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U.S. Agency for International Development
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"Budget Hearing - Assistance to Central America"

Ms. Chairman, Ranking Member Lowey, and members of the Subcommittee:

Thank you for the invitation to testify today. I am grateful for the Committee's interest in the U.S. Agency for International Development's work in Central America and I am pleased to have this opportunity to update you on our efforts to address the root causes of the migration crisis in Central America.

As Acting Administrator Alfonso Lenhardt testified last week, USAID's mission across the globe is to partner to end extreme poverty and promote resilient, democratic societies. In Central America, USAID assistance has been an important part of this effort. For example, past programming has expanded financing for small businesses and supported macroeconomic policies to reduce inequities and improve access to quality health and education. We have seen political, social, and economic advances in countries like Costa Rica and Panama.

However, in recent years, social development and economic growth in Central America have been stymied by a dramatic rise in crime and violence—particularly in the Northern Triangle countries of El Salvador, Guatemala and Honduras. This insecurity is rooted in deep-seated issues of social and economic inequity, weak institutions of criminal justice, the failure of the region's governments and private sector to expand economic opportunity for vast segments of the population, and increases in gang violence and international crime. As these long-standing challenges in Central America worsened, we saw the consequences manifest at our border last year when more than fifty thousand unaccompanied children left their homes in Central America to make the dangerous journey to the United States.

The migration spike this past summer first and foremost required an immediate response to an urgent situation. USAID responded quickly, working with the International Organization of Migration (IOM) to upgrade reception centers in Guatemala, El Salvador, and Honduras to receive returned migrants and provide immediate care, child protection services, and onward assistance for returning families and children.

However, short-term efforts are not enough. This problem requires a more strategic and sustained effort to ensure that we don't end up dealing with an ongoing cyclical phenomenon. In order to help Central American governments create a sustainable environment in which all of its

citizens are able to survive and thrive, we must work together to address the underlying factors compelling migration.. As Vice President Biden said, “The cost of investing now in a secure and prosperous Central America is modest compared with the costs of letting violence and poverty fester.”

The Administration’s U.S. Strategy for Engagement in Central America advances three interrelated objectives: prosperity, security, and governance. Security remains a critical aspect of U.S. assistance to Central America, and the FY 2016 request increases our investments in that area, in strong coordination with State Department and other U.S. agency efforts. However to sustain that assistance, additional prosperity and governance investments are necessary. This approach aligns with the plan announced last November by the presidents of Honduras, Guatemala and El Salvador—the “Alliance for Prosperity”—which outlines those governments’ own plan for growing their economies, creating employment, and improving the life prospects of the poorest and most vulnerable citizens.

The President’s \$1 billion request reflects our shared belief that if political will exists in the region, the U.S. Government will partner with Central American governments in their efforts to become the next great success story in the Western Hemisphere, and it acknowledges that the United States and Central America need a deeper partnership than currently exists to tackle endemic poverty, insecurity, and weak governance.

With this budget request, we would be in a position to deepen the impact and widen our reach through broad-based economic growth programs that increase business, employment and educational opportunities. This support includes improving the enabling environment for businesses to invest and grow; promoting clean energy development; advancing trade and regional integration; increasing access to financing for small and medium enterprises; and increasing incomes by connecting small-scale farmers to markets through the Feed the Future initiative.

In El Salvador, USAID will continue working at both the municipal and national levels to grow the economy. At the local level, we will work with Municipal Competitiveness Committees to establish local initiatives—particularly in the communities from which people are migrating—that promote trade and economic development. At the national level, USAID will assist the Export and Investment Promotion Agency (PROESA) and the Ministry of Economy to create a more welcoming business enabling environment and improve logistics, facilities, and streamline control procedures at priority border crossings. In this way, USAID will support El Salvador in its own efforts to develop a safe, secure, and efficient trade environment, and increase economic competitiveness.

In Guatemala, our programs are geographically focused in the Western Highlands where the poorest people live. The Western Highlands Integrated Program acknowledges that achieving sustainable rural development requires parallel focus on several interrelated issues: agriculture and economic development, education, health care, nutrition, climate change, local governance, and gender equity. Currently the Integrated Program only reaches a fraction of those living in poverty. With additional resources, it would be expanded to more communities in the Western Highlands.

In Honduras, USAID is prepared to build off of our successful Feed the Future projects, which have helped increase incomes by 55% for 30,000 of the poorest families by increasing crop yields and access to markets, and promoting alternative, more productive land uses.

Economic growth should benefit everyone, and we need to work with governments to ensure that women, youth, and other marginalized populations are benefiting from increased prosperity. One successful example of targeting vulnerable populations is USAID's "*A Ganar*" program, which works with the private sector to provide basic math and reading instruction, life skills, vocational training, and internships to at-risk youth in Guatemala and Honduras. Programs like *A Ganar* are essential to preparing youth to join the formal labor force, increase their incomes, and help drive economic activity throughout the Northern Triangle countries. Last year I heard from youth participating in the Guatemala City program about how the expanded educational, training and employment opportunities available through *A Ganar* helped them be able to stay in their country. The success of the program is evidenced by the fact that 75% of graduates obtain employment, return to school, or start a business within one year.

The heart of USAID's work in Central America is youth-focused crime and violence prevention. We have supported and tested a range of community-level prevention approaches in the highest crime communities and cities in Guatemala, El Salvador, and Honduras. These include partnering with communities, civil society, governments and the private sector to create safe community spaces, expand after school activities, provide job and life skills training, build trust between police and residents, and launch community and municipal level crime prevention committees.

We have been working with the city of Los Angeles to pilot a new tool to identify and target those youth who are most at risk for gang recruitment and involvement in criminal activity. We're also organizing city-to-city exchanges so that Central American city officials can learn from the experiences of their counterparts in cities like Arlington, TX; Santa Ana CA; and Pinellas County, FL.

Last fall, the results of a three-year impact evaluation, conducted by Vanderbilt University, confirmed that these community-level prevention programs are working in El Salvador, Guatemala, Honduras, and Panama. At the three-year mark, there were significantly fewer reported robberies, murders, and extortion in neighborhoods with a USAID presence as

compared to the control group of similar communities. Residents also reported feeling more secure walking alone at night and they took measurably more collective action to address crime in the treatment than in the control groups.

The Vanderbilt study noted that to have greater impact, USAID's programs must be expanded to more communities and reach more people. With additional resources, we are prepared to do just that—help the governments of the Northern Triangle scale up and make sustainable budget commitments to continue what is working, particularly in the communities from which youth are migrating.

As part of the scaling up, USAID and INL, in partnership with national governments and other key stakeholders, are joining the prevention, law enforcement, and justice support programs in the same high-crime communities from which youth are migrating, and focusing attention on the individuals most at risk for falling into lives of crime. The aim is that by working in concert in the same places we will more effectively reduce youth-related crime, violence and homicides.

We know that economic growth and security are only sustainable in an environment where democratic values and institutions flourish, impunity is reduced and civil society and the media can play their rightful roles. Long-term success depends upon strong governance from the Northern Triangle countries. For that reason, USAID will continue to promote government accountability, institutional checks and balances, judicial reforms, human rights protections, and increased civil society participation in the democratic process.

In El Salvador, for example, we have had success helping the government improve tax administration and public expenditure management. With the improved tax collection, governments are able to increase spending on their own citizen security-related and other programs.

Ultimately, improved governance allows us to accomplish another goal: implementing a new, more modern, approach to development that emphasizes local ownership and leverages private sector resources. USAID has been at the forefront of a new approach to development—one that marshals the resources, expertise, innovation, and technology of local organizations and the private sector to accelerate the region's development.

For the past two years, one-third of our budget in El Salvador was programmed through local partners. In Guatemala, USAID is working hand-in-hand with the Ministry of Education to strengthen bi-lingual education and reading across the country. In addition, our \$42 million Rural Value Chains Project is implemented exclusively and successfully by local partners AGEXPORT and ANACAFE.

Local ownership also requires partnering at the community level to achieve the development goals set by the communities themselves. Particularly in Guatemala, we work directly with

indigenous leaders to ensure the relevance and sustainability of our interventions in reaching community development goals.

The region's private sector is starting to see that development is good for business. USAID has 16 active public-private partnerships in Central America. In the last five years, those partnerships have leveraged nearly \$160 million in private sector resources to complement our own investments in development.

Partnerships with more than 40 small and large companies in Honduras are helping us connect small-scale farmers to valuable markets. For example, coffee exporter Bon Café is purchasing coffee directly from our Feed the Future farmers, generating over \$1 million in sales. And more than 100 private entities, including Tigo, Chevron, Hanes Brands, and Microsoft are investing in the expansion of educational, training, and employment opportunities for at-risk youth.

USAID developed public-private partnerships in El Salvador with private companies to provide internet, software, technical support, and training to 114 youth outreach centers, a contribution valued at \$3.1 million that has directly benefitted 50,000 at-risk children and youth.

We will only be successful if we have the commitment of partner governments, the private sector, and the citizens of this region to take on these tough challenges. We need a commitment from Central American governments to take over successful programs, invest in them, and ensure sustainability. In order to truly address the underlying causes of poverty, delivery of services in the social sector must improve. Economic growth is not about economics alone; it must be used by governments to provide the social services necessary to lift people out of poverty.

Fortunately, we believe the essential condition for finding solutions is increasingly present: political will in the region. As Vice President Biden has said, “if the political will exists, there is no reason Central America cannot become the next great success story of the Western Hemisphere.”

We have never been better positioned for success. The Northern Triangle countries are demonstrating a deepening commitment to advancing their own development goals. This political will, in combination with improved local capacity, leveraged resources, and new partnerships will allow us to help Central American governments create a peaceful, prosperous and integrated region. Achieving these goals advances USAID’s core mission—and improves the security and prosperity of our own people.

Thank you for your time. I look forward to your questions.