

**Prepared Testimony of Elizabeth Hogan,
Acting Assistant Administrator for Latin America and the Caribbean,
United States Agency for International Development (USAID)
Before the House Appropriations Committee,
Subcommittee on State, Foreign Operations, and Related Programs
Thursday, February 11, 2016, 10:00am**

Madam Chairwoman, Ranking Member Lowey, and distinguished members of the Subcommittee: Thank you for the invitation to testify today. I am grateful for the Committee's interest in the United States Agency for International Development's work in Latin America and the Caribbean, and am pleased to have this opportunity to update you on our efforts in Central America.

Development Context

As you know, 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. While the homicide rate has declined in Honduras, it is still unacceptably high. In El Salvador, the statistics from 2015 are truly alarming — over 100 murders per 100,000 people. This surpasses the murder rate at the peak of El Salvador's civil war in the 1980s.

The recent wave of insecurity is rooted in increased gang violence and international crime, as well as deep-seated issues of social and economic inequity, and lack of economic opportunity for vast segments of society. Economic productivity in Central America has grown slowly over the last decade, and underemployment hovers between 30 and 40 percent in the Northern Triangle.

These problems are exacerbated by systemic challenges across local and national governments in the region. Institutions are plagued by lack of capacity, antiquated management systems, and corruption challenges that continue to undermine efforts to improve security and advance prosperity. According to Transparency International (2015), Central America suffers from chronically high levels of corruption and contains three of the five most corrupt nations in Latin America and the Caribbean.

These challenges are longstanding, and we continue to see the consequences manifest at our border when children and families complete the dangerous journey to the United States.

This migration is deeply concerning to us and our interagency partners, and USAID is determined to help migrant returnees, while simultaneously addressing the underlying causes that drive people away from their homelands. In the immediate term, USAID supports the work of the International Organization for Migration (IOM) to upgrade reception centers across the Northern Triangle, and improve intake and referral services for returned migrants. This support enables IOM to also provide technical assistance to governments to improve their own child protective services and migration data analysis.

We are acutely aware that this problem requires a strategic and sustained effort to help Central American governments create the environment in which all of their citizens survive and thrive. As Vice President Biden recently stated, our support of a more peaceful and prosperous Northern Triangle is contingent on seeing “these countries make their own commitments to depart from business as usual and embark on a serious new effort to deliver opportunity and security to their long-suffering people.”

Regional Response from Central America

We have already seen promising signs of the Central American governments’ commitment to “depart from business as usual.” These governments have outlined a serious, regional plan, the “Alliance for Prosperity (the Plan),” which aligns closely with much of our U.S. Strategy for Engagement in Central America. This Plan lays out the Northern Triangle governments’ shared commitment to grow their economies, create employment, and improve the life prospects of their citizens, particularly the poorest and most vulnerable. We are encouraged that all three governments have passed 2016 budgets totaling \$2.6 billion to support the Alliance for Prosperity.

Policy reforms in the past several years have translated into tangible results on the ground. In Guatemala — for the first time — the most powerful are no longer beyond the reach of the rule of law. The arrest of the former President, Vice

President and members of the Cabinet on corruption charges came as a result of peaceful protests led by civil society. This represents an historic turning point not just for the International Commission Against Impunity in Guatemala (CICIG); it is also a sign of progress for the Guatemalan judicial system, the Attorney General, the High Impact Court, the 24-hour courts, and national forensic lab, which all received critical support from USAID over a number of years. Newly elected President Morales has committed to extending the mandate for CICIG beyond his own term in office. With sustained effort, the age of impunity in Guatemala may be drawing to a close.

Honduras initiated top-to-bottom reforms of its National Police and has embraced violence prevention as policy. Neighboring El Salvador has developed the most comprehensive national security plan in the Northern Triangle — Plan Seguro. El Salvador has started Plan Seguro implementation in 10 of the country’s most violent communities, and USAID and the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) have concrete plans to support their efforts. Plan Seguro is financed by newly imposed taxes on telecommunications companies and Salvadorans who earn more than \$500,000.

These particular actions and local ownership of the Alliance for Prosperity demonstrate political will from the Northern Triangle countries. Nevertheless, a strong partnership with the United States is necessary to achieve and sustain our shared objectives of prosperity, improved governance, and security, which underpin both the Alliance for Prosperity and the U.S. Strategy for Engagement in Central America. This is also very much in line with USAID’s overall mission to partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity.

Prosperity

One of our key priorities is to spur greater prosperity in the Northern Triangle by supporting broad-based economic growth programs designed to expand business, employment, and educational opportunities to the poor, and those most likely to migrate. We know that opening doors to employment and education for citizens

— especially youth at risk of gang recruitment, crime, and violence — will bolster our efforts in security and lead to safer, more prosperous societies.

USAID will continue to support El Salvador in its own efforts to grow the economy at the municipal and national levels. At the local level, our work includes projects that help local communities promote economic development and business opportunities. At the national level, we are assisting the government to create a more welcoming business environment, encourage private investment, and improve the ability of small and medium enterprises to take advantage of market opportunities.

USAID's investments have helped enable the achievement of domestic sales and exports by 9,000 Salvadoran companies that have exceeded \$100 million and led to the creation of over 15,000 jobs. More recently, USAID's partnership with the El Salvadoran small business development agency has expanded services in two of Plan Seguro's most violent municipalities, bringing together small business owners, municipal authorities, and police to create viable business development zones.

In Guatemala, our prosperity programs are geographically focused in the rural Western Highlands, where poverty levels are the highest. Chronic malnutrition rates remain around 50 percent countrywide and average 66 percent in indigenous communities in the Western Highlands. As a result of USAID's Integrated Program, targeted communities have seen a reduction in the prevalence of poverty, improved nutritional status for children, increased income and employment, greater agricultural productivity, improved access to water, and better health and educational services. For instance, in the 2,500 communities where we work, the prevalence of poverty was reduced from 85.9 percent in 2012 to 72.9 percent in 2014, based on an independent evaluation. According to preliminary data from the latest mid-term evaluation, chronic malnutrition was reduced from 67.4 percent in 2013 to 64.9 percent in 2015 for children under five in the same target communities.

We plan to significantly expand the Integrated Program to help address the causes of migration by youth from the region. This includes exploring new economic

opportunities in sectors beyond agriculture, as well as ramping up workforce readiness and vocational education opportunities. With additional resources, especially from the FY 2016 funding, we can expand the reach of our Integrated Program to all of the targeted municipalities in the Western Highlands with the greatest levels of migration.

In Honduras, USAID will use additional resources to build on our successful Feed the Future (FTF) programming, which has shown significant results in reducing extreme poverty. While monitoring FTF investments, we have tracked program progress and found that between 2011 and 2015, incomes increased by nearly 55 percent for more than 180,000 of the poorest individuals. Within the last fiscal year alone, the number of FTF beneficiary families whose incomes rose beyond the extreme poverty line increased by 30 percent (8,719 in FY 2015 as compared to 6,626 in FY 2014).

Across all three countries, we will invest in clean energy programs and trade facilitation that promote regional electricity integration, in support of President Obama's Energy Security Task Force for Central America, and prepare the poor to actively participate in the 21st century workforce. Our investments will promote clean energy, and improve the poor quality of electricity in the region. Cheaper, more reliable energy will improve the competitiveness of the business sector while enhancing energy security.

Governance

Economic growth and security are only sustainable in an environment where democratic values and institutions flourish, citizens can depend on basic social services, impunity is reduced, and civil society and the media can play their rightful roles. Ultimately, the success of our efforts depends upon strong and effective governance by the Northern Triangle countries.

We plan to invest the recent increase in funding from FY 2015 and FY 2016 in new initiatives to promote good governance and accountability in the Northern Triangle. In Guatemala, USAID will complement a Millennium Challenge Corporation-supported tax administration program to assist private sector and civil society groups in monitoring the effectiveness of the tax and customs services. In

an effort to address rampant corruption and build on the wave of public sentiment and support for reform, we are considering support for the Government of Honduras and the Organization of American States' new anti-corruption initiative, known by its Spanish acronym MACCIH.

With FY 2016 resources, we will continue to support programs that address chronically low tax revenue collection, improve fiscal transparency, and expand justice sector reform throughout the region. USAID provides technical training to judges, lawyers and court personnel as well as technical assistance to the juvenile justice system on important rehabilitation and reintegration reforms.

In El Salvador, we support civil society to advocate for passage of civil service laws and transparent policies for hiring and promotion, and assist the government to develop a national integrity plan that improves transparency in public resource use. We will continue to support self-service kiosks, which allow Salvadoran taxpayers to perform transactions themselves, reducing administrative burden and improving transparency. Results thus far have been impressive. Between 2011 and 2013, revenue collections increased 30 percent overall.

Security

None of our efforts in prosperity and governance will take root in societies that are plagued by insecurity. The heart of our security work is youth-focused, as we invest in programs that reach those most at risk for gang recruitment, crime, and violence. We have supported a range of tested, community-level approaches to reduce and prevent crime and violence in high-crime communities across the Northern Triangle. These approaches include partnering with communities, civil society, governments and the private sector to develop crime prevention plans, invest in municipal crime observatories, create safe community spaces, expand after-school activities, provide job and life skills training, and build trust between police and residents.

Already we are seeing tangible results of our crime prevention activities in El Salvador, where our initial analysis points to a 66 percent drop in homicides in the 76 communities where USAID targets its programming. This statistic is a stark contrast to other communities where homicide rates have climbed sharply over the

past year. Additionally, our 200 youth outreach centers are now annually servicing around 85,000 at-risk youth who are susceptible to gang recruitment and potential migration.

We will use additional resources to help the Northern Triangle governments scale up what is working, particularly in the communities from which youth are migrating. We are working with INL to marry the U.S. Government's prevention, law enforcement, and justice interventions, focusing on the youth most at risk of falling into lives of crime. We are also heartened that the Government of Honduras has supported this model and directed its own resources to support this program; it is likewise gratifying that so many elements of our model are reflected in El Salvador's Plan Seguro.

Partnering with the Private Sector

To accelerate progress in all three objective areas, we will continue to tap into the resources, value chains, expertise, and reach of the private sector. We currently boast a team of 60 private sector partners in the Northern Triangle, from whom we leveraged \$150 million in FY 2014 resources to jointly support our vocational training, education, and employment work for at-risk youth, and increase food security and incomes for vulnerable communities.

Regional Approach

Through our Central America regional platform, USAID recently released a new regional strategy to address cross-boundary concerns, including human rights, labor, energy and environment issues, and trade facilitation. We are developing a new regional trade facilitation program that aims to reduce the time and costs to move goods across the border, making it easier for businesses to capitalize on market opportunities. Part of this program will expand a successful regional trade and market alliance with the Inter-American Development Bank, which supports 25,000 small producers in new producer-buyer alliances across several agricultural value chains. We also plan to extend our regional agreement with the U.S. Department of Agriculture to promote food safety, market access, and local capacity in the Northern Triangle to export safe, high value agricultural products to

the United States. In addition, we are planning new regional programs to promote human rights and labor rights.

Oversight

Operationally, we have made several changes to better equip our teams to expand successful programs, and design and implement new ones. A year ago, we instituted a Regional Governing Board comprised of USAID leadership in Washington and the field, which meets quarterly to identify and share implementation challenges, unblock bottlenecks, and streamline approaches. In addition, it offers an opportunity for our field staff to come to Washington to brief Congress and our partner agencies, and to consult with relevant civil society organizations.

We have realigned our staffing pattern to accommodate 16 new field positions that support the implementation of the U.S. Strategy. We are also unifying all of our procurement planning as a region, so that staff can be mobilized to work on the highest priority procurements. These changes give us the management capacity needed to better respond to the increase in funds for Central America.

Lastly, USAID is committed to accountability, transparency, and oversight of the programs through which we are implementing the U.S. Strategy. We use a full range of monitoring and evaluation tools, including survey data collection, performance indicator monitoring, analysis, studies, and external evaluations. Our Missions in the Northern Triangle are also guided by five-year strategic plans, and their individual Monitoring, Evaluation, and Learning Plans. These tools and plans not only allow us to establish baselines and track the status of our programming; they also enable us to learn what is working, what is not, and how to adapt our programs and allocate resources accordingly.

For example, last year we expanded our community-based crime and violence prevention programs in Central America after an independent and rigorous impact evaluation statistically demonstrated that crime victimization is dramatically lower and public perception of security higher, in USAID's treatment communities.

In addition, we recently created a “Central America Learning Agenda” to build regional evidence and data collection for each of the three pillars of the U.S. Strategy. This “Learning Agenda” allows our team to compile evidence from ongoing regional assessments and evaluations, and to plan and carry out performance and impact evaluations for new or expanded programs.

Conclusion

With renewed commitment from Northern Triangle countries to advance their own development goals, and our government’s support, we are well placed for success. Political will, in combination with improved local capacity, leveraged resources and new partnerships, will allow us to help Central American governments create a more peaceful, prosperous, and integrated region. We would like to thank Chairwoman Granger and this Committee for your support and leadership on U.S. engagement in the Northern Triangle. We look forward to collaborating with you to address long-standing challenges and new opportunities for reform in the region. Thank you for your time; I look forward to your questions.