan in 2016, with a slight increase to \$2.9 billion in 2017. That means local taxpayer funds represent 80 percent of total Alliance for Prosperity budgeted resources.

So far, there have been some improvements in citizen security and access to justice. This has been accomplished by cleaning up the police, implementing more robust security policies, and investing in increasingly independent *fiscalías* (attorneys general). In an unprecedented move in Honduras, nearly 40 percent of police forces were removed by the government in 2016, with ousters beginning with the top commanders.¹⁶ Salaries have increased for security forces in El Salvador (by 25 percent) and for low-ranking members of the police in Honduras (by 78 percent). Nearly 5,000 police officers in the three countries have received additional training.¹⁷ In El Salvador, murders dropped 20 percent

in 2016, although human rights groups have expressed concern about extrajudicial executions by security forces.¹⁸ Similar concerns are voiced about Honduras by the United Nations.¹⁹

Institutional strengthening is another priority. The IDB reported a positive bump in tax revenues in El Salvador (by 0.5 percent of gross domestic product—GDP) and Honduras (by 2.3

percent) between 2013 and 2015.²⁰ El Salvador also hired one hundred new assistant prosecutors and approved a 5 percent telecommunications tax to fund security-related measures.²¹ A similar tax to fund anti-corruption policies proposed by CICIG has not had the support of Guatemalan lawmakers and business leaders.

Still, the Alliance for Prosperity was developed quickly, without robust consultation across all sectors of society to address the deep structural challenges facing the countries. More concerted, multi-sectoral action is needed, especially in building a more competitive investment environment to attract and sustain private investment-generating jobs. The private sector, in particular, must be part of the solution, especially given its outsized contribution to GDP in the countries. While the Plan of the Alliance for Prosperity is an important initial step in the right direction, it must continue. This task force's conclusions complement the Plan, and its recommendations build on current efforts by the three countries.

SOURCE: PRESIDENCIA EL SALVADOR/FLICKR

A Blueprint for Addressing the Region's Top Challenges

Through a deep analysis of the situation in the Northern Triangle and consideration of the baseline poll results, the Northern Triangle Security and Economic Opportunity Task Force outlined the top challenges in which the United States can be of further assistance and sought solutions that would bring together Northern Triangle governments, the US Congress, the US private sector, and the international community. At the same time, the task force believes that US assistance must be met with additional game-changing measures taken by the governments, private sector, and civil society within the three countries themselves. The central focus for the recommendations that follow is how to move the needle in those areas that would directly impact US interests.

Each recommendation responds directly to a core challenge being faced, with the overall ideas organized into three categories:

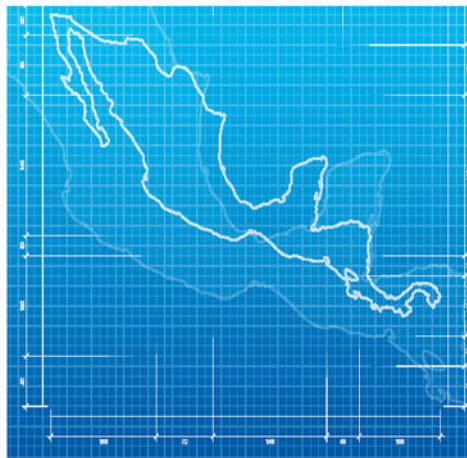
▼1. Sustainable economic development (p.17)

▼2. Rule of law (p.24)

▼3. Security (p.30)

As demonstrated by the results of the public opinion poll, these issues are at the root of the violence affecting Central America, causing tens of thousands to flee their countries. By breaking down complex regional issues into tangible problems, the task force has identified areas in which the United States and the international community can assist domestic actors.

The task force realizes that its three-pronged approach inevitably overlaps on some issues, while



excluding others. There is no doubt that other issues—including health and indigenous rights—are invaluable to the Northern Triangle's progress. But, by elevating these three main concerns, the task force aims to empower mutually beneficial strategic partnerships between the United States and Central America and highlight their importance to US national interests.

Additionally, the task force suggests more effective ways to measure impact, increase transparency, and ensure accountability regarding the different efforts underway and the resources available to the region. Regular monitoring and evaluation by the United States and local governments, as well as civil society actors—of both funds allocated by the United States and money directed by the three governments toward a shared plan—will ensure better coordination among complementary initiatives.

SOURCE: ISTOCK

1.

Building Sustainable Economic Development

Already underdeveloped, El Salvador, Guatemala, and Honduras were hit hard by the 2008–2009 global economic crisis. Recovery has been slow, compounded by factors such as natural disasters and a coffee rust. Unemployment has fluctuated, and even risen, in recent years.²² High levels of joblessness pose grave risks to societies where gang recruitment thrives among jobless youth and fractured families. The percentage of youth who neither study nor work is staggering—up to a quarter of people ages fifteen to twenty-nine in El Salvador and Honduras, compared with 20 percent in Latin America as a whole.²³

Jobless youth today will spell further trouble in the years to come. In 2033, the region's demographic window—the period when there are many workers and few dependents—will close,²⁴ creating a greater imperative to make sure youth gain the skills today to support themselves and their families. This makes it even more crucial to provide clear pathways for all youth—including US returnees—to access the formal labor market and see a future that does not revolve around illicit activities.

Task force poll results show that the cost of basic needs is the top concern for citizens in Honduras (43 percent) and Guatemala (30 percent). However, dialogue between the government and the private sector, crucial to creating jobs, has been either noticeably absent or unproductive in each of the three countries, as have broadly connected vocational and technical education programs that extend beyond laudable but isolated corporate efforts.

The recommendations here seek sustainable economic development that will discourage migration and criminality and lay the groundwork for future generations. The following core issue areas are addressed below:

- ▼ **Integration and infrastructure (p.18)**
- ▼ **Key sector development (p.20)**
- ▼ **Human capital (p.22)**

GAME CHANGERS



- ▼ Support the new infrastructure fund coordinated by the IDB.
- ▼ Focus assistance on migrant-sending communities and intermediary cities.
- ▼ Increase information-sharing to help put in place an effective system to help reintegrate returned Northern Triangle residents.



- ▼ Prioritize improving secondary and tertiary roads in key economic development zones.
- ▼ Focus funding on strategic sectors for economic growth.
- ▼ Create a trinational institution in charge of coordination among all border actors.

INTEGRATION AND INFRASTRUCTURE

CHALLENGE:

Well-functioning, efficient infrastructure is a crucial step toward fostering job creation and foreign investment in the Northern Triangle.²⁵ Businesses need adequate infrastructure to thrive, and citizens need it to reach job opportunities. But opportunities for infrastructure projects have suffered due to the lack of a transparent, intuitive framework for public-private partnerships.²⁶ At the same time, poor infrastructure has made it hard for the Central American Integration System (SICA)—which also includes Nicaragua, Panama, Belize, Costa Rica, and the Dominican Republic—and other regional agreements to foster necessary regional integration and global competitiveness.

Business executives from six Central American countries ranked roads as inferior in quality to airports, ports, and electricity supply in the World Competitiveness Index, identifying a clear priority for infrastructure investment by Northern Triangle governments.²⁷ Inadequately paved, poor-quality roads are a time drain on cargo movement, resulting in high transport costs and product losses, particularly for time-sensitive agricultural products. Small producers are particularly affected by poor road quality.²⁸

US companies seeking to enter the infrastructure market have difficulty competing due to local inefficiencies and government inability to attract sufficient investment. Moreover, corruption scandals surrounding public infrastructure have hindered the ease of doing business and increased reservations toward further developing large-scale projects.

RESPONSES:



The United States should support the recently created infrastructure fund coordi-

nated by the IDB and promote an oversight committee composed of multilateral institutions, civil society, and the private sector. US and Northern Triangle businesses could then invest in transportation and energy projects, working with Northern Triangle governments to establish public-private partnerships (PPPs), while placing an emphasis on regional integration and sharing technical expertise.

By statute, US assistance managed by the Department of State and USAID, including the \$750 million, can only fund infrastructure to combat crime and narcotics trafficking. One option is for Congress to authorize the MCC, which implements infrastructure projects, to move forward with a regional compact that promotes Northern Triangle integration. A complementary action would be for the US Congress to consider approving loan guarantees for infrastructure projects. Such an initiative could also provide incentives such as zero-coupon bonds to companies with infrastructure development projects in the region. Latin American Partners' \$188 million Central American Mezzanine Infrastructure Fund²⁹ provides one model for such a project, as does the Colombian government's multibillion-dollar investment in infrastructure.³⁰ All projects must be developed in consultation with local community groups and interests.

At the same time, Northern Triangle countries should harmonize existing PPP frameworks and prioritize improving secondary and tertiary roads in productive areas, chosen in consultation with

trade groups of diverse industries. Governments should reduce costs in these projects by applying strict oversight to combat corruption.

CHALLENGE:

Uncoordinated operation of border control agencies, inadequate customs systems, and bureaucratic red tape often cancel

Businesses need adequate infrastructure to thrive, and citizens need it to reach job opportunities.

out the advantages of the existing transportation infrastructure. Substandard infrastructure and customs delays, among other problems, contribute to the Northern Triangle's reputation as a challenging place to do business. The three countries rank at or near the bottom half of countries in the 2016 Doing Business Index.³¹

Substandard infrastructure and customs delays contribute to the Northern Triangle's reputation as a challenging place to do business.

RESPONSES:

There are clear benefits for both local and US businesses, if it becomes easier to trade with the region.

The United States should double down on current efforts to help Northern Triangle countries modernize and streamline customs procedures and implement standardized electronic data processing, risk management systems, and improved border infrastructure.

USAID has recently released funding toward a regional facility to reduce transit times and improve intraregional trade. Efforts could include enforcing mandatory vehicle tag use and registration and introducing technology to trace trucks and public transportation vehicles. As a start, the Department of Homeland Security has also invested in border security programs to facilitate trade and US Customs and Border Protection (CBP) has created border units in the three countries.

The United States should seek to replicate successful efforts with Mexico and Canada by organizing a public-private supply chain security initiative among the Northern Triangle governments and US businesses that specializes in the physical safety of transported goods. Reducing cargo security costs—which today can reach up to 22 percent of the value of freight—and optimizing en route conditions by introducing monitoring systems and secure areas for drivers will help make the region more attractive for trade.³² The use of radio frequency identification (RFID) in Brazilian trucks to ensure tracking and increased safety of mer-

chandise serves as a precedent for similar initiatives in Northern Triangle countries. Eight of ten Atlantic Council poll respondents supported such a plan.

Programs like the Trusted Trader program (a joint US-Canada, and US-Mexico program), and the Customs-Trade Partnership Against Terrorism program (a public-private supply chain security initiative) are two

well-known initiatives that deliver increased security while also providing expedited customs clearance to pre-vetted shipments.

The three countries should create a trilateral institution—potentially led by their vice presidents—in charge of coordinating all border actors, including customs, migration, police, and trade authorities. This institution should build on the customs union created in 2015 by Guatemala and Honduras (assuming it proves successful) at their shared border.³³ The goal is to improve border operations and institutional linkages. All of these respective agencies—plus private-sector representatives—would have a voice and a stake in this institution. This institution should be charged with carrying out the following objectives:

- Increase bilateral coordination and harmonization of practices on both sides of shared borders.
- Establish an online portal that publishes detailed records of commercial activities, customs data, and sanitary measures in an easily accessible manner.³⁴
- Improve customs procedures with improved processes, nonintrusive inspections, and development of risk profiling capabilities.

The United States should also encourage and help facilitate full implementation of the International Goods Customs Transit (TIM), an important tool for integrated trade facilitation, customs control, and border security.³⁵

KEY SECTOR DEVELOPMENT

CHALLENGE:

While southern Mexico and Central America comprise an attractive market of 70 million people, it is neither formal nor integrated. The September 2016 poll commissioned by the Atlantic Council found that for the majority of Salvadorans (51 percent), Guatemalans (70 percent), and Hondurans (77 percent) with friends or relatives who had migrated, reported that they had done so in search of better economic opportunities. Another poll in Guatemala found that 57 percent of people migrated looking for jobs and 26 percent did so because of the economy,³⁶ thus making it crucial to invest in communities with the highest employment-generating potential.

RESPONSE:

As a strategy to facilitate regional trade and bolster job creation, the **United States should prioritize development aid both to intermediary cities along major transportation routes**



with the potential for growth in vital industries such as tourism and apparel, while also directing funding for areas from which children migrate to the United States.

Employment-generation assistance should be directed toward those areas that have the best potential for actually generating jobs in all rural and urban zones. Although it extends beyond just one city, one example of an employment-focused project in El Salvador would be development of the triangle stretching from the cosmopolitan suburb of Santa Tecla to the Comalapa Airport and beach resorts of Mizata and Estero de Jaltepeque, which would have a positive impact on the development of the tourism, fishing, and aviation industries.

CHALLENGE:

In a region where six million people will enter the job market in the next six years, formal-sector job creation is a fundamental step to boosting economic growth.³⁷ The three countries need to

focus on new sectors of employment and revive old sectors. Agriculture, for example, employs almost half of all working men in the Northern Triangle, but represents a shrinking share of GDP.³⁸

RESPONSES:

Northern Triangle countries should identify strategic sectors for economic growth (such as agriculture and tourism) and focus funding on these sectors to complement US investment. Governments must bring together diverse societal actors to formulate long-term eco-



The San Salvador volcano extends through Quezaltepeque, San Juan Opico, Colón, Nejapa, and Santa Tecla—areas that are ripe for further investment.

SOURCE: ALEXANDER BONILLA/FUCKR



La Gran Vía, a shopping mall and lifestyle center located in Antigua Cuscatlán, El Salvador, is a direct product of San Salvador's urbanization and rising investment.

nomic plans, bringing in outside mediators if necessary, as El Salvador has done with the United Nations.³⁹ These dialogue sessions should draw upon evidence-based tools, research, and analysis by think-tanks and educational institutions to identify new strategic sectors (telecommunications and call centers, for example) and ways to expand and adapt old ones. Economic growth should be complemented by a strategy that improves the overall quality of life through social progress.

The United States should support and build on agriculture projects that empower small farmers, by providing technical assistance and access to markets. The US should expand strategies like the ACCESO project in Honduras and Feed the Future in Guatemala, funded by MCC and USAID, which educated poor farmers on drip irrigation systems and offered an opportunity to intensify production with improved productivity and yields.⁴⁰ Such projects must include not only education about new farming technology, but also links with potential buyers through cooperatives to ensure that there is a market for the new products

and increased yields. US companies should also continue supporting institutions like Zamorano in Honduras to train the next generation of farmers. Still, while empowering farmers is an important objective, it is imperative to remain focused on how to best prepare the workforce for being competitive for the jobs of tomorrow. Governments must foster an innovation-friendly policy environment.

The three countries also should identify sectors where informality rates are highest and impose stricter penalties for tax evasion for businesses profiting from contraband. These sectors could include the wholesale distribution of food and mass-consumption goods, and sales of alcohol and tobacco. Effective penalization of large-scale tax evasion can reduce informality.⁴¹ A strategy to identify these sectors and estimate the percentage of GDP that informality comprises is the first step toward combating it. Governments should also consider a simplified tax system for SMEs and tax incentives, such as temporary abatements, for merchants to bring their businesses into the formal sector.

SOURCE: ALEX AYALA/FUCKER

HUMAN CAPITAL

CHALLENGE:

Inadequate educational opportunities exacerbate disadvantages for Northern Triangle youth. In 1984, the National Bipartisan Commission on Central America, led by Henry Kissinger, identified reforming the region's schools as a critical step toward stability and prosperity.⁴² Since then, the adult literacy rate and primary school attendance have improved—more than 85 percent of children attend primary school now—but public schools still fail to prepare students for today's globalized job market.⁴³

In Guatemala and Honduras, less than half of eligible children attend secondary school,⁴⁴ while in El Salvador in 2015, more than 39,000 children were forced to drop out due to gang violence.⁴⁵ The lack of economic mobility caused by insufficient education makes joining a gang or another illegal group one of the only choices available in a region where unemployment and underemployment abound. The other option for youth is to head north to the United States in search of opportunity.



A small business owner in Guatemala cuts one of his leather products. Northern Triangle countries must unlock the potential of small and medium-sized enterprises.

RESPONSES:

Effective systems must be put in place to reintegrate returned Northern Triangle residents into their home societies. Long-term comprehensive reintegration services remain limited and reach only a fraction of returnees.⁴⁶ The United States should provide additional resources to increase coordination among Northern Triangle government agencies, nongovernmental organizations (NGOs), and the private sector to connect deportees to social services and employment programs, thus discouraging future migration attempts.

The United States should also provide technical assistance to help Northern Triangle governments manage, collect, analyze, and share information on migration trends and best practices for reintegration. While El Salvador was the first to set up reception programs, such as the Migrant Attention Center La Chacra,⁴⁷ the Guatemalan government is currently providing more comprehensive services to its returned citizens.⁴⁸

At the same time, **Northern Triangle countries should implement a jobs creation initiative that targets small and medium-sized enterprises.**

One such example is Technoserve's Impulsa Tu Empresa program, which helps SMEs in the region boost their growth through mentoring and business training. Governments should integrate entrepreneurial skills into educational curricula to foster innovation among younger students. Sector-specific internship and training programs should be sponsored in areas where businesses and universities better link workers with small and medium-sized enterprises. Government-hosted round-

SOURCE: NELO MIJANGOS/FLICKR

tables with young entrepreneurs, companies, and NGOs should be convened to identify “pain points” in the process of starting a business.

Northern Triangle countries should promote more effective job reinsertion programs for former gang members. Local policy makers should lead the way in overcoming social stigma and helping civil society and the private sector understand that finding alternative economic activities for thousands of gang members is the only way to eradicate criminal structures. Governments should look to the League Collegiate Outfitters factory in El Salvador as a successful model, particularly in its hiring, vetting, and monitoring process, as it provides an effective way for employers to ensure that their employees are in good standing with the law.⁴⁹

The countries should also work to incorporate more women and youth in the labor force. Part-time employment and other such options that improve access to formal labor opportunities can be successful in creating jobs and fostering a more inclusive workforce. Legislators should seek guidance from industry leaders, union representatives, and NGOs to ensure that reforms pro-

mote economic growth while guaranteeing labor rights and protections.

The United States should also support more funding for scholarships that bring Central American students to the United States, including an increase in the number of scholarships under the Fulbright Foreign Student Program and the Young Leaders of the Americas Initiative. In the legacy of the Central American Program for Undergraduate Scholarship, which grew out of the presidential commission led by Dr. Kissinger, a new program for university and technical-vocational scholarships should be introduced to help provide future generations of Central American leaders with the necessary skills to transition to a knowledge-based economy.⁵⁰ Programs should target low-income applicants, as well as indigenous students, and be accompanied by English language training to ensure they are properly prepared for university in the United States; the scholarship recipients should be required to return to their home countries after completing their education. Funding should build on the efforts of Guatefuturo and Hondufuturo, as well as support a similar program in El Salvador.

MEASURING IMPACT NEW WAYS TO DETERMINE ACCOUNTABILITY

- Develop regular, in-country dialogues that monitor various metrics of economic development, such as the Doing Business Index and the Global Competitiveness Index. These should measure, but not be limited to, variables such as reductions in informality, ease of doing business, and youth labor force participation. Dialogue should include the private sector and local NGOs that track public policy effectiveness.
- Work with the IDB to track host country spending in areas that complement US support. Establish permanent dialogue among governments and partner multilateral institutions to improve coordination. Ensure that all related local funding is publicly shared in an accessible format.

GAME CHANGERS



- ▼ Direct existing funds toward understaffed *fiscalías* (attorneys general).
- ▼ Offer increased technical assistance to banking regulatory agencies, the private sector, and multilaterals.
- ▼ Direct more funding to local entities with verified track records in transparent spending.



- ▼ Promote sharing of best practices among judicial bodies of each country.
- ▼ Increase transparency in the election of secondary public officials.
- ▼ Implement an accelerated roadmap to comply with international anti-money laundering standards.

2. Strengthening the Rule of Law

Systemic corruption, coupled with inefficient public spending and insufficient local and foreign private investment, stagnates economic growth in the Northern Triangle. In fact, eight in ten poll respondents see corruption as widespread.

Numerous investigations reveal massive networks dedicated to co-opting public funds for the personal enrichment of government officials: La Linea, which brought down Guatemalan President Otto Pérez Molina; the cases against former Salvadoran officials, including ex-presidents Mauricio Funes and Antonio Saca and former Attorney General Luis Martínez; and corruption scandals in Honduras, including embezzlement of social security funds and links to the Cachiros criminal group, and allegedly involving the ruling party, the president, the military, the police, and some members of the private sector. Still, the successful prosecution of many of these corruption cases demonstrates significant judicial advancements.

Corruption drags on growth, diverting resources away from development and deterring investment from abroad. The World Economic Forum's Global Competitiveness Index cited inefficient government bureaucracy as the biggest problem for doing business in Honduras. In El Salvador, crime and theft are the biggest factors. In Guatemala, crime and theft, corruption, and inadequate infrastructure were among the top factors.⁵¹

At the same time, judicial authorities have struggled to respond to rising crime and gang violence. An astounding 95 percent of all homicides in the Northern Triangle go unpunished.⁵² This impunity stems from understaffed police forces and prosecutors' offices, underreporting, and the lack of science-based evidence collection, among other factors. Although some improvements have been seen in El Salvador and Guatemala (see previous section), weak judiciaries—a characteristic of the region since before the civil wars—perpetuate crime and impunity: Criminals assume that they can get away with illegal activities, and victims do not bother reporting crimes. More than 75 percent of poll respondents have little or no trust in judges, and disenchantment with public institutions is exacerbated by heightened political polarization at the national level.

In addition to the economic consequences of corruption and impunity—stunted entrepreneurship and low foreign investment, among them—untrustworthy institutions make it incredibly challenging to find reliable partners to implement responses to the region's top challenges. Addressing this deficit is central to recommendations in the following areas:

- ▼ **Judicial institution building (p.25)**
- ▼ **Corruption and illicit flows (p.27)**
- ▼ **Public finance regimes (p.28)**

JUDICIAL INSTITUTION BUILDING

CHALLENGE:

Judicial institutions in the Northern Triangle are notoriously weak and face many hurdles to addressing systemic lawlessness. Strong institutions deter crime, which, in turn, deters unauthorized migration. Internationally supported efforts to strengthen institutions—such as CICIG in Guatemala—are a step in the right direction, and the conditions tied to the Alliance for Prosperity aid package offer an opportunity for Northern Triangle governments to enact crucial reforms. The following recommendations chart a path toward stronger institutions and better defenses against corruption, impunity, and illicit activities.

Citizens in the Northern Triangle do not trust the government institutions responsible for monitoring politicians and curtailing corruption. Three-quarters of Atlantic Council poll participants responded that they believed it was possible to pay judges for a favorable ruling, while only 26 percent of Guatemalans, 17 percent of Hondurans, and 14 percent of Salvadorans believe all people receive equal treatment before the law. Less than 30 percent of residents in the three countries said they trusted prosecutors and judges. Resolving the murders of Honduran activists Berta Cáceres, Julian Aristides Gonzalez, Alfredo Landaverde, and Orlan Chavez is a critical step to building public trust.⁵³

RESPONSES:



Northern Triangle countries should reach an agreement to expand the presence of US and international advisors to judiciaries and public ministries to help judges and prosecutors clear the backlog of cases. Among other things, this would help alleviate the 7,500 to 8,000 people in prison awaiting sentencing in each country.⁵⁴

The United States should commit to sending advisors, and the Northern Triangle countries should

provide them with access to organizations' central and local offices. In recent years, the United States has provided critical support to public ministries in Guatemala, Honduras, and El Salvador, embedding resident legal advisors to help build the capacity of prosecutors, judges, and investigators working on high-profile cases.⁵⁵ Such support has been an important factor in the creation of new anti-corruption units, and has helped spur progress dismantling criminal structures like La Linea in Guatemala and the financial holdings of the Mara Salvatrucha in El Salvador. This type of assistance should be significantly expanded. Guatemala's twenty-four-hour courts—seven courts in seven jurisdictions around the country—represent a successful strategy to reduce backlogs and could be replicated in the other two countries.

To make this collaboration more effective, the United States should send more advisors through the Office of Overseas Prosecutorial Development Assistance and Training to public ministries—including departmental offices outside the capital—and also to specialized tribunals that oversee corruption-related and other high-profile cases. These advisors need not exclusively be from the United States: Northern Triangle governments should explore further partnerships with other Latin American countries, such as Colombia. US embassies in the Northern Triangle are already facilitating regional coordination among attorneys general, but this process should be significantly accelerated. International bodies, like Transparency International, are actively working to establish support networks for judicial institutions around the world and could be partners in this effort.

The United States should continue supporting the work of CICIG and ensure the success of MACCIH and El Salvador's Anti-Impunity Unit within its *fiscalía*. US government assis-



tance to Guatemala in 2016 included \$7 million for CICIG,⁵⁶ along with \$5.2 million in funding for MACCIH⁵⁷ and technical and financial support for El Salvador's new anti-impunity unit in the attorney general's office.⁵⁸

It is critical to properly equip and train the new anti-impunity unit in El Salvador and strengthen CICIG and MACCIH. A significant portion of these institutions' funding comes from voluntary international donations, which must be sustained to continue progress. Latin American countries with success tackling corruption and organized crime should send advisors to train their Northern Triangle counterparts. The international community should encourage the governments of Guatemala, Honduras, and El Salvador to create medium- and long-term roadmaps to integrate anti-impunity units into their judiciaries, and provide technical and legal assistance to policy makers working on these plans.

The United States should also direct existing funding toward understaffed *fiscalías* to increase prosecutorial capacity. The performance of the *fiscalías* should be evaluated to determine the areas that need strengthening. Attorneys general are at the helm of the anti-corruption efforts in the Northern Triangle, but they need more resources to develop fully functional and independent judicial institutions.

The United States should provide funding for hiring and training additional prosecutors, and strengthening specialized units that prosecute corruption, money laundering, narco-trafficking, organized crime, and other complex cases. Attorneys from the US Department of Justice's anti-kleptocracy unit could be embedded to serve as mentors and to facilitate cooperation between US and local law enforcement. Judges and attorneys gen-

Attorneys general are at the helm of the anti-corruption efforts in the Northern Triangle, but they need more resources to develop independent judicial institutions.

eral will need additional physical protection to mitigate the threats that come along with more concerted action. Advisors can also help ensure that the treatment of investigations and resulting proceedings remain apolitical.

Northern Triangle countries should commit to increasing transparency in the elections of secondary public officials, such as supreme court magistrates, accounts court magistrates, and attorneys gen-

eral. The process by which Congress nominates and elects these officials is opaque and often is based more on political considerations than nominees' qualifications. It must be reformed to guarantee institutional independence and prevent regression from the progress that has been made in the region's judicial institutions in recent years.

They should also promote sharing of best practices between judicial bodies of each country. Last year the Northern Triangle countries stepped up their efforts to coordinate their fight against gangs and insecurity.⁵⁹ With US support, and within the context of the Alliance for Prosperity, the three national attorneys general met several times and launched a trinational border force to facilitate the capture of drug traffickers and gang members.⁶⁰ Members of Guatemala's public ministry have also provided advice to the *fiscalías* in El Salvador and Honduras as they launched similar anti-corruption efforts.

This new spirit of collaboration should be expanded to other institutions—including those involved with indigenous law—with the goal of formalizing coordination among the justice departments of the three countries. More than 66 percent of poll respondents supported the creation of a tricountry body to combat corruption and improve the administration of justice.

CORRUPTION AND ILLICIT FLOWS

CHALLENGE:

Corruption and other illicit activities in the Northern Triangle have led to low and downgraded risk ratings in recent years. Coupled with the perception of weak governance and slow economic growth, this endangers the region's prospects for investment.⁶¹

RESPONSES:

The United States should continue to provide technical assistance to train police, public accountants, prosecutors, and judges in using technology to investigate financial crimes. Honduras has made significant progress in this area following the passage of a new asset forfeiture law in 2010. The law strengthened the Office of Administration of Seized Goods (Oficina Administradora de Bienes Incautados) and helped launch the Bureau of International Narcotics and Law Enforcement Affairs (INL)-supported Financial Crimes Task Force. This is now part of the Public Minis-

try's Organized Crime Office, and includes police, prosecutors, and members of the Financial Investigation Unit of the National Banks and Insurance Commission. The task force, which is supported by US funds and has been trained and observed by US, Colombian, and Costa Rican advisers, pursues money laundering and tax crimes, along with asset forfeiture cases.⁶² It could serve as a model for similar units in other countries.

The United States should also support the reform of government auditing functions

to create an institution similar to the Government Accountability Office. Currently, institutions such as the Tribunal Superior de Cuentas in Honduras are built on political appointments and lack independence.

Northern Triangle governments should create incentives to digitize financial transactions (payroll, payments, disbursements, etc.) and reduce reliance on cash, especially in the public sector. This will make it easier for law enforcement

and regulatory bodies to track funds and combat money laundering, trafficking, and other financial crimes. At the same time, it will make it harder for governments, businesses, and individuals to engage in corruption and tax evasion. Actions could include requiring the electronic distribution of national and local subsidies and conditional cash transfers, salaries, social benefits, and pensions. Countries could also adopt policies requiring public entities, utilities, and private entities, which are appointed to perform public entity activities, to accept



Massive anti-corruption protests in Guatemala in 2015 contributed to the ouster of President Otto Pérez Molina and the extension of CICIG's mandate.

SOURCE: SURIZAR/FELICKR

electronic payments.

The inappropriate movement of money is enabled by manual and cash processes. The rationale for digitizing these financial flows is straightforward: It is more efficient and less expensive, offers greater visibility and control, reduces opportunities for money laundering, fraud, tax evasion and other illicit activities, and fosters greater financial inclusion. It is estimated that a 10 percent improvement in digitizing monetary flows has the potential to shift more than \$1 trillion into the formal economy.

The Northern Triangle should also commit to implementing an accelerated roadmap to comply with international anti-money laundering standards and introduce additional safeguards against money laundering through public-sector procurement. Implementation would require collaboration with regulators, the private sector, and multilateral institutions to develop these

Even with recent improvements, Northern Triangle countries have among the lowest tax burdens in the world, amounting to just 16 percent of GDP.

plans. The perception of high risk for money laundering among Central American banks endangers the region's prospects for investment.⁶³

Governments should pass and enforce laws that meet the control mechanisms recommended by the Caribbean Financial Action Task Force and emulate the best practices of sophisticated regulatory systems. El Salvador's 2015 amendment to the 1998 anti-money laundering law is a step

in the right direction; the government must enforce the law and strengthen awareness within the banking and financial sector of compliance obligations.⁶⁴

To complement this effort, **the United States should increase technical assistance to banking regulatory agencies, the private sector, and multilateral institutions** to bring local regulatory frameworks and supervisory functions in line with international anti-money laundering standards.

PUBLIC FINANCE REGIMES

CHALLENGE:

Even with recent improvements, Northern Triangle countries have among the lowest tax burdens in the world, amounting to just 16 percent of GDP.⁶⁵ In general, the low tax intake is compounded by a lack of confidence in the government's ability to spend public resources effectively and transparently, thus creating a vicious cycle of mistrust.

The problems with the tax systems are complex and cannot be solved by simply raising taxes. By and large, taxes in the region are regressive: The majority of the population pay taxes through their daily consumption. Low tax collection combined with contraband, tax fraud, and an insufficient

crackdown on these crimes further exacerbate the problem.

RESPONSES:

The United States should ensure that US taxpayer money is spent responsibly, by allocating more funds directly to local entities with verified track records in transparent spending. It should also put in place additional mechanisms to prevent fraud and local corruption. One option to provide greater oversight over government spending could include programs to send financial experts from the US Government Accountability Office to the region.

In countries with weak institutions, traditional top-down approaches to aid often fail to achieve lasting results. The United States should shift to a locally driven approach, to support regional partners in the challenge of fighting corruption and reforming dysfunctional institutions, in a similar vein to El Salvador's Plan Salvador Seguro.

For this approach to be successful in the long term, the US should place more emphasis on identifying local actors who are leading the fight for more accountable governance. USAID has already begun to implement this approach through its Local Solutions Initiative, through which it has pledged to increase the share of its aid to local partners to 30 percent. Other US aid agencies, like the State Department and the Millennium Challenge Corporation, should follow suit.

Northern Triangle countries should fix uneven tax playing fields to generate public funds and improve spending efficiency. Governments should create integral strategies to reform tax regimes, remove distortions that favor certain groups, expand the tax base, prioritize prosecu-

The US should place more emphasis on identifying local actors who are leading the fight for more accountable governance.

tion of tax evasion, fraud, and contraband, and reduce reliance on public debt. While El Salvador has made progress in tax collection over the past decade, it currently has the largest public debt in Central America (and second largest in Latin America), followed closely by Honduras.⁶⁶

To promote more efficient management of increased tax revenues, tax reform must be accompanied by fiscal reform and

more responsible government spending. Governments should carefully analyze the tax incentives to attract more US businesses, but with a recognition that incentives alone will not attract foreign direct investment. Any tax incentives must strike a balance between maximizing foreign and local direct investment without irreparably harming the tax base. Newly raised funds should be allocated to specific productive projects and investments through check-off programs, to prevent misuse of funds. An oversight mechanism led by civil society and the private sector should guarantee that resources are spent correctly, similar to the experience with Colombia's security tax.⁶⁷

MEASURING IMPACT NEW WAYS TO DETERMINE ACCOUNTABILITY

- Set five- to ten-year benchmarks to project and assess the success of institution-building efforts.
- Ensure continued improvements in the Transparency International Corruption Perceptions Index.
- Measure the number of partnerships in place with US business and government agencies to expand open data in the public sector.
- Work with the IDB to track host country spending in areas that complement US support.

3.

Improving Security

GAME CHANGERS



- ▼ Strengthen and promote properly implemented community policing initiatives.
- ▼ Promote an increase in the number of women in the police force.
- ▼ Ramp up financial and technical support to reform the prison system.



- ▼ Improve police accountability through: greater independent reporting and denouncing of police abuses; and new internal and external controls in the police force.
- ▼ Implement comprehensive criminal prison reform, focused on rehabilitation.
- ▼ Target high-risk neighborhoods for increased social and educational programs.

One of the most troubling problems for Northern Triangle residents—especially middle- and low-income citizens—is insecurity. Drug trafficking and conflict among rival gangs—and between the gangs and the police—as well as burgeoning levels of organized crime and impunity have made the region one of the world’s most violent.

Authorities estimate there are more than 85,000 active gang members in the Northern Triangle, with nearly a million more—relatives, business partners, corrupt police officers—dependent on the gangs.⁶⁸ Though the two main gangs are the same throughout the region—Mara Salvatrucha (MS-13) and Barrio 18 (18th Street)—they have different organizational structures and modes of operation in each country. For example, street gangs in El Salvador, at least up until recently, rarely handle drugs (their main source of income is extortion), while gangs in Honduras and Guatemala have connections to organized crime and drug-trafficking networks.⁶⁹ In contrast to Mexican drug cartels, street gangs in the Northern Triangle make money mainly through vast extortion networks through which they demand money from everyone, from corner tortilla vendors to international telecommunications companies and soft drink distributors.

Extortion has massive economic consequences, costing large corporations millions of dollars and forcing small- and mid-sized business to shut their doors; seven to ten shops a week close due to extortion in El Salvador, according to the National Council of Small Businesses.⁷⁰ Likewise, extortion has a direct impact on the competitiveness and job generation of micro and small businesses. According to a study by the Central Bank, Salvadoran businesses and individuals pay \$756 million a year to gangs in extortion fees and hundreds of millions more for private security.⁷¹ Though more sectors of society are seeing bloodshed as the homicide rate creeps up in the Northern Triangle, extortion garners the most resentment among middle- and upper-class residents—although its damage is most acutely felt by the less advantaged.

Authorities are not only unable to curtail the effects of gang violence, there are no mechanisms to address social issues that produce a proclivity to join gangs or to reduce their influence in the region. Extreme poverty, a fragile social fabric due to high levels of migration, and lack of employment opportunity create a social incubator for gangs to thrive. Decades of civil war eroded traditional means of social support and normalized violence and small arms possession.⁷² Gang influence disrupts the education system, forcing early dropouts.⁷³ Migration and deportation have stimulated gang networks and made gang membership a means to recreate social structure for many youths.

Additionally, women and girls face levels of violence unseen in neighboring countries, with far-reaching implications for economic and gender equity. El Salvador, Honduras, and Guatemala had three of the four highest rates of female homicide in the world from 2007 to 2012, with escalation each year.⁷⁴ According to the Demographic and Health Survey, more than 20 percent of women in Guatemala and nearly 27 percent in Honduras have experienced some form of domestic partner abuse.⁷⁵ Increasingly, migrants fleeing the Northern Triangle and being detained in Mexico are women—about 14 percent of the total migrants in 2011 and 24 percent in 2015.⁷⁶

Collaboration among Northern Triangle governments and technical assistance from the United States will be necessary for this effort to succeed, along with a serious investment in rehabilitation programs for ex-gang members and prevention programs for at-risk youth. Efforts should focus on the following areas:

- ▼ **Policing improvements (p.32)**
- ▼ **Criminal justice and prison reform (p.34)**
- ▼ **Gangs (p.35)**
- ▼ **Illicit trafficking (p.36)**

Extreme poverty, a fragile social fabric due to high levels of migration, and lack of employment opportunity create a social incubator for gangs to thrive.

POLICING IMPROVEMENTS

CHALLENGE:

The Atlantic Council poll results found that violence is the top concern for families in El Salvador, and second highest (after high cost of living) in Guatemala and Honduras. Judicial systems have also failed to hold state security authorities accountable for human rights abuses. Investigations by media and the human rights ombudsman's office in El Salvador have found increasing evidence of targeted killings by police and the military, such as the San Blas massacre in March 2015, which was cited in the US State Department's 2015 human rights report. In Honduras, newly released documents about the 2009 assassination of the country's anti-drug czar revealed a vast conspiracy and cover-up within the national police.⁷⁷ Recent ef-

orts to empower the police in all three countries have revealed authorities complicit in corruption, organized crime, and drug-trafficking.

RESPONSES:

The United States should increase the number of advisors and coordinate the participation of additional international advisors to provide technical assistance and training to local police forces. In Honduras, the US-backed Criminal Investigation School has trained thousands of police officers and prosecutors in advanced investigation techniques and can provide important lessons for neighboring countries seeking to implement similar models.⁷⁸ The school opened in 2011 with four US instructors, but soon employed Colum-



Police forces in Honduras conduct routine street operations. Increasing police accountability and establishing stringent internal controls would help reduce levels of violence.

SOURCE: PAULIEN OSSE/FUCKR

bians and eventually Hondurans to teach courses to their less experienced colleagues. The International Law Enforcement Academy in El Salvador provides another ideal channel for expanding the presence of advisors in the region.⁷⁹ The curriculum should be consistently revised and technology should be integrated into such specialty schools.

The United States also should strengthen existing community policing initiatives, in conjunction with local authorities, in order to build trust and move away from *mano dura* (iron fist) strategies. In recent years, the United States has funded community policing initiatives in all three Northern Triangle countries through USAID and CARSI, including the successful Villa Nueva model police precinct (MPP) in Guatemala. But the programs' potential gains have been undercut both by the perceived creation of parallel chains of command within MPPs that supersede local police, and the simultaneous militarization of security forces as a response to rising crime.

One way to ensure that community policing programs do not become a token to receive aid and appease foreign governments would be to require more frequent and rigorous tracking and assessment of officers who participate in the training.⁸⁰ If evaluations prove that community policing programs contribute to more effective law enforcement—and/or a greater sense of citizen security, as measured by opinion polls—the United States will have a stronger argument to encourage Northern Triangle governments to shift their own resources away from *mano dura*.

Hand in hand with US assistance, **the Northern Triangle countries should forge partnerships among government, private sector, and civil society groups to identify and improve accountability through new mechanisms to denounce police abuses**, such as internationally supported civil society initiatives to investigate and

study the functional and systemic shortcomings of the police, the ministerios públicos, and the judicial branch. The Honduras Denuncia platform, which accepts complaints in the form of text messages, e-mails, and telephone calls, is one example of an effective tool; half of Salvadorans and 64 percent of Guatemalans surveyed said they would be likely to use it.⁸¹ The platform, run by the Association for a More Just Society, has contributed to the country's unprecedented Police Purification Commission, which, over the course of 2016, dismissed more than 2,000 officers accused of corruption and criminal connections.⁸²

More profound changes within police forces are necessary as well. **Northern Triangle governments should create mechanisms for horizontal accountability for police**

abuses involving both internal and external controls, such as more rigorous internal evaluation and promotion processes to prevent graft and a specialized oversight of the police by *fiscalías*.

Following these efforts, **the United States should also encourage increasing the number of women in the police force**. Women comprise 14 percent of the police force in Honduras, 16 percent in Guatemala, and 9 percent in El Salvador.⁸³ Research shows that increasing the number of women in the police force leads to reductions in rates of rape, homicides, and sexual assault. The United States should promote greater female participation in the police by allocating funds and advocating for programs that seek to hire more female police officers, just as it has done in Afghanistan, Nigeria, and Pakistan, where \$133 million has been allocated toward recruiting, hiring, and training women for the police force.⁸⁴ Replicating these efforts in the Northern Triangle could produce tangible benefits.

More profound changes within police forces are necessary.



CRIMINAL JUSTICE AND PRISON REFORM

CHALLENGE:

Prisons in the Northern Triangle have slipped beyond government control. Northern Triangle prisons rank among the worst in the hemisphere, with significant evidence that gangs continue to engage in illicit activities from inside prisons.⁸⁵ Over the past two decades, funding has barely increased as Guatemala, Honduras, and El Salvador's prison populations have more than doubled. El Salvador's are the most overcrowded, at over 300 percent of capacity, creating severe impediments to rehabilitation and proper internal policing. Prisons, especially with the high number of pretrial detainees and the mixing of youth with adults, provide de facto incubators for the next generation of those joining gangs and trafficking organizations.

RESPONSES:

The United States should ramp up its financial and technical support for prison reform. It

should promote capacity building for local prison authorities through equipping, training, and mentoring programs, in addition to providing financial assistance. The Bureau of International Narcotics and Law Enforcement Affairs has done this in the past, contributing \$10 million to creating 800 medium-security beds in Izalco Prison, El Salvador in 2008. These types of efforts should be expanded and complemented through a combination of technical and financial assistance, using experiences in Mexico as a reference. With investments of nearly \$24 million by the United States and \$8 billion from the Mexican government, and with INL officials working directly with local corrections authorities, the federal prison system in Mexico more than quintupled its capacity between 2008 and 2013.⁸⁶ It subsequently gained international accreditation with the help of funding from the Mérida Initiative, a security cooperation partnership between the two countries.⁸⁷

In conjunction with this assistance, **Northern Triangle countries should implement comprehensive prison reform focused on rehabilitation.** While the Northern Triangle's prison population has more than tripled over the past two decades, spending on new facilities and rehabilitation programs has barely budged. Recent measures, such as restricting communications for inmates by blocking cellphone coverage inside Salvadoran prisons, and the ongoing construction of four new prisons in Honduras, are steps in the right direction.⁸⁸ But, they must be matched by investments in rehabilitation, including job training programs for even the most violent criminals, and funding for more humane prison conditions.

Recent reports indicate that 70 percent of minors in Guatemala's penitentiary system are rehabilitated while incarcerated, but that number falls to 40 percent for minors affiliated with gangs,⁸⁹ making it essential to implement differentiated rehabilitation programs for gang-affiliated youth. While politically unpopular, rehabilitation-focused prison reform is essential to reducing crime and providing alternatives to gang membership. As previously mentioned, the private sector also has an important role to play in facilitating reinsertion into the labor market (see p.23).



An inmate attempts to light a fire in the Quezaltepeque prison in El Salvador.

SOURCE: OAS/SNS ARENA ORTEGA /FLICKR

GANGS

CHALLENGE:

Northern Triangle governments have often responded to the gangs with *mano dura*—iron fist repressive tactics—that have failed to dismantle the gangs and instead created overcrowding in the prisons. A truce between El Salvador’s gangs and its government in March 2012, cut the homicide rate in half (from 14 murders per day in March 2012 to 5.5). But when the truce fell apart in late 2013, the homicide rate began to climb; 2015 was the bloodiest year since El Salvador’s civil war ended in 1993—more than 6,650 murders were reported, including over 60 police officers.

The gang problem is compounded by a lack of coordination between US and local authorities regarding deportees. Between 2013 and 2015, the three Northern Triangle countries received more than 300,000 deportees from the United States.⁹⁰ Many deportees have some sort of criminal record, yet the Department of Homeland Security does not provide complete criminal histories of deportees to authorities in the three Northern Triangle countries and only recently began sharing information such as gang affiliations. Insufficient funds to effectively reintegrate deportees further exacerbates insecurity in the three countries. A difficult assimilation process and lack of job prospects increase the appeal of joining gangs, or in the case of gang-affiliated deportees, continuing to engage in criminal activities. This challenge will become increasingly imperative to address as the Trump administration increases the number of deportations.

RESPONSES:



The United States should increase information sharing with the region on gang members and criminals it deports and increase coordination among US agencies and Northern Triangle law enforcement. Since the mid-2000s, Central American governments have been asking

A priority strategy should be to focus on education and social initiatives in select at-risk neighborhoods.

US Immigration and Customs Enforcement to provide complete criminal histories for individuals deported on criminal grounds.⁹¹ The State Department and the Department of Homeland Security should expand the Criminal History Information Sharing (CHIS) program, which has been operating in Honduras, Guatemala, and El Salvador since 2014, and commit to providing complete criminal histories for violent offenders and criminals convicted of gang-related crimes. US agencies should work to better coordinate domestic and international anti-gang efforts, uniting strategies and task forces run by the State Department, the Department of Homeland Security, the FBI, and Northern Triangle governments.

At the same time, **Northern Triangle authorities should target high-risk neighborhoods for increased social and educational programs.** Their efforts should embrace a more holistic approach to prevent youth from joining gangs. A priority strategy should be to focus on education and social initiatives in select at-risk neighborhoods, and better coordinate with NGO and private-sector efforts. More money should be spent on prevention as well. Only 6 percent of the \$318 million collected through Honduras’s security tax between 2012 and July 2016 went toward prevention programs.

Northern Triangle governments should look to external anti-gang programs as models that could be adapted locally. US cities such as Boston and Los Angeles have model programs, and there are little-known but promising initiatives in other Central American countries. The Barrios Seguros program in Panama has offered amnesty and job training to more than 4,100 former gang members, while Nicaragua has previously involved police in prevention and rehabilitation efforts, as embodied in a five-year program supported by the IDB to target at-risk youth in eleven municipalities.⁹²

ILLICIT TRAFFICKING

CHALLENGE:

Lying between the drug-producing region of South America and the drug market in the United States, the Northern Triangle is an attractive transit corridor for drugs, guns, human trafficking, and other illicit goods. The US government estimates that nearly 90 percent of the cocaine trafficked into the United States comes through Central America and Mexico.⁹³ The remote northeastern regions of Honduras are particularly busy with drug flights: In 2016, authorities estimated that 87 percent of cocaine smuggling flights departing from South America landed in Honduras.⁹⁴

The components that allow for drug trafficking—porous borders, corrupt authorities—also permit other illegal trades. The region is witnessing a surge in human trafficking, as evidenced by the 80 percent increase in human trafficking cases in Guatemala between 2012 and 2015.⁹⁵ Child migrants are increasingly becoming susceptible to

smuggling networks operated by criminal organizations that profit from families seeking reunification or better economic opportunities. Estimates show that nearly 80 percent of unaccompanied minors who reached the US Southwest border in 2014 had done so through smugglers.⁹⁶ Unfortunately, battles for control of profitable trafficking routes often get lumped in with gang violence and street crime, with subsequent investigations and prosecutions leaving smuggling networks untouched. This impunity contributes to the danger and instability of the Northern Triangle.

RESPONSES:

 **Northern Triangle countries should build on the new trinational anti-gang force and expand its capabilities to address organized crime and drug trafficking.** Guatemala, El Salvador, and Honduras announced a joint unit of police, military, intelligence, migration, and customs officials

to limit gang members' ability to flee justice in their home countries. The unit will monitor nearly 400 miles of shared borders and seek to capture gang members, drug traffickers, and other criminals.⁹⁷ This is a new effort that expands on the 2015 agreement between Honduras and Guatemala to deploy a bilateral unit to combat crime on their shared border. To be effective, governments should provide the necessary funding and training to allow for advanced intelligence



Members of Guatemalan Task Force Salerno conduct training operations in Jutiapa, Guatemala, in 2015. Deeper US cooperation with local forces is key to constrict illicit corridors.

SOURCE: US ARMY SOUTH/FLICKR

sharing and regular communication and coordination of operations.

The United States should work with local authorities to better identify, monitor, and constrict illicit corridors, to significantly impede smuggling.



The US should offer technical assistance and training to help Northern Triangle police and prosecutors more effectively identify, investigate, and prosecute trafficking structures. At the same time, the United States should improve coordination and intelligence sharing among its federal and state agencies and their Northern Triangle counterparts, since a majority of the goods that are being trafficked end up in the United States. For example, the US treasury should expand its role in money laundering investigations involving Northern Triangle nationals—a strategy that has helped bring forward cases against suspected drug trafficking operations, such as the ongoing proceedings surrounding the Rosenthal and Cachiros cases in Honduras.⁹⁸

The United States should improve coordination and intelligence sharing among its federal and state agencies and their Northern Triangle counterparts.

The United States should also commit to sharing information on the monies held by Northern Triangle nationals in the US financial system, in a similar fashion to the way these countries treat US nationals under the Foreign



Account Tax Compliance Act (FATCA). To facilitate two-way information sharing, the United States should seek intergovernmental agreements with Guatemala and El Salvador—Honduras is currently the only Northern Triangle nation that has signed a FATCA agreement. The United States should agree to provide information about transactions undertaken between residents of the three countries and US residents, which could be con-

cealing both under- and over-invoicing. This type of agreement would provide local tax authorities with crucial information to combat the use of transfer pricing and to improve tax collection, while also discouraging the use of foreign bank accounts as a mechanism to launder money.⁹⁹

MEASURING IMPACT NEW WAYS TO DETERMINE ACCOUNTABILITY

- Regularly publish security and crime data to encourage accountability.
- Use multiple variables, not just homicides, to assess the quality of the rule of law and state presence in remote areas.
- Measure the success of US funding with five-year and ten-year benchmarks (e.g. goals for crime rate reductions) that are set at the outset of disbursement.
- Work with the IDB to track host country spending in areas that complement US support.

Conclusion: A More Prosperous Northern Triangle and a Safer United States

There is no magic bullet for all the issues plaguing the Northern Triangle today. Any strategy that focuses only on security and neglects strengthening institutions and fostering an enabling economic climate will inevitably be insufficient. Only a holistic approach that builds on recent efforts, but also recognizes their shortcomings and pushes for more assertive action, will generate transformational change. That is what is needed to profoundly alter course in the region. If not, we are doomed to a continued deterioration in the local economy, rule of law, and security with reverberations felt not only locally but also north of the Rio Grande.

The blueprint for action provided by this task force provides targeted, fresh ideas for how to move the needle forward in these three critical areas. More effective judiciaries, better-equipped and accountable police forces, efficient public spending, more stringent anti-corruption measures, and improved infrastructure frameworks are all mutually reinforcing solutions. US action will serve to further spur regional governments to make far-reaching reforms, as well.

The multi-sectoral nature of the task force has enabled it to put forward recommendations that provide Congress, the Trump administration, and the governments of the three countries with a comprehensive and multifaceted strategy. Embracing these measures will ensure a course correction in necessary areas while building on the progress of efforts such as the Alliance for Prosperity and pre-



Promoting holistic development will be of mutual benefit to the Northern Triangle and the United States.

vious US assistance. This is what is needed so that weak states do not further deteriorate and so that US taxpayers benefit from the necessary return on investment of government resources.

The importance of US engagement in the region cannot be understated. In today's interconnected world, insecurity in San Pedro Sula, Honduras, has ramifications in Abilene, Texas. Recognizing the nature of these issues is what has enabled members of Congress from both sides of the aisle to come together and lend their support to the three countries. The governments of El Salvador, Guatemala, and Honduras have shown a renewed commitment to fully engage with the United States. Today, such willingness provides the administration and Congress with a unique opportunity to catalyze critical, generative action. It is in the direct interest of the security and prosperity of the United States that they do so.

SOURCE: MOONJAZZ/FLICKR

TASK FORCE CO-CHAIRS AND MEMBERS

María Eugenia Brizuela de Ávila

was the first female minister of foreign affairs for El Salvador, from 1999 to 2004, and left to take a position as president of Banco Salvadoreño, becoming the first woman to lead a private bank in El Salvador. She pioneered Corporate Sustainability at HSBC for Latin America from 2006 to 2015. She now participates on boards such as Davivienda El Salvador, Davivienda Honduras, and Universidad JMDelgado. Brizuela has actively participated in socially oriented service institutions such as the Salvadoran Social Security Institute, the Fund for Social Investment, FUSADES, FEPADE, Zamorano Agriculture School, INCAE Business School, and she served as president of the Vital Voices El Salvador Chapter and FUDEM. Her charitable work includes membership on the global boards of Junior Achievement and PLAN International.

Luis Cosenza served as the Minister of the Presidency in the Ricardo Maduro administration, responsible for coordinating the day-to-day activities of the government and working with multilateral and bilateral donors. Cosenza spent eight years working with the Inter-American Development Bank supervising projects in Costa Rica and then preparing projects at headquarters. In 1989, he joined the World Bank and began working on projects in Africa and Latin America, advising countries on electricity and power projects until 1997. In 2001, he served as campaign manager for Ricardo Maduro when he won the presidency of Honduras. He has served as executive director for Central America and Belize on the board of directors of the Inter-

American Development Bank. He also served on the board of directors of the World Bank and the International Monetary Fund, and was a visiting fellow at the Kellogg Institute for International Studies of the University of Notre Dame. Cosenza began his career with the Honduran state-owned power utility, where he rose to become CEO.

John Negroponte has held numerous US government positions, including deputy secretary of state, where he served as the State Department's chief operating officer. Ambassador Negroponte is currently vice chairman at McLarty Associates. Since 2009, he has also been the Brady Johnson distinguished fellow in grand strategy and senior lecturer in international affairs at the Jackson Institute of Yale University, his alma mater. He has served as ambassador to Honduras, Mexico, the Philippines, the United Nations, and Iraq. In Washington, he served twice on the National Security Council staff, first as director for Vietnam in the Nixon administration and then as deputy national security advisor under President Reagan. He held a cabinet-level position as the first director of national intelligence under President George W. Bush. Ambassador Negroponte serves as chairman emeritus of the Council of the Americas/Americas Society. He has received numerous awards in recognition of his more than four decades of public service, including the State Department's Distinguished Service Medal on two separate occasions, and in January 2009, President Bush awarded Ambassador Negroponte the National Security Medal.

Eduardo Stein served as vice president of Guatemala from 2004 to 2008 and was coordinator of the Honduran Truth Commission. From 1996 to 2000, Stein served as minister of foreign relations of Guatemala, actively participating in the country's peace process and in garnering international support for its implementation. Since leaving government, Stein has served as a consultant for the International Organization for Migration and the United Nations Development Program. He has also been president of the Foundation of the Americas and the head of various OAS Electoral Observation Missions. Stein has ample experience in coordinating and promoting international cooperation among Latin American, European Community, and Nordic governments and Central America, as a result of his decade-long involvement with the Action Committee for the Support of the Social and Economic Development of Central America. Among his current international duties, he is one of the twelve members of the International Commission on Intervention and State Sovereignty that reports to the secretary general of the UN. Stein is also one of the two Latin American members of the International Crisis Group in Brussels.

HONORARY CO-CHAIRS

Congressman Eliot L. Engel

is the Ranking Member of the House Foreign Affairs Committee. Before becoming Ranking Member, Mr. Engel served as the Chairman and Ranking Member of the Subcommittee on the Western Hemisphere. He also sits on the Energy and Commerce

Committee. In December 2016, President Barack Obama signed into law two of his bills related to Latin America and the Caribbean: the US–Caribbean Strategic Engagement Act (H.R. 4939) and the Western Hemisphere Drug Policy Commission Act (H.R. 1812, included in S. 1635). For twelve years prior to his election to Congress, Mr. Engel served in the New York State Assembly (1977-1988). Prior to that, he was a teacher and guidance counselor in the New York City public school system.

Congressman David G. Valadao

Valadao was born and raised in Hanford, California. Since 2012, Mr. Valadao has represented California's 21st Congressional District, which includes Kings County and portions of Fresno, Kern, and Tulare Counties. Most recently, in November 2016, he was elected to serve a third term in the United States House of Representatives. Valadao is proud to serve on the influential House Appropriations Committee, which is the committee responsible for funding the federal government and determining where American tax dollars are spent. During his time in Congress, Congressman Valadao has served as the Co-Chair of the Central America Caucus, which is focused on directing US policy attention on the issues affecting the region.

DIRECTOR

Jason Marczak is director of the Latin America Economic Growth Initiative at the Atlantic Council's Adrienne Arsht Latin America Center. Marczak joined the Atlantic Council in October 2013 to help launch the center. He has more than fifteen years of expertise in Latin American policy leadership and analysis, with a track record of working with high-level policy makers and private-sector leaders to

build consensus on the region's top challenges. At the Atlantic Council, in addition to directing its Northern Triangle Security and Economic Opportunity Task Force, he has led work on issues that include trade and commerce, China-Latin America trade, US-Cuba relations, energy transformations, and the Pacific Alliance. With the Inter-American Development Bank, he oversaw a fifteen-country effort that led to the December 2016 publication of *Latin America and the Caribbean 2030: Future Scenarios*, of which he was the lead author. He is also a lecturer in International Affairs at The George Washington University's Elliott School of International Affairs. Marczak was previously director of policy at Americas Society/Council of the Americas, where he was a cofounder of *Americas Quarterly* magazine. He has served in positions at the National Endowment for Democracy, the Andean Community General Secretariat, and was a founding member of Partners of the Americas' Center for Civil Society. He began his career in the US House of Representatives.

MEMBERS

El Salvador

Diego de Sola is a Central American committed to making a positive impact on the region through his business and nonprofit endeavors. He is currently CEO of Inversiones Bolivar SA de CV, a 60-year-old real estate development firm specializing in multilevel housing and commercial projects.

Alejandro Poma is director of Grupo Poma, a Salvador-based multiLatina. Poma is a board member of Fundacion Salvadoreña para la Salud y Desarrollo Humano (FUSAL) and INCAE Business School and is co-founder of Proyecto Pais,

a youth violence prevention program in El Salvador.

Roberto Rubio is the executive director of the National Foundation for Development (FUNDE) in El Salvador. He is also the coordinator for the El Salvador chapter of Transparency International and a featured columnist for La Prensa Gráfica.

Guatemala

Felipe Bosch Gutiérrez is president of Losa Inversiones and the Guatemala Development Foundation (FUNDESA). He also serves on the board of Corporación Multi Inversiones, a multinational conglomerate with investments in the agriculture, food, real estate, finance, and energy industries.

Pedro Ixchiú is an expert in indigenous law and served as advisor to the Guatemalan judicial branch's Indigenous Affairs Unit until 2016. He has been an active participant in dialogues between the Public Ministry, CICIG, and the Human Rights Office regarding Guatemala's constitutional reform.

Juan Carlos Paiz is the co-founder and president of Pani-Fresh, an industrial bakery with 450 employees that exports to 20 Latin American countries. He has also served as Guatemala's Presidential Commissioner for Competitiveness and the North Triangle Prosperity Plan in Guatemala for eight years.

Salvador Paiz is vice president of the Guatemala Development Foundation (FUNDESA). As president of the Sergio Paiz Foundation (Funsepa), he has sought to leverage technology to improve the quality of education in Guatemala. He is also the chairman of PDC, a company with operations spanning from Mexico to Colombia.

Gert Rosenthal was minister of planning of Guatemala from 1969 to 1974 and foreign minister from 2006 to 2008. He has been the permanent representative of his country at the United Nations on two occasions (1999-2004 and 2008-2014), and headed his delegation in the Security Council from 2012 to 2013.

▼ Honduras

Julieta Castellanos is a Honduran sociologist and the rector of the Universidad Nacional Autónoma de Honduras (UNAH). In 2004, she founded the Observatorio de la Violencia (Violence Observatory), a center that analyzes crime statistics in Honduras, at UNAH.

Carlos Hernández is the executive president of the Association for a More Just Society, a Honduran nongovernmental organization working on human rights and government transparency in Honduras that also serves as the local chapter of Transparency International.

Jacobo Kattan is the president of the Kattan Group, a family enterprise founded in 1920 that has had a pioneering presence in the economic, political, and social development of Honduras. The Kattan Group has presence in the apparel manufacturing, transportation, communication, real estate, and construction industries.

Hugo Noé Pino is a former Honduran ambassador to the United States, as well as former governor of the Central Bank and finance minister. He is currently senior economist at the Instituto Centroamericano de Estudios Fiscales (ICEFI) in Honduras and professor at UNITEC.

▼ United States

Anne Murphy is the senior international policy associate at Cargill. She joined Cargill's Washington, D.C., government relations team in 2011 to advance Cargill's federal and international policy priorities and expand the Cargill Political Action Committee.

Eric L. Olson is associate director of the Latin American Program and senior advisor to the Mexico Institute at the Woodrow Wilson International Center for Scholars in Washington, D.C. His research and writing have focused on security issues and the impact of crime, organized crime, and violence on democratic governance.

Thomas Pickering served more than four decades as a US diplomat. He last served as undersecretary of state for political affairs, the third highest post in the US State Department. He was also ambassador to El Salvador from 1983 to 1985.

Julissa Reynoso is a partner at the law firm of Chadbourne and Parke, and teaches at Columbia University. She served as US ambassador to Uruguay and deputy assistant secretary of state for the Western Hemisphere under President Barack Obama.

Francisco Santeiro is the managing director of global trade services for FedEx's Latin America and Caribbean division. He has been involved with the international express industry since 1980 and has served as president of the Latin American Conference of Express Companies.

Jennifer Smith is the head of government affairs and corporate citizenship at Citi Latin America, where she is responsible for the coordination of government relations efforts as well as corporate social responsibility initiatives in the region.

Mauricio Vivero is the founding CEO of the Seattle International Foundation, a private institution working to alleviate global poverty through grant-making and special initiatives. Under his leadership, the foundation has awarded more than \$16 million to 184 organizations in 60 countries.

▼ Beyond the Northern Triangle

Laura Chinchilla Miranda served as president of the Republic of Costa Rica from 2010 to 2014, the first woman to become president. Since leaving the presidency, Chinchilla has led several judicial and electoral missions for the United States Agency for International Development (USAID), the United Nations Development Program (UNDP), and the Inter-American Development Bank (IDB).

Víctor Umaña is the director of the Latin American Center for Competitiveness and Sustainable Development at INCAE Business School, the leading development think-tank in Central America. He is a PhD candidate in international political economy at ETH Zurich.

▼ Observers

Juan Ricardo Ortega is a senior advisor at the Inter-American Development Bank (IDB). Before joining the IDB, he served as the director of the National Tax and Customs Directorate (DIAN) in Colombia, where he improved tax collection and prosecuted contraband. He has also served as vice minister of trade and Bogotá's secretary of finance.

Arturo Sagrera is president of Empresas ADOC, a retail and shoe manufacturing business with a presence throughout Central America. He is also the vice president of Grupo Hilasal and founder of Proyecto Pais, a community-based crime prevention and youth development model.

Task Force members endorsed the findings of the report in their individual capacity.

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Thank you to the members of the Adrienne Arsht Latin America Center team who worked tirelessly to convene the task force and whose passion for the prosperity of the Northern Triangle is reflected in the pages of this report. Juan Felipe Celia, program assistant, was an instrumental force behind this project from start to finish. He provided invaluable support in the implementation of the initial poll to frame the task force and continued being a key lead on this project for its duration. As well, Thomas Corrigan, senior research assistant and media coordinator until March 2017, and Maria Fernanda Pérez Argüello, assistant director until December 2016, provided invaluable research and logistical support. Katherine Pereira, associate director, joined the Center in April 2017 and helped carry the report to the finish line. In addition, Peter Schechter, center director until April 2017, contributed his expertise in the task force conceptualization and in the initial polling.

For her decisive input and thorough research, we thank Sarah Maslin. Thank you to INCAE Business School, especially Beatriz Slooten, and Juan Carlos Zapata at FUNDESA for contributing crucial expertise and empirical data to the recommendations of this report. Juan Gonzalez, an excellent source of knowledge and insight on the region, provided important commentary and feedback to the draft version of our findings. We are grateful to Carlos Denton and his team at CID-Gallup for the outstanding execution of our three-country poll.

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STATEMENT OF ADRIANA BELTRÁN, SENIOR ASSOCIATE FOR CITIZEN SECURITY, WASHINGTON OFFICE ON LATIN AMERICA

Ms. BELTRÁN. Good afternoon, Mr. Chairman and Members of the subcommittee. It is a real pleasure to be here with you today on behalf of the Washington Office on Latin America, or WOLA.

As you are aware, Central America faces many challenges. Today I will focus on why strengthening the rule of law and tackling corruption is critical to breaking the cycle of violence and impunity and how the United States can best support the region in doing so. In Honduras, Guatemala, and El Salvador, violence, corruption, and justice are inextricably linked. Corruption and neglect have resulted in weak and ineffective justice institutions incapable of adequately responding to the high levels of violence. On average, 19 out of 20 murders in the region remain unsolved.

The fact that perpetrators rarely face justice means people feel they have nowhere to turn for security. They will not stop fleeing their homes and communities until they know that they are going to be protected rather than ignored or even victimized by their own police and judicial system. But the situation is not hopeless and the U.S. assistance can help.

The Alliance for Prosperity was developed by the three countries of the Northern Triangle as a new opportunity to tackle the region's problems. The United States has appropriated \$700 million in fiscal year 2016 and \$655 million in 2017 to help with these efforts. I hope Congress will approve a comparable assistance package for fiscal year 2018. However, the success of U.S. efforts will be limited without the commitment from the region's governments. The conditions on aid enacted by Congress are critical. They require recipient governments to strengthen the rule of law, address corruption, and create independent justice systems and functioning law enforcement institutions.

There are important actors in the region, some in key government positions, some in innovative internationally backed organizations, and some in civil society who are leading reform efforts. The U.S. should continue to support the Attorney Generals of all three countries as well as the International Commission Against Impunity in Guatemala, known as CICIG, and the mechanism to support the fight against corruption and impunity in Honduras, or MACCIH. These institutions are on the front lines of combating corruption and have achieved important results.

However, they have faced substantial pushback from certain elements within and outside of government who want to undermine their efforts. In Guatemala, efforts to curb corruption have experienced legal obstructions, threats, and smear campaigns. MACCHI and the Attorneys General have faced similar problems. It is imperative that the Central American governments fully cooperate with these institutions. The U.S. must continue to politically and to financially back them.

Equally important is supporting independent courts. Too often judges can be bought, influenced, or manipulated. And this allows criminal networks to operate unencumbered. Government should establish a transparent process to select and promote judges based on merit while offering protection to justice officials who have had the courage to uphold the rule of law.

And finally, professional, accountable civilian police forces are crucial to lowering violence. In all three countries, police are involved in a range of illicit activities, abuse, and extrajudicial executions, but there have been some positive steps to a reform in Honduras and Guatemala, but much more needs to be done.

Improvement will require ongoing professionalization, the creation of strong internal controls, increasing investigative capacities, and cooperation with community policing initiatives. An effective U.S. strategy to reduce violence and corruption requires clearly defined goals, tangible metrics to measure improvement, and ongoing monitoring and evaluation. This is why WOLA, working with local civil society partners, developed the Central America Monitor. This is a tool that tracks U.S. assistance and uses a set of objective indicators to assess progress on the ground. The goal of the monitor is to move the discussion beyond abstract calls for reform to specific measures of change.

The process of change may be slow, but with a willingness to be smart and strategic about our investment, we can see real results.

Thank you and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF ADRIANA BELTRÁN

Good afternoon. Mr. Chairman, Ranking Member Leahy, and members of the subcommittee. I appreciate the opportunity to appear before the subcommittee today on behalf of the Washington Office on Latin America, or WOLA, to discuss U.S. assistance to Central America.

As you are aware, Central America faces many challenges—deep social inequality, endemic levels of violence, and a lack of economic opportunities—some of which my counterparts on the panel will address. While U.S. assistance should support a comprehensive strategy to address all of these concerns, I will focus on why strengthening the rule of law and tackling corruption is critical to breaking the cycle of violence and impunity, and how the United States can best support Central America to strengthen police and judicial institutions and promote accountability.

Corruption permeates nearly all government institutions throughout the region. According to Transparency International's 2016 Corruption Perception Index, El Salvador, Guatemala and Honduras ranked 95, 136, and 123 respectively, out of 166 countries.¹ This corruption has allowed criminal networks to co-opt state institutions while corroding access to, and the quality of, public services such as education, health, and public security. Not only has this corruption depleted public trust in institutions, it has exacted tremendous economic costs. For instance, a 2015 study carried out by Oxfam and the Central American Institute of Fiscal Studies estimated corruption could cost Guatemala at least 6 percent of its GDP just that year.²

In Central America violence, corruption, and justice are inextricably linked. Corruption and neglect have resulted in woefully weak and ineffective criminal justice institutions incapable of responding to the violence impacting many marginalized communities. Throughout the Northern Triangle, impunity rates for homicides average 95 percent at best. This means that 19 out of every 20 murders remain unsolved, and the chances of being caught, prosecuted, and convicted for committing a murder are practically zero. The low prospect that perpetrators will ever face justice means that many crimes go unreported. In many communities in the region, people feel they have nowhere to turn for security. They will not stop fleeing until they know that they are going to be protected, rather than ignored or even victimized, by their own police and judicial system. But in Honduras, Guatemala, and El Salvador, that is not currently the case.

Despite these harsh realities, the situation is not hopeless. U.S. assistance can make a difference. Actors in the region—some in civil society, some in key govern-

¹ Transparency International, "Corruption Perceptions Index 2016," January 25, 2017, https://www.transparency.org/news/feature/corruption_perceptions_index_2016.

² Instituto Centroamericano de Estudios Fiscales and Oxfam Guatemala, "La corrupción: Sus caminos, su impacto en la sociedad y una agenda para su eliminación," August 12, 2015, <https://www.oxfam.org/es/informes/la-corrupcion>.

ment positions such as the attorneys general, and some in innovative internationally-backed organizations, such as the International Commission against Impunity in Guatemala (*Comisión Internacional contra la Impunidad en Guatemala*, CICIG) and the Mechanism to Support the Fight against Corruption and Impunity in Honduras (*Mecanismo de Apoyo contra la Corrupción y la Impunidad en Honduras*, MACCIH)—are paving the path toward reform. But without independent justice systems, functioning law enforcement institutions, and adherence to the rule of law, the success of these efforts will be limited in both scope and duration. The United States needs to be clear-eyed and principled in targeting assistance in a way that will support comprehensive and lasting changes.

The Alliance for Prosperity, which U.S. assistance supports, was initiated as a new opportunity developed by the three countries of the Northern Triangle to tackle the shared problems of violence, drug trafficking, irregular migration, and unemployment or underemployment. However, this is not the first time we have been down this road. From fiscal year 2008 to fiscal year 2015, the United States provided \$1.2 billion in assistance through the Central America Regional Security Initiative (CARSI), the main vehicle of U.S. assistance to the region during this time. But conditions on the ground have not improved to the degree that we would have hoped. Past assistance lacked a clear strategy to guide the series of programs and initiatives, emphasized training over concrete institutional reform, and did not give enough attention to ensuring adequate coordination among U.S. agencies and between donors.

MOVING INTO FISCAL YEAR 2018

Now is the time to ask ourselves: how do we avoid repeating the mistakes of the past? How do we ensure that U.S. investments are paying off and making a difference?

The U.S. Government has demonstrated its willingness to be a partner by appropriating \$750 million in fiscal year 2016 and \$655 million in fiscal year 2017. We support a comparable assistance package for fiscal year 2018. However, our assistance can only go so far if the recipient countries are not serious about tackling corruption, supporting transparency, and sending the message that no one is above the law. Conditioning aid is an important tool to ensure our partners are making these changes and that U.S. investments are being used wisely. WOLA strongly supports the conditions that Congress placed on 50 percent of aid to El Salvador, Guatemala, and Honduras in both fiscal year 2016 and fiscal year 2017, and we recommend that Congress include these conditions in fiscal year 2018. These conditions require recipient governments to demonstrate a firm commitment to strengthening the rule of law and addressing corruption, poverty, and inequality. In providing assistance we should not ignore or excuse conduct that undermines reform. Our support is critical, but ultimately there is no substitute for the commitment of the governments in the region to take decisive actions to enact necessary reforms.

There are four key areas I recommend we pay particular attention to in order to help build strong institutions, strengthen the rule of law, and ultimately improve security in Central America:

(1) International anti-impunity commissions in Central America

Independent, internationally-backed institutions such as the CICIG and the MACCIH are important and innovative tools to build capacity in domestic justice systems. These bodies, set up at the request of the host governments by the United Nations and Organization of the American States, respectively, have both enjoyed strong U.S. bipartisan support. The CICIG, created in 2006, has revealed the depth of corruption in Guatemala and unearthed criminal networks that have leveraged their links to government to embezzle public funds. Its investigations have resulted in the indictment of the former president and vice president for corruption, as well as the prosecution of several ministers and high-level public officials, legislators, retired generals, police officers, and members of the private sector. The Commission has also boosted the investigative capacity of the Guatemalan Attorney General's Office by promoting the adoption of legal reforms and use of modern investigative techniques and tools. The MACCIH, established in Honduras just last year, has started investigating a multi-million dollar embezzlement scandal within the Honduran social security system and other high-profile cases. It has also championed the adoption of a much-needed campaign finance law and been instrumental in creating anti-corruption tribunals with national jurisdiction.

Both entities have faced substantial pushback from certain elements within the government and private sector who want to undermine their efforts. In the case of Guatemala, reforms have stalled in Congress, cases have been delayed through the

abuse of legal motions and remedies, and the Commission and its leadership have been the target of smear campaigns. For progress to continue, the Honduran and Guatemalan governments must fully cooperate with these entities. For its part, the United States must continue to make clear it will politically and financially support them.

(2) Independent, professional, and well-resourced attorneys general

Currently, all three countries have attorneys general who have shown some political will to advance high-level corruption cases and improve the investigative capabilities of their institutions. El Salvador's attorney general has created an anti-impunity unit, arrested a well-known criminal leader with deep political ties, and indicted three former presidents and the former attorney general on corruption-related charges. In Honduras, the attorney general has investigated several top criminal leaders and created a special investigative unit trained in scientific and technical techniques to increase prosecution of high-impact crimes. The Guatemalan Attorney General's Office has led the charge on anti-corruption efforts and taken on several organized crime and corruption cases without the assistance of the CICIG.

Still, these offices remain understaffed, susceptible to outside pressures, and absent in many areas of the countries. In Guatemala, for example, only 10 percent of municipalities have prosecutor's offices.³ This lack of personnel has contributed to a huge backlog of cases, adding to high impunity rates. Recent death threats and an assassination attempt against Guatemalan Attorney General Thelma Aldana highlight the danger justice officials in all three countries face when taking on cases targeting high-level corruption.

In fiscal year 2017, Congress appropriated significant direct funding for Attorneys General Offices in the Northern Triangle, and this support should continue. Attention should be given to creating or strengthening specialized investigative units, implementing special investigative methods, improving prosecutorial capabilities, strengthening internal control bodies to help root out corruption, and improving regional witness protection mechanisms.

(3) Independent courts

A functioning judiciary is critical to ensuring all other areas of a country's government act in the public interest. But in Central America, justice systems are rife with corruption and lack transparency. Their fairness and effectiveness is determined in large part by the judges trying the cases, how transparent the proceedings are, and the scope and quality of convictions.

Too often in Central America, judges can be bought, influenced, or manipulated by political figures, business elites, and others who stand to lose or gain profit or power from their decisions. This makes uncovering the truth a near-impossible task and allows criminal networks to operate unencumbered. Judges who have been compromised not only sway decisions in favor of those pulling the strings, but will stall cases, sometimes indefinitely. This has decimated public trust in the system—the Supreme Court in El Salvador for instance is trusted by just 8 percent of the population, according to a survey from the Institute of Public Opinion at the José Simeón Cañas Central American University in San Salvador.⁴ Independent, functioning courts are the key to ensuring the environment shifts from one that rewards corruption and violence to one in which the system works for all.

To this end, judges and other justice officials must be selected and promoted through a transparent process based on merit. But addressing corruption is just one crucial piece of strengthening a justice system. U.S. assistance should also support efforts to improve judicial independence, help ensure that laws and norms meet international standards, and support mechanisms that offer protection to judges who have the courage to uphold the rule of law.

(4) Professional and accountable police forces, trusted by the public

In all three countries, citizens do not feel that the police will protect them or enforce law and order. Accused of everything from bribery to drug trafficking to extrajudicial executions, officers are often seen as a threat. In Honduras, 83 percent of the population believes the police are corrupt, according to a 2016 survey carried

³Presentation by the Guatemalan Attorney General's Office (*Ministerio Público de Guatemala*), February 2016.

⁴Instituto Universitario de Opinión Pública-Universidad Centroamericana José Simeón Cañas, "Los salvadoreños evalúan la situación del país a finales de 2016," Boletín de prensa año XXXI, no.1, <http://www.uca.edu.sv/iudop/wp-content/uploads/Bolet%C3%ADn-Evaluaci%C3%B3n-A%C3%B1o-2016-10-01-2017.pdf>.

out by the Violence Observatory at the National Autonomous University of Honduras.⁵ Similarly, in El Salvador, 36 percent of people said violence carried out by the state was most harmful to the country, the Latinobarómetro Corporation's 2016 study found.⁶ More often than not, neither internal nor external mechanisms effectively hold security forces to account for corruption or abuses against the population. Compounding this corruption and impunity, police capacity is limited. Officers are often underpaid, lack the training and resources necessary to carry out investigations, and are not trusted by the justice system to cooperate in, or properly conduct, investigations.

In lieu of functioning civilian police, all three Northern Triangle presidents have deployed their militaries to provide internal security. Not only has this diverted much-needed resources away from civilian law enforcement, it has changed the nature of violence in each country, given the armed forces' undue political influence over civilian agencies, and escalated human rights concerns. The military is trained to overcome an enemy with as much force as necessary, not to maintain public order and investigate crimes. When soldiers get sent to the streets, the line between citizen and enemy becomes blurred and abuses happen. Further, no state in the region has sustainably brought crime rates down by relying on troops to act as *de facto* police for an extended period of time.

The answer, then, is to focus on strengthening civilian police forces. There have been some positive steps. The Honduran Government established a special commission to clean up the civilian police force following media reports of high-level police involvement and cover-up in the assassination of the anti-drug czar in 2009 and his advisor in 2011. To date, out of 9,234 police officers evaluated, nearly 4,000 have been removed for reasons of restructuring, voluntary withdrawal, and for alleged involvement in corruption or criminal acts.⁷ Yet the state has been slow to investigate and prosecute officers involved in abuses and criminal activities, and there have been no convictions to date. But to create a reliable civilian police force will require more than a cleanup. It will take ongoing measures to professionalize officers, strong internal controls to hold all ranks to account, and cooperation with community policing initiatives.

In Guatemala, improvements in police investigative capacity and collaboration with justice officials has led to a declining homicide rate since 2010. Although Guatemala's homicide rate still remains above the Latin America and the Caribbean regional average of 22.5 homicides per 100,000 inhabitants, sustained reforms in justice and security policies have made a difference, and further professionalization is essential to seeing continued improvement.⁸

In El Salvador, there have been significant improvements in police recruiting, vetting, and training at the police academy. But police investigation units remain understaffed and overworked, and the ability to conduct scientific and forensic investigations remains limited. Perhaps most troubling, aggressive police anti-gang tactics have led to a rise in allegations of police abuse, including extrajudicial executions of suspected gang members. The internal affairs units that ought to investigate and deter this kind of police abuse have been ineffective, and there do not appear to be sufficient controls over police misconduct.

Without a police force they can trust, and without a justice system that has the ability to convict criminals and hold state actors accountable, Central Americans are left without a lifeline. U.S. assistance can help by improving internal and external control bodies to address corruption and wrongdoing, bolstering criminal investigative capacity, and working to change the culture of police forces by focusing aid on how officers are recruited, selected, promoted, and trained.

EVALUATING U.S. ASSISTANCE

An effective U.S. strategy in Central America requires clearly defined goals in each of these areas, tangible metrics to measure improvement, and ongoing monitoring and evaluation.

⁵ Instituto Universitario en Democracia, Paz y Seguridad-Universidad Nacional Autónoma de Honduras, "Percepción Ciudadana sobre Inseguridad y Victimización en Honduras," May 2016, http://www.iudpas.org/pdf/Estu_InvestNacionales/2016_percepcion_ciudadana_inseguridad_victimizacion.pdf.

⁶ Corporación Latinobarómetro, "Informe Latinobarómetro 2016," September 2016, <http://www.latinobarometro.org/latNewsShow.jsp>.

⁷ "Comisión depuradora en un año ha realizado una agresiva limpieza de la Policía," *La Tribuna*, April 12, 2017, accessed May 22, 2017. <http://www.latribuna.hn/2017/04/12/estos-los-logros-la-comision-especial-la-depuracion-transformacion-la-policia-nacional-ano-funciones/>.

⁸ World Bank, "Intentional homicides (per 100,000 people)," accessed May 22, 2017, <http://datos.bancomundial.org/indicador/VC.IHR.PSRC.P5?locations=ZJ>.

This is why WOLA, working with local civil society organizations committed to promoting reforms, developed the Central America Monitor, a tool that tracks U.S. assistance and uses a set of objective quantitative and qualitative indicators to assess progress on the ground. Its goal is to move the discussion beyond abstract calls for reform to specific measures of change. These indicators look at many of the issues I have highlighted, including each country's degree of judicial independence, selection and promotion processes for justice officials, resources allocated for law enforcement, and conviction rates, among many others. WOLA's Central America Monitor and other monitoring and evaluation efforts are essential to ensuring U.S. assistance is properly implemented.

In conclusion, it is possible for conditions in the Northern Triangle to improve, but the situation is far beyond the capacity of the governments to tackle on their own. The problems there are not isolated: they are rooted in decades of shared history with the United States, and their consequences now extend up to the U.S. border. Working together to support and monitor specific and substantial reforms, we can achieve results that will reduce violence and create conditions for greater prosperity in Central America. The process may be slow. But, with a willingness to be smart and strategic about our investment in fighting corruption, improving transparency, and bolstering respect for the rule of law, we can see real results.

Thank you. I look forward to your questions.

Senator GRAHAM. We will hear from Senator Leahy. He just arrived. A brief statement and then we will continue with our witnesses.

STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you, Mr. Chairman, and it is good to see all of the witnesses here.

I know that Secretary Negroponte referred to a Rip Van Winkle feeling and maybe several of us feel that way in being here.

For most of the twentieth century, there was a concern that our policy towards Central America consisted primarily of propping up corrupt and abusive regimes led by families of oligarchs that benefited from the exploitative practices of U.S. corporations. During the Cold War, the armies of those regimes trained and equipped by the United States committed atrocities in the name of anti-Communism. Democratic movements were crushed and their leaders assassinated. Very few people have been punished for heinous crimes in Guatemala, Honduras, and El Salvador to date.

So what did the people in those countries get from it? They got poverty and violence, impunity, inequality, political polarization. The situation is worse because of the influx of gangs and illegal drugs and all that brings. Since 1980 alone, the United States has provided billions and billions of dollars in military and economic aid to the Northern Triangle countries. Much of that aid, in my opinion, was either wasted or contributed to the problems there.

We made excuses for those governments whose leaders were interested only in enriching themselves. But last year we embarked on what has been portrayed as a new approach. And, Mr. Chairman, I applaud you in working with all of us to do that, to address the underlying causes of the flood of undocumented migrants fleeing violence and poverty in Central America.

In fiscal year 2016, we provided \$750 million to support the Alliance for Prosperity. A few weeks ago, we approved another \$655 million. Now the President has proposed to cut that to \$460 million. I strongly support this aid, but we need to see real sustainable results. I think Republicans and Democrats agree about that. We

cannot want equitable economic development and human rights in these countries more than their own governments want it.

So thank you for holding this hearing. Central America gets too little attention here. These countries are our neighbors. The struggles and hardships of their people deeply concern us. So I thank you and I want to be supportive.

Senator GRAHAM. Thank you, Senator Leahy. I know you have a long-held interest in this region.

Mr. Farnsworth.

STATEMENT OF ERIC FARNSWORTH, VICE PRESIDENT OF THE COUNCIL OF THE AMERICAS

Mr. FARNSWORTH. Well, Mr. Chairman, good afternoon. Thank you for the invitation to be here. Mr. Ranking Member and Members of the subcommittee, it is a real privilege to be before you this afternoon.

In 3 weeks [June 15, 16, 2017], the U.S. Secretaries of State and Homeland Security, together with their Mexican counterparts, plan to host a meeting in Miami of leaders from the Northern Triangle countries and ministerial level representatives from others in the region. This continues, as we have already been talking about, an accumulating body of work on a bipartisan basis going back to the conclusion of the vicious civil wars just over 20 years ago and continuing with significant U.S. assistance and support since that time.

And yet, the situation on the ground remains fluid and difficult. Some 50 percent of Central Americans live in poverty, many without access to clean water, electricity, healthcare, and quality education. Malnutrition is widespread in some areas. High unemployment plagues the region and with just over 60 percent of the population under the age of 30 years old, the high percentage of youth without jobs or going to school full time is a significant concern. Periodic natural disasters including hurricanes, volcanic eruptions, and earthquakes rock the region.

Meanwhile, security in the Northern Triangle is fraught, with homicide rates well above global averages. Located between the world's largest illegal drug consuming nation and one of the world's largest drug producing regions, as well as a Venezuelan regime that allegedly facilitates the narcotics trade, Central America is a prime transit route for illegal activities that both overwhelm and also undermine the capacity of governments to address them.

Gang activity and the easy availability of high caliber and other weapons contribute significantly to insecurity. The attractiveness of gang membership is exacerbated by the lack of economic opportunity and also the lack of effective policing and judicial processes. Impunity is rife, as is corruption, and deep social divisions within countries and deep political divisions between and among countries hamper governance and cross-border cooperation. It is a potent mix, and it is no wonder why so many Central Americans have sought to migrate from the region.

While the primary responsibility for addressing these issues clearly resides with the nations themselves, the United States is in a position to assist our neighbors and friends in need and I believe it is in our interest to do so.

In my view, one of the best ways we can support development effectively is by promoting investment and job creation in the formal economy. Generating good, legal, sustainable jobs offering the prospect for a better life and stability at the local and community levels is critical in migrant sending nations. A more focused effort by the United States to help the Northern Triangle nations develop and improve their business climates would therefore be appropriate and meaningful.

Job creation is not a panacea, but it would provide options for those who might otherwise migrate or get wrapped up with criminal gangs. Without an attractive business climate that includes enhanced personal security, an educated workforce, the improved regulatory transparency, and the rule of law, investors both foreign and domestic will look elsewhere. And that means foregone access to global supply chains, tax receipts, and labor protections for workers, among other things.

The key is for U.S. assistance to leverage real results. One way to do this might be to allow Northern Triangle countries to claim a greater share of the overall aid package over time. In other words, rather than dividing assistance co-equally among the three recipients upfront, we could leverage improved outcomes by encouraging each nation, either alone or in cooperation with the others, to compete for a larger share of the overall assistance package by committing to concrete action plans and measurable results consistent with their own realities that can be tracked and rewarded after successful implementation.

On the security side, which is fundamental to improving conditions for economic growth, metrics employed during Plan Colombia with strong bipartisan support could prove beneficial, such as reduction in homicides, meaningful reductions in criminal impunity, and the reestablishment of a state presence in all communities. Metrics in drug trafficking, corruption, and judicial effectiveness can also be employed, and greater regional law enforcement cooperation could be pursued.

The same approach should be considered for development activities that will help create conditions to draw investment that creates jobs and grows the economy. Taking another page from what has worked in Colombia, the three nations of the Northern Triangle should give priority attention to improving their ease of doing business rankings with the World Bank and also their respective competitiveness rankings with the World Economic Forum to build economic capacity and a framework for competitiveness.

Importantly, regional growth has often been consumption-led, fueled by remittances from Central Americans living in the United States and elsewhere. But remittances do not generally build capacity. There must be a new commitment to improving business conditions to drive investment led, sustainable growth.

There must also be a more genuine commitment among the three nations to linking their economies more closely together, to increase economies of scale, and to reduce production costs. Freer trade with the United States through the CAFTA Dominican Republic Trade Agreement was a beginning. Nonetheless, from trade facilitation and customs procedures to infrastructure development including an intensive focus on border infrastructure, to common,

best standards regulatory permitting, tax, and commercial frameworks, the simple reality is that until the three nations begin to operate more as a regional more unified economy, they will continue to lack investment attractiveness.

Currently, it is said that it is easier to export products to the United States from nations in Central America than it is to export products to each other. This is crazy. It raises costs and dramatically reduces the attractiveness of Northern Triangle countries for participation in the cross-border market expanding supply chains that increasingly drive global production.

Of course, job creation also depends on human capital, which requires concrete actions by governments to improve education and workforce development and training. The cost of labor is relatively attractive, but productivity lags.

The mismatch in labor skills with currently and potentially available jobs is profound, requiring sustained attention. Migrants returning to the region, many with English language skills, are one pool of workers that could benefit from additional training as they seek to transition back to local communities.

Still, the bottom line is this: without job creation in the formal economy, prospects for Northern Triangle nations to address effectively the twin security and migration crises that confront them will be next to impossible. And without adequate attention to the factors described above, the domestic and direct foreign investment that creates jobs and builds economies will materialize only unevenly. U.S. assistance can and should be used to prime the pump. But even with U.S. support, the primary commitments and achievements, including enhanced security, reduced corruption, and increasing job creation in the formal economy, must emanate purposefully from the region itself.

So thank you again for the opportunity to testify and I look forward with anticipation to your questions.

[The statement follows:]

PREPARED STATEMENT OF ERIC FARNSWORTH

Good afternoon, Chairman Graham, Ranking Member Leahy, and members of the subcommittee. It is a privilege to appear before you today to discuss United States assistance for the Northern Triangle of Central America; namely El Salvador, Guatemala, and Honduras. Thank you for the attention that you are bringing to these issues, and for your leadership in addressing them over the years. We very much appreciate your long-term, bipartisan interest in building U.S. policy priorities in Central America.

In three weeks the U.S. Secretaries of State and Homeland Security, together with their Mexican counterparts, plan to host a meeting in Miami of leaders from the Northern Triangle countries and ministerial level representatives from others in the region. This is a serious, well-intentioned effort designed to advance discussions on building prosperity and improving security as a means to address most effectively the national interests of the United States. It is an accumulating body of work, on a bipartisan basis, going back to the conclusion of the vicious civil wars just over 20 years ago, and continuing with significant assistance and support since that time.

CENTRAL AMERICA REQUIRES LONG-TERM DEVELOPMENT ATTENTION

And yet, as evidenced by the crisis of unaccompanied minors and others crossing the Southwest border of the United States over the past several years, the situation on the ground remains fluid and difficult. Some 50 percent of Central Americans live in poverty, many without access to clean water, electricity, healthcare, and quality education. Malnutrition is widespread in some areas. High unemployment

plagues the region, and, with over 60 percent of the population under the age of 30, the high percentage of youth without jobs or going to school full time is a significant concern. To complicate matters further, periodic natural disasters including hurricanes, volcanic eruptions, and earthquakes rock the region, knocking precious percentage points off GDP in those nations least-equipped to cover losses.

Meanwhile, security in the Northern Triangle is fraught, with murder rates well above global averages. Located between the world's largest illegal drug consuming nation and one of the world's largest drug producing regions as well as a Venezuelan regime that allegedly facilitates the narcotics trade, Central America is a prime transit route for illegal activities that both overwhelm and also undermine the capacity of governments to address them. Gang activity and the easy availability of high-caliber and other weapons contribute significantly to insecurity, at times even giving criminals the ability to outgun state actors. The attractiveness of gang membership is exacerbated by the lack of economic opportunity and also the lack of effective policing and judicial process. Impunity is rife, as is corruption. Deep social divisions within countries and deep political divisions between and among countries hamper governance and cross-border cooperation.

It is a potent mix. While the primary responsibility for addressing these issues clearly resides with the nations themselves, the United States is in a position to continue assisting our neighbors and friends in need. Doing so is in our interests, given our history and connectivity with the Northern Triangle and the opportunity to address core U.S. interests at their source.

WORKING TO CREATE JOBS IN THE FORMAL ECONOMY

To be most effective, U.S. commitment must be sustained, and might benefit from another Kissinger-style commission to recommend a high-level, bipartisan, fully-resourced path forward. In the meantime, one of the best ways we can support development effectively is by promoting investment and job creation in the formal economy as a pillar of longer-term development. Generating good, legal, sustainable jobs offering the prospect for a better life and stability at the local and community level in migrant-sending nations is critical.

Regional job creation is not a panacea, but it would provide options for those who might otherwise migrate or get wrapped up with criminal gangs. Freer trade with the United States through the CAFTA-DR agreement was a beginning, but the agreement only establishes a baseline; it does not guarantee results. Without an attractive business climate that includes enhanced personal security, an educated workforce, improved regulatory transparency and the rule of law, investors both foreign and domestic will look elsewhere. And that means foregone access to global supply chains, tax receipts, and job creation, among other deficiencies, providing, along with deep security concerns, a continued push for intending migrants.

As a result, a more focused effort by the United States to help the Northern Triangle nations develop and improve their business climates would be appropriate and meaningful. The good news, at least from the Central American perspective, is that U.S. participation the Trans-Pacific Partnership has been shelved for now, offering temporary relief from enhanced global competition with their most competitive products and markets. Although important from a strategic U.S. perspective in Asia and Latin America, TPP threatened to divert U.S. trade and investment activities away from the Northern Triangle and others in Central America in favor of nations such as Vietnam and Malaysia. But this is only a reprieve, and nations including the United States should be encouraged to redouble their efforts to focus on improved regional economic competitiveness.

SECURITY AND JOB CREATION GO HAND-IN-HAND

U.S. assistance can be used primarily to leverage results. On the security side, which is fundamental to improving conditions for economic growth, metrics employed during Plan Colombia with strong bipartisan support proved beneficial, such as a reduction in murders and the re-establishment of a state presence in all communities. Appropriate metrics on drug trafficking, corruption, and judicial effectiveness can also be employed, and greater regional security cooperation should be actively considered. More importantly, Northern Triangle countries should be incentivized to produce real results by allowing them to claim a greater share of the overall assistance package over time. In other words, rather than dividing assistance co-equally among the three recipients up front, we can be more creative, leveraging improved outcomes by encouraging each nation, either alone or in cooperation with the others, to compete for a larger share of the overall assistance package by committing to concrete actions plans and measurable results that can be tracked and rewarded for successful implementation.

The same approach should be considered for economic development activities that will help create conditions to draw the investment that creates jobs and grows the economy. Taking another page from what has worked in Colombia, the three nations of the Northern Triangle should give priority attention to improving their ease of doing business rankings with the World Bank and also their respective competitiveness rankings with the World Economic Forum. Much like the Millennium Challenge Corporation approach, these efforts would be designed to build economic capacity and a framework for competitiveness.

And, there must also be a more genuine commitment among the three nations to linking their economies more closely together, to increase economies of scale and to reduce production costs. From trade facilitation and customs procedures, to infrastructure development, to common, best standards regulatory, permitting, tax, and commercial frameworks, the simple reality is that until the three nations begin to operate as a regional, more unified economy, they will continue to lack in attractiveness for global investors. Currently, it is said that it is easier to export products to the United States from nations in Central America than it is to export products to each other. This raises costs and dramatically reduces the attractiveness of Northern Triangle countries of participation in the cross-border, market expanding supply chains that increasingly drive global production.

Regional growth has often been consumption-led, fueled by remittances from Central Americans living in the United States and elsewhere. But remittances do not generally build capacity; absent a new commitment to improving business conditions, there will be limited opportunity for investment-led, sustainable growth.

INCREASING HUMAN CAPITAL AND IMPROVING PEOPLES' LIVES

Of course, job creation also depends on human capital, which requires a new commitment by governments to education and workforce development and training. The cost of labor is relatively attractive in the Northern Triangle but productivity lags. Regional production costs are already high, due to enhanced security requirements, high energy prices, lack of transparency and predictability, judicial and contract issues, and other aggravations. Potential investors report that these issues are significantly compounded by difficulties in finding adequately trained workers with appropriate abilities including math and language skills. The mismatch in labor skills with currently and potentially available jobs is profound and will require sustained attention over time. Migrants returning to the region, many with English language skills, are one pool of workers that could benefit from additional training as they seek to transition back to local communities.

But the bottom line is this: without job creation in the formal economy, prospects for Northern Triangle nations to address effectively the twin security and migration crises that confront them will be next to impossible. And without adequate attention to the factors described about, the domestic and direct foreign investment that creates jobs and builds economies, providing alternatives for men and women alike to build better lives in their own communities, will materialize only unevenly. U.S. assistance can and should be used to prime the pump. But even with U.S. support, the primary commitments and achievements, including enhanced security, reduced corruption, and increasingly job creation in the formal economy, must emanate purposefully from the region itself.

STATEMENT OF JOHN WINGLE, COUNTRY DIRECTOR FOR HONDURAS AND GUATEMALA, MILLENNIUM CHALLENGE CORPORATION

Mr. WINGLE. Thank you, Chairman Graham, Ranking Member Leahy, and Members of the subcommittee. I am delighted to be here today and I look forward to discussing MCC's work in Central America.

MCC is working in the Northern Triangle countries of El Salvador, Honduras, and Guatemala to promote prosperity and strengthen governance in the region, supporting the objectives of the U.S. strategy for engagement in Central America, as well as the Northern Triangle Government's Alliance for Prosperity.

The subcommittee is already familiar with how MCC uses an evidence-based model to drive economic growth and in turn create opportunities to escape poverty in three interrelated ways: first, in being selective on our partner countries; second, in how we design programs with those partner countries; and finally, the way we

build capacity for our partner countries to implement the programs. Underlying this is the principle that we cannot solve the problems of our partner countries for them. We provide diagnostic tools such as constraints to growth analysis, as well as the right incentives and support for our partners to make the reforms needed for them to address their own problems.

While we are an important part of the solution, our partner countries are ultimately responsible to implement the projects funded by MCC, to follow through on the policy reforms, and perhaps most importantly, to transfer this knowledge to manage their own resources with the same transparency and accountability that MCC demands in the projects that we fund.

In our Constraints to Growth Analysis, we found the political economy of Northern Triangle democracies has been characterized by patronage-based politics, weak rule of law, low effective tax rates, and a lack of accountability. These factors have led to governments with small budgets that are poorly executed due to corruption and inefficiency, and as a result, they have been unable to adequately provide infrastructure, health, education, and security services to their people. This poor and highly unequal service provision has left Northern Triangle countries with low educational attainment, high transportation costs, and entrenched crime that constrains private investment and job creation and drives migration.

These problems affect both the rich and poor in Central America. However, the wealthy can pay for private schools, private healthcare, and private security, but the majority of the people struggle to provide a decent life for their families.

Annual government expenditures by the Northern Triangle countries are more than ten times the amount of official development assistance they receive from international donors. The efficient and effective use of their own government funds therefore is critical to provide the security, health, education, and infrastructure needed to achieve sustainable economic development and reduce poverty.

Ultimately, by helping strengthen the policies and government institutions, we advance the sustainability of MCC and other governments' funding and reduce dependency on foreign aid. This has been MCC's goal with the Northern Triangle programs.

In 2010, MCC and Honduras successfully completed a compact that provided 7,400 farmers with technical training and better crop management, irrigation techniques, business, and marketing. The compact also improved farm-to-market roads, secondary roads, and 110 kilometers of the main highway linking the capital with the main Atlantic port.

Currently, MCC is supporting the government's efforts to improve public financial management. MCC's threshold program is helping the government of Honduras improve budget practices, save money on procurement, improve delivery of public services, increase accountability through both their Supreme Audit Institution and civil society organizations, and reduce opportunities for corruption, ultimately improving the efficiency and effectiveness of how the Hondurans use their own government resources.

Turning to El Salvador, in 2012 MCC and El Salvador successfully completed a \$461 million compact to strengthen the transpor-

tation and agricultural sectors and improve the educational system in the country's Northern Zone. According to independent evaluators, more than 600,000 people benefitted from the construction of the Northern Transnational Highway and households with access to potable water and electricity increased significantly with MCC's investments.

After the success of this compact, MCC and El Salvador signed a new compact in 2014 to invest up to \$277 million to improve education, logistical infrastructure, regulatory environment, and institutional capacity. El Salvador will contribute \$88.2 million to support this compact's investments.

Finally, in Guatemala MCC and the government are currently partnering to implement a \$28 million threshold program to increase revenues and reduce opportunities for corruption in tax and customs administration, attract more private funding for infrastructure, and provide Guatemalan youth with the skills they need in the job market.

While the challenge in Central America is great, there has undoubtedly been progress. With the support of the United States and other development partners, the people of Guatemala, Honduras, and El Salvador had made significant efforts recently to improve governance. Some examples are the courageous local prosecutors that have taken on political corruption and organized crime, governments have increased transparency and expose themselves to social accountability. There have been payroll audits to purge government payrolls of dead, absent, and non-working recipients. Progress has been made in making teacher appointments based on merit rather than political affiliation. Progress has been made on police reform.

These are deeply entrenched and mutually reinforcing problems and progress has not been universal, but there has undoubtedly been progress. MCC is committed to continuing our work with partner agencies to create the conditions for greater economic growth by improving the climate for private investment, strengthening human capital, and improving public financial management and social accountability to advance good governance and reduce corruption.

Thank you very much for your time and attention and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF JOHN WINGLE

Thank you, Chairman Graham, Ranking Member Leahy and members of the subcommittee. I am delighted to be here today and I look forward to discussing MCC's work in Central America.

MCC helps relatively well-governed poor countries reduce poverty through economic growth and the agency's work, along with our sister agencies in the U.S. Government, advances American security, values and prosperity. When people have stability and opportunity, they are more likely to stay in their home communities and are better able to address health and security challenges that have international implications.

MCC MODEL

MCC is an important tool in U.S. foreign policy. We work to catalyze economic growth in the best-governed poor countries, and we support and coordinate with other U.S. Government agencies to achieve our shared goals. MCC's investments

with partner countries drive economic growth and create opportunities to escape poverty in three interrelated ways.

- First, by consistently applying stringent eligibility criteria to select our partners, MCC is able to leverage and incentivize policy, regulatory and institutional reforms. MCC uses third-party data to assess a country's policy performance in three categories: ruling justly, investing in people, and encouraging economic freedom. Without good policies in each of these areas, countries cannot achieve sustainable economic growth and, as such, our assistance would not be as effective. In addition to providing a roadmap to determine which partners are more likely to provide better development outcomes, this selection process also drives countries to reform policies to qualify for MCC's assistance. Once a country is selected, MCC is often able to successfully push for major policy and sectoral reforms that complement and sustain project investments. Together, these reforms and investments help draw in private sector investment and create opportunities for sustainable growth long after our 5-year partnership.
- Second, MCC uses an evidence-based, business-like approach to choosing investments that will yield the best return in terms of economic growth and poverty reduction. After selection, MCC immediately begins working with partner governments to identify the most binding constraints to economic growth. This is a data-driven process to understand what is holding countries back and limiting private investment and job creation. The choice of what sector to focus on, therefore, is demand driven and based on the needs of each individual partner country.

We invest in projects that lead to economic growth and help people lift themselves out of poverty, like power, clean water, land rights and roads. We also leverage these large investments to ensure partners undertake policy reforms that promote the sustainability of our investments and benefit the most vulnerable populations. After agreeing on the outlines of a project, MCC's economists carefully estimate the anticipated costs and benefits of the projects to ensure that we design an efficient solution that generates a return on investment and fosters self-sufficiency.

- Finally, MCC's focus is not only on building infrastructure or completing a specific project, but also on building expertise and know-how in our partner governments to transparently and effectively implement other projects after MCC's investment comes to a close. Through MCC's country-led approach, countries learn effective project implementation, accountable fiscal stewardship, and transparent procurement processes that outlast the program. MCC is guided by the principle that we cannot solve the problems of our partner countries for them; we provide diagnostic tools, incentives and support for our partners to make the policy and institutional changes needed for them to address their own problems. We are an important part of the solution, but our partners are ultimately responsible to implement the projects funded by MCC, to follow through on the policy reforms, and, perhaps most important, to transfer this knowledge to manage their own resources with the same transparency and accountability that MCC demands in the projects that we fund.

Maintaining the maximum level of country ownership over the process of implementing MCC-funded projects, which encourages the level of responsibility and knowledge sharing we expect, while at the same time ensuring the proper oversight of U.S. taxpayer dollars is of utmost importance and always a delicate balance. MCC requires that partner governments establish an entity to implement the projects, usually known as an "MCA." Like MCC, the MCAs are government bodies, with governing boards that include public and private sector representation and they are accountable for overseeing the day-to-day implementation of the projects. In Honduras, where MCC had a compact from 2005 to 2010, the government has been using the unit established during the compact to implement over \$1 billion in other development programs. While this country ownership model is unique, MCC uses our experience and lessons-learned to support the efforts of our interagency partners and the governments of the Northern Triangle countries. Moreover, these entities have developed solid reputations for transparency and capacity in their countries. They set an important example of a government entity delivering effectively, transparently, and without regard for political bent. Such examples are scarce and are valuable in setting a higher bar for government performance.

PROGRESS IN CENTRAL AMERICA

MCC is working in the Northern Triangle countries of El Salvador, Honduras and Guatemala to promote prosperity and strengthen governance in the region, sup-

porting the objectives of the U.S. Strategy for Engagement in Central America as well as the Northern Triangle governments' Alliance for Prosperity.

Annual government expenditures by the Northern Triangle countries are more than 10 times the amount of official development assistance they receive from international donors. The efficient and effective use of their own government funds, therefore, is critical to provide the security, health, education, and infrastructure needed to achieve sustainable economic development and reduce poverty. To promote effective, transparent use of government resources, MCC not only invests in needed infrastructure and promotes policy and institutional reforms, but we also seek to strengthen partner governments' implementation capacity to deliver services to their people. MCC is at the forefront of this critical but still often elusive effort. Our approach involves assessments, training, oversight, and hands-on support for human resource management, financial management, procurement, and auditing which, along with the vital reforms, are leveraged through the large grant funds, or the prospect of grant funds. Ultimately, by helping to strengthen policies and government institutions, we advance the sustainability of our investments and reduce dependency on foreign aid.

MCC is already part of the solution in Central America with over \$320 million currently committed through our compact and threshold programs. MCC has invested more than \$1.1 billion in the region since 2005 seeking to foster the enabling environment for faster economic growth by improving the climate for private sector investment, strengthening human capital to create jobs and opportunities in the region, and reforming public financial management and increasing transparency and accountability to promote good governance and reduce corruption.

After successful completion of its first 5 year compact with El Salvador, which invested \$461 million to strengthen the transportation, power and agricultural sectors, El Salvador and MCC signed a new \$277 million compact in September 2014 to improve the country's regulatory environment, enhance the role of public-private partnerships in delivering key services, improve the quality of education, and improve a key highway and border crossing infrastructure to reduce transportation costs.

MCC also has threshold programs with Guatemala and Honduras. Threshold programs are significantly smaller grants for countries that are close, but do not yet meet our criteria for a compact. In 2013, we launched a \$15.6 million threshold program with Honduras to improve the country's public financial management and the efficiency and transparency of public-private partnerships. In April 2015, we signed a \$28 million threshold program with Guatemala to support reforms to the country's secondary education system that match skills to labor market demands, and to improve tax and customs administration so that the government can generate greater resources to invest in the Guatemalan people.

CONSTRAINTS TO GROWTH IN CENTRAL AMERICA

The political economy of Northern Triangle democracies has been characterized by patronage based politics, weak rule of law resulting in gang and drug related criminal activity, low effective tax rates, and a lack of accountability. These factors have led to governments with small budgets that are poorly executed due to corruption and inefficiency, and as a result, they have been unable to adequately provide infrastructure, health, education, and security services to their people.

A lack of critical services over the years has yielded low educational attainment, high transportation costs, and entrenched crime that constrains private investment and job creation and drives migration. These problems affect both the rich and poor in Central America. The wealthy can pay for private schools, healthcare, and security, but the majority of the people struggle to provide a decent life for their families.

Over the last 10 years, we have seen many members of the political and economic elite call for more transparent government, adequate tax revenue, better infrastructure and improved healthcare, education, and security services. We have also seen citizens take to the streets and social media to hold their leaders accountable for providing transparent, efficient and effective government.

In response to the desire to tackle these problems and with the support of the U.S. and other development partners, there have been significant efforts recently to improve governance:

- Courageous local prosecutors have taken on political corruption and organized crime with the help of the International Commission Against Impunity in Guatemala, the Mission to Support the Fight Against Corruption and Impunity in Honduras and El Salvador's Anti-impunity Unit within the AG's office.

- Governments have increased transparency and exposed themselves to social accountability.
- There have been payroll audits to purge government payrolls of dead, absent and non-working recipients.
- Progress has been made in making teacher appointments based on merit.
- Honduras reduced its fiscal deficit from above 7 percent to below 2 percent.
- Progress has been made on police reform and neighborhood policing and community outreach has been re-established.

These are deeply entrenched and mutually reinforcing problems, and progress has not been universal, but there has undoubtedly been progress.

MCC'S 2006 AND 2014 COMPACTS WITH EL SALVADOR

In 2012, MCC and El Salvador successfully completed a \$461 million compact to strengthen the transportation and agricultural sectors and improve the education system in the country's Northern Zone. The program brought people in the Northern Zone training, education, rural electrification, community infrastructure and 125 miles of road. According to evaluations by independent consultants:

- 146,000 rural residents received access to electrification.
- More than 600,000 people benefited from the construction of the Northern Transnational Highway.
- Approximately 26,000 received access to potable water.
- Approximately 17,000 people were beneficiaries of the Productive Development project, which transitioned producers to higher-profit activities, generated new investment, expanded markets and sales, and created new jobs.
- Approximately 12,000 youths were trained in various technical trades.
- Approximately 5,000 people, including students and teachers, obtained scholarships for study and training.

Households with access to potable water in the Northern Zone increased from 79 percent in 2007 to 86 percent in 2011. Electricity coverage increased from 78 percent in 2007 to 90 percent in 2011.

After the success of the compact signed in 2006, and with continued strong policy performance as reflected by the MCC policy indicators, MCC and the Government of El Salvador signed a new compact on September 30, 2014 to invest up to \$277 million on improving education, logistical infrastructure, regulatory environment and institutional capacity, with the goal of promoting economic growth and private investment in the country.

El Salvador has committed to increase the country's productivity and competitiveness in international markets by partnering with the private sector to generate economic growth and addressing institutional, human, and logistical constraints to international trade in goods and services. The Government of El Salvador has committed to contribute \$88.2 million to support MCC's investment, double the 15 percent host country contribution required by MCC, reflecting the government's solid commitment to the compact.

The current compact has three primary projects:

- The Human Capital Project focuses on preparing the people of El Salvador to better meet the demands of a global economy by improving the quality of education and better matching the supply of skills to the labor market. The project is composed of two activities:
 - The Education Quality Activity supports complementary interventions in competency-based education, increased classroom time, teachers training, and improvements to the institutional environment that are conducive to learning. It also includes investments in approximately 344 schools in the coastal zone of El Salvador where dropout rates are the highest, with a focus on grades 7–12.
 - The TVET System Reform Activity seeks to strengthen ties between the skills demanded by the labor market and those supplied by private and public vocational education and training providers. The intended result of the activity is that, students in these TVET programs will graduate with skills that better match the job market.
- The Investment Climate Project is composed of two activities:
 - The Regulatory Improvement Activity is designed to prioritize and promote business regulation reforms resulting in more efficient and profitable operations for firms doing business in El Salvador. MCC funding supports the development of an institutional framework and system, which includes the establishment of an institution that will focus exclusively on regulatory im-

provement, and the prioritization and implementation of a select set of key reforms. The first reforms package, submitted in December of 2016, contained 36 recommendations in public administration, international trade, and development of public private infrastructure. These reforms will result in more efficient and profitable business operations for the private sector.

- The Partnership Development Activity seeks to improve the capacity of the Government of El Salvador to partner with the private sector to provide key public goods and services through the use of: (i) public-private partnerships to enable the government to tap private capital to finance, develop, and manage key infrastructure needed to increase productivity, and (ii) the El Salvador Investment Challenge to identify important private investment potential and efficiently allocate limited government resources to public goods and services needed to support this investment.
- The Logistical Infrastructure Project will address two transportation bottlenecks that have led to high transportation and logistics costs for regional trade.
- The Coastal Highway Expansion Activity will serve to relieve congestion at the most trafficked segment of El Salvador's key coastal corridor.
- The Border Crossing Infrastructure Activity will make significant infrastructure and systems improvements at a major border crossing with Honduras, reducing wait times at the border and relieving freight and passenger traffic congestion.

MCC'S THRESHOLD PROGRAM IN HONDURAS

Prior to MCC's current partnership, MCC completed a compact with Honduras in September 2010. The \$205 million compact invested in a broad range of constraints to economic growth in the agriculture sector, including assisting farmers with technical training, providing farmers with access to credit, and building farm-to-market roads. The compact also invested in rehabilitating the primary national highway that connects Honduras with international markets.

After completing the compact in 2010, Honduras experienced political instability. Because of this, MCC's Board of Directors did not select the country for a second compact. Honduras was, however, selected as eligible for threshold program assistance to catalyze needed reforms. The Honduran Government is subsequently working on substantial reforms to fiscal transparency in order to improve accountability and limit opportunities for corruption, in hopes of qualifying for a compact once again.

MCC's \$15.6 million Honduras Threshold Program is designed to improve public financial management and create more effective and transparent public-private partnerships. The program is helping the Government of Honduras save money in procurement, improve delivery of public services, and reduce opportunities for corruption—ultimately improving the efficiency and effectiveness of how the Government of Honduras uses its own resources. Honduras passed 10 of 20 scorecard indicators in fiscal year 2017.

The Honduras Threshold Program includes two primary projects:

- The Public Financial Management Project is working to make the management of government finances more efficient and transparent. The project has four activities:
 - The Budget and Treasury Management Activity is strengthening budget formulation and execution in the government's executive and legislative branches. Through the U.S. Department of Treasury's Office of Technical Assistance (OTA), MCC and Honduras are working to strengthen the Ministry of Finance's budgeting capabilities and increase legislative oversight of the budget process. In addition, MCC is supporting an audit of government payment arrears and promoting institutional reforms so that vendors are paid consistently and on time, resulting in increased competition and reduced opportunities for corruption.
 - The Procurement Activity is increasing the transparency, accountability and quality of public procurement. MCC funding is supporting: an e-catalogue that allows bulk purchases, saving time and money; the creation of a procurement evaluation unit to assess the quality of procurement throughout the government; and a procurement training and certification program that includes a legal change to phase-in a requirement for a procurement certified government official to manage procurement processes.
 - The Supreme Audit Authority Activity is strengthening the ability of this governance institution to conduct performance audits.

- The Grant Facility for Social Accountability Activity is designed to increase demand for greater accountability and responsiveness from Honduran public officials and service providers, with the ultimate objective of improving national and municipal government efficiency and effectiveness. The largest grant is \$1.2 million to the local chapter of Transparency International (the Association for a More Just Society) to implement their agreement with the Honduran Government to review the performance in procurement and human resource management in the Ministries of Health, Education, Infrastructure, and Security as well as the tax authority.
- The Public-Private Partnerships (PPP) Project aims to improve the efficiency and transparency of PPPs in Honduras by supporting activities designed to increase the government's capacity to develop, negotiate, implement and oversee PPPs. The activities under this project include:
 - The Core PPP Capacity Activity is designed to improve the capacity of, and procedures utilized by, Honduran Government agencies with key PPP responsibilities to develop and implement PPPs in accordance with best practices, including by supporting the Ministry of Finance in properly identifying and managing fiscal risks in its PPP portfolio; and
 - The Design and Implementation of PPPs Activity provides specialized technical assistance to improve the development and implementation of PPPs.

MCC'S THRESHOLD PROGRAM IN GUATEMALA

MCC and the Government of Guatemala are currently partnering to implement a \$28 million threshold program to increase revenues and reduce opportunities for corruption in tax and customs administration, attract more private funding for infrastructure, and provide Guatemalan youth with the skills they need in the job market.

Guatemala did not pass MCC's fiscal year 2017 scorecard although they did improve and now pass 9 out of 20 indicators—one more than fiscal year 2016. While Guatemala does pass the democratic rights scorecard indicators—a prerequisite for passing the scorecard overall—it fails the control of corruption indicator at the 22nd percentile. MCC recognizes that work remains to improve Guatemala's scorecard performance and its control of corruption score, but believes progress can be made through our partnership to benefit the Guatemalan people.

The Guatemala Threshold Program includes two primary components:

—Education Project:

- This \$19.3 million project supports the Government of Guatemala in improving the quality and relevance of secondary education to prepare its youth to succeed in the labor market. The threshold program is supporting efforts by the Ministry of Education to develop programs that improve teacher skills, the quality of teaching, and the effectiveness of technical and vocational education and training.
- The project promotes high-quality teaching in lower-secondary schools by supporting the Ministry of Education to develop, implement, and refine a continuous professional development system for teachers, as well as establish school networks to improve learning and accountability. The project also helps the Ministry of Education in its efforts to offer technical and vocational education to students and design and implement new curricula that better meets labor market demand.

—Resource Mobilization Project:

- This \$5.8 million project increases the availability of revenues by improving the efficiency of tax and customs administration. It also supports the efforts of the Government of Guatemala to design and implement public-private partnerships to attract private funding for important infrastructure projects and free up public resources for citizens.
- MCC and the Government of Guatemala together are undertaking reforms to improve tax and customs revenue by reducing the rate of rejected audit cases; using risk management to facilitate clearance of low-risk cargo and compliant traders at ports of entry, focusing on high-risk cargo and traders; implementing a post-clearance audit program for customs; and improving control of the physical movement of people and cargo.

CONCLUSION

While the challenge in Central America is great, there has undoubtedly been progress in El Salvador, Guatemala, and Honduras and opportunities are at hand

to continue that progress. MCC is committed to continuing our work with partner agencies to create the conditions for greater economic growth by improving the climate for private investment, strengthening human capital to create jobs and opportunities in the region, and improving public financial management and social accountability to advance good governance and reduce corruption.

Thank you very much for your time and attention.

U.S. STRATEGY FOR ENGAGEMENT IN CENTRAL AMERICA

Senator GRAHAM. I thank you all.

Mr. Negroponte, you have been involved in this region, as you said, for a very long time. You have some personal attachment to Honduras, but the region in general. Do you think we are on the right track with the U.S. Strategy for Engagement in Central America?

Mr. NEGROPONTE. Yes, sir, I do. And I do think it is important that we have good metrics. I do think it is important that we support these accountability initiatives and keep a close watch over how this assistance is disposed of, but yes, I think we are pushing on a more open door than we were before. I think the political convergence at the moment is quite good in terms of the governments of those countries wanting to work with us, which has not always been the case.

So I think—and I think the amount of money they are willing to put up in support of these programs I think is an indication of that. So, yes, in brief, I do think we are on the right track, sir.

METRICS

Senator GRAHAM. So Plan Colombia metrics may be something we want to look at in terms of how we go forward here?

Mr. NEGROPONTE. Well, I am not sure I know enough about the Plan Colombia metrics, but, yes, metrics, we need to know how the money is being spent and we need to satisfy ourselves that it is basically doing some good.

HUMAN RIGHTS AND THE RULE OF LAW

Senator GRAHAM. Ms. Beltrán, I think you said 19 out of 20 murders go unsolved.

Ms. BELTRÁN. Regionally, that is correct. Among the three countries, I would estimate that about 95 percent of murders, homicides alone, are not adequately resolved.

Senator GRAHAM. Is there just an outcry from the people for better justice?

Ms. BELTRÁN. Yes. And that is, you know, one of the reasons why you see outflows of migration. It is not just the high levels of violence, but the fact that people have nowhere to turn for protection. In many of these marginalized communities, they are often victims of police abuse or they do not have, you know, adequate access to justice.

Senator GRAHAM. Do you think that the political leaders of these countries, particularly on the rule of law front, are beginning to get it?

Ms. BELTRÁN. I think there are many factors. I think when you talk about the rule of law there has clearly been progress on the issue of combating corruption, of strengthening the investigative capacity of the Public Prosecutor's Office, particularly I would say

in the case of Guatemala. However, they have faced many issues. One of them is the issue of resources.

In the case of Guatemala, for instance, 90 percent of the country, of the municipalities, do not have the presence of public prosecutors. And this, you know, it has created a huge backlog of cases, but also access to justice for many victims of crime. That also hampers the ability to actually invest in these institutions.

Senator GRAHAM. Can you give me an example of a good news story, if there is one?

Ms. BELTRÁN. Yes. There is a good news. I would take the case of Guatemala. You know, back in 2007, the Guatemalan Government requested the creation of an entity called the International Commission Against Impunity in Guatemala, or CICIG. This is an innovative model. It is an international independent entity that is able to carry out investigations, but has to work hand-in-hand with the local public prosecutor's office to be able to bring cases of corruption and organized crime embedded in the institutions to trial.

This has been an initiative that has been supported by the U.S. Congress, and if you look since then, there has been tremendous progress, not only in the cases of high level corruption that have been unearthed and have been prosecuted. In 2015, the then president and vice president were indicted on issues of corruption. But what they have been able to do within the Public Prosecutor's Office and equipping it with the tools that they need to go after high level organized crime and corruption.

Senator GRAHAM. Well, would you consider this to be one of the metrics we look at improvement in this area?

Ms. BELTRÁN. Yes, definitely.

ENERGY ISSUES

Senator GRAHAM. Mr. Farnsworth, from the economic development point of view, energy costs in this area are pretty high, is that correct?

Mr. FARNSWORTH. Yes, sir, that is correct.

Senator GRAHAM. Is there a gas pipeline we are looking at building that may help these folks?

Mr. FARNSWORTH. Well, there has been a lot of work done with the Inter-American Development Bank and with the U.S. Government that has been looking at ways to lower power generation costs, electricity primarily. In terms of specific issues along those lines, we would have to take a look in terms of what U.S. Government support may have been for pipelines and what have you. But the general point, I think, is critically important.

High energy costs across the region in Central America are a limiting factor in terms of people's willingness to invest, particularly in sectors like manufacturing or mining or what have you that require a lot of the use of electricity. So anything that raises the cost of production—and that is just one factor—but it is an important factor, is going to make the economic attractiveness of those particular countries less impactful. So, yes, that is something that really needs to be taken a look at.

Senator GRAHAM. Mr. Wingle, is it Wingle?

Mr. WINGLE. Yes, Senator.

MILLENNIUM CHALLENGE CORPORATION SUCCESSES

Senator GRAHAM. The MCC is kind of a novel approach of where you basically do a contract with a country. You focus on one or two areas. From your point of view, has this been a good investment for the MCC in these three countries?

Mr. WINGLE. Yes. I think we have had several good investments in these three countries with MCC and I think part of that has been the commitment of these countries, but part of it is also the model in which we require a detailed diagnostic study jointly with the partners.

Senator GRAHAM. Are you doing anything in the energy area?

Mr. WINGLE. We are not currently working in energy in these particular countries.

Senator GRAHAM. Is that something you could put on the table?

Mr. WINGLE. With a small exception. The small exception to that is we are supporting their Supreme Audit Institution to do more performance auditing. One of the pilot audits was in the energy parastatal and a particular problem they have is high non-technical losses like 30 percent of power does not actually get paid for. That, of course, piles on an increasing—so increasing that environment of accountability is one way.

But to answer your subsequent question about whether we could become more involved, if the countries were able to pass the control of corruption indicator in the case of Honduras and Guatemala, we would look at the constraints to growth. As Eric pointed out, this would be one potential avenue. And if that were to occur, then we could assist in that.

Senator GRAHAM. Thank you. Senator Leahy.

Senator LEAHY. Thank you. You said two or three of the programs have been successful. Which ones?

Mr. WINGLE. I would say each of our programs had success in each of the three countries. In all fairness, I would say not every activity is always successful. And one of the things MCC tries to do is to have independent evaluations to look at where we are successful and where we are not.

Senator LEAHY. What would you deem as the three most successful?

Mr. WINGLE. I would say the three most successful things, and I might be a bit biased towards the two countries that I am responsible for, so I apologize for that in advance. Within Honduras, I would say in the first compact I would only point at the kilometers of roads constructed to the farmers trained.

I would point the highest success was the program management unit that we established and trained and built up that has now managed over a billion dollars in total development assistance from other donors and from the Government of Guatemala. That gives them an alternative that provides them a transparent effective mechanism. Not only for donor projects, but now they are also looking at this institution to support other parts of government.

Senator LEAHY. What are some of the projects that worked out well?

Mr. WINGLE. I think the projects that worked out well were, first of all, the highway I think is very important for linking the country—

Senator LEAHY. How many miles?

Mr. WINGLE. This is 110 kilometers of the main highway. Then there was a total of 500 kilometers of other farm to market roads.

COMBATING CORRUPTION

Senator LEAHY. Thank you. For fiscal year 2017, we appropriated \$655 million for the Northern Triangle countries. Fifty percent of the funds are conditioned on efforts like reducing corruption and impunity, building a professional police force, protecting freedom of expression. Now if a government is not fully committed to fighting corruption and impunity, how do we respond?

Mr. WINGLE. Okay. So while MCC is not directly in the U.S. engagement for Central America, I agree with all of the conditions that have been put in there, and particularly in control of corruption. So what our—

Senator LEAHY. If they do not do it, let me ask Ambassador Negroponte, what should we do?

Mr. NEGROPONTE. Well, of course, I am no longer running these kinds of programs, chairman. I am no longer directly involved in the operational side of these things, but I would point out that the members of our Atlantic Council Task Force, the Guatemalan member who is a former Vice President of Guatemala, the Salvadoran member who is a former foreign minister, and so forth, and the Honduran member all spoke emphatically about the importance and the utility of conditionality in the execution of these programs.

So they, themselves, even though as you know sometimes the conditionality can create resentments in recipient countries, they themselves felt—

Senator LEAHY. I have been told.

Mr. NEGROPONTE. I imagine. They, themselves, have expressed strong support for that concept in the context of these programs.

Senator LEAHY. But do we cut the aid if they do not come through?

Mr. NEGROPONTE. Well, you know, I hate to—I hate for it to get to that point because we do not want to lose the interaction and the engagement that these programs imply, so if I were involved in implementation I would just try to make as sure as I could that they are working.

SUPPORT FOR ATTORNEYS GENERAL

Senator LEAHY. Ms. Beltrán, you said in your testimony that in each of the countries involved there are competent, courageous Attorneys General. That makes us all very happy, but they face threats and intimidation sometimes from within their own government. We have seen the same with the Commissions Against Impunity in Guatemala and Honduras, and the UN High Commissioner for Human Rights. Is there anything we can do about that?

Ms. BELTRAN. Thank you, Senator, for your question. Yes, you know, we see the courageous efforts of the Attorney Generals, other prosecutors, members of the courts, but yes, both the Commission

and the attorney generals have had serious setbacks. In Guatemala right now, there is a massive campaign to discredit the work of the attorney general and the International Commission Against Impunity, or CICIG.

I think very direct statements of support from the U.S. Congress to these efforts must continue. I think direct messages that the Government of Guatemala needs to fully cooperate with the Commission, with the attorney generals, is vital to the success of their efforts.

Senator LEAHY. I remember going to one country in Central America and the President telling me proudly that he was not put there by the bullet or the ballot, but directly by the hand of God. That was the first time I had met somebody so designated. I have not seen him since he went to prison, but I was just thinking of that.

Senator LANKFORD. He was also put there by the hand of God.

RESOLUTION OF COMMERCIAL DISPUTES

Senator LEAHY. We said in the omnibus that a portion of the aid to the Central American governments be withheld pending the Secretary of State's certification that they are taking effective steps in resolving commercial disputes. There is one with the Government of Honduras and CEMAR. That is a company owned by a U.S. citizen that has been languishing for a decade or so. Is this ever going to be resolved if we do not apply some pressure, either by withholding money or otherwise? I will ask that of each of you.

Mr. NEGROPONTE. It gets their attention, Senator.

Senator LEAHY. Well, it is one thing to get their attention. We can give a speech, it will get their attention. I want to get some results. The case has been sitting there for a decade. How do we get it resolved? Anybody want to respond?

Mr. FARNSWORTH. Mr. Senator, if I could use an example from a country that is not in Central America, but it is in South America, Peru. Before the U.S. confirmed a Free Trade Agreement with Peru there were a number of outstanding investment disputes that had languished in that particular country for a long time. And it was made clear—in fact, I testified before Congress a couple of times in that—under those circumstances that the leverage of a trade agreement was a real action forcing event in the context of Peru.

Senator LEAHY. Are you saying we should hold back our aid?

Mr. FARNSWORTH. I am saying that leverage matters and money matters and people—like Ambassador Negroponte said, it does get their attention and once you have their attention the political will tends to follow.

Senator LEAHY. Thank you. Thank you, Mr. Chairman.

Senator GRAHAM. Senator Lankford.

Senator LANKFORD. Thank you.

CLARIFYING U.S. FOREIGN POLICY TOWARD CENTRAL AMERICA

Mr. Chairman, thank you again for holding this hearing.

Can anyone tell me America's long-term foreign policy objective that is achieved or even short-term foreign policy objective that is achieved by investing more in the Northern Triangle? When we ex-

plain to the American taxpayer, “We should invest in Central America,” we should say, “We should invest in these three countries because this is the outcome for Americans.” What would you say that is? And anyone can jump in there.

Mr. NEGROPONTE. Well, I think——

Senator LANKFORD. Ambassador.

Mr. NEGROPONTE. I think, and actually, some of this reason pertains to our internal debate 30—almost 30 years ago when we talked about NAFTA and what interest we had in negotiating an economic integration arrangement with Mexico, that it would help improve local economic conditions so that the incentives to migrate in an undocumented and an illicit fashion would be diminished. I think it could also help some of the other measures in the area of rule of law and so forth in reducing transnational crime.

Senator LANKFORD. Okay.

Mr. NEGROPONTE. I think it is a question of the geographic proximity of Central America gives us an immediate interest in what is happening in those countries.

Senator LANKFORD. Okay. Anyone want to take a stab at that?

Ms. BELTRÁN. I would say, you know, particularly after 2014 there was tremendous attention, you know, here in Washington and in the country with regards to the unaccompanied minors humanitarian crisis. I think the best way for the United States to support the region is to focus on figuring out how do we address the conditions that led many people to flee their homes and their communities in the first place.

Senator LANKFORD. So both of you say illegal immigration, we benefit what is happening here, by engaging there. That helps us with immigration issues. It helps us with economic activity—I have heard that several times—and narcotics or human trafficking, those three things in specific. Anyone else add to something on that?

Mr. FARNSWORTH. If I can briefly add, I think it supports our values as Americans as well. And the United States has had a long history in Central America. And the idea of us coming alongside of Central Americans themselves to try to improve their own conditions, their own democracy, their own markets I think is an important use of the United States political will.

Senator LANKFORD. Right. So then the challenge is how do we actually keep the projects narrow enough that we are focused in on things and things that have enough metrics that we can achieve them. I spoke to General Kelly this week. He was very involved in the origination of the Alliance for Prosperity at the earliest stages when he was at SOUTHCOM and with what happened with State Department at that point. Obviously, he is at DHS at this point.

Mr. Farnsworth, I believe you had mentioned the conference that is happening in about 3 weeks in Miami with all these nations together with Mexico and with us, how to be able to communicate, what can we do on that. Those are all very important things, but what was interesting is speaking to General Kelly, the concern at the very beginning for this focus in Central America was trying to make sure there are achievable things that Americans do well. And he gave a quick for instance.

We know on immunizations, for instance, if we engage on immunizations in certain regions of the world, we know we watch disease drop. We do that well. We do distribution well. We can engage and we can achieve that. The focus on this seems to be so broad so quickly. There is so many areas of need. It does not look like we are engaged. It looks like—I am sorry. It looks like we are engaging in everything rather than in narrow things to be able to achieve things that we know: (1) we do well; and (2) that we can measure and track and know that they are staying on focus.

And I do not want this conversation to be about this topic, but I just bring this up as an example. Of the \$750 million that we did last year, \$57 million of that was on climate change work in Central America. Now, again, there are many people that see a high value in investing in that, but when we are talking about the desperate need in Central America at that point, 10,000 homes—finding ways to have alternative energy in 10,000 homes in Central America may not rise to the highest level of what we have got to do first to help stabilize a community and help engage.

Now, I am not again arguing it is not something that is important, but I am asking is it first priority. Last year it was. It was \$57 million of the \$750 million that was done. I want to ask the question how do we get us on focus so that 2 years from now we look back on it and go, “These are the things we achieved?” So my general question is, and I would love to be able to do a second round if that is possible. My general question is what are the things that Americans do well that we should partner well with them that has specific metrics that we can look back on in the years ahead and go, “We invested this dollar here. We partnered in this way, and here is how we achieved it.” Any quick ideas on that?

Mr. WINGLE. Yes, Senator. I agree completely with your emphasis on a narrow focus. We cannot try to do everything. I also agree on the importance of stronger metrics and a results-based framework. I would push just a touch on the part of what America does well in the implication that, you know, for instance, in vaccines and vaccine delivery, I think we want to go a little bit beyond just—

Senator LANKFORD. I agree.

Mr. WINGLE [continuing]. Delivering vaccines and I think we want to go beyond. What we need to do is make sure that these countries are capable of doing that for themselves, which is a bigger challenge, frankly.

Senator LANKFORD. Right. And I agree completely. I am just saying that is one that is a very clear metric to be able to look—

Mr. WINGLE. Yes.

Senator LANKFORD [continuing]. And go, “We did this. This is what happened in disease in that particular.” Now, it is not even a Central America issue.

Mr. WINGLE. Right.

Senator LANKFORD. That is typically an Africa issue for that.

Mr. WINGLE. Okay. And so I think, you know, using the constraints analysis that we have done at MCC and the analysis that the Atlantic Council has done, there is a lot of diagnostic out there and I think there is a fairly narrow list of problems in terms of security, essentially prosperity that is underlined by education, and

particularly secondary education leads into both problems in security and prosperity.

Senator LANKFORD. Right.

Mr. WINGLE. I think that is an important area to focus on. And then the underlying governance, which is not just controlling corruption. It is also building the capacity in these aligned ministries to better deliver these services for these countries. And that is an area where we, as the U.S. Government, I think need to be a little bit more forward leaning.

SECURITY ISSUES

Senator LANKFORD. So what does that look like when you talk about security? I just want to press on that one issue.

Mr. WINGLE. Okay.

Senator LANKFORD. What can we do to actually help security that we can measure and track and we know we are investing in?

Mr. WINGLE. Okay. So in security, which is an area outside of MCC, in which USAID and State Department through INL are more engaged. They are engaged on things such as community policing. They are working with the prosecutors to improve their ability to both investigate and prosecute cases. But that is an area that I would turn more towards other members of the panel that are more familiar with security because MCC, due to our mandate, is focused—

Senator LANKFORD. Right.

Mr. WINGLE [continuing]. More on the prosperity aspects and the things that underlie that as well as governance.

Senator LANKFORD. Okay.

Mr. NEGROPONTE. So in our report we talk about prison reform, targeting high risk neighborhoods for increased social and educational programs. We have several specific things—improving police accountability. I think security and rule of law, if I was going to say what are the real priorities for this program, our program, this national program towards Central America. I think that is where it ought to be.

Senator LANKFORD. Mr. Chairman, I know—if there is going to be a second round, can—

Senator GRAHAM. Yes. We will go.

Senator LANKFORD. I can hold this back and—

Senator GRAHAM. Sure.

Senator LANKFORD [continuing]. We can move on and get a chance and I will come back to that.

Senator GRAHAM. Just hold that thought and then we will take it up.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and thank you all for being here. And I guess I would follow up a little bit on your comment, Senator Lankford, because when I was here and voted for the investments in the Northern Triangle in 2014, it was in response to the unaccompanied minors crisis because there was a convincing argument that people were fleeing the Northern Triangle because of conditions at home. And that if circumstances were different, if there were rule of law, if there were jobs available, if people felt comfortable keeping their kids at home, they

would not be trying to send them to the United States where they could have a better future. So I think this is a good investment that is good for us as well.

IMPACT OF PROPOSED CUTS ON U.S. ASSISTANCE AND PROGRAMS IN
CENTRAL AMERICA

And I guess that is my question for the panelists, my first question anyway. And that is as we look at the proposed budget that we received today from the White House. And I think we are still going through that. I am sure others are. But it would certainly propose—it proposes dramatic cuts to the State Department, to USAID, to economic development efforts that we have made around the world. And what impact do you think these kinds of cuts would have on those underlying conditions that drive regional migration northward in the United States, that the very efforts that you all are talking about on this panel to try and address the conditions in the Northern Triangle? Anyone.

Ms. BELTRÁN. Thank you for the question, Senator, and I want to also address the previous question. I think the cuts would have a tremendous impact in these countries. You clearly see many windows of opportunity in all three. And I would, you know, rather than try to support efforts to move reforms forward, I think it would have serious setbacks.

In the case of Guatemala, as I mentioned, there is a tremendous effort being driven by the Attorney General's office, the CICIG, and others to really improve justice and security conditions. I think they are at a key moment. They are facing many setbacks, many death threats, and it would be tremendously detrimental for the U.S. to not continue that support.

I think, you know, metrics are key, strong metrics. And that is the reason why WOLA and our partners developed this monitor which establishes very clear indicators of progress. I think the investment on security and rule of law is key. The U.S. has supported many efforts in Guatemala with the CICIG, but also the work that has been done in the public prosecutor's office where you can see real success. Also, with the work that has been done with the Ministry of Security where you have seen, in the case of Guatemala, a steady decline in homicides. And much of that work has been supported by the United States.

Senator SHAHEEN. Thank you. Yes, Mr. Farnsworth.

Mr. FARNSWORTH. If I could add briefly, and I agree with what Adriana said. One of the things that I think was really important in the context of Colombia—and I understand Central America and Colombia, totally different, I understand all that—but one of the things that really seemed to help was the Colombians understanding that the United States was there for the long term, that they could rely on us, that when we launched projects with the Colombians, that they could depend on us to deliver the training, the equipment, the intelligence, et cetera, and that freed them to concentrate on what they could do best.

And one of the things that significant budget cuts could potentially do in Central America is question the commitment of the United States that will then undermine in some ways some of the

reformers in Central America who are trying to make those steps on their own. So I think that is point number one.

I think point number two is the idea that more broadly—and I know it is not the focus of this hearing—but people outside of the United States look at things like U.S. foreign assistance budgets in terms of global commitment and these sorts of things. There is a huge symbolic issue here that I think we need to be aware of as we go forward.

Senator SHAHEEN. Thank you very much.

COMBATING ILLICIT NARCOTICS

In the United States and in my State of New Hampshire, in particular, we have a raging heroin and opioid epidemic. And one of the things we watch very closely is the amount of illegal drugs that come across our southern border and come up to Northern New England, go to other states in the country. How much is happening in the Northern Triangle governments in terms of trying to address this kind of drug trafficking and is there more that we should be doing to support them? If you are not—I am going to have to call on somebody. Mr. Farnsworth, you want to?

Mr. FARNSWORTH. There could be more that is done, no question about it. And it is not just transiting, but also now production in Central America. But I think one of the things we have to recognize is that Central America is a victim of geography.

Senator SHAHEEN. Right.

Mr. FARNSWORTH. And that is not their fault. And the drug trade has also undermined some of the institutions that are required to actually address these very issues. And one of the things that is not a country in Central America that would help a great deal is if democracy returned to Venezuela because much of what we see in terms of the unclassified tracks of drug transit go from the Andean region through Venezuela and then to Central America or Hispaniola.

That is a real factor because those drug flights or ships tend to then land in parts of Central America where there is no real government presence—for example, the north coast of Honduras. And because of that then the trade flourishes throughout the region.

Yes, these countries in the Northern Triangle could do more, but I think that is a real area where the United States can be helpful. It is also an area that is fraught with complications—human rights issues, the need to vet police forces, police training, not just police themselves, but also the whole rule of law system so that there are prosecutors in place, so that there are courts that are able to actually render justice, so that impunity goes down from 98 percent or whatever it is to much lower than that.

This is a huge problem. I think additional attention would be appropriate.

GENDER ISSUES

Senator SHAHEEN. Thank you. Ms. Beltrán, I am going to ask you this question, though I think it is a question for each of you. And as I am sure you are aware, the Northern Triangle is some of the most dangerous places, one of the most dangerous places in the world for women. Women are more likely to be victims of do-

mestic violence there, to be murdered. It has a very high murder rate for women. Many other challenges that women, even more than men, in these countries face. And I wonder if you could talk about why it is in our interests to invest in women in these countries and to empower women.

Ms. BELTRÁN. I think—thank you, Senator, for the question. There has been—you know, violence against women is a huge problem in these countries. The three of them have extremely high rates of femicides. And in some areas they do not have access to justice. Many of the unaccompanied minors were in fact women that suffered great violence through the trek.

I think greater efforts are needed to address the issue of violence. From access to justice to how the government has responded, oftentimes they are victimized by their own governments. There have been some efforts in the case of Guatemala to try to improve that access. It also deals with education and providing greater opportunity.

There have been some efforts by civil society and organizations to try to empower women and get them to be more active participants in their communities.

Senator SHAHEEN. And do you think it is important for us to have an office in the State Department that is focused on women so that we can make sure that that is a priority?

Ms. BELTRÁN. Yes. And I would hope that, you know, there is a continued focus on the issue of violence against women because of the rates of violence.

Senator SHAHEEN. Thank you. Thank you, Mr. Chairman.

Senator GRAHAM. Thank you.

Senator LANKFORD. Mr. Chairman, could I make a quick comment?

Senator GRAHAM. Sure.

COMBATING ILLICIT NARCOTICS

Senator LANKFORD. Just a quick comment, Senator Shaheen as well. I went through last year's dollars for this money and what was targeted towards the narcotics trafficking itself. And I do agree with Mr. Farnsworth. Central America is a victim of geography in that there was a tiny fraction that was committed to interdiction in that area. And I think that is an area that we could make a significant difference and it is not a large amount of money. And a relatively small amount of money could make an enormous difference on government corruption and impunity in those countries and then make a huge difference in our communities that are facing an epidemic in those areas.

Senator SHAHEEN. And, Mr. Chairman, if I could follow up. We certainly have heard from General Kelly when he was head of SOUTHCOM that that was an area where a little bit of money would have helped tremendously to deal with interdiction efforts.

Senator GRAHAM. Senator Daines.

Senator DAINES. Thank you, Mr. Chairman. And I want to thank you all for coming forward to this committee. Illicit drugs ranging from meth to heroin as well as other opioids are having a significant impact in places like Montana as well as across the country. We hear, I know, a lot from Senator Shaheen and what is going

on in the northeast, from Senator Portman in Ohio, and of course this scourge continues to move west.

For example, over 90 percent of the drug offenses in Montana are meth related. And drug testing for heroin related criminal offenses by 475 percent from 2013 to 2016. This is an issue I am engaged as we speak with our Attorney General, Tim Fox, in Montana as we are not able to keep up right now with what is going on with this drug epidemic.

It is having a dramatic impact in our communities. It is imperative we work to address both the supply and the demand side of illicit drugs, whether it is in the U.S., the Northern Triangle, or elsewhere.

Mr. Negroponte, earlier this month Secretary of Homeland Security John Kelly stated that U.S. demand for illicit drugs including meth is a key contributor to violence in Central America. And I can tell you, I think I speak for many of the U.S. Senators, that we are so grateful that we have Secretary Kelly in that position bringing in experience from SOUTHCOM to this job.

DECREASE U.S. DEMAND FOR ILLICIT DRUGS

What suggestions might you have to decrease U.S. demand for such drugs in a way that might also help decrease violence in that region?

Mr. NEGROPONTE. Well, I am really not the expert on demand reduction, Senator, although perhaps—and I have not looked at the resources that we dedicate domestically to that. That used to be a debate in the days when I worked more actively on this subject as to what is the division of resources between interdiction and enforcement on the one hand and demand reduction on the other. So it seems to me a hard look at that might be in order.

The other point I would make on the question of violence and dealing with this problem in Central America and as it comes up through Mexico, and we have not mentioned it yet in this hearing is that there is an opportunity, I think, for greater cooperation between ourselves, Central America, and Mexico on these issues. I think we need to promote more active role on the part of Mexico in helping confront these problems. They have worked with us very hard dealing with the northern border and I think there have been some improvements over the last, say, generation, if you will.

Well, we are going to have this meeting that Secretary Kelly and others have organized now in Miami in the middle of next month, it seems to me that is one of the issues that ought to be on the table. How do we get Mexico more involved in helping us on these questions? And I think they can.

INTEGRATION OF CRIMINAL DEPORTED FROM THE UNITED STATES

Senator DAINES. You know, to follow up on this thought about cooperation and violence, in your testimony you highlighted this vicious cycle where deported criminals exacerbate instability and violence in the communities that they return to. What programs are Northern Triangle countries implementing to help better integrate, reintegrate, these deportees back into society?

Mr. NEGROPONTE. Well, I think some of the programs of this assistance program are devoted to try to help integrate these people

better. Possibly other panelists have a better insight into that than I do, but I thought that was one of the intents of the program.

And the other point I would make in that regard is there have been complaints, and I have heard them directly from our Central American friends, that sometimes we deport people, but we do not give them enough of a heads up or enough information on the backgrounds of the people that we are sending back. And so they are not necessarily fully equipped or adequately equipped to deal with these people when they are trying to reintegrate them into their own societies. And I think that over time is something that can be adequately worked on.

Senator DAINES. That, just on the surface, looks like a very solvable problem.

Mr. NEGROPONTE. Yes, I think so.

CONDITIONS ON U.S. ASSISTANCE AS LEVERAGE

Senator DAINES. Yes. Mr. Wingle, to what extent have conditions on U.S. assistance to the governments, El Salvador, Guatemala, Honduras, whether it be through Millennium Challenge Corporation or otherwise, help spur policy changes within those countries?

Mr. WINGLE. Thank you, Senator. I agree completely with I think what the premise of the question is is the importance of conditionality both before we provide the assistance and while we are providing the assistance in a whole range of areas, both for the specific projects and for broader governance.

So starting with the control of corruption indicator that we have that sets up a requirement for countries to improve governance before we even engage in them, and then within specific programs that we have there are programs or there are conditionality that have to do with everything from within if we are building a road we want to see increased road maintenance funding. We want to see better governance and better uses of that funding.

If we are working in governance programs in public financial management such as we are in Honduras, we are focused on them taking on greater responsibility for doing performance auditing by the Supreme Audit Institution, having open access to Transparency International and we are supporting Transparency International to do auditing and procurement in human resources across major ministries. And then within Guatemala, we are looking at how do we not only support education, but make sure that the government systems for hiring and recruiting teachers are better done. Within customs, there is conditions within making sure that they are both doing risk-based selection of which containers get inspected, making sure that there is better vetting of customs officials.

So there is both big picture conditionality, I think, which is important, but I think it is also important that we have these small, more specific things—

Senator DAINES. Yes.

Mr. WINGLE [continuing]. That we do in each of those programs.

COMBATING CORRUPTION IN LAW ENFORCEMENT

Senator DAINES. You know, you—bringing up this issue of auditing and transparency, accountability, have we seen progress in

some of the reform efforts related to, let us say, the police and judicial systems?

Mr. WINGLE. So, MCC does not work directly in security due to our organization and mandate. In terms of broader progress, I think within accountability and auditing, I would point to two different directions. One is I think supporting the Supreme Audit Institutions in those countries, particularly what we are doing in Honduras, to make sure that they are looking at performance and they are looking at big issues and not going after small civil servant violations on their travel filings, which is a problem that we see in all three countries at the Supreme Audit Institution to occupy their time are focusing on these unimportant issues.

The other part that I think is very important is increased access by institutions like Transparency International through their local affiliates to be able to go in and have access to human resources in the Ministry of Security, in the Ministry of Education, Ministry of Health, other large ministries so that you bring that light and that transparency to these that keeps not just the short-term improvements that have happened in the cleansing that De Puracion of the police, but you have that permanent presence and social accountability to ensure that this is more sustainable.

Senator DAINES. Thank you, Mr. Wingle. Thank you, Mr. Chairman.

Senator GRAHAM. Senator Lankford.

ENGAGEMENT WITH LOCAL LEADERS

Senator LANKFORD. Thank you, Mr. Chairman. So how are we interacting with this point and what role would you place on local leaders? Obviously, there are elected officials in each of these countries that are great partners for us. They are passionate about their country and care for their country. What balance should there be between American tax dollars coming to be able to invest in key areas and ways that we can partner together in those local leaders, elected officials there, saying, "This is where you can help us the most." How do we marry those two together so that we are not doing projects and they are saying, "That is fine, but that is not our greatest area of need?"

So what do you see already? Where have you seen the success in that, in discovering the issues from the local leaders?

Mr. FARNSWORTH. Mr. Senator, if I could start with a couple of comments. The first is that if we are serious about Central America taking the lead in its own development and solving its own problems, we have to allow them to do that.

Senator LANKFORD. Right.

Mr. FARNSWORTH. And so part of that is allowing them to actually develop the plan that we can then come alongside and choose what part or parts to fund and underwrite based on our own interests. So I think—

Senator LANKFORD. Do you feel like that is happening now or do you feel like once we voted there was a rapid pursuit to be able to get dollars out the door to be able to do something or was there a strategic working with individual leaders there?

Mr. FARNSWORTH. I think that there is a combination of all of the above, to be honest.

Senator LANKFORD. Okay.

Mr. FARNSWORTH. And there was also, in the context of Central Americans creating this plan, there was always an eye to Washington in terms of what the anticipation might be that we would fund anyway. So as that plan was being put together it was not done in a vacuum. So I think that is the first part.

But the second part pertains to our delivery of assistance. It is—I think we can use some creativity here. So, for example, as I mentioned in my oral testimony, instead of just dividing a package by three and saying, “This is the amount that we will provide for you; come up with a way to spend it. This is the amount for you, et cetera.” Why don’t we think more creatively and say, “Okay, this is the plan that you are committed to. It is not the same plan. It is your national plan. That is great. We will fund a certain percentage.”

And then once you have completed that plan, if you are the first mover on this, why not have the ability to compete for a greater amount of the overall—

Senator LANKFORD. Right. A bonus.

Mr. FARNSWORTH. Absolutely.

Senator LANKFORD. Right.

Mr. FARNSWORTH. And I do not know if it is politically correct to use this phrase, but it is really a race to the top.

Senator LANKFORD. Right.

Mr. FARNSWORTH. In the context of getting the three countries, again, with their own national commitment. So we are not imposing anything, but we are saying, “You know, if you meet your commitments first, if it is verifiable, if it is audited, if it is consistent with what we thought we agreed to do, you can get 50 percent of the overall budget or you can get 40 or whatever it is.” I am not suggesting that I have the wisdom here.

Senator LANKFORD. Right.

Mr. FARNSWORTH. But that would change the dynamic because it would then cause the leaders of those countries to take these commitments seriously and to say, “You know, we have a chance to compete for double our funding or whatever it is.” I think that would have an important incentivizing effect.

Senator LANKFORD. Ms. Beltrán, were you wanting to add to that? You look like you were leaning towards the microphone there.

Ms. BELTRÁN. Yes. No. Thanks, Senator. Just to add, I think the importance of having a very clear strategy and outcomes is key. I think one of the issues, you know, of why past assistance has not been as effective as, you know, how are we defining outcomes.

Senator LANKFORD. Right.

Ms. BELTRÁN. In the area where I work is how are we defining institutional strengthening and what do we mean by having an effective justice system and work backwards and establish very clear metrics. I think there are opportunities, spaces of opportunities, in each of the three countries regarding rule of law and it is how we can better support the efforts of those that are really seeking lasting reforms in these countries.

Senator LANKFORD. Yes. I saw some of the outcomes and the specific things that you all had articulated and I think those are very beneficial.

Ambassador.

Mr. NEGROPONTE. Yes. And one point I would like to add just because I have served in so many different parts of the world, Senator, is that relationships in Latin America between the—for the United States are very close. These are people whose languages we understand. We can speak them. It is not like being in Iraq or Vietnam, both of which countries I have served in, where the relationship—I am not saying it was not friendly or close, but it was a little more arm's length than it would be in a situation like Latin America.

So when you are doing a community policing initiative or one of these model precinct programs or you are doing something that Ambassador Brownfield is conducting carrying out under his International Narcotics and Law Enforcement, these are close relationships. We are not just writing a check and walking away. We are not just writing a check and walking away.

Senator LANKFORD. Right. And I would—

Mr. NEGROPONTE. I think we have good, close up observation of what is going on.

Senator LANKFORD. I would agree and it is something you and I have spoken about before. I would suggest that as a gain for us some of the partner cities that we have had before and partner police departments in the United States partnering with some of the local law enforcement in each of these countries to develop lasting relationships to where when there is an issue there and they feel like they cannot call someone locally, they do have someone outside the country they can call and say, "I am seeing this. I am experiencing this. What would you suggest?" That only happens with relationships and with engaging, and those are things that we can bring to bear.

We have excellent law enforcement border to border across the country. We have a lot of departments that would be a tremendous asset. Our FBI, those in the FBI Academy, there is a tremendous amount of gain that we could share from insight and the things we have tested for a long time that I think would be an asset in local law enforcement. So it is not just a matter of sending a contractor down to train, but that is—we actually send people back and forth and develop those relationships.

ECONOMIC COOPERATION AND INTEGRATION

Mr. Farnsworth, you had mentioned before as well about CAFTA and about some of the relationships there, that it is still easier for many of those countries to do business with the United States or with Mexico than it is with one of the countries that literally they border to. How does that ever get resolved to create an economic zone there?

Mr. FARNSWORTH. It is a really important question and one of the missed opportunities of Central America over the past 15 years has been precisely that point where the countries which are parties to CAFTA saw this in some ways as guaranteed access to the United States rather than the opportunity to really develop their own trade relationships with their neighbors.

The World Bank, for example, has done some really interesting work recently about the gains from trade and what that means for

national incomes if you do more to trade with your neighbors. First of all, it starts with an attitude of desire to do that. There is still history there. There is still politics there between countries. And they are not always the best of political allies necessarily. So that is number one. It requires a mind shift just to do it.

Number two, there are some pragmatic realities on the ground in Central America. For example, borders. Borders do not work in Central America. They are incredibly difficult to cross, whether you are a pedestrian, whether you are a trucker, whether you are whatever you are. That impedes commerce. It also enables corruption. And it makes these countries simply less productive. That is not simply a matter of law enforcement. It is also a matter of infrastructure, which is a really big issue.

But one of the areas, for example, that the United States can contribute to in terms of improving the scenario and would be beneficial to address the issue you have raised, Mr. Senator, is the idea of trade facilitation in terms of customs procedures and in terms of allowing and helping trade actually to be done better in the Central American countries.

What you do not have is the idea yet that is developed everywhere else globally, or many other places globally, is the idea of supply chains. And that is the next logical area of production and it makes a lot of sense, linking to Mexico, linking to the United States. So now instead of the hub and spoke method, where you produce something in Central America and you export it to the United States, now you see each other as more integrated economic space and you produce things together.

That breaks down some of these barriers we have been talking about, but it requires a political commitment at the top to really go in this direction. I think the United States can help facilitate that, but ultimately the region has to decide that is the direction it wants to go.

Senator LANKFORD. All right. Mr. Chairman, I do appreciate your indulgence very much in this and to be able to go through it and for holding this hearing. I think our relationship with these three countries really is very strategic to us. There are so many Americans that trace their lineage back to these three countries. There is so much commerce that could go back and forth between us.

There is a clear connection in illegal immigration to these three countries and what happens there both economically, crime, corruption within governments, lack of access to courts and such that is very significant in the narcotics trafficking that they are caught in the middle of that starts in South America and they are only the midpoint. And a lot of that government corruption is based on narcotics trafficking through them that Americans are the buyers and they are merely the waypoint in it and they are affected by what is happening here.

So there are some significant relationships where I think they expect us to step up and to say, "You are helping create this problem in Central America based on the drug purchasing happening in the United States," and their trafficking point that they want to engage. Quite frankly, all three of these countries are friends. They are allies of ours that we have a lot of common relationships with.

And what I have seen, and we have just mentioned it several times. Ms. Beltrán has mentioned it with Guatemala.

And specifically, what President Morales has done and what Thelma Aldana, their Attorney General has done, has been remarkable to be able to see their aggressive focus on trying to deal with corruption that has been historic there and to be able to turn that around. I think we should reward that and I think we should lean in and engage in a way that continues to support them.

What I would hope in this is that how we do oversight and metrics on these three countries and what we do with our foreign aid becomes a model with how we handle foreign aid all over the world, that because of our partnership and our relationship we start asking the hard questions. What are the metrics? What are we good at? Are we putting money towards something because there is a problem or are we helping solve something so that both countries at the end of it see a success? And I think it can be done with this kind of focus on it. And so I very much appreciate your engagement in this.

Senator GRAHAM. Well, thank you. We will wrap it up. Senator Lankford has really been all over this issue, as you can tell, very informed. The thing I like most about this subcommittee is you have some very smart, dedicated people trying to get better value for the American dollar realizing that we do lead and we are the envy of the world in many ways.

So what have I learned? We better talk to Mexico. That is a good idea. I want to make sure that when we collaborate on the Alliance for Progress we have a Mexican representative seeing how they can help make it happen, that trying to get better trading relationships between the three nations themselves would probably strengthen their economy as a whole. Rule of law seems to be the center of gravity here and if they do not have a plan to improve the rule of law, they need to give us one that we can resource based on what we think we do best and make sure they buy in. And basically tell people back home, "Here is what you got for your money."

I think the governments would welcome some accountability and conditionality because they can go to their constituents and say, "We have got a more reliable partner in the United States, but they are asking us to change things and it is in our interest to change things not only here at home, but to have a better relationship with the United States."

So this could be a model. I want it to be. The MCC, to me, is a great concept. It focuses on a few things with a different attitude. So I am very dedicated to the idea that we are going to take this money and have more metrics-based spending, that we are going to get Mexico more involved, and that we should probably try to have somebody ride herd over the idea of economic integration. Somebody at the State Department can help us do that.

Thank you, Senator Lankford, and all those who are interested in the topic. I have a letter here from the Global Leadership Council, 225 businesses who have signed a letter to Secretary of State Tillerson urging the Secretary not to have draconian cuts to the State Department's budget.

[The information follows:]

May 22, 2017.

Secretary REX TILLERSON,
U.S. Department of State,
Washington, DC.

DEAR SECRETARY TILLERSON,

As business leaders, we are writing to voice our strong belief in the return on investment from the U.S. International Affairs Budget in advancing America's economic interests overseas and supporting jobs at home.

With 95 percent of the world's consumers outside the United States and many of the fastest growing economies in the developing world, now is the time to double down on America's global economic leadership. America's diplomats and development experts help build and open new markets for U.S. exports by doing what only government can do: fight corruption, strengthen the rule of law, and promote host country leadership to create the enabling environment for private investment. Our country's investments have generated impressive results: 11 of America's top 15 export markets are in countries that have been recipients of U.S. foreign assistance.

Strategic investments in diplomacy and development make America safer and more prosperous. American companies depend on robust U.S. engagement overseas, especially in the fast growing markets in the developing world. Our embassies and consulates around the world are essential partners for American businesses to ensure we can compete on a level playing field. Trade promotion programs have helped drive American exports, which today make up almost 13 percent of America's \$18 trillion economy and support about one in five American jobs.

The State Department and USAID are increasingly partnering with American businesses to catalyze and leverage private sector expertise and resources to create sustainable solutions at scale on a range of challenges such as energy, health, and agriculture. And today, host countries themselves are driving policy changes to compete for American investments. Moreover, America's global economic leadership also embodies our country's values—promoting economic freedom, prosperity, and entrepreneurship that can mitigate the drivers of violent extremism in the world today. In today's global economy, we have a significant opportunity to strengthen the State Department, USAID, and our development agencies and the capacity to partner with the private sector to address global challenges and to expand opportunity.

We are committed to working with you in your role as Secretary of State to share our perspectives on the importance of U.S. international affairs programs to boost our exports abroad and our jobs here at home, and we urge your support for a strong International Affairs Budget for fiscal year 2018.

Respectfully,

Chris Policinski
President and CEO
Land O'Lakes

Andrew Tisch
Co-Chairman
Loews Corporation

David MacLennan
Chairman and CEO
Cargill

Sarah Thorn
Senior Director, Global Government
Affairs
Walmart

Caroline Roan
Vice President, Corporate Responsibility
Pfizer, Inc.
President
Pfizer Foundation

Kate Rumbaugh
Vice President, Government Relations
The Coca-Cola Company

John Murphy
Senior Vice President for International
Policy
U.S. Chamber of Commerce

Jim Collins
Executive Vice President
DuPont

Brad Figel
Vice President Public Affairs North
America
Mars, Inc.

Connie Justice
President
Planson International

Paul Neureiter
Executive Director for International
Government Affairs
AMGEN

Kathryn Reilly
Global Director Public Affairs
Aon

Tara Hogan Charles Associate Director, Global Government Relations Procter & Gamble	Melissa Froehlich-Flood Vice President, Government Affairs Marriott
H. C. Shin Executive Vice President, International Operations 3M	Gary M. Cohen Executive Vice President and President Global Health and Development BD (Becton, Dickinson and Company)
Michael Boyle CEO Boyle Energy Services & Technology	Lisa Malloy Senior Director, Global Policy Group Intel Corporation
Bill Lane Chair Emeritus U.S. Global Leadership Coalition	Kris Charles Senior Vice President, Global Corporate Affairs Kellogg
Jeff Rowe President of Global Seeds and North America Syngenta	Ambassador Richard Holwill Vice President, Public Policy Amway
Philip de Leon Director, Public Affairs & International Business AGCO Corporation	Jeffrey N. Simmons President Elanco Animal Health
Hugh Welsh President DSM Nutrition	Tom Halverson CEO CoBank
Peter Tichansky President Business Council for International Understanding	Ken Fletcher CAO Pike Enterprises
Doug Galen CEO RippleWorks	Peter M. Robinson President & CEO United States Council for International Business
David Wilhelm Partner & Chief Strategy Officer Hecate Energy	Karl Jensen Senior Vice President, National Governments CH2M
Pamela Venzke Global Government Affairs & Policy General Electric	Ward Brehm Founder, Chairman The Brehm Group
Florizelle Liser President & CEO Corporate Council on Africa	Chris Keuleman Vice President, Global Government Relations International Paper
Kathryn D. Karol Vice President, Global Government & Corporate Affairs Caterpillar Inc.	Frederick S. Humphries, Jr. Corporate Vice President, U.S. Government Affairs Microsoft Corporation
Dan Gaynor Global Communications Nike	Dave Adkisson President & CEO Kentucky Chamber of Commerce
Kevin Kolevar Vice President, Global Government Affairs The Dow Chemical Company	Joseph Albert Owner Eli H. Albert Agency
Laura Lane President, Global Public Affairs UPS	Diane Alleva Caceres Principal Market Access International, Inc.

Luis Arguello President & CEO DemeTECH	Kelly Brough President & CEO Denver Metro Chamber of Commerce
Jeremy Arthur President & CEO Chamber of Commerce Association of Alabama	Cindy Brown President Chippewa Valley Bean
Connie Bacon Commissioner Port of Tacoma	John Bruntz President & CEO The Boulder Company
Doug Badger Executive Director Pacific Northwest International Trade Association	Anne Burkett Executive Director North Alabama International Trade Association
Travis Barnes President & Founder Hotel Tango Artisan Distillery	Bob Burleson President Florida Transportation Builders Association
Gene Barr President & CEO Pennsylvania Chamber of Business and Industry	Jay Byers President & CEO Greater Des Moines Partnership
Kurt R. Bauer President & CEO Wisconsin Manufacturers & Commerce	Steve Cain President Triangle North Carolina British American Business Council
Lane Beattie President & CEO Salt Lake Chamber	William Canary President & CEO Business Council of Alabama
Jon Bennett Vice-President of Business Development Catalyze Dallas	Ben Cannatti Executive Director Main Street Jobs Coalition
Thomas Bentley Owner & Chairman of the Board Bentley World Packaging	John Casper President & CEO Oshkosh Chamber of Commerce
John Bernloehr President Consolidated Metal Products, Inc.	Kip Cheroutes President Japan-U.S. Network, Inc.
Carl Blackstone President & CEO Greater Columbia Chamber of Commerce	Lalit Chordia President & Founder Thar Tech
Silvia Bonilla Director, Small Business Development Center Illinois Hispanic Chamber of Commerce	Gil Cisneros Chairman & CEO Chamber of the Americas
Antonio Boyd President Think Tank Consulting Group, LLC	Jay Clemens President & CEO Associated Oregon Industries
Tony Braida Vice President Bankers Trust Global Banking	Jonathan Coffin Vice President VOX Global
Becky Brooks President & Executive Director Ruidoso Valley Chamber of Commerce	Harvey Cohen President KZB, Inc.
	Todd Connor CEO Bunker Labs

Caralynn Nowinski Collens
CEO
UI LABS

Alfonso Cornejo
President
Hispanic Chamber Cincinnati USA

Bill Cronin
President & CEO
Pasco Economic Development Council,
Inc.

Joe Crookham
President
Musco Lighting

Maryann Crush
Manager
South Boston Transit Systems, LLC

Dan Culhane
President & CEO
Ames Chamber of Commerce

Yuri Cunza
President & CEO
Nashville Area Hispanic Chamber of
Commerce

Eric Dallimore
Owner
Leon Gallery

Sarah Davasher-Wisdom
COO
Greater Louisville, Inc.

Daniel Davis
President & CEO
Jacksonville Chamber of Commerce

Richard Dayoub
President & CEO
Greater El Paso Chamber of Commerce

Ryan Deckert
President
Oregon Business Association

Connor Deering
President
Cemen Tech, Inc.

Dustin DeVries
Co-Founder, Technology Consultant
Caffeine Interactive Technologies

Brian Dicken
Vice President of Advocacy & Public
Policy
Toledo Regional Chamber of Commerce

Billie Dragoo
Founder & CEO
RepuCare

Steve Dust
President & CEO
Greater Cedar Valley Alliance and
Chamber

Barry DuVal
CEO
Virginia Chamber of Commerce

Lauri Elliott
Chairman & Executive Director
Afrbiz Group, Inc.

Jason Espinoza
President
New Mexico Association of Commerce
and Industry

Joe E. Evans
Owner
Evtex Companies

Keith Evans
President
Key Financial Insurance Agency, Inc.

Teresa Faidley
Senior Vice President
Schaumburg Bank & Trust Company
N.A.

Terry Fankhauser
Executive Vice President
Colorado Cattlemen's Association

Ronald J. Finlayson
CEO
E-Systems Corporation

Beverly Flaten
Vice President of International &
Domestic Marketing
JM Grain

Henry Florsheim
President & CEO
Wichita Falls Chamber of Commerce

Michael Ford
Chairman
Mid-Atlantic District Export Council

Nathan Frampton
President
Fanimation

Stephanie Freeman
President & CEO
Dunwoody Perimeter Chamber

Jenny Fulton
Founder
Miss Jenny's Pickles

David Gessel
Executive Vice President
Utah Hospital Association

Matt Glazer
Executive Director
Austin Young Chamber of Commerce

Howard Glick
Founder, Chairman & CEO
The Americas Group

Neel Gonuguntla President US India Chamber Of Commerce DFW	John Kalaras CEO Quality Training Institute
Dean Gordier Executive Director North Dakota Trade Office	Jeffrey B. Kendall President JBK Integrated Solutions, LLC
Terry Grant President, Utah Market KeyBank	Robert Kill President & CEO Enterprise Minnesota
Trey Grayson President & CEO Northern Kentucky Chamber of Commerce	Joseph Kirk Executive Director Mon Valley Progress Council
Keith Guller CEO Essex Industries	Wally Kocemba Chairman & CFO Calhoun Companies
Dan Haley President & CEO Colorado Oil & Gas Association	Katie Kruger CEO Denver Metro Commercial Association of REALTORS
David Hart Executive Vice President Florida Chamber of Commerce	Matt Krupp Co-Owner Desantis Krupp, LLC
Chris Henney President Ohio Agribusiness Association	Kitty Kurth President Kurth Lampe
Aaron Hermesen Director of Business Development China Iowa Group	Emily Lane Vice President of Sales Calendar Islands Maine Lobster
Dave Hofferbert President Bond Technologies, Inc.	Craig Lang President The Prairie Strategy Group
Gregory Hopkins Partner & President Solitude Wealth Management	Lloyd Le Page President & CEO Heartland Global, Inc.
Kevin Hougen President & CEO Aurora Chamber of Commerce	Kirk Leeds CEO Iowa Soybean Association
Galen Hull President Hull International	Donna Lindquist President Soleil Global Communications
Thomas Hulseman Managing Director Metro Chicago Exports	Lou Ann Lineham President Linehan Associates, LLC
Mark Ingrao President & CEO Greater Reston Chamber of Commerce	Doug Loon President Minnesota Chamber of Commerce
Bob Jameson President & CEO Fort Worth Convention & Visitors Bureau	Kevin Lutz President Armstrong Printery, Inc.
Andrea Jett Fletcher Executive Director French-American Chamber of Commerce	Kevon Makell Founder & CEO Seww Energy
	Dr. Toby Malichi Founder, Global Chief Executive, and Ambassador of Trade Malichi Group Worldwide

Ron Marston President & CEO HCCA International	Saul Newton Executive Director Wisconsin Veterans Chamber of Commerce
Frances Martinez Founder & CEO North Shore Latino Business Association, Inc.	Laura Ortega Executive Director, International Business Council Illinois Chamber of Commerce
Nick Mastronardi Founder & CEO POLCO	Ersal Ozdemir President & CEO Keystone Corporation
Jason Mathis Executive Director Downtown Alliance	Jerry Pacheco President Border Industrial Association
Robert Mayes CEO Keel Point	Jim Page President & CEO Chamber of Commerce of West Alabama
Eddie McBride President & CEO Lubbock Chamber of Commerce	Richard Paullin Executive Director The International Trade Association of Greater Chicago
Sandi McDonough President & CEO Portland Business Alliance	Raymond Pilcher President Raven Ridge Resources
Candace McGraw CEO Cincinnati/Northern Kentucky International Airport	Heather Potters Chief Business Development Officer PharmaJet, Inc.
Larry McQueary COO Indy Fuel	Ramiro Prudencio President & CEO Burson-Marsteller Latin America
Daniel McVety President Japan China Carolina	Robert Quick President & CEO Commerce Lexington
J. Patrick Michaels Founder, Chairman & CEO CEA Group	Laurie Radke President Green Bay Area Chamber of Commerce
David Milton Chief Supply Chain Officer Payless ShoeSource	Rona Rahlf President & CEO Utah Valley Chamber of Commerce
Mortada Mohamed Executive Director Texas International Business Council	Brooks Raiford President & CEO North Carolina Technology Association (NCTA)
Aneezal Mohamed General Counsel, Compliance Officer & Secretary Commercial Vehicle Group	Michael Ralston President Iowa Association of Business and Industry
Beau Morrow Owner Left Hand Design	Bede Ramcharan President & CEO Indatatech
Wilfred Muskens President & CEO Stevens & Lee	Olga Ramundo President Express Travel
Ron Ness President North Dakota Petroleum Council	Josh Rawitch Senior Vice President, Communications Arizona Diamondbacks

Joe Reagan
President & CEO
St. Louis Regional Chamber

Jeff Reigle
President & CEO
Regal Ware, Inc.

Gene Reineke
CEO
Hawthorne Strategy Group

John Reinhart
CEO & Executive Director
Port of Virginia

Colin Renk
Executive Director
America China Society of Indiana

Sandra Renner
CEO
FasTrack Global Expansion Solutions,
Inc.

Jim Roche
President
Business & Industry Association of New
Hampshire

Bob Rohrlack
President & CEO
Greater Tampa Chamber of Commerce

Robert Rotondo
President
Rotondo Enterprises, Inc.

Jack Roy
Owner
Jax Enterprises

David Rudd
Partner
Ballard Spahr, LLP

Rebecca Ryan
Founder
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Mel Sanderson
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Lydia Sarson
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Joe Savarise
Executive Director
Ohio Hotel & Lodging Association

Chris Saxman
Executive Director
Virginia FREE

David Schaffert
CEO
Olympia Thurston County Chamber of
Commerce

Dean Schieve
President
Victus Motion and DMD Consulting

Michael Schmitt
Executive Director
America-Israel Chamber of Commerce
Chicago

Bret Scholtes
President & CEO
Omega Protein Corporation

Ralph Schulz
President
Nashville Area Chamber of Commerce

Mike Shanley
Founder & CEO
Konektid International

Stephanie Simpson
Vice President
Texas Association of Manufacturers

Bill Sisson
President & CEO
Mobile Chamber of Commerce

Nathan Slonaker
President
Columbus International Affairs
Opportunity

Jim Spadaccini
CEO & Creative Director
Ideum

Bruce Steinberg
President
Relyco

Michael Strange
President
Bassett Ice Cream

Carol Stymiest
President
Canadian Business Association of North
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Greg Summerhays
President & CEO
Sandy Area Chamber of Commerce

David Taylor
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Brouwer & Janachowski

Jon Troen
President & CEO
Mittera Group

Brett Vassey
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Virginia Manufacturers Association

Liane Ventura Senior Vice President Greater Miami Chamber of Commerce	Ed Webb President & CEO World Trade Center Kentucky
Chad Vorthmann Executive Vice President Colorado Farm Bureau	Deborah Wilkinson President Wilkinson Global Connections
Chris Wallace President Texas Association of Business	Sheryl Wohlford Owner Automation-Plus
Jeff Wasden President Colorado Business Roundtable	Richard Yang President Carolinas Chinese Chamber of Commerce
Joyce Waugh President & CEO Roanoke Chamber of Commerce	Steven Zylstra President & CEO Arizona Technology Council
Cherod Webber President & CEO Innovative Global Supply,LLC	

A 29 percent reduction in the President's budget is way beyond what I think the market will bear and it will effectively neuter soft power in many areas of the world at a time when a little money spent wisely can bring about real change. It is 1 percent of the Federal budget, foreign assistance. The total package is 1 percent. What Senator Lankford is telling us that some money, relatively a small amount compared to what we spend overall, can actually affect change in a positive way: less illegal immigration, more reliable partner, less drugs.

Thank you all. The subcommittee Members can submit questions for the record until Friday, the 19th, by 2:00 p.m. and our next hearing is June 13 on the fiscal year 2018 budget requests for the 150 account with Secretary Tillerson.

SUBCOMMITTEE RECESS

The subcommittee is adjourned. Thank you all.

[Whereupon, at 3:54 p.m., Tuesday, May 23, the subcommittee was recessed, to reconvene subject to the call of the Chair.]