



ADRIENNE ARSHT  
LATIN AMERICA CENTER

INDEPENDENT TASK FORCE REPORT

# BUILDING A BETTER FUTURE

**A Blueprint for Central America's  
Northern Triangle**



CHAIRS

**John Negroponte**  
United States

**Eduardo Stein**  
Guatemala

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**Atlantic Council**

ADRIENNE ARSHT  
LATIN AMERICA CENTER

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# Foreword

## **Congressman Eliot Engel**

*Honorary Task Force Co-Chairs  
Ranking Member, House Foreign Affairs Committee  
(D-NY 16th District)*

## **Congressman David Valadao**

*Honorary Task Force Co-Chairs  
Co-Chair, Congressional Central America Caucus  
(R-CA 21st District)*

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 countries 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 commit-

ment exists in these three countries to collaboratively work with the United States.

We signed on as honorary co-chairs on 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 House 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 has 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 that 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 taxpayer

**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

ers. This 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.TK). Commercial activity demands reliable infrastructure and to support this, the task force calls for creating an infrastructure fund that facilitates public-private partnerships while addressing one of the key impediments to growth (see p.TK). In order 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.

greater exports from the United States. For that, we propose a trilateral institution for border coordination (see p.TK). Another priority is to invest in communities with high economic potential, such as intermediary cities (see p.TK), 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.TK).

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 that 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.TK). The United States can help deter and prosecute financial crimes by providing technical support to the relevant authorities (see p.TK). 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.TK). Ensuring 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.TK). At the same time, Northern Triangle governments should fix uneven tax playing fields to improve spending efficiency and revenue collection (see p.TK).

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 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.TK). Governments in the region must also double down on strengthening police accountability (see p.TK). 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.TK). With an expected rise in US deportations, greater information sharing is necessary with the Northern Triangle governments regarding returnees (see p.TK). 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 trilateral anti-gang force. The United States should also work with local authorities to concentrate on constricting illicit corridors (see p.TK).

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 corruption. 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
<b>Integration and infrastructure</b>	<p>Support the recently-created 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>
<b>Key sector development</b>	<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>
<b>Human capital</b>	<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 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
<b>Judicial institution building</b>	<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>
<b>Corruption and illicit flows</b>	<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>
<b>Public finance regimes</b>	<p>Direct more funding to local entities with verified track records in transparent spending (p.29).</p>	<p>Fix uneven tax playing fields to generate public funds (p.29).</p>

## SECURITY

	US-Focused Recommendations	Northern Triangle-Focused Recommendations
<b>Policing improvements</b>	<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>
<b>Criminal justice &amp; prison reform</b>	<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>
<b>Gangs</b>	<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>
<b>Illicit trafficking</b>	<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 trilateral 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.<sup>1</sup> 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 lack of economic opportunity, 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.<sup>2</sup> 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 million residents have left in recent years, seeking reunification with their families, relief from poverty, and, in some cases, refuge or protection from growing violence.<sup>3</sup>

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)<sup>4</sup> 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.<sup>5</sup>

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.

# Northern Triangle Security and Economic Opportunity Task Force

**T**his 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 their December 2016 meeting in Washington, DC. This marked the second meeting of a yearlong effort.



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.TK.)

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 Maria Eugenia Brizuela de Avila, 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's 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

**T**he 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.<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup> 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.<sup>9</sup> 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.<sup>10</sup> 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 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.<sup>11</sup> 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-

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).<sup>12</sup> 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.<sup>13</sup> 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, 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.<sup>14</sup>

### 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.<sup>15</sup> 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.



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

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

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.<sup>16</sup> 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.<sup>17</sup> In El Salvador, murders dropped 20 percent

percent) between 2013 and 2015.<sup>20</sup> El Salvador also hired one hundred new assistant prosecutors and approved a 5 percent telecommunications tax to fund security-related measures.<sup>21</sup> 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.

# A Blueprint for Addressing the Region's Top Challenges

**T**hrough 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.TK)

## ▼ 2. Security (p.TK)

## ▼ 3. Rule of law (p.TK)

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.

# 1.

## Building Sustainable Economic Development

**A**lready 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.<sup>22</sup> 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.<sup>23</sup>

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,<sup>24</sup> 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.TK)**
- ▼ **Key sector development (p.TK)**
- ▼ **Human capital development (p.TK)**

### GAME CHANGERS



- ▼ **Facilitate creation of an infrastructure fund**
- ▼ **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.<sup>25</sup> 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.<sup>26</sup> 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.<sup>27</sup> 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.<sup>28</sup>

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 facilitate the creation of an international infrastructure fund,**

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

**overseen by an independent body, composed of multilateral institutions, civil society, and the private sector. US and Northern Triangle businesses could then invest through the fund 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 Fund<sup>29</sup> provides one model for such a project, as does the Colombian government's multibillion-dollar investment in infrastructure.<sup>30</sup> 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

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.<sup>31</sup>

### 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.<sup>32</sup> 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.<sup>33</sup> 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.<sup>34</sup>
- 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.<sup>35</sup>

## 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,<sup>36</sup> 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** 



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

**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.<sup>37</sup> 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.<sup>38</sup>

### 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-



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.

economic plans, bringing in outside mediators if necessary, as El Salvador has done with the United Nations.<sup>39</sup> 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.<sup>40</sup> 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.<sup>41</sup> 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.

## 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.<sup>42</sup> 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.<sup>43</sup>

In Guatemala and Honduras, less than half of eligible children attend secondary school,<sup>44</sup> while in El Salvador in 2015, more than 39,000 children were forced to drop out due to gang violence.<sup>45</sup> 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 family business owner in Guatemala works on the manufacturing of his leather products.

### 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.<sup>46</sup> 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,<sup>47</sup> the Guatemalan government is currently providing more comprehensive services to its returned citizens.<sup>48</sup>

At the same time, **Northern Triangle countries should implement a jobs**

**creation initiative that targets small and medium 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 enterprises. Government-hosted roundtables with young entrepre-

neers, 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.<sup>49</sup>

**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 Henry Kissinger in 1984, 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.<sup>50</sup> 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



### UNITED STATES

- ▼ **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**



### NORTHERN TRIANGLE

- ▼ **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

**S**ystemic 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.<sup>51</sup>

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.<sup>52</sup> 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.TK)**
- ▼ **Corruption and illicit flows (p.TK)**
- ▼ **Public finance regimes (p.TK)**

## 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 curbing 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.<sup>53</sup>

### 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.<sup>54</sup>

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.<sup>55</sup> 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 a partner 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,<sup>56</sup> along with \$5.2 million in funding for MACCIH<sup>57</sup> and technical and financial support for El Salvador's new anti-impunity unit in the attorney general's office.<sup>58</sup>

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 general.**

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.<sup>59</sup> With US support, and within the context of the Alliance for Prosperity, the three national attorneys general met several times and launched a trilateral border force to facilitate the capture of drug traffickers and gang members.<sup>60</sup> 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.<sup>61</sup>

### 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.<sup>62</sup> 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 electronic payments.



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

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.<sup>63</sup>

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.<sup>64</sup>

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.<sup>65</sup> 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 insuffi-

cient 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.<sup>66</sup>

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.<sup>67</sup>

## 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.

## 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

# 3.

## Improving Security

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.<sup>68</sup> 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.<sup>69</sup> 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.<sup>70</sup> 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.<sup>71</sup> 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.<sup>72</sup> Gang influence disrupts the education system, forcing early dropouts.<sup>73</sup> 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.<sup>74</sup> 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.<sup>75</sup> 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.<sup>76</sup>

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.TK)**
- ▼ **Criminal justice and prison reform (p.TK)**
- ▼ **Gangs (p.TK)**
- ▼ **Illicit trafficking (p.TK)**

**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.<sup>77</sup> 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.<sup>78</sup> The school opened in 2011 with four US instructors, but soon employed Colom-



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

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.<sup>79</sup> The curriculum should be consistently revised and technology 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.<sup>80</sup> 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.<sup>81</sup> 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.<sup>82</sup>

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

**izontal 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 8.6 percent in El Salvador.<sup>83</sup> 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.<sup>84</sup> 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. The Organization of American States ranked Northern Triangle prisons as among the worst in the hemisphere,<sup>85</sup> with significant evidence that gangs continue to engage in illicit activities from inside prisons.<sup>86</sup> 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.<sup>87</sup> It subsequently gained international accreditation with the help of funding from the Merida Initiative, a security cooperation partnership between the two countries.<sup>88</sup>

In conjunction with this assistance, **Northern**

**Triangle countries should implement comprehensive prison reform focused on re-habilitation.** 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.<sup>89</sup> 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,<sup>90</sup> 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.TK).



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

## 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.<sup>91</sup> 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.<sup>92</sup> 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.<sup>93</sup>

## 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 the region accounts for approximately 90 percent of the cocaine trafficked into the United States.<sup>94</sup> 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.<sup>95</sup>

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.<sup>96</sup> 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.<sup>97</sup> 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.<sup>98</sup> 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.

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.<sup>99</sup>

**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.<sup>100</sup>

## 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

**T**here 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-



School children in Guatemala pose during a rural school visit.

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.

## 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 FUEM. 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** was born and raised in Hanford, California. Since 2012, 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, Valadao 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 Human (FUSAL) and INCAE Business School and is co-founder of Proyecto Pais, a youth violence prevention program in El Salvador.

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*Task Force members endorsed the findings of the report in their individual capacity and not that of the institutions they are affiliated to.*

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