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United States Government Accountability Office  
Washington, DC 20548

December 3, 2009

The Honorable Eliot L. Engel  
Chairman  
The Honorable Connie Mack  
Ranking Member  
Subcommittee on the Western Hemisphere  
Committee on Foreign Affairs  
House of Representatives

Subject: *Status of Funds for the Mérida Initiative*

Violence along the U.S.-Mexico border has escalated in recent years because of drug trafficking and related organized crime activities, with over 12,000 fatalities since 2006. At the same time, gang activity in Central America has increased, further fueling the violence within the region. In an effort to confront the challenges posed by criminal violence, in October 2007, the United States and Mexico announced the Mérida Initiative, a \$1.4 billion counternarcotics and anticrime assistance package for countries in the region.

The Mérida Initiative brings a shift in both scale and scope to U.S. assistance to the region, particularly Mexico. For example, under Mérida, the average annual counternarcotics and related law enforcement assistance to Mexico increased from about \$57 million from 2000 through 2006 to \$400 million for fiscal year 2008. Similarly, collaboration between the United States and Mexico has intensified, providing an unprecedented opportunity to address the mutual threat of drug trafficking and organized crime affecting the region.

In response to your concerns regarding the pace of assistance, we are providing information on the status of funding provided under the Mérida Initiative as of September 30, 2009. Specifically, we describe how much has been appropriated, obligated, and expended. We also identify factors affecting the delivery of major equipment, services, and training; and we provide a timeline of key events related to the initiative. On the basis of your request, we are also conducting a more comprehensive programmatic review of the Mérida Initiative to be completed in the summer of 2010.<sup>1</sup>

To determine the status of the Mérida Initiative assistance funds, we reviewed the Department of State's (State) spending plans for Mérida; State budget documents; bilateral agreements between the United States and Mexico, the United States and each of the Central American countries,<sup>2</sup> as well as with Haiti and with the Dominican Republic; and interagency agreements between State and other U.S. agencies implementing Mérida-related programs. We also interviewed officials at State and the U.S. Agency for International Development (USAID). We conducted our work from September 21, 2009, to December 3, 2009, in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. For a more complete description of our scope and methodology, see enclosure I.

## **Summary**

State funds Mérida Initiative activities primarily from three appropriations accounts.<sup>3</sup> As of September 30, 2009, State had planned to provide nearly \$1.3 billion in appropriated funds to the initiative.<sup>4</sup> According to information provided by State, about two-thirds, or approximately \$830 million, had been obligated by the end of

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<sup>1</sup>In addition, GAO is currently conducting a review of U.S. efforts to combat gangs with connections to Central America and plans to issue its report early next year.

<sup>2</sup>The Central American countries include Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

<sup>3</sup>These accounts are the International Narcotics Control and Law Enforcement (INCLE) account, the Economic Support Fund (ESF), and the Foreign Military Financing (FMF) account.

<sup>4</sup>According to State's spending plans for the Mérida Initiative, State intends to provide all of these funds toward Mérida programs, even though, as of September 30, 2009, State had not yet allotted all of the Fiscal Year 2009 Omnibus and Fiscal Year 2009 Supplemental appropriations toward Mérida programs.

September, and about 2 percent, or \$26 million, had been expended. We identified several factors that have affected the timing of the Mérida funding process and the delivery of assistance to Mexico and Central America: (1) statutory conditions on the funds, (2) challenges in fulfilling administrative procedures, and (3) the need to enhance institutional capacity on the part of both recipient countries and the United States to implement the assistance. Some equipment and technical assistance have been provided, but State could not provide us with a schedule of future assistance deliveries.

## **Background**

Since the 1970s, the United States has collaborated with Mexican authorities and provided assistance to Mexico for counternarcotics programs and activities. Similarly, U.S. military and law enforcement agencies have provided assistance to Central American countries to combat drug trafficking through the region. The goal over the years has been to disrupt the operations of drug traffickers, making it more difficult for traffickers to produce and transport illicit drugs to the United States.

In 2007, we reported that U.S. assistance had helped Mexican counternarcotics efforts, such as strengthening Mexico's capacity to combat illicit drug production and trafficking; however, we also noted that significant quantities of illicit drugs continued to flow into the United States across the Southwest border.<sup>5</sup> According to a recent Congressional Research Service (CRS) report, Mexico continues to be a major producer and supplier to the U.S. market of heroin, methamphetamine, and marijuana and the major transit country for cocaine sold in the United States.<sup>6</sup> A small number of Mexican drug trafficking organizations (DTO), often referred to as drug cartels, control the most significant drug distribution operations along the Southwest border. Mexican DTOs are increasingly expanding their operations into Central America, a region with less capacity than Mexico to combat these activities.

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<sup>5</sup>GAO, *Drug Control: U.S. Assistance Has Helped Mexican Counternarcotics Efforts, but Tons of Illicit Drugs Continue to Flow into the United States*, GAO-07-1018 (Washington, D.C.: Aug. 17, 2007).

<sup>6</sup>CRS, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, R40135 (Washington, D.C., Aug. 21, 2009).

Since assuming power in December 2006, Mexican President Felipe Calderón has made the war on drugs a centerpiece of his administration, mobilizing the Mexican military and law enforcement in a series of large-scale counternarcotics operations throughout the country. These efforts have targeted areas, particularly along the U.S.-Mexican border, where DTOs have exerted most influence. The Mexican government's efforts to disrupt drug trafficking operations have generated increased violence against law enforcement and other security forces, and appears to have intensified conflicts among DTOs over access to lucrative trafficking routes to the United States. The result has been a record-breaking escalation of drug-related assassinations, kidnappings, and other violent crimes over the past 3 years.

Recognizing the threat posed by mounting criminal violence, at the Mérida Summit held in March 2007, Presidents George W. Bush and Felipe Calderón agreed on the need to expand bilateral and regional cooperation to combat crime in the region. The result was the development of the Mérida Initiative, a multiyear security assistance package for Mexico and Central America. Under the initiative, Mexico was set to receive \$1.4 billion, but a specific dollar target was not set for Central America. Subsequently, Congress added funding for Haiti and the Dominican Republic to address concerns about increased drug trafficking in the Caribbean (see fig. 1). According to State, as part of the Mérida Initiative discussions, the United States agreed to do its part to reduce domestic demand for drugs and to interdict illicit arms trafficking and repatriation of drug proceeds. The initiative also complements broader efforts by the governments of Mexico and Central America, to engage on every front in the battle against organized crime.

**Figure 1: Countries Receiving Mérida Initiative Funding**



Sources: State Department data; Map Resources (Map).

### Characteristics of the Mérida Initiative

The four primary goals of the Mérida Initiative are to (1) break the power and impunity of criminal organizations; (2) strengthen border, air, and maritime controls; (3) improve the capacity of justice systems in the region; and (4) curtail gang activity and diminish the demand for drugs in the region.

Funding provided under the Mérida Initiative is planned to support

- nonintrusive inspection equipment, ion scanners and canine units for Mexico and Central America to interdict trafficked drugs, arms, cash, and persons;
- technologies to improve and secure communications systems that collect criminal information in Mexico;
- technical advice and training to strengthen the institutions of justice in Mexico, including vetting for the new national police force, case management software to track investigations through the criminal system, new offices of citizen complaints and professional responsibility, and witness protection programs;
- aircraft to support surveillance and interdiction activities, and rapid response of security forces for counternarcotics missions in Mexico;

- equipment, training, and community action programs in Central American countries to implement antigang measures and expand the reach of these measures; and
- equipment, training, and logistical support to Central American countries to increase maritime domain awareness and interdiction capacity.

**Approximately Two-Thirds of Appropriated Funds Have Been Obligated, but Little Has Been Delivered**

As of September 30, 2009, State had planned to provide \$1.295 billion in appropriated funds to the Mérida Initiative.<sup>7</sup> According to data provided by State, nearly two-thirds, or \$830.42 million, had been obligated and about 2 percent, or \$26.27 million, had been expended (see table 1). Enclosure II provides the status of funds by appropriations account. Various factors have affected the timing of the Mérida funding process, including statutory conditions on the funds, challenges meeting administrative processes, and the need to build institutional capacity. These factors have also affected the delivery of goods and services, and State officials told us most programs and equipment obligated under Mérida had not been delivered as of the end of September.

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<sup>7</sup>According to State's spending plans for the Mérida Initiative, State intends to provide all of these funds toward Mérida programs, even though, as of September 30, 2009, State had not yet allotted all of the Fiscal Year 2009 Omnibus and Fiscal Year 2009 Supplemental appropriations toward Mérida programs.

**Table 1: Mérida Funding Status as of September 30, 2009**

(Dollars in millions)			
	<b>Appropriated<sup>a</sup></b>	<b>Obligated balance<sup>b</sup></b>	<b>Expended balance</b>
<b>Mexico</b>			
FY08 Supplemental <sup>c</sup>	\$400.0	\$375.1	\$24.2
FY09 Omnibus	300.0	41.0	0
FY09 Supplemental	420.0	336.5	0
<b>Mexico total</b>	<b>\$1,120.0</b>	<b>\$752.6</b>	<b>\$24.2</b>
<b>Central America</b>			
FY08 Supplemental <sup>c</sup>	\$60.0	\$57.92	\$2.07
FY09 Omnibus	105.0	14.9	0
FY09 Supplemental	-	-	-
<b>Central America total</b>	<b>\$165.0</b>	<b>\$72.82</b>	<b>\$2.07</b>
<b>Caribbean<sup>d</sup></b>			
FY08 Supplemental <sup>c</sup>	\$5.0	\$5.0	\$0
FY09 Omnibus	5.0	0	0
<b>Caribbean total</b>	<b>\$10.0</b>	<b>\$5.0</b>	<b>\$0</b>
<b>Mérida total</b>	<b>\$1,295.0</b>	<b>\$830.42</b>	<b>\$26.27</b>

Source: GAO analysis of State Department data.

Note: Appropriated funds give budget authority to incur obligations and to make payments from the Treasury for specified purposes. Obligations are commitments that create a legal liability of the U.S. government for the payment of goods and services ordered or received. Expenditures are funds that have been spent.

<sup>a</sup>Includes amounts appropriated “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” in these countries, amounts congressionally directed for programs in these countries, and amounts allocated by State to fund Mérida activities. For the purposes of this report, we consider “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” to be Mérida activities.

<sup>b</sup>Although the Bureau for International Narcotics and Law Enforcement Affairs (INL) reports both its bulk obligations and sub-obligations to the Office of Management and Budget, its bulk obligations, as the first record of a legal liability to pay for goods and services, are what we are reporting as its obligations. Obligated balance refers to unliquidated obligations.

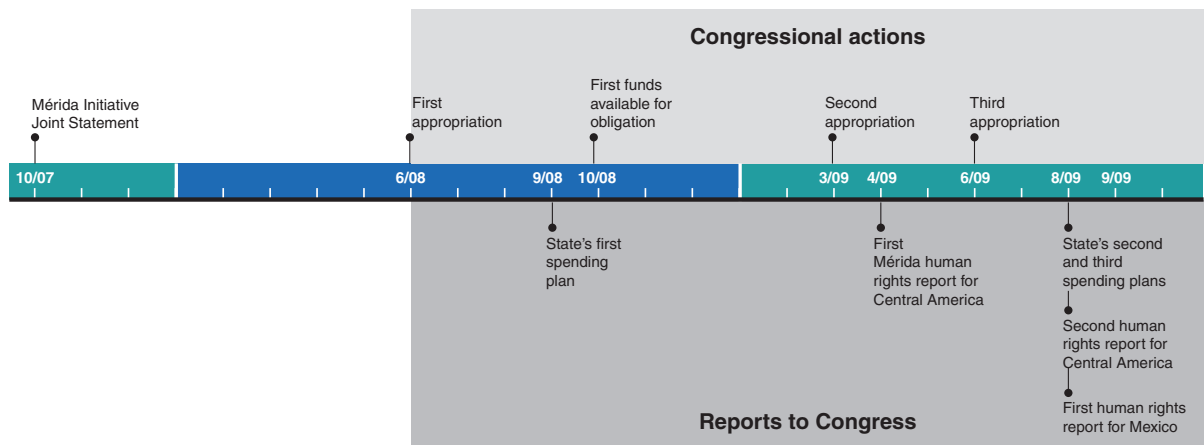
<sup>c</sup>In the Fiscal Year 2008 Supplemental Appropriations Act (Pub. L. No. 110-252), Congress appropriated \$352 million into various accounts “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” in Mexico during the first year of the Mérida Initiative, in addition to \$48 million for the same purposes during the second year of the Mérida Initiative, which is referred to as the Fiscal Year 2009 Supplemental Bridge.

<sup>d</sup>The Caribbean participants in the Mérida Initiative are Haiti and the Dominican Republic.

## Funding Process

The United States and Mexico issued a Joint Statement announcing the Mérida Initiative on October 22, 2007, and State first provided funding for the initiative from appropriations made available in the Supplemental Appropriations Act of 2008, signed on June 30, 2008<sup>8</sup> (see fig. 2). This act appropriated \$400 million for Mexico and \$65 million for Central America, Haiti, and the Dominican Republic for Mérida activities. Subsequently, the 2009 Omnibus Appropriations Act,<sup>9</sup> signed on March 11, 2009, appropriated for Mérida activities \$300 million for Mexico and \$105 million for Central America.<sup>10</sup> Further, on June 24, 2009, the Supplemental Appropriations Act of 2009 appropriated \$420 million for Mérida activities in Mexico.<sup>11</sup>

**Figure 2: Overall Timeline of the Mérida Initiative**



Source: GAO analysis of Department of State data.

<sup>8</sup>Pub. L. No. 110-252, 122 Stat. 2323.

<sup>9</sup>Omnibus Appropriations, 2009, Pub. L. No. 111-8, § 7045, 123 Stat. 524, 886-887.

<sup>10</sup>Haiti and the Dominican Republic were also each allocated \$2.5 million, as directed by the accompanying Explanatory Statement.

<sup>11</sup>Supplemental Appropriations Act, 2009, Pub. L. No. 111-32, Title XI, 123 Stat. 1859, 1893.



Funding for Mérida Initiative programs is derived from three appropriations—the International Narcotics Control and Law Enforcement (INCLE) account, the Economic Support Fund (ESF), and the Foreign Military Financing (FMF) account.<sup>12</sup> State administers these appropriations accounts and allocates these appropriations to different bureaus within State to administer. The Bureau for International Narcotics and Law Enforcement Affairs (INL) administers INCLE. The Bureau for Western Hemisphere Affairs administers ESF, although USAID manages the actual implementation of the account. Similarly, the Bureau for Political-Military Affairs administers the FMF account, although the Department of Defense (DOD) manages the actual implementation.<sup>13</sup> State shares accountability with USAID and DOD for the administration of ESF and FMF funds, respectively. Enclosure III provides a summary of the planned procurement activity from each account for Mexico, Central America, Haiti, and the Dominican Republic under the Mérida Initiative.

### *Tracking Mérida Funds Is Difficult*

Mérida assistance, including obligations and expenditures, is difficult to track because each of the three State bureaus has a different method for tracking Mérida funds. Each uses different budgeting terms as well as separate spreadsheets for the Mérida funds it administers, and State currently has no consolidated database for these funds. For example, each of the three accounts with funds for Mérida uses a different mechanism to reach obligation, and the three bureaus do not all refer to this stage of incurring legal liability to pay for services with the term “obligation.” INL officials, for instance, told us they consider legal liability incurred at two separate stages in their funding process. In the first of these stages, INL designates funds as “bulk obligated” once a Letter of Agreement, detailing planned activity and funding figures, has been signed with the recipient government. INL officials also told us that

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<sup>12</sup>State also allocated \$6.2 million from the Fiscal Year 2008 Supplemental Appropriations Act Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR) account to fund activities for Mérida activities in Central American countries. We reflect this amount in table 1, but given the relatively small size of the appropriations and the fact that they did not receive any subsequent NADR appropriations for the Mérida Initiative, we are not including NADR in our description of the general funding process for Mérida.

<sup>13</sup>While State develops and supervises the programs that provide security assistance to foreign governments, once Congress authorizes the programs and funds, DOD implements the programs through the Defense Security Cooperation Agency. This includes procuring and transferring military equipment and training.

legal liability to pay is incurred when individual task orders or agreements between State and other U.S. agencies providing equipment or services are signed after the Letter of Agreement is in place, a stage INL designates as “sub-obligation.”<sup>14</sup> In contrast, FMF funds, by law, are considered obligated once they are apportioned to DOD.<sup>15</sup> It is after obligation, then, that DOD and the recipient country sign a Letter of Offer and Acceptance.

This lack of standardized budgeting terms and different obligation mechanisms makes comparing data across accounts difficult. In trying to compile these data, State could not provide us with a comprehensive document that contained an accurate status of Mérida funds across all accounts. Rather, we received separate spreadsheets and reconciled each to determine the status of Mérida funds overall. We are continuing to pursue this issue in our ongoing review, and we will report on it later.

### Factors Affecting the Timing of the Funding Process

State officials acknowledged that certain factors have affected the availability and delivery of funds under the Mérida Initiative, including statutory conditions, challenges meeting administrative procedures, and lack of institutional capacity.

#### *Statutory Conditions*

Congress requires State to submit reports before some of the funds used to finance Mérida activities in specific countries can become available for obligation.

Specifically, some of the funds are not available for obligation until State meets a statutory requirement to submit a report detailing Mexican and Central American

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<sup>14</sup>Although INL reports both its bulk obligations and sub-obligations to the Office of Management and Budget, its bulk obligations, as the first record of a legal liability to pay for goods and services, are what we are reporting as its obligations.

<sup>15</sup>See, e.g., Pub. L. No. 111-8, 123 Stat. 856. Funds are apportioned by the Office of Management and Budget when it distributes the amounts available for obligation to the fund account. In this case, FMF funds are apportioned directly to DOD.

government progress in several human rights areas.<sup>16</sup> For example, in the Supplemental Appropriations Act for fiscal year 2008, 15 percent of the funds made available to Mexico under the INCLE and FMF accounts are not available for obligation until State reports on various issues, including whether the government of Mexico is ensuring that members of the federal police and military forces who have been credibly alleged to have committed violations of human rights are appropriately investigated and prosecuted. These human rights reports are sometimes referred to as the 15 percent reports, as 15 percent of certain INCLE and FMF funds may not be obligated until State submits the reports.<sup>17</sup>

Under other conditions, State may have to comply with notification requirements regarding planned uses of appropriations as established by law. For example, under 22 U.S.C. § 2413(a), State is required to notify Congress regarding the type of assistance and level of funding to be provided to individual countries and international organizations. This is commonly known as the 653(a) consultation process.<sup>18</sup> Similarly, in the Supplemental Appropriations Act for fiscal year 2008, Congress required State to submit a spending plan for funds appropriated or otherwise made available for Mexico within 45 days of enactment of the appropriations act.<sup>19</sup> To comply with this particular requirement, State must submit a detailed spending plan that shall include a strategy with concrete goals, actions to be taken, budget proposals, and anticipated results.

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<sup>16</sup>See, e.g., Pub. L. No. 110-252, §§ 1406-07.

<sup>17</sup>In the Fiscal Year 2009 Omnibus Appropriations Act, ESF funds for Mexico are also subject to the human rights conditionality. In the Fiscal Year 2009 Supplemental Appropriations Act, none of the funds are statutorily subject to the human rights conditionality.

<sup>18</sup>This process is named after Section 653(a) of the Foreign Assistance Act of 1961, now codified at 22 U.S.C. §2413(a). This section states that no later than 30 days after the enactment of a law appropriating funds to carry out a provision of this act (other than section 451 or 637 of the Arms Export Control Act), the President shall notify Congress of each foreign country and international organization to which the U.S. government intends to provide any portion of the funds under such law and the amount of funds under that law, by category of assistance, that the U.S. government intends to provide to each.

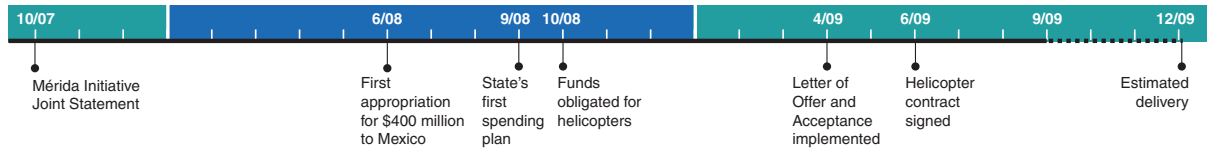
<sup>19</sup>Pub. L. No. 110-252, § 1406.

### *Administrative Procedures*

Administrative requirements have also affected the pace of delivery of Mérida funding. Administrative procedures such as negotiating agreements with beneficiary governments, reaching understanding with other U.S. agencies on implementation logistics, and putting contracts for equipment out to bid can require considerable time. For example, a State official told us it typically takes between 3 to 6 months to negotiate and sign a contract for the provision of aircraft. Furthermore, once a contract has been signed, the aircraft are then built to the beneficiary country's specification. According to this State official, helicopters typically take 12 to 18 months to be built, and airplanes require 18 to 24 months.

U.S. officials have taken some steps to try to expedite some administrative procedures for the Mérida Initiative. For example, Administration officials have taken measures to expedite the procurement of five Bell helicopters for Mexico to be purchased with Fiscal Year 2008 Supplemental funds appropriated to the FMF account. According to State, high-level State officials interceded with DOD to expedite the process. As a result, the contract negotiation took approximately 3 weeks. Furthermore, while some manufacturers do not build aircraft until a contract is in place, State told us Bell tends to build helicopters prior to contracts and has stock available. DOD was able, therefore, to have Bell modify premade stock, cutting down the typical construction time. The Letter of Offer and Acceptance for the five Bell helicopters was implemented April 22, 2009; the contract was signed on June 1, 2009; and State officials estimate the helicopters will be delivered by the end of December, 2009 (see fig. 3). Thus, instead of a possible 2-year wait from the beginning of contract negotiations to the delivery of the helicopters, State officials anticipate delivery of the five Bell helicopters will take approximately 8 months. However, while the Bell helicopters are an expedited case, the time lapse between funds being appropriated and a deliverable on the ground will still be about 18 months.

**Figure 3: Mexico Case Study Timeline for Bell Helicopters**



Source: GAO analysis of Department of State data.

Furthermore, State officials told us that in recognition of the lengthy procurement and other administrative processes for aircraft, Congress appropriated more than what was requested by the Administration for the Fiscal Year 2009 Supplemental Appropriations Act so that State would have the funds available to start those processes sooner. The Obama administration requested \$66 million in INCLE assistance for Mexico under Mérida, yet Congress appropriated \$420 million for Mexico. Of this, \$160 million is INCLE funding, which State plans to use in part to fund Black Hawk helicopters, and \$260 million is FMF funding for expedited aviation assistance to the Mexican Navy.

*Institutional Capacity*

In preliminary discussions with U.S. officials, they pointed to the initial lack of institutional capacity on the part of both recipient countries and the United States as another factor affecting the availability and delivery of funds under Mérida. For example, State officials noted that capacity limitations in Central America have played a role in the ability to provide funding. Some of these countries have weak institutions that may not effectively be able to implement the assistance. Given the political situations in Honduras and Nicaragua, for example, some funding has been reprogrammed to other countries for non-Mérida programs. With regard to Mexico, State officials said that they have worked with the Mexican government to develop a more solid foundation for U.S. assistance to be implemented within the country, given the significant increase in the size and scope of assistance and the unprecedented bilateral nature of program implementation. According to State, U.S. assistance, as implemented in Mexico, represents strategic value-added to existing Mexican efforts. Further, State maintains that the need to coordinate U.S. inputs with

Mexican programs is being met with the development of implementation working groups. This process is intended to improve bilateral and interagency coordination. In addition, according to U.S. officials, when the Mérida Initiative was launched, there were not sufficient personnel to effectively manage the seven-fold increase in U.S. law enforcement related assistance to Mexico on both the U.S. and Mexican sides. For example, the U.S. Embassy in Mexico added personnel to handle the day-to-day administrative activities of implementing the initiative, and Mexican counterpart agencies were required to do the same. Similarly, The Department of Homeland Security placed a Customs and Border Protection staff member in Mexico in advance of receiving funds under Mérida so its programs could be implemented more quickly when the funds are available. However, U.S. officials note that additional time required to improve institutional capacity was critical for developing a sound framework to provide assistance in the future, and work through changes in both the scale and scope of U.S. assistance envisioned under Mérida. We plan to pursue these issues in our ongoing review.

#### Deliverables Have Been Affected by the Time Frames of the Funding Process

Because of the factors affecting the funding process described above, few programs have been delivered and limited funding has been expended to date. State officials told us that as of the end of September 2009, most of the equipment and programs that have been obligated under Mérida have not been delivered. While major pieces of equipment, such as helicopters, have not reached recipient countries, some progress has been made (see encl. IV for the status of selected Mérida Initiative deliverables). Approximately 30 vehicles and ion scanners, used to detect the presence of drugs, have been delivered to Mexico. In addition, a broad range of training, exchange, and technical assistance programs have been completed or initiated with the aim of strengthening the capacity of law enforcement and justice sector institutions. Further, five Bell helicopters are expected to be delivered to Mexico by the end of December 2009, and a purchase order for a set of Black Hawk helicopters, which typically take 12-18 months to build, was signed in September

2009.<sup>20</sup> Almost all assistance so far has gone to Mexico. While some equipment and training have been delivered to Central America, most has not yet been delivered.

Beyond the few estimations for some helicopters and other equipment listed in enclosure IV, State officials could not tell us when they planned to deliver the majority of Mérida goods and services. Although State has submitted spending plans as required by each of the three Appropriations Acts that provide funding for Mérida, none of the plans contain estimated delivery time frames. We cannot, therefore, at this point and time determine when most Mérida goods and services will be delivered. State officials did tell us, however, that Mérida funding requests to date have been focused more on equipment, since the procurement process for equipment can be lengthy. Going forward, they said they anticipate funding requests would focus more on institution building, particularly law enforcement training.

### **Agency Comments**

We provided the Department of State with a draft of this report for its review and comment. The agency provided written comments, which are reproduced in enclosure V. State also provided additional information on deliverables to Central America as well as other technical comments that we incorporated as appropriate.

In commenting on our report, State emphasized that while Mérida expenditures may be below expectations, they have spent considerable time laying the groundwork with their Mexican and Central American partners to ensure effective coordination and future disbursement of assistance. State also commented that using expenditures as a performance measure for U.S.-funded programs in general does not take into account the nuances and delays in the procurement and billing cycles, and therefore does not fully capture program activity. We agree that laying the groundwork for coordination and effective disbursement of assistance is important, and we plan to look at the effectiveness of these efforts in our ongoing programmatic review of the Mérida Initiative. We also plan to look at State's performance measures

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<sup>20</sup>The purchase order is for three Black Hawk helicopters with INCLE funds.

for the initiative and their implementation in that review. Our purpose in this report, however, was to report on the status of Mérida Initiative funding as of September 30, 2009. We did not evaluate any performance measures; rather, we reported what State had expended and what had been delivered as of the end of September.

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As agreed with your office, we are sending copies of this report to the Secretary of State and interested congressional committees. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4268 or [fordj@gao.gov](mailto:fordj@gao.gov). Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in enclosure VI.

A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive style with a large, looping initial "J" and "F".

Jess T. Ford  
Director  
International Affairs and Trade



## Enclosure I: Scope and Methodology

To describe the status of the Mérida Initiative funding, we reviewed the three laws that appropriated funds that the Department of State (State) allocated to the initiative, primarily from three accounts—the International Narcotics Control and Law Enforcement (INCLE) account, the Economic Support Fund (ESF), and the Foreign Military Financing (FMF) account.<sup>1</sup> We collected data from each bureau at State that administers those accounts—International Narcotics and Law Enforcement, Western Hemisphere Affairs, and Political-Military Affairs. We also collected data from the U.S. Agency for International Development (USAID), which actually implements ESF. Each bureau administers the accounts separately using its own spreadsheets and budgeting terms. Although this made it difficult, we took several steps to attempt to gather complete, accurate, and comparable data on the status of funds. First, we interviewed officials in each bureau on their budgeting processes and terms to determine the best method for collecting comparable data across each account. Second, we carefully reviewed the data, including detailed line item information by project, and consulted with State officials on the accuracy and completeness of the information. When we found discrepancies, such as data entry errors, we brought them to State’s attention and worked with State officials to correct the discrepancies. Finally, where possible, we checked the data against other information such as budget spreadsheets arranged either by project or by country, project plans detailing estimated expenses, and implementation agreements between State and other U.S. agencies. Furthermore, to describe the funding process and factors affecting the timing of the process as well as of delivery of goods and services under the initiative, we interviewed State and USAID officials, analyzed data provided to us, and reviewed several documents.

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<sup>1</sup>State also allocated \$6.2 million from the Fiscal Year 2008 Supplemental Appropriations Act Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR) account to fund activities for Mérida activities in Central American countries. We reflect this amount in table 1, but given the relatively small size of the appropriations and the fact that they did not receive any subsequent NADR appropriations for the Mérida Initiative, we are not including NADR in our description of the general funding process for Mérida.

As mentioned above, trying to compare data across accounts from separate spreadsheets was difficult. The various steps we took, however, led us to determine the data were sufficiently reliable for our purpose.

We conducted our work from September 21, 2009, to December 3, 2009, in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

## Enclosure II: Funding Tables by Country and Account

**Table 2: Mérida Funding Status for Mexico, by Account, as of September 30, 2009**

(Dollars in millions)			
	Appropriated <sup>a</sup>	Obligated balance <sup>b</sup>	Expended balance
Mexico			
International Narcotics Control and Law Enforcement (INCLE)			
FY08 Supplemental <sup>c</sup>	\$263.5	\$252.6	\$10.2
FY09 Omnibus	246.0	0	0
FY09 Supplemental	160.0	76.5	0
<b>Total INCLE</b>	<b>\$669.5</b>	<b>\$329.1</b>	<b>\$10.2</b>
Economic Support Fund (ESF)			
FY08 Supplemental <sup>c</sup>	\$20.0	\$19.3	\$0.7
FY09 Omnibus	15.0	2.0	0
FY09 Supplemental	0	0	0
<b>Total ESF</b>	<b>\$35.0</b>	<b>\$21.3</b>	<b>\$0.7</b>
Foreign Military Financing (FMF)			
FY08 Supplemental <sup>c</sup>	\$116.5	\$103.2	\$13.3
FY09 Omnibus	39.0	39.0	0
FY09 Supplemental	260.0	260.0	0
<b>Total FMF</b>	<b>\$415.5</b>	<b>\$402.2</b>	<b>\$13.3</b>
<b>Mexico total</b>	<b>\$1,120.0</b>	<b>\$752.6</b>	<b>\$24.2</b>

Source: GAO analysis of State Department data.

Note: Appropriated funds give budget authority to incur obligations and to make payments from the Treasury for specified purposes. Obligations are commitments that create a legal liability of the U.S. government for the payment of goods and services ordered or received. Expenditures are funds that have been spent.

<sup>a</sup>Includes amounts appropriated “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” in these countries, amounts congressionally directed for programs in these countries, and amounts allocated by State to fund Mérida activities. For the purposes of this report, we consider “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” to be Mérida activities.

<sup>b</sup>Although the Bureau for International Narcotics and Law Enforcement Affairs reports both its bulk obligations and sub-obligations to the Office of Management and Budget, its bulk obligations, as the first record of a legal liability to pay for goods and services, are what we are reporting as its obligations. Obligated balance refers to unliquidated obligations.

<sup>c</sup>In the Fiscal Year 2008 Supplemental Appropriations Act (Pub. L. No. 110-252), Congress appropriated \$352 million into various accounts “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” in Mexico during the first year of the Mérida Initiative in addition to \$48 million for the same purposes during the second year of the Mérida Initiative, which is referred to as the Fiscal Year 2009 Supplemental Bridge.

**Table 3: Mérida Funding Status for Central America, by Account, as of September 30, 2009**

(Dollars in millions)			
	<b>Appropriated<sup>a</sup></b>	<b>Obligated balance<sup>b</sup></b>	<b>Expended balance</b>
Central America			
International Narcotics Control and Law Enforcement (INCLE)			
FY08 Supplemental	\$24.8	\$23.2	\$1.7
FY09 Omnibus	70.0	0	0
<b>Total INCLE</b>	<b>\$94.8</b>	<b>\$23.2</b>	<b>\$1.7</b>
Economic Support Fund (ESF)			
FY08 Supplemental	\$25.0	\$24.85	\$0.05
FY09 Omnibus	18.0	0	0
<b>Total ESF</b>	<b>\$43.0</b>	<b>\$24.85</b>	<b>\$0.05</b>
Foreign Military Financing (FMF)			
FY08 Supplemental	\$4.0	\$3.98	\$0.02
FY09 Omnibus	17.0	14.9 <sup>c</sup>	0
<b>Total FMF</b>	<b>\$21.0</b>	<b>\$18.88</b>	<b>\$0.02</b>
Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR)			
FY08 Supplemental	\$6.2	\$5.89	\$0.3
FY09 Omnibus	0	0	0
<b>Total NADR</b>	<b>\$6.2</b>	<b>\$5.89</b>	<b>\$0.3</b>
<b>Central America total</b>	<b>\$165.0</b>	<b>\$72.82</b>	<b>\$2.07</b>

Source: GAO analysis of State Department data.

Note: Appropriated funds give budget authority to incur obligations and to make payments from the Treasury for specified purposes. Obligations are commitments that create a legal liability of the U.S. government for the payment of goods and services ordered or received. Expenditures are funds that have been spent.

<sup>a</sup>Includes amounts appropriated “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” in these countries, amounts congressionally directed for programs in these countries, and amounts allocated by State to fund Mérida activities. For the purposes of this report, we consider “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” to be Mérida activities.

<sup>b</sup>Although the Bureau for International Narcotics and Law Enforcement Affairs reports both its bulk obligations and sub-obligations to the Office of Management and Budget, its bulk obligations, as the first record of a legal liability to pay for goods and services, are what we are reporting as its obligations. Obligated balance refers to unliquidated obligations.

<sup>c</sup>Given the political situations in Honduras and Nicaragua, approximately \$2.1 million of appropriate funds has been reprogrammed to other countries for non-Mérida programs.

**Table 4: Mérida Funding Status for Haiti and the Dominican Republic, by Account, as of September 30, 2009**

(Dollars in millions)			
	<b>Appropriated<sup>a</sup></b>	<b>Obligated balance<sup>b</sup></b>	<b>Expended balance</b>
Caribbean <sup>c</sup>			
International Narcotics Control and Law Enforcement (INCLE)			
FY08 Supplemental	\$5.0	\$5.0	\$0
FY09 Omnibus	5.0	0	0
<b>Caribbean total</b>	<b>\$10.0</b>	<b>\$5.0</b>	<b>\$0</b>

Source: GAO analysis of State Department data.

Note: Appropriated funds give budget authority to incur obligations and to make payments from the Treasury for specified purposes. Obligations are commitments that create a legal liability of the U.S. government for the payment of goods and services ordered or received. Expenditures are funds that have been spent.

<sup>a</sup>Includes amounts appropriated “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” in these countries, and amounts congressionally directed for programs in these countries to fund Mérida activities. For the purposes of this report, we consider “to combat drug trafficking and related violence and organized crime, and for judicial reform, institution building, anti-corruption, rule of law activities” to be Mérida activities.

<sup>b</sup>Although the Bureau for International Narcotics and Law Enforcement Affairs reports both its bulk obligations and sub-obligations to the Office of Management and Budget, its bulk obligations, as the first record of a legal liability to pay for goods and services, are what we are reporting as its obligations. Obligated balance refers to unliquidated obligations.

<sup>c</sup>The Caribbean participants in the Mérida Initiative are Haiti and the Dominican Republic.

**Enclosure III: Summary of Planned Procurement by Account**

**Table 5: Planned Procurement, Mexico**

<b>Account</b>	<b>Major area of focus</b>
International Narcotics Control and Law Enforcement (INCLE)	INCLE funds will support the development of the government of Mexico’s (GOM) institutional capacity to detect and interdict illicit drugs, explosives and weapons, trafficked/smuggled persons, and individuals seeking to enter the United States to conduct criminal activities. For example, INCLE funds will be used to acquire three Black Hawk helicopters for Mexico’s civilian Public Security Secretariat (SSP) to improve air capacity to deploy federal police agents quickly. INCLE funds will also be used to expand and modernize information system capacity. For instance, INCLE funding will be used to improve inspection and security systems for key mail facilities, provide secure communications for law enforcement agencies, and enhance data management and analysis capabilities of the Mexican intelligence service (CISEN). Furthermore, INCLE will be used to purchase mobile nonintrusive inspection equipment to improve overall law enforcement infrastructure.
Foreign Military Financing (FMF)	FMF funds will be used to improve surveillance and land and maritime interdictions. FMF funds will purchase up to four CASA 235 maritime patrol aircraft, up to five Black Hawk helicopters, and up to eight Bell Helicopters to support efforts of the Mexican Navy (SEMAR) and Mexican Army/Air Force (SEDENA) to control their national territory. Funding for the aircraft also includes transition training (training for experienced pilots to fly a new type of aircraft) for Mexican pilots, and initial spare parts and maintenance packages. FMF funds will also purchase ion scanners to help detect illicit drug and arms trafficking through remote areas of Mexico and support GOM’s effort to mount effective interdiction operations on land routes.
Economic Support Fund (ESF)	ESF funds will be used to promote rule of law and human rights by supporting Mexico’s justice sector reforms and respect for human rights. For example, to assist in implementing the justice sector reforms, ESF funding will support professional peer exchanges between Mexican and U.S. judges at the federal and state levels. Funding will also support technical assistance to help Mexican prosecutors’ offices as they implement justice sector reforms at the state and federal levels. In addition, funding will provide training and technical support to justice sector personnel (judges, prosecutors, and public defenders) and human rights nongovernmental organizations (NGO) to expand the use of alternative case resolutions such as first offender’s programs, mediation, and restorative justice. Moreover, funding will provide training to human rights NGOs and civil society on the code of criminal procedures, as well as on international, regional, and national laws protecting human rights in order to build NGO capacity to properly monitor and document human rights violations.

Source: State Department data.

**Table 6: Planned Procurement, Central America, Haiti, and the Dominican Republic**

Account	Major area of focus
International Narcotics Control and Law Enforcement (INCLE)	<p>INCLE funds will strengthen the ability of law enforcement institutions to fight crime, violence, and trafficking in drugs and arms. For instance, it will support developing law enforcement units, such as vetted units and drug information systems, to fight drug trafficking organizations. INCLE funds will also support an expansion of a prison management initiative, technical assistance to enhance prosecutorial capacity, and encourage cooperation among prosecutors, judges, and police. In addition, INCLE funds will fund a pilot program in Panama and Guatemala for mobile inspection x-ray units in vans equipped with disassembly tools and other inspectional equipment to intercept smuggled narcotics, weapons, bulk cash, and other contraband. INCLE funds will also support the Haitian and Dominican Republic national police as they transition to professional civilian law enforcement agencies as well as capabilities for interdicting illegal trafficking across their borders. In addition, these funds will support the Dominican Republic’s recent transition into a new judicial system with training and assistance in criminal investigation and procedures.</p>
Foreign Military Financing (FMF)	<p>FMF funds will strengthen the maritime interdiction capabilities of Central American countries. FMF funds will be used for new interceptor boats, refurbishing existing patrol and interdiction boats, and communication equipment, and related training and ancillary equipment, and initial maintenance packages, including spare parts. For example, for Costa Rica FMF funding will be used to purchase maritime operations and maintenance training, radios, and other communications equipment that will facilitate better communication among Costa Rican Coast Guard entities, but would also facilitate combined operations with U.S. and regional forces.</p>
Economic Support Fund (ESF)	<p>ESF funds will be used to promote economic and social development and good governance in targeted low-income areas, including rural communities vulnerable to drug trafficking, gang violence, and organized crime. ESF funds in Central America will contribute to breaking the power and impunity of criminal organizations, strengthening border controls, improving the capacity of justice systems and curtailing gang activity, and reducing the demand for drugs.</p>
Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR)	<p>NADR funds will be used to deter and detect drug smuggling, bulk currency smuggling, and other transborder criminal activity. For example, NADR funds will train and equip personnel and border crossing in all seven Central American countries as part of the Mérida Initiative and provide two mobile inspection points per country. In addition, to counter arms trafficking in the region, funds will support the implementation of the Spanish-language version of eTrace software that will enable law enforcement officials to trace suspects to firearms and identify patterns in international arms trafficking.</p>

Source: State Department data.

**Enclosure IV: Status of Selected Mérida Initiative Deliverables, by Strategic Objective, as of September 2009**

<b>Mérida strategic objective</b>	<b>Deliverable status</b>
Break the power and impunity of criminal organizations	<b>Equipment</b>
	26 armored vehicles, delivered May 2009 30 ion scanners, delivered September 2009 5 x-ray vans, delivered August 2009 5 Bell helicopters, estimated delivery December 2009
	<b>Training</b>
	6 canine trainers trained October 2009
Assist the governments of Mexico and Central America in strengthening border, air, and maritime controls	<b>Equipment</b>
	Document verification software, delivered September 2009 Rescue communication equipment, estimated delivery October 2009
	<b>Training</b>
	Workshop to Combat Illicit Trafficking in Arms, conducted July 2009 <sup>a</sup>
Improve the capacity of justice systems in the region	<b>Equipment</b>
	Forensic lab equipment delivered 14 drug test kits delivered <sup>a</sup> Range of police equipment procured, estimated delivery between now and February 2010 <sup>a</sup>
	<b>Training</b>
	Various types of training provided to law enforcement and correctional officials Example: 1,300 Mexican Secretariat of Public Security (SSP) investigators trained
	<b>Judicial reform</b>
	Various types of judicial exchanges, training, and technical assistance conducted Example: technical assistance provided to the Mexican Office of the Attorney General in the design and implementation of a modern and efficient case management and court administration system
	<b>Human rights</b>
	United Nation's human rights project, inaugurated July 2009
Curtail gang activity in Mexico and Central America and diminish the demand for drugs in the region	<b>Drug demand reduction</b>
	Various types of training and agreements finalized Example: pledge of funds to certify drug counselors and strengthen the national accreditation board of Mexico. 3 Vice-Ministerial conferences <sup>a</sup> Installation of Automated Fingerprint Identification System in El Salvador <sup>a</sup>
	<b>Exchange</b>
	52 students selected for U.S. study, Summer 2009 <sup>a</sup>

Source: GAO analysis of State Department data.

Note: Unless otherwise noted, Mexico is the recipient of all deliverables.

<sup>a</sup>Applies to Central America.



**Enclosure V: Comments from the Department of State**



United States Department of State  
Global Financial Services  
P.O. Box 150008  
Charleston, SC 29415-5008  
PH: 843.308.5576

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

NOV 24 2009

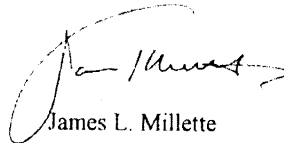
Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "Status of Funds for the Merida Initiative," GAO Job Code 320715.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Pat Yorkman, Procurement Specialist, International Narcotics and Law Enforcement Affairs at (202) 776-8806.

Sincerely,



James L. Millette

cc: GAO -- Jess Ford  
INL -- David T. Johnson  
State/OIG -- Mark Duda

**Department of State Response to GAO Draft Report**

**Status of Funds for the Merida Initiative**  
**(GAO-10-253R, GAO Code 320715)**

Thank you for the opportunity to comment on your draft correspondence entitled "Status of Funds for the Merida Initiative." While the level of "expended funds" for Mexico, Central America and Haiti and the Dominican Republic are below our initial expectations, there are the significant levels of activity that have occurred in laying the groundwork for the effective coordination and disbursement of assistance under the Merida Initiative. In order to ensure that U.S. Government (USG) assistance accurately addresses the threats of the region, we have invested significant time with our Mexican and Central American partners in jointly identifying and scoping out the threats that challenge citizen safety in the region. This bilateral and regional harmonization of strategic objectives will enable us to implement programs, acquire equipment, and focus limited USG resources in areas where there is a high probability for success and high potential for host nation sustainability of our joint initiatives.

The use of "expended funds" as a measure of performance for USG-funded programs does not capture all program activity because of procurement cycle, billing and reporting systems of the Departments of State (State) and Defense (DoD). Officially, funds are considered expended when payment has been made from the U.S. Treasury. This action can be delayed significantly beyond the actual delivery of goods and services due to a variety of factors, including incomplete documentation, slow vendor invoicing, or other issues.

For example, in Mexico, five Bell Helicopter BH-412 helicopters (at a total cost of \$66 million) were ordered for the Government of Mexico in June 2009 and are scheduled for delivery in December 2009. Funds are being expended as the vendor submits progress payments or DoD incurs administrative expenses. To date, \$23.4 million has been expended. The remaining funds will be paid as the helicopters are delivered. However, DoD's accounting system will not necessarily reflect the current status of the funds until the accounting system catches up with events on the ground nor would these funds be captured in State's accounting system. Nonetheless, those funds are committed to a contract that is being executed. The USG has also provided \$5.7 million in non-intrusive inspection equipment (NIIE) such as x-ray machines and ion scanners to the Government of Mexico. Although delivery of these items has occurred, invoices for payment have

See  
comment 1.

See  
comment 2.

yet to be received from some vendors and processing is still underway on other invoices due to small errors, which must be corrected before payment can be made. Under the Merida Initiative, we have trained over 3,000 new college educated Mexican Federal Police investigators, who will be the vanguard of Mexico's new Federal police in a remarkable international effort at San Luis Potosi. This \$3.5 million effort is not reflected in the current "expended funds" balance. Meanwhile the new investigators are on the street.

Total Merida funding supporting active projects is \$219,985,564. Deliveries from these active projects depend on the complexity of the item being ordered (e.g., most NIIE must be constructed to order).

## **GAO Response to Agency Comments**

The following are GAO's comments on the Department of State's letter.

1. We discuss in our report the details of the progress that has been made toward the procurement of the Bell helicopters. The contract, however, is in the process of being executed and the helicopters have not yet been delivered. We were asked to report on the status of Mérida funding as of September 30, 2009.
2. In our report, we note both the delivery of nonintrusive inspection equipment and training provided.

## **Enclosure VI: Contact and Staff Acknowledgments**

### **GAO Contact**

Jess T. Ford (202) 512-4268 or [fordj@gao.gov](mailto:fordj@gao.gov).

### **Acknowledgments**

In addition to the contact named above, Juan Gobel, Assistant Director; Marc Castellano; Grace Lui; Jacqueline Nowicki; Marisela Perez; Erin Saunders Rath; and Judith Williams made key contributions to this report.

(320715)

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