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INCAE: Instituto Centroamericano de Administración de Empresas (C a A A a B a B

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The current Mexican and US presidential administrations led by Andrés Manuel López Obrador and Joseph R. B

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The United States and Mexico have confronted irregular migration in their bilateral relationship for decades. In addition to the undocumented Mexicans crossing the border, there are other migrants who cross into the United States through the border with Mexico, especially coming from El Salvador, Guatemala, and Honduras.¹ The current Mexican and US presidential administrations, led by Andrés Manuel López Obrador and Joseph R. Biden, respectively, made commitments to collaborate to address rising regional migration rates.

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focus mainly on the socio-economic aspect, as this area offers the best opportunities for increased cooperation between the United States and Mexico.

The second section provides a historical perspective on US and Mexican engagement in the subregion, both individually and jointly. It describes the programs both countries have launched, as well as their thematic focus and the main issue areas they considered. These examinations make it possible to identify differences in today's collaboration model compared to past efforts and trace its evolution.

Finally, we present five recommendations for actions that the United States and Mexico can take to add value to subregional development efforts. They are neither an inventory of all these countries' needs, nor a complete list of issues that the United States and Mexico could work separately to address. Instead, they are carefully selected areas where both countries, working together, can make a difference in the development efforts of northern Central America. It should be noted that these recommendations are predicated on the preservation and prioritization of dialogue among the United States, Mexico and the three countries of the subregion.

As previously mentioned, the recommendations are limited to sustainable development and classified according to how challenging they may be to achieve. The first two refer to youth and employment, and to small farmers and profitable crops—two areas where it is possible to build on the current work of USAID and AMEXCID. The third recommendation refers to technical assistance in border management based on shared experience. The foundation of this recommendation is the possibility of a spillover effect in El Salvador, Guatemala, and Honduras from increased nearshoring investment in the North American region and the potential to expand value chains into Northern Central America. The last two recommendations, concerning energy, are the boldest, as they require political will and large sums of money. Addressing electricity and gas specifically, they are premised on the conviction that the availability of reasonably priced clean energy can be the basis for Central America's economic takeoff.

The analysis presented here is the result of a thorough examination of the possibilities that a joint effort between the United States and Mexico could produce in northern Central America. The intention is that, in the context of electoral processes occurring on both sides of the border, the incoming administrations can rely on this policy paper to help keep a collaborative dialogue and deepen their efforts to make them bolder and sustainable.

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Migration out of El Salvador, Guatemala, and Honduras has been characterized by high volumes and changing trends. In the past two decades, the number of people leaving these countries has significantly increased. From 2000 to 2020, the number of nationals from El Salvador, Guatemala, and Honduras living outside of their country of origin increased by 111%, from 1.7 million people to nearly 4 million people, the equivalent of 12% of the subregion's population in 2020.³

The United States is by far the most popular destination, with about 3.4 million migrants from El Salvador, Guatemala, and Honduras residing there as of 2020, which accounts for 86.3% of their total migrant stock, both regular and irregular, according to the UN Department of Economic and Social Affairs. 4 While many Salvadoran, Guatemalan, and Honduran nationals live in the United States legally, people from those countries make up the second-largest group of undocumented people living in the United States, with 55% of immigrants from the region estimated to be undocumented in 2015.5 Despite the high number of undocumented immigrants from El Salvador, Guatemala, and Honduras, a large share of migrants do not make it past the US border. In 2021, Salvadorans, Guatemalans, and Hondurans made up 39.1% of the 1,865,379 noncitizen apprehensions at the border, a significant increase from 2012, when they made up less than 19% of the 795,735 apprehensions, indicating increasing encounters at the US border.6

While the United States has historically been the primary destination for migrants from the subregion, migration patterns have evolved and other countries have been growing in popularity. Mexico, for instance, has seen a significant increase in the number of migrants from these countries. A 2022 report by the Mexican government's Migration Policy Unit reported 27,245 Salvadorans, 69,515 Guatemalans, and 72,928 Hondurans in an irregular migratory situation in Mexico. In that same year, Mexico returned 4,281 Salvadorans, 44,959 Guatemalans, and 40,700 Hondurans, totaling 84.8% of all returns from Mexico that year.8 Mexico is no longer just a transit country, as more migrants from El Salvador, Guatemala, and Honduras have been choosing to make it their final destination. From 2000 to 2020, the migrant stock from the three countries documented in Mexico increased by 160.3% to 101,889 people, according to the United Nations.9

B.

time.¹² Corruption in the region disenfranchises citizens and pushes them to migrate, according to a 2023 report by the Immigration Forum and Migration Policy Institute.¹³ Corruption also has a negative impact on economic growth, poverty rates, political security, human rights, environmental protections, and rates of violence—all factors that motivate people to migrate.¹⁴

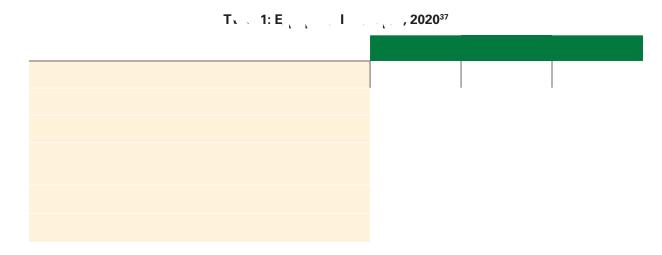
Chronic insecurity and violence are yet another factor that pushes people to migrate from El Salvador, Guatemala, and Honduras and seek asylum in the United States, Mexico, and other Central American countries. ¹⁵ Drug trafficking and gang activity pose security risks for people in all three countries, which are classified as having high criminality and low resilience against said criminality. ¹⁶

vulnerable to the adverse effects of worsening climate change, which can manifest as severe droughts and storms, such as hurricanes Eta and lota in 2020, which displaced at least 937,000 Hondurans and 339,000 Guatemalans.²⁸

Agriculture is a significant source of employment in the subregion—15% in El Salvador, 29% in Guatemala, and 25% in Honduras as of 2021—making residents highly dependent on agriculture for their livelihoods.²⁹ The high reliance on agriculture and susceptibility to extreme weather conditions makes the subregion particularly vulnerable to food insecurity.³⁰ Indeed, the number of food-insecure people rose from 2.2 million in 2019 to a staggering 6.4 million people in 2021, according to the UN World Food Programme.³¹ Additionally, 8 million people in the three countries, or 23.7%, were moderately or severely hungry in 2021.32 These findings are significant, since people experiencing food insecurity in the region are more likely to commit to migration than their food-secure counterparts.³³

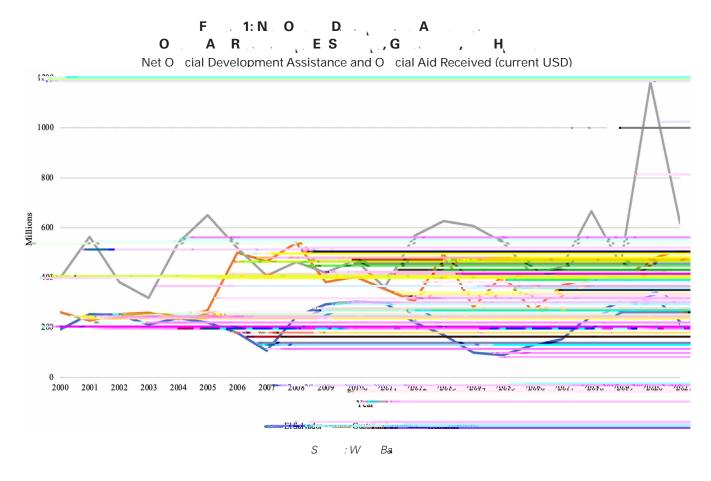
While all these factors are noteworthy drivers of migration out of northern Central America, this paper will focus on the areas in which the United States and Mexico have the greatest potential to make a sustainable impact. In conversations convened by the Wilson Center's Mexico Institute and COMEXI, sustainable development was identified as the sector where bilateral cooperation is most likely to occur, as well as where that cooperation may have the largest impact on the subregion.

High poverty rates and the perception of limited economic opportunities represent major drivers of emigration from the region as well. A 2017-2018 survey found that unemployment or an economic crisis in their country of origin was the predominant motivation for migrants out of all three countries.³⁴ Low income and poor working conditions were also found to be drivers of migration in the survey. In a region with such high volumes of emigration mainly attributed to the search for economic opportunities unavailable in their own countries, the narrative of emigration as necessary has become deeply rooted. Thus, emigration became a viable option that is regarded as a respectable way to earn money for one's family, compared with attitudes toward emigration in other regions.³⁵ The high rates of remittances flowing into the three countries demonstrate the region's dependence on migration to improve economic well-being. Despite high remittance rates and low unemployment rates, high poverty rates persist, which strengthens the belief that emigration is required for financial survival.36 Ensuring that citizens have access to adequate employment, healthcare, and educational opportunities is necessary to end this cycle.



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From 2000 to 2021, El Salvador, Guatemala, and Honduras received increasing levels of official development assistance (ODA) and official aid from the international community.⁴⁸ El Salvador received \$221.6 million in net ODA and official aid in 2021, a 15.2% increase from 2000. Guatemala received \$511.3 million in net ODA and official aid in 2021, an increase of 96.1% from 2000. Finally, Honduras received the most of the three countries in 2021, with \$617 million in net ODA and official aid, a 54.3% increase from 2000.49 While each country has received an absolute increase in aid since 2000, the amount of aid received has fluctuated from year to year, as can be seen in Figure 1. Variations can be due to changing priorities of the donor countries, disasters and emergencies in recipient countries, or changes in donor-recipient relations. The inconsistency of aid into the subregion demonstrates the need for greater coordination and cooperation between donor countries.



however, the ODA given to the three countries accounted for only 1.02% of total US ODA in 2021.⁵¹ Mexico's contributions to the region are delivered as part of the Comprehensive Development Plan established by ECLAC in 2021 which envisaged an investment of \$44.7 billion over the course of five years.⁵²

Examining the sectors in which aid resources are invested can help identify national development needs and priorities. From 2020 to 2021, the most recent year of data available, the largest sectors of gross ODA receipts in El Salvador were other social infrastructure and services (31.5%), economic infrastructure (18.7%), and education (11.2%).⁵³ In the same period in Guatemala, the top sectors were other social infrastructure and services (23.2%), health and population (16.1%), and economic infrastructure (14.1%). Finally, during the same period in Honduras, the top sectors were other social infrastructure and services (26.8%), humanitarian aid (18%), and program assistance (14.5%).⁵⁴ From this data, social infrastructure and services emerge as a key sector, demonstrating the importance of addressing the basic needs and well-being of people in the region.

Over the past two decades, the United States and Mexico have promoted initiatives to encourage development in El Salvador, Guatemala, and Honduras, often in separate approaches and rarely through bilateral efforts. The following timeline provides an overview of these different initiatives. This is not a comprehensive overview of the international cooperation efforts of these two governments; it focuses only on those initiatives that included El Salvador, Guatemala, and Honduras, either on their own or as part of the broader Central American region.

Although the United States and Mexico have been active players in the efforts to promote Central America's development, a specific approach explicitly addressing the root causes of migration from the subregion is a recent development, despite some links between previous initiatives and efforts to curb irregular migration. US cooperation has addressed a wide range of topics aside from economic development and environmental sustainability, such as security, democratic governance, and rule of law, while Mexican initiatives have been generally confined to developmental issues and focused on areas like trade facilitation and infrastructure, although they have also incorporated other social issues like housing and food security, both of which are part of the social axis of the Mesoamerica Project (*P*

4 a D a M a a, also known as P M a a, MP) Despite a brief period in which security came to dominate cooperation between the United States and Central America (the first years of the Central American Regional Security Initiative, CARSI), economic and social issues have returned to the fore and were included in the US Strategy for Engagement in Central America, approved by the Obama Administration in 2014. To ensure the subregion's prosperity, going beyond the security sphere provided a common objective that may have served as fertile ground for increasing alignment of US and Mexico activities. Furthermore, the Biden administration launched the Root Causes Strategy in mid-2021, a comprehensive framework that includes activities to address the various underlying reasons of irregular migration divided into pillars, such as combating corruption and strengthening democratic governance, and tackling violence and insecurity. As one of its pillars, the Root Causes Strategy also includes addressing economic insecurity and inequality, which is also one of Mexico's priorities in the subregion.

A joint effort between the United States and Mexico is nonetheless a recent occurrence. Developed as a result of a Memorandum of Understanding signed by both countries in mid-2021 to enhance bilateral cooperation to address the root causes of migration in northern Central America, the S ba O a collaborative framework

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In 2001, Mexican President Vicente Fox promoted the creation of a regional initiative, the Puebla-Panama Plan (PPP), to spur development across the Mexican south-southeast and the seven countries of Central America. This initiative built upon previous bilateral and multilateral cooperation efforts undertaken by the Mexican government with the Central American countries during the 1990s, particularly through the Tuxtla Mechanism for Dialogue and Cooperation. Launched on June 15, 2001, the PPP advanced a framework intended to encourage consensus between governments on the design and execution of regional projects, and to facilitate their funding. For the design of the project portfolio itself, the Mexican and Central American governments enlisted the help of various international organizations and development banks, such as the IADB, the UN Economic Commission for Latin America and the Caribbean (ECLAC) and the Central American Bank for Economic Integration (CABEI), among others. 55 These organizations were also included within the PPP as members of the Technical Interinstitutional Group (GTI, for its abbreviation in Spanish), whose main duties were to support the implementation and expansion of eight different initiatives.⁵⁶ Ultimately, the main focus of the PPP firmly rested on transport and energy initiatives,⁵⁷ which included projects that predated the PPP, such as the Central American Electrical Interconnection System (SIEPAC)

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Costa Rica, El Salvador, Honduras, Nicaragua, and Panama. 65 More recently, in 2019, the Mexican government added areas to the priorities of the cooperation strategy, including human capital development or the development of registration, control, and monitoring systems of migration flows. 66 In any case, Mexican financial cooperation has helped fund projects and programs in other areas, in addition to infrastructure. Amongst these is "Mesoamerica Hunger Free AMEXCID-FAO," an ongoing program implemented in collaboration with the UN Food and Agriculture Organization (FAO) to ensure food security and encourage rural development in the Mesoamerican region. AMEXCID contributed \$15 million to this program between 2015 and 2022.67

Only very recently has the Mexican government purposefully developed an approach to specifically include El Salvador, Guatemala, and Honduras, in lieu of the whole Central American region, through the Comprehensive Development Plan (CDP), which also covers south-southeast Mexico, in line with the previous PPP/MP. This initiative represents an explicit effort to address the root causes of migration in this region, and it was announced on December 1, 2018, by the leaders of the four countries involved.⁶⁸ For its design, the signatories enlisted the support of ECLAC, which worked closely with national government agencies and more than 20 UN specialized agencies, funds, and programs operating in the subregion.

Following the presentation of ECLAC's proposals and of several drafts in 2019 and 2020, the CDP was launched on September 17, 2021. The overall objective of this initiative is to not only make migration an option rather than a necessity, but also to strengthen protection of the human rights of migrants in transit, as well as the regularization and integration in destination countries, under the UN Global Compact on Migration.⁶⁹ To achieve those objectives, the CDP proposes a portfolio of 15 programs and 114 projects organized into four thematic pillars (economic development, social well-being, environmental sustainability, and comprehensive management of the migration cycle), which represent a total investment of \$45 billion over five years. Due to the close collaboration between ECLAC and national governments in developing the CDP, the plan reflects countries' preferences and the projects they seek to prioritize.

It is in this context, and in conformity with its overall objective of addressing the causes of irregular migration, that the Mexican government began implementing two flagship programs, J. C V a in El Salvador, Guatemala, and Honduras; both programs are part of the CDP. In early 2019, the Mexican government implemented these two programs in Mexico, J_{\bullet} C_{\bullet} F 4,54 Ministry of Labor and Social Welfare and S b a V a through the Ministry of Welfare. J. , a conditional cash transfer program for youth aged 18-29 who are neither studying nor working, was launched in Mexico in 2019. Beneficiaries receive training in companies or the public sector for up to 12 months, during which time they receive a monthly stipend of around \$370 (6,310 MXN) and medical insurance provided by the Mexican Institute for Social Security (IMSS). Tutors in the office where they are placed monitor their activities. Beneficiaries are expected to work 25 to 40 hours per week and can change their placement once. Upon completion of the program, they can either be hired where they have been working or join the National Employment Service, which is a program in the Ministry of Labor devoted to facilitating access to formal work opportunities.⁷⁰ More than 2.5 million people have directly benefited from this program in Mexico. 71 President López Obrador had claimed that half the participants have been hired by the companies where they were trained.⁷²

S b a V a's objective is threefold: tackling rural poverty, ensuring food security, and halting environmental degradation.⁷³ The program provides a conditional cash transfer to farmers older than 18 that live in the poorest rural areas of Mexico and who have 2.5 hectares or more available to implement an agroforestry project. Farmers receive plants and seeds to plant fruit and timber trees, technical assistance, and a monthly stipend of \$360 (6,000 MXN). So far, there have been more than 455,000 beneficiaries, 31% of whom are women.⁷⁴

Abroad, these programs are wholly funded by Mexico and implemented directly by AMEXCID. Both programs

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The United States has been involved for several decades in the development of northern Central America. In the past two decades, successive US governments have launched initiatives to help improve these countries' security, economy, and general prosperity. Like the Mexican efforts, these US initiatives have frequently been part of a broader approach to Central America. A focus on El Salvador, Guatemala, and Honduras is more recent and heavily linked to an increase of irregular migration from these countries to the United States.

In 2004, under the Bush Administration, the US government undertook measures to encourage the development of Central America along two axes: trade and international cooperation. The first was advanced by the signature on August 5, 2004, of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), whose advocates argued that it would increase employment opportunities and foreign direct investment inflows.86 The second axis was advanced by Congress's creation of the Millennium Challenge Corporation (MCC), a bilateral foreign aid agency that seeks to "reduce poverty through economic growth" by providing aid to developing countries that agree to abide by good governance practices. Within the first few years of its creation, two of the three countries signed compact agreements with the MCC—Honduras for \$215 million in 200587 and El Salvador for \$461 million in 2006,88 and both renewed these compacts in recent years.89 Additionally, the MCC worked with the government of Guatemala from 2015 to 2021 on a \$28 million threshold program intended to strengthen the country's economy.90

The MCC complemented the international cooperation efforts conducted by the US Agency for International Development (USAID). During the early 2000s, the bilateral cooperation activities of USAID in Central America included El Salvador, Guatemala, and Honduras, and covered a diverse range of topics, such as government reform, consolidation of democracy, and humanitarian assistance in the wake of 1998 Hurricane Mitch and the 2001 earthquake in El Salvador.91 These countries, alongside Mexico, were also included in the Opportunity Alliance, a USAID strategy jump-started in 2002 that emphasized "trade-led rural competitiveness through diversification and penetrating agricultural niche markets," partly as a response to protracted drought and a collapse in coffee prices in the wake of Hurricane Mitch.92

Despite these varied efforts to address the root causes of migration, including through improving security, a surge in the number of migrants arriving at its southern border created a humanitarian crisis for the United States in 2014. An estimated 70,000 migrants were unaccompanied minors, primarily from the countries of northern Central America.96 This increase in irregular migration spurred the Obama administration to approve the US Strategy for Engagement in Central America in 2014.97 This strategy represented a growing understanding of the importance of addressing root causes of migration and underdevelopment and "more than doubled annual foreign aid to the region."98 The Strategy for Engagement's activities were grouped under three overarching goals: "promoting prosperity and regional integration, strengthening governance, and improving security."99 Despite a suspension of assistance by the Trump administration between March 2019 and June 2020,

On June 8th, 2021, the United States and Mexico signed a Memorandum of Understanding (MoU) to enhance cooperation between both governments in addressing the root causes of migration in El Salvador, Guatemala, and Honduras, and to benefit these countries, particularly by deepening the collaboration between AMEXCID not only representatives of the governments of the United States, Mexico, El Salvador, Guatemala, and Honduras, but also of the American and Latin American private sectors, and of international donors such as the European Union, the IADB, the International Monetary Fund, and the World Bank. Aside from reaffirming their willingness to cooperate with northern Central America in supporting sustainable development, this first conference, held in Miami, allowed participants to identify synergies and links between topics, partners, and their mechanisms, increase their coordination, and prevent duplication of efforts. 122 As a result of agreements reached at this conference, the IADB organized a meeting of the Mexico-SIEPAC Interconnection Commission (CIEMS) in April 2018 to advance Mexican interconnectivity to the SIEPAC, 123 and several US agencies, including USAID, participated in workshops co-organized by Mexico's Energy Ministry and AMEXCID to advance triangular international cooperation regarding natural gas in Central America.¹²⁴ The United States and Mexico convened the second Conference on Prosperity and Security in October 2018, this time in Washington, which provided an opportunity to review the progress on the commitments made in Miami 2017 and to advance new projects. 125 Although they revolved around the (broad) priorities identified by each government as part of the Plan of the A4P, the commitments and projects developed during these conferences were complementary to it and advanced through each country's relevant cooperation agencies and mechanisms (e.g., the USAID and the Strategy for Engagement with Central America for the United States, and AMEXCID, the MP, FIPAMEC for Mexico). This alignment could have continued in the context of the CDP's objective to address the root causes of migration in northern Central America. In late 2018, just after the CDP was announced, the Trump administration offered to support it with over \$5.8 billion in private and public investments. 126 This financial backing, however, did not materialize. 127

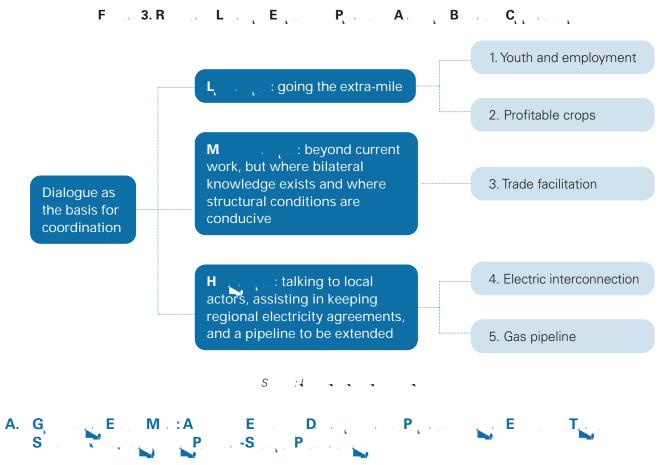
The *S* ba O a framework constitutes both an evolution and a departure in terms of past efforts. It is not an initiative including Mexico and the countries of Central America within a single framework for international cooperation. Instead, it builds upon Mexico's involvement in the A4P by enlisting its direct participation as a key player for the development of northern Central America. Furthermore, past experiences have often relied on support and coordination from multilateral institutions (the IADB in the case of the A4P, or the ECLAC in the CDP), but *S* ba O a fundamentally relies on the bilateral engagement of the United States and Mexico through their respective international development agencies. Nonetheless, it is necessary to keep in mind that the projects included in the CDP, because they were developed in close coordination with the governments of El Salvador, Guatemala, and Honduras, reflect their national priorities.

USAID and AMEXCID's productive relationship includes efforts to provide vocational and technical training and to work with small farmers to promote sustainable agriculture, enhance their access to the market, and establish value chains. Although the USAID missions in the subregion also address other topics, such as democracy and governance or security, the collaboration between USAID and AMEXCID falls into the economic development area, mostly because tackling economic hardship and thus improving livelihoods appear to be the priorities of the Mexican government in addressing the root causes of migration in the subregion, which, it bears repeating, are not restricted to the economic sphere. While USAID does not engage in direct cash transfer programs, as does AMEXCID, the two agencies exchange best practices and seek complementarities between their activities and programs.

For example, under S ba 0 • a , USAID works with its country missions and implementing partners on the ground to identify opportunities for beneficiaries of the programs implemented by AMEXCID. Under this collaborative framework, beneficiaries of J_{\bullet} C_{\neg} A,:4 F in Honduras have joined USAID's A , a project that offers services for training and job placement. Likewise, in El Salvador, the USAID Economic Competitiveness Program has trained beneficiaries of S ba V a to improve their harvest and meet the market's expectations. 128 AMEXCID has also engaged with USAID's Alliance for Root Causes and Opportunities (ARCO), 129 which aims to provide sustainable opportunities to youth and farmers in El Salvador, Guatemala, and Honduras. The Mexican Ministry of Foreign Affairs reported that by June 2023, around 1,400 beneficiaries of S b a V a and J_{-} C A.39 in El Salvador and Honduras had benefited F from the collaboration between these international development agencies. The benefits resulted either because AMEXCID referred the countries to USAID's programs or because activities carried out under the ARCO framework further developed the job capabilities of some beneficiaries of J_{\bullet} C_{\bullet} and provided technical training on agriculture and produce commercialization for some beneficiaries of S $V a.^{130}$

This type of bilateral collaboration is fairly new, although not wholly disconnected from previous efforts, and has delivered limited, though positive, results. AMEXCID has limited experience managing programs of this size, and as noted by Roberto Velasco, chief officer for North America at the Mexican Ministry of Foreign Affairs (SRE) during a meeting of the US-Mexico High-Level Economic Dialogue, the agencies have "different agendas but work well together." We believe that S ba O an offers an opportunity to increase coordination between the US and Mexican governments in their international development efforts in northern Central America. Some of the recommendations made in this policy paper seek to advance and improve the collaboration undertaken within S ba O and O are an explored polynomials that go beyond the scope of this framework and build upon both governments' expressed willingness to work together to improve the livelihoods of the northern Central American people.

IV.



Two of the most important activities in the realm of Mexican international development cooperation are the implementation of J_{\bullet} and S_{\bullet} by S_{\bullet} by S_{\bullet} and S_{\bullet} by S_{\bullet} and S_{\bullet} by S_{\bullet} and S_{\bullet} by S_{\bullet} by S_{\bullet} and S_{\bullet} by S_{\bullet} and

The renewed commitment of the United States and Mexico to work together for the development of the subregion can go to another level if both countries, together, decide to go beyond their individual efforts and establish formal joint partnerships with the private sector. Efforts are already underway through Vice President Harris' Call to Action to the private sector to deepen investment in northern Central America. Mexico shares this view, as Secretary Bárcena confirmed during the February 2024 trilateral: she said it is necessary to help people find opportunities and that this is the reason "we need to mobilize our industrial sector. We need to mobilize the private sector and... all stakeholders involved." 132

AMEXCID already works with the private sector to identify the work centers for J_{\bullet} \bullet C_{\bullet} \bullet \bullet \bullet \bullet \bullet \bullet \bullet \bullet and identify potential buyers for the crops produced through S b a V a, among others. But more can be achieved if local companies, or US and Mexican companies, consider their collaboration with these programs in the context of their environmental, social, and corporate governance (ESG) initiatives. The number of beneficiaries

could be expanded and helped to thrive beyond the specific cooperation initiatives. Using the example of the TENTMexico initiative launched in February 2024, in which 50 companies joined efforts to create 10,000 jobs for migrants and refugees, 133 both countries could promote a private-sector alliance to increase opportunities for those participating in $J_{\bullet} = C_{\bullet} = F$ and find buyers for the crops produced in the context of $S_{\bullet} = C_{\bullet} = F$ and find buyers for Central America, the NGO working with andob33 0.9 (it)-1 (ion)20 (of priv)20 (ate-sector)20.1 (organizat)-1 (ions to adv)19.9 (ance)20.1 (economic)20 (opport)6.1

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The evaluation also suggests that it changes the migration preferences of the beneficiaries and those of their families. In fact, of the 80% of program participants who had not migrated before enrolling in the program, 24% in El Salvador and 33% in Honduras had considered it. After their participation in S b a V a, the percentage was reduced to 2% and 4%, respectively. 144

Nevertheless, UNDP identifies securing sustainable commercialization of the crops as the most important challenge of S b a V a. At present, the excess production derived from the diversification of crops and increased productivity is being sold to neighbors, local markets, or intermediaries. Hence, there is an opportunity to find markets beyond the immediate surroundings so that income can increase.

This problem was also addressed during the sessions convened by the Mexico Institute and COMEXI. Participants noted that new supply chains can be created, but for them to be successful requires an anchor or committed final buyer of products and/or services. Since the learning curve of working with small farmers can be steep and private sector actors might not be willing to confront its cost, finding committed companies is determinant. Hence (and again), private-sector involvement is essential to sustain supply chains when the funding for international cooperation is exhausted. UNDP proposes to support the creation of cooperatives by small farmers that enable them to sell more products and give them negotiating power with retailers or intermediaries.¹⁴⁵

These challenges are starting to be addressed within the S b a O a a framework. Beneficiaries who have enrolled in S b a V a have been integrated into USAID's Transforming Market Systems program in Honduras. Through this program, around 500 beneficiaries have been able to sell garlic and beans, and they have trademarked the "Ajo San Miguel" brand. In El Salvador, some S b a V a participants have been supported by USAID's Economic Competitiveness program, which is designed to improve the quality and quantity of their harvest to meet buyers' standards and requirements. 146

While these are important steps, the renewed commitment of the United States and Mexico to collaborate in Central America should go beyond the focus on international development and move into economic promotion. Similar to what could be done for youth and employment, the United States and Mexico could seek anchors to improve the sustainability of the supply chains that include small farmers and the local private sector, with US and Mexican companies operating in El Salvador, Guatemala, and Honduras. Companies that are part of the US Call to Action to deepen private-sector investment in the subregion could be approached, especially those in the coffee sector. Mexican companies in the maize industry could be potential targets. Additionally, there are already successful cases in the region that could serve as a guide. Framing this in the context of private-sector efforts to advance ESG could be key to starting a dialogue with companies.

Similar to $J_{\bullet} = C_{\bullet} = F_{\bullet}$, USAID and AMEXCID could collaborate in evaluation, since the UNDP study analyzed only intentions to migrate. Extending the analysis to identify how many beneficiaries remained in the country could prove pivotal to keeping the program as it is or introducing adjustments, if necessary.

For the past 20 years, reducing energy prices has been a constant among the solutions to improving the competitiveness of northern Central America. Two projects have been identified as pivotal in the PPP, CDP, the Mesoamerican Project, and the A4P: connecting Mexico to SIEPAC and constructing a gas pipeline. The renewed commitment of the United States and Mexico to the subregion could make a difference, but it is ambitious and will require considerable political will. It would need both countries to talk with actors in Guatemala and engage their good offices and cooperation to encourage Central American countries to reach an agreement on common electricity procurement with Mexico. A commitment to align the construction of gas infrastructure in southern Mexico with the development needs of El Salvador, Guatemala, and Honduras would also be required.

4. Electrical Interconnection

A major development in Central America in the past two decades has been the establishment and operationalization of the SIEPAC, a regional electricity market and the first regional transmission system spanning from Guatemala to Panama. 158 The first section of the SIEPAC line was connected in November 2010, and the last one in October 2014, making it fully operational. 159

Yet, one of the pending tasks to make the market more competitive by reducing energy costs further is connecting Mexico to SIEPAC and constructing a second transmission line. 160 In fact, it was expected that Mexico would eventually become part of the system. 161 For at least the past 20 years, it has been part of the discussions in PPP, the MP, and the Plan of the A4P162 More recently, the CDP also included the connection with Mexico as one of the projects to discourage irregular migration, and it is also included as one of the policy recommendations.¹⁶³ Nevertheless, it is worth highlighting that no country identified connecting Mexico to SIEPAC as a priority among the 114 projects, although El Salvador and Honduras did include initiatives related to energy costs.

It has been argued that the main reason this project has not come to fruition is lack of political will.¹⁶⁴ On the one hand, the electrical interconnection between Guatemala and Mexico started operating in 2010, 165 but the regional regulation entity argues there needs to be a limit to the electricity sent from (ador and Hondui58.036 Tm[(t)-1 (he 66 Tm[(16)-u

there is experience in cooperation, and current ongoing efforts. The areas were also chosen based on conversations between the Mexico Institute and COMEXI about where cooperation can add the most value, as well as which efforts align with the CDP. ECLAC developed the CDP with inputs from national governments to reflect their preferences and priorities, so the recommendations in this policy paper will resonate with the governments of northern Central America. Yet, previous efforts by the United States and Mexico have shown that priorities can shift between administrations, leading to initiatives with a different focus. Deepening the cooperation between the United States and Mexico also provides an opportunity to ensure that both governments remain united in their quest to achieve sustainable development in the region with subsequent efforts, complementing each other's mechanisms and goals.



	2012	2022
Global Average	43	43
United States	73	69
Mexico	34	31
El Salvador	38	33
Guatemala	33	24
Honduras	28	23

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Expected Years of Schooling ¹⁸¹	12.67	10.56	10.13
Health Expenditure (% of GDP) ¹⁸²	9.85	6.47	9.04
Child malnutrition, stunting (moderate or severe) (% under 5) ¹⁸³	11.2	42.8	19.9

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	ES 184	G 185	H, 186	
Export Value (USD)	6.86 billion	14.2 billion	9.22 billion	
Top Export Destinations	United States (38.9%), Guatemala (16.9%), Honduras (15.8%)	United States (31.5%), El Salvador (12.2%), Honduras (9.68%)	United States (50%), El Salvador (7.27%), Guatemala (6.24%)	
Top Exports	Knitted clothing accessories, plastics, electrical machinery and electronics	Coffee, tea and spices, knitted clothing accessories, edible fruits and nuts	Knitted clothing accessories, coffee, tea, and spices, electrical machinery and electronics	
Import Value (USD)	14.3 billion	25.2 billion	15.1 billion	
Top Import Origins	United States (27.8%), China (16.4%), Guatemala (12.1%)	United States (32.5%), China (16.8%), Mexico (9.32%)	United States (38.5%) China (13.2%), Guatemala (9.1%)	
Top Imports	Mineral fuels and oils, machinery and mechanical appliances, electrical machinery and electronics	Mineral fuels and oils, machinery and mechanical appliances, electrical machinery and electronics	Mineral fuels and oils, electrical machinery and electronics, machinery and mechanical appliances	

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- For some time, these three countries have been referred to as the "Northern Triangle of Central America," however, the term has become politically contentious. For this reason, this policy paper does not use the term. Instead, this paper names the three countries individually or refers to them as "northern Central America" or "the subregion."
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Av. Insurgentes Sur 1647, piso 1 interior A. San José Insurgentes, Benito Juárez. 03900. Ciudad de México.