
CENTRAL AMERICA AND U.S. ASSISTANCE

October 2018

WHAT IS DRIVING FAMILIES TO FLEE CENTRAL AMERICA?

Gang violence, hunger, poverty, and political instability are all key factors driving families to make the risky journey from Central America without any guarantee of safety. El Salvador and Honduras have among the highest murder rates in the world, and studies have found a striking correlation: for every 10 additional murders in Honduras, El Salvador, and Guatemala, 6 additional children sought safety in the United States.

Another factor driving recent migration has been economic conditions and food security, especially in certain regions of Guatemala. Following the devastating El Niño drought in 2014, many were forced to flee with people declaring “no food” as the top reason they left their homes.

IS AMERICA WORKING TO ADDRESS THESE ROOT CAUSES OF VIOLENCE AND MIGRATION?

The United States is working with Central American countries and Mexico to help them address such issues as governance and rule of law, democracy, and food security. Funded through the International Affairs Budget, these programs recognize that success will depend on the countries being committed to their own security to address the root causes of migration. In Fiscal Year 2017, the U.S. provided approximately \$838 million in foreign assistance to Central America and Mexico for such programs.

- **NORTHERN TRIANGLE:** In 2014 in response to the crisis of unaccompanied minors being sent to the U.S. southern border, the United States launched the “Alliance for Prosperity” initiative to work with these countries to improve security. When the U.S. committed \$420 million to the “Northern Triangle” countries of Honduras, Guatemala and El Salvador in Fiscal Year 2017, the governments of these three countries committed more than ten times that amount – \$5.4 billion of their own resources – to support investments in their own people and to strengthen public safety. Guatemala, El Salvador, and Honduras are also partners in the Central American Regional Security Initiative (CARSI), which has provided some \$2.1 billion in assistance since 2008 to support efforts to increase security and bolster the rule of law.
- **HONDURAS:** Roughly half of the \$149.5 million in U.S. assistance for Honduras in 2017 focused on peace, security, democracy, human rights, and governance activities. Through Feed the Future, USAID investments in agriculture in Honduras have helped lift 68,000 people out of extreme poverty while also encouraging a \$56 million co-investment by the Honduran government in the program. Currently, the Millennium Challenge Corporation (MCC) has a threshold program with Honduras of \$15.6 million that prioritizes an improved financial management system and a more effective public-private partnership process.
- **GUATEMALA:** The U.S. provided \$215 million in assistance to Guatemala in 2017 to help address migration challenges. In the Western Highlands region of Guatemala, an area especially prone to migration based on data from U.S. Customs and Border Protection, USAID agricultural programming helped increase rural farmers’ sales by more than 50% and created 20,000 jobs in the agriculture sector. Guatemala is also the recipient of a \$28 million threshold program from the MCC, which is being used to improve tax administration, stimulate private funding for infrastructure, and train Guatemalan youth in valuable vocational skills.

- **MEXICO** The Merida Initiative aims to strengthen Mexican judicial and security institutions by countering drug trafficking – including dangerous synthetic opioids such as fentanyl, organized crime, corruption, illicit arms trafficking, and money laundering – while reducing the demand for drugs in both countries. A relatively new element of the Merida Initiative is to help Mexico secure its southern borders with Guatemala and Belize. The U.S. has invested close to \$3 billion since 2008, though funding levels have steadily declined year-over-year as Mexico has increased its own budget for these efforts.
- **EL SALVADOR:** In Fiscal Year 2017, 40% of the \$103 million in U.S. assistance for El Salvador focused on citizen security and rule of law. The MCC successfully completed a five-year \$461 million compact in 2012 that enabled more than 33,000 households to gain access to electricity, 7,200 households to improve sanitation, and 2,250 additional girls to enroll in MCC-supported schools. A second compact of \$277 million entered into force in September 2015, with the El Salvadorian government contributing \$88 million to the five-year compact. The compact aims to improve the competitiveness of the country's labor force, strengthen regulatory policies, and improve transportation infrastructure.

** Country-specific sectoral data is taken from foreignassistance.gov, using “spent” levels for 2017.*

WHAT PERCENTAGE OF U.S. FOREIGN ASSISTANCE GOES TO OUR SOUTHERN HEMISPHERE?

Despite these efforts, **only 2% of the entire Fiscal Year 2017 International Affairs Budget was specifically allocated for Central American countries and Mexico.** This is the last year for which detailed data is available.

From time to time, temporary increases have come in response to natural disasters, such as the 1976 earthquake in Guatemala and Hurricane Mitch that struck Honduras and Nicaragua in 1998. The most significant upswing in American assistance came in the 1980s during the conflicts in El Salvador and Nicaragua. In response to the surge in unaccompanied minors in 2014, Congress significantly increased funding for countries in Central America – in Fiscal Years 2015 and 2016 – as a complement the Alliance for Prosperity initiative. But the House and Senate cut funding for the U.S. Strategy for Engagement in Central America compared to FY18 levels—by \$20 million and \$100 million respectively—and overall, Central America and Mexico remain small recipients of U.S. foreign assistance.

HAVE AMERICAN TAXPAYER-FINANCED PROGRAMS IN LATIN AMERICA WORKED?

Despite ongoing challenges, U.S. support has not only worked, but also delivered a return on our investment for the American taxpayer. In the Northern Triangle, while the current crisis shows that more must be done to meet the scale of the challenge, studies have found a striking correlation: in neighborhoods where USAID operates in El Salvador and Honduras, homicide rates have plummeted by up to 78%.

- **COLOMBIA:** Plan Colombia, a bipartisan initiative begun in 1999, is widely regarded as a major success in combating high levels of violence and insecurity that plagued Colombia and the region. American foreign assistance helped train Colombian law enforcement and rebuild the economy. Today, Colombia has seen a significant reduction in violence – recently ending the longest conflict in the Western Hemisphere – and U.S. exports have grown by 400% to more than \$15 billion per year. Colombia has also become a key security partner by using lessons from its own experience to help Central American countries tackle similar challenges in their nations.
- **EL SALVADOR:** With the help of USAID trade and investment programs, foreign direct investment grew more than seven-fold in El Salvador between 2000 and 2010. Additionally, through a \$5 million USAID investment in reforming El Salvador's tax system, the El Salvadorian government was able to increase its annual revenue by \$350 million and increase its annual social spending by \$160 million between 2005 and 2013.

- **GUATEMALA:** Through Feed the Future, U.S. assistance in Guatemala leveraged more than \$7 million in private investment while reaching 230,000 children under the age of 5 with nutritional support. In neighborhoods where USAID worked in El Salvador, homicides declined by 61% from 2015 to 2016. Similarly in Honduras, communities where USAID operated saw homicide rates decline by 78% from 2015 to 2016.

WHAT ABOUT CONCERNS OF CORRUPTION?

Corruption is a challenge in many countries and Central America is no exception. A number of U.S. investments specifically focus on strengthening the capacity of government institutions to counter fraud and corruption within their ministries and in their broader societies. Nevertheless, it is a mixed picture. In the MCC's Fiscal Year 2018 scorecard, El Salvador scored roughly at the median on the corruption indicator, while performing well on regulatory quality (93%), political rights (83%), civil liberties (63%), and government effectiveness (60%). While Honduras and Guatemala both scored below the median for control of corruption in the most recent MCC scorecard, they both had strong scores for political rights, civil liberties, trade policy, and fiscal policy.

As a safeguard, the U.S. maintains increasingly strong transparent oversight and evaluation capabilities to constantly monitor aid resources in order to ensure they are used for their intended purposes. For example, in response to multiple coup attempts and an ongoing corruption scandal in Honduras, the MCC did not sign a large second compact with the nation and instead created a \$15 million "threshold" compact that required the Honduran government to lead on policy reforms if they wished to benefit from further assistance.