

Testimony of Robert N. Kaplan
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Chairman Salmon, Ranking Member Sires and members of the Subcommittee:

Thank you for the opportunity to appear today to testify on behalf of the Inter-American Foundation (IAF), a small independent foreign assistance agency of the U.S. government that works directly with the organized poor in Latin America and the Caribbean. The board and staff of the IAF appreciate this Subcommittee’s long-standing support for our mission of promoting and investing in citizen-led grassroots development to help communities thrive.

As the members of this Subcommittee deliberate on weighty matters of national and regional scope in our hemisphere, we appreciate your interest in a community-level perspective. We all know from our own country’s experience that thriving communities strengthen democracy, expand economic opportunities and enhance social resilience. Our strongest communities are those where ordinary citizens work together as neighbors to achieve common objectives. That is the essence of the IAF’s work in Latin America and the Caribbean. I am pleased to discuss with you today our activities in Central America, and how we can complement the efforts of other government agencies, as well as private organizations and firms, to help our Central American neighbors provide better opportunities for their citizens to lead healthy, safe and productive lives.

You well know the long list of “push” factors in Central America that contribute to individuals’ decisions to leave their community. Regardless of whether they move to another part of their country, to somewhere else in Central America or Mexico, or attempt to cross into the United States, the exodus is a symptom that something is wrong back home.

In poor communities where the IAF works, we see the human costs of too few good jobs, barriers to starting and sustaining small enterprises, and a lack of viable options for young people to continue their education locally. Access to clean water, basic utilities, good roads and affordable sources of energy are often scarce. In the “northern triangle” of El Salvador, Guatemala and Honduras, one-quarter of the population subsists on less than \$2.00 per day. How can parents send their children to high school in a neighboring town when gangs routinely board buses to shake down students, or worse? The cost of extortion keeps entrepreneurs from opening shops. Neighborhoods divided by gangs or at-risk from organized crime shutter at 7:00 p.m. When natural disasters strike, the poor are particularly vulnerable. This year’s severe drought in Central America added to the misery in rural communities already suffering from the devastating

effects of a widespread outbreak of coffee rust. Small farmers have reported losing half their crop.

Facing these threats, families do not know where to turn. Government institutions are too often absent, unable to respond adequately or simply not trusted. When citizens feel unprotected by the state, it is little wonder that they lose faith that democracy can work for them. Community “safety nets” have broken down as well; local civil society organizations are under-resourced and themselves subject to many of the same pressures, vulnerabilities and fears. The private sector can do more to provide a spark for economic development that is inclusive and benefits local people most likely to migrate. But too often, reports of corruption and firms’ indifference to the local population fuel cynicism and contribute to a climate of despair.

It is in this context that the IAF has invested carefully over many years to help local Central American citizens’ organizations gain some control over their lives by carrying out initiatives that they themselves conceive. Our partners set priorities and demonstrate their commitment by contributing their own funds to the effort; on average, they provide about \$1.30 for every \$1.00 invested by the IAF, making the U.S. a minority partner in the development projects we support. Our portfolio is diverse because it reflects local priorities, ranging from microbusiness development to agricultural diversification to domestic violence prevention to watershed management. At the same time, our selection process ensures that we apply our resources prudently to achieve U.S. interests as well. As others invest in improving state institutions, the IAF invests directly at the grassroots to strengthen the capacity of citizens to be protagonists in their communities’ development and to engage their governments effectively.

Today, our active portfolio in Central America includes 81 projects, representing \$37 million of combined investment by the IAF and our grantee partners. Looking only at the three northern triangle countries, we are supporting local initiatives in over 880 communities. Similarly, in Mexico, we are supporting work in over 400 communities, mostly in the southern states. These urban and rural communities are the homes of families struggling to sustain and protect themselves.

What are some of the results of the IAF’s investments? Our grantee partners report their results every six months, and we independently verify the information. In the last few years, they created over 14,300 new jobs for low-income people in Central America. In the northern triangle, 80 percent of our grantee partners who tracked income generation reported an increase, on average more than doubling household income in a year.

Participation has changed the appeal of migration. In a survey of participants in one project that helped create 15 community-based businesses in El Salvador, less than 22 percent of those aged 25 years or younger said they would consider migrating, compared to 83 percent when the project started. Most insist they want to contribute to the economic stability of their communities

and create employment opportunities for their neighbors. Similarly, a recent IAF grantee partner in rural Guatemala used a combination of education programs on the risks of migration, credit and training for small farming businesses to reduce emigration among youth. Nearly 60 percent of families in this municipality had at least one member living in the United States, yet 79 percent of the 730 young participants had decided not to migrate by the end of the grant period.

Importantly, with half of Central America's population under 25 years old and a disproportionate number of them poor, many of the initiatives we support engage young people, and these are the focus of my remarks today. About 45 percent of the IAF's investment in El Salvador, Guatemala and Honduras benefit young people directly; even more benefit indirectly as the children of mothers and fathers involved in IAF-funded programs.

What do we see that works to keep Central American youths in their home communities? Let me share a few insights from our experience.

Creating jobs by itself may not necessarily be enough to stem emigration. Similarly, providing activities to "occupy the time" of so-called "ni-ni's" -- a term referring to the one-quarter of youths aged 15-24 in Central America who neither study nor work -- is not sufficient if youths remain passive recipients of programs designed or carried out by others. A first lesson from our experience is that when disadvantaged youths come together on their own initiative to build skills and safe spaces, start their own small businesses, and exercise leadership and teamwork for the benefit of their community, they are less likely to leave. Why? Because they become *invested* in the *present* and *future* of their home communities. Through their own effort, young people with financial hardship acquire the tools, knowledge, confidence and social support networks that make it possible -- and preferable -- to sustain themselves in their home communities and respond constructively to crises. Ideally, their enthusiasm becomes contagious among their peers as well. As one Honduran teenager participating in an IAF-funded project in Tegucigalpa recently told us, "*Before participating in the program, I wanted only to follow the American Dream; now I believe that I can create my American Dream here.*" And as a Salvadoran youth participant explained, "*Before, I thought of moving to a different country, but now I think about making changes in **my** country.*"

Second, community-based initiatives should target those at greatest risk of migrating. This is a dynamic group of young people, who, though poor or disadvantaged, have impressive drive and ambition for their future and feel locked out of opportunities at home. Our grantee partners seek to unlock access to economic, educational and other social advancement in hundreds of communities where these young people live.

Third, it is important to let youths lead. Listen and respond to the ideas marginalized young people themselves present. Rather than treating them as passive participants or trainees, we need

to give young people opportunities to take on leadership roles in the design, implementation and long-term sustainability of community-based initiatives.

Fourth, invest in both urban and rural youth, and meet them where they are -- in their home communities -- because it can be too dangerous for young people to travel outside of their neighborhoods. Central American youth migrants come from both urban and rural settings. In many cases, those from the countryside first migrate to city slums before eventually leaving the country. We have aligned our investments in the region to address this important dynamic.

Fifth, markets matter, and investing in the creation and improvement of local economic opportunities is fundamental. Young people need the skills to increase their competitiveness in the job market or to open and sustain small businesses. If they decide to go into business, they need access to affordable financing. With a poorly functioning economy that is unable to generate dignified work in so many communities, it is no surprise that the IAF receives so many requests to support microenterprise development, microcredit or community savings and loan associations.

Let me give you an example to illustrate this point. In the slums of Tegucigalpa and surrounding rural areas, IAF grantee partner Centro de Educación Vocacional Grupo Juvenil Dion (GJD) is working to improve the employment prospects of high-risk youths through vocational training, internships with local businesses and access to microcredit. A majority of the youth and their families live in areas of the city saturated with gang activity, poverty, and crime. The center combines training in hard skills with programs that develop communication and soft skills. So far, 800 young Hondurans have graduated with certification in technical trades and 105 have gotten access to microcredit to launch enterprises, including beauty salons, bakeries and carpentry businesses. At this point, 91 percent of borrowers are current with their loan payments. Importantly, “mobile workshops” take the training program to youths in communities outside metropolitan Tegucigalpa. Its marketing center provides a venue and support for six brands for the entrepreneurs’ products and services.

Sixth, building the ability of citizens to engage their government regarding urgent local needs is a critical step to increase their commitment to their home communities. Civic engagement is a challenge for marginalized communities with large out-migration. Many do not know how to raise concerns with their government and hold local officials to account for responding to citizens’ needs. Feeling hopeless about the ability to change their circumstances at home, they vote with their feet. Let me give you another example. An IAF grantee partner, Asociación Para el Desarrollo Sostenible de la Juventud (ADESJU), is changing this attitude among the 750 participants in its network of 25 youth groups. ADESJU is based in Chiantla, a municipality in Guatemala’s Western Highlands, where 78 percent of the population lives in poverty or extreme poverty and three-quarters of the population is under age 30. Participants in the association’s leadership and teamwork development programs took it upon themselves to develop a detailed

proposal to the municipal government with recommendations for programs or services that would address the urgent needs of local youth.

What is the IAF's role in these efforts? Our work involves much more than sending dollars to the region, and the direct results of the projects we fund tell only part of the story. Our whole approach to selecting, accompanying and evaluating our grassroots partners is designed to strengthen their capabilities so that they can take on even bigger challenges. As we invest directly with incipient grassroots organizations, we help strengthen local talent and capacity to participate effectively in civic life. We also help them tap into existing civil society networks, including the family of IAF grassroots groups across the region, and connect organizations with common or complementary interests so that they can form new partnerships of their own. We want them to learn from each other and become leaders in their own communities. In the process, they create social and economic anchors at home and demonstrate their preference to stay. I am convinced that this is indeed what people want because I have heard it repeatedly in hundreds of conversations with parents and grandparents who look on with dismay as their children leave.

This may sound like painstaking and meticulous work. It is. But that does not mean that it cannot be undertaken on a larger scale. The IAF has many years of experience nurturing local capabilities, and we can tap into extensive networks of grassroots organizations throughout the region to draw new resources and energy into the effort from a variety of sources.

So where do we go from here?

There are many opportunities to do so much at the grassroots to address the causes of youth migration *before* they leave or once they are returned. The IAF sees considerable talent and capacity in Central American civil society to *manage* more resources to help youth and their communities open economic opportunities and work with their governments and business sector to respond to challenges of crime and violence. The impact of a single thriving community, an organized group of rural poor or an inspired young person in an urban slum may appear small, but they become the safe havens and incubators of change that inspire others. There remain untapped thousands of communities, tens of thousands of organized groups and hundreds of thousands of young people ready to step forward with solutions and what little resources they have. If reached, if empowered and if connected to each other, they are capable of generating the sea change so desperately needed in the region.

We believe it is important to put community members -- including young leaders -- in the driver's seat to best address local problems. Youth need to be engaged in more than job-training or extra-curricular activities. They need a chance to become citizens. Fundamentally, they are the ones who will need to change their communities and countries.

Forty-five years ago a small congressional delegation of members of this committee paid a visit to Central America, in part to examine the effectiveness of U.S. development efforts in the region. What they learned was not surprising: that true, long-lasting, meaningful change depends in large part on thriving communities -- communities that provide not only social and economic opportunities for the most marginalized but that are themselves foundations upon which future democracies can be built. One result from that trip was the creation of the Inter-American Foundation. We are driven by the vision of thriving communities where people direct their own lives as individuals and citizens. Over our history we have supported more than 5,000 organizations in communities across the hemisphere in pursuit of this goal. While our grantee partners may be poor, they are not passive. When we are successful, they are protagonists – not participants -- with aspirations and the ability to think beyond a project and shape their own future.

Working at the community level as we do complements U.S. diplomatic efforts and other bilateral foreign assistance for improved prosperity, governance and security in Central American countries. Importantly, it serves Congress's intent in the creation of the Inter-American Foundation spelled out in our enabling legislation: to "*strengthen the bonds of friendship and understanding among the peoples of this hemisphere.*"

Again, I thank the Subcommittee for the opportunity to testify before you today on behalf of the IAF and our thousands of grassroots partners in the region.