

BUDGET HEARING – ASSISTANCE TO CENTRAL AMERICA

TESTIMONY OF
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BEFORE
THE SUBCOMMITTEE ON STATE, FOREIGN OPERATIONS, AND
RELATED PROGRAMS
HOUSE COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 24, 2015

Madam Chairman, Ranking Member Lowey, and Members of the Committee:

Thank you for the opportunity to testify on the Administration's \$1 billion whole of government request to support the U. S. Strategy for Engagement in Central America.

Madam Chairman, Central America is a top priority for United States because important national interests are at stake. We are united by shared interests and common values, as well as by geographical proximity. When Central America suffers, the United States absorbs the impacts of increased migration and other transnational challenges. Conversely, a well-governed, secure, and economically prosperous Central America will enhance the security and prosperity of the United States.

While conditions in Central America remain challenging, the region may be on the brink of transformative change. We sense it; Central American governments sense it; and we are all driven by an urgency to act, quickly but wisely, and get it right. Last summer's spike in migration of unaccompanied children was a clear signal that the serious and long-standing challenges in Central America remain in place and, in some instances, are worsening. But with a clear, emerging force of political will among the region's leaders, we are working closely with our Central American partners to address the underlying factors compelling

migration. Absent progress, we will likely face an ongoing cyclical phenomenon, with significant cost to the United States for many years to come.

Our U.S. Strategy for Engagement in Central America advances three interdependent objectives: security, prosperity, and governance. Our \$1 billion assistance request for Central America will fund new investments for prosperity and governance while maintaining and expanding our current focus on security, including the investments we have made through the Central America Regional Security Initiative (CARSI). Our request includes significantly expanded and new investments for the Development Assistance and Economic Support Funds accounts to advance these interdependent objectives. Our expanded bilateral and regional assistance will support efforts to better integrate Central American economies with North America and the hemisphere and provide technical assistance to strengthen the effectiveness and accountability of Central America's government institutions. Assistant Administrator Hogan will discuss those investments today. We remain firmly committed to improving security in Central America, and our request includes \$286.5 million for CARSI. Our increased security request will help host nations scale up successful, but previously more narrowly-focused, community-based law enforcement and crime prevention interventions.

At the same time that we are requesting additional funding from the U.S. Congress so that Central American countries can address the region's fundamental challenges, our own government needs to move quickly to demonstrate results and hold ourselves accountable. That means rigorously evaluating our programs, and we look forward to working closely with Congress to craft the most effective assistance package.

Today, the governments of the region are demonstrating the political will necessary to take difficult decisions that can lead to systemic change. The presidents of El Salvador, Guatemala, and Honduras, the so-called Northern Triangle countries, have a plan. They are already making progress, and they have committed themselves to a near-term timeline for continued action. The three presidents publicly presented the Alliance for Prosperity plan in November, and they are taking steps to implement it. The U.S. Strategy aligns with and supports the goals and objectives of the Alliance for Prosperity, while ensuring continued support to our region-wide goal of combating transnational organized crime.

Since last summer, the Northern Triangle governments have taken important steps. El Salvador passed an Investment Stability Law, giving investors assurances

that tax and customs regulations will not change over the course of an investment. Demonstrating willingness to resolve long-standing disputes, the Government of Guatemala reached agreement with 33 communities on reparations for communities where human rights were violated by the construction of the Chixoy dam. Honduras signed an agreement with Transparency International that includes plans to make human resources and government procurement information publicly available. And Honduras has invited the UN Office of the United Nations High Commissioner for Human Rights to observe first-hand its human rights situation.

And even as we are requesting additional funds from Congress, we are calling on Central American governments to do more – to invest their own additional resources and advance reforms that will lay the groundwork for success and enable our assistance to produce better outcomes in Central America. Vice President Biden traveled to Guatemala to meet with the presidents of El Salvador, Guatemala, and Honduras in early March. It was only the latest of his, the President's, and Secretary Kerry's engagement with these leaders. During months of intensive work with these three presidents of the Northern Triangle of Central America, it has been clear that the notion of "shared responsibility" would be much more than a bumper sticker. During the Vice President's most recent trip, the leaders released a joint statement including concrete and specific public commitments for continued progress. Each of our countries committed to actions that will promote a better business environment for investors and small business owners, strengthen police and judicial systems, increase government transparency, and make streets safer. And we did so publicly, inviting scrutiny and accountability.

We are faced with a question. Do we want to work together with our Central American partners to help them solve the problems in Central America, or merely mitigate them? The FY 2016 request for \$1 billion is the bold step we need to take so that we can do more than mitigate. We need to increase assistance levels, consistently and over time, in order to adequately address the complex challenges Central America faces. Money invested now can literally save the U.S. government millions of dollars down the road.

Our prosperity agenda for Central America fosters the integration of a regional market of 43 million people and the reduction of legal impediments that only benefit established economic elites. It will enable talented people to stay home, and create jobs and local businesses to participate in a bigger market. Economic integration is happening throughout the hemisphere and, despite its

location at the crossroads of the hemisphere, Central America risks being left behind. Economic growth should reach everyone, not just the well-connected few. Six million young people will seek to enter the labor force in the next decade.

Let me share an example from El Salvador of U.S. assistance that is advancing the prosperity agenda. Luis Francisco Cruz has only a sixth-grade education and was twice turned back at the United States border while trying to enter illegally. With the help of a USAID-backed loan targeting micro-, small-, and medium-sized enterprises – he founded Comercial Josue, a small general goods store in San Miguel. Despite challenges including extortion and the gang murder of his father, Mr. Cruz was tenacious. He grew his business into a 12-store operation that employs 130 employees. Mr. Cruz is now providing economic opportunity and the dignity of work to give young people real options beyond gangs or emigration. It is important to note that USAID did not give Mr. Cruz this loan directly, but instead worked with a local bank to encourage micro-lending and this partnership led to Mr. Cruz's loan. The distinction is important, because it tells a story of sustainability. Local banks participating in micro-lending will provide opportunities for entrepreneurs like Mr. Cruz.

Our governance agenda is really about strengthening institutions. Economic growth and security are only sustainable when the rule of law and democratic institutions flourish, and when independent civil society and the media can play their rightful roles. Citizens and investors will trust institutions once those institutions establish a pattern of transparency, accountability, and effectiveness.

Our strategy's prosperity and governance agendas are essential for success of the security agenda, which remains a core priority. We must collectively and effectively address insecurity now. Otherwise, the payoff from our other important investments will not bear fruit in the longer term.

Our security programs make a difference in the lives of people like Cindy from Guatemala. Cindy is now a young woman of 17, and she is a survivor of sexual and gender-based violence. From the age of 13, she was repeatedly raped, intimidated, and threatened by an older family member. Sadly, her story is not unique. Thousands of women are victims of sexual and gender-based violence in Guatemala alone. Thanks to the courage of local leaders and technical assistance, training, and equipment from USAID, Cindy's abuser was formally charged. Guatemala operationalized a 24-hour court for victims of sexual and gender-based violence. The court provides medical, social, and legal services all

under one roof. With increased services for victims, and more efficient legal proceedings, women like Cindy can get the justice they deserve.

You may ask whether we can effectively, quickly, and responsibly manage this request. Yes, we have engaged in government-wide planning and believe we can implement this assistance well. We do face challenges, but we have examined our support platforms and are taking practical steps to expedite the provision of U.S. assistance. We are planning for new embassy compounds for Guatemala and Honduras, and we will continue to increase staffing to speed the flow of assistance. We are streamlining and expediting contract procedures. Our Central American partners are working with us closely to remove obstacles within their control to allow them to better absorb assistance.

Let me be clear. We are still a long way from achieving our core goals in Central America. There is no clearer indication of this fact than the willingness of tens of thousands of children to travel to the United States last summer – amid the ever-present risks of rape, abuse, and death – to flee dire conditions in their home communities.

Despite serious and complex challenges, there is reason to be optimistic about Central America's future. Now is the time for a new U.S. approach to Central America that prioritizes prosperity, governance, and security. We have a vision, we have a plan, and we want to work with Congress to help Central America and protect U.S. national security. As Vice President Biden says, there's no reason why Central America can't be the next great success story in the Western Hemisphere.

I look forward to your questions.