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“Overview of U.S. Interests in the Western Hemisphere: Opportunities and Challenges”

Mr. Chairman, Ranking Member, and Members of the Committee: 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 (USAID) approach in Latin America and the Caribbean and pleased to have this opportunity to discuss the Obama Administration's development policy in the Americas. As always, I am eager to hear your advice and counsel as well.

Early in his first term, President Obama reminded us that the purpose of development is to help countries reach the point at which they no longer need foreign assistance. Secretary Kerry echoed this sentiment last week when he noted that, “Our goal is to use assistance and development to help nations realize their own potential, develop their own ability to govern and become our economic partners.” In much of Latin America and the Caribbean, we are well on our way to achieving the USAID goal of largely graduating countries in the region from foreign assistance by 2030. Thanks to sensible policies advanced by leaders in the region and smart investments by USAID and other donors, economies are growing, fewer people live in poverty, citizens are healthier and better-educated, and voters are better represented by their elected leaders.

The days in which USAID provided direct assistance – like vaccinations and food aid – in Latin America and the Caribbean are largely over. Today, our principal role is to strengthen the capacity of countries to provide for their own people. We serve as catalysts – for foreign governments, the private sector, and civil society – to deepen and improve their ability to better people’s lives. In the Americas, as throughout the world, USAID is employing new approaches to accelerate this process.

Historically, USAID has hired large contractors to provide assistance or training in foreign countries. That model produces results, but it also can perpetuate dependence on foreign aid, rather than enhance the capacity of countries to drive their own development. We are therefore increasingly channeling resources through institutions in foreign countries so that we not only raise short-term economic and political standards, but leave behind entities that are better equipped to oversee development programs

on their own. In Guatemala, for example, local organizations rather than foreign contractors are now implementing our signature agricultural project. Programs like these will translate into savings for USAID, and the American taxpayer, and more sustainable developments gains.

The most important source of development funding for nearly any country is not USAID, or any other donor, but internally generated revenue. Absent sufficient host country funding, donors alone will not produce sustained prosperity and opportunity. That is why we are initiating new programs to help national and local governments raise revenue. In El Salvador and Honduras, municipal governments are not only on the frontlines in battling gangs and drug trafficking organizations; they are also on the hook to pay for it. We, therefore, created a competition among cities and towns to improve its revenue collection. Winners receive modest subsidies from USAID to finance programs to reduce crime. In Haiti, where local governments are similarly cash-strapped, we piloted a tax collection program that enabled a mid-sized city to improve its revenue collection by 500 percent. We are now working with the Government of Haiti to replicate this model nationally.

To supplement tax revenue, the private sector is adding its financial muscle and business expertise to promote development. USAID is increasingly partnering with private companies to supplement our assistance, create durable local enterprises and deliver long-term development dividends. The roster of companies joining USAID efforts reads like a Who's Who of the Fortune 500: WalMart, Cisco, Coca Cola, Intel, Kimberly Clark, Chevron, Qualcomm and Microsoft, to name a few. In the Mexican cities of Ciudad Juarez, Monterrey and Tijuana, Cisco and Intel are training at-risk youth from tough neighborhoods for productive employment in the technology and construction fields. Local private sector companies are stepping up as well. Two weeks ago in El Salvador, I announced the largest public-private partnership with local companies in USAID history to reduce crime in 50 communities.

As we succeed in creating the conditions under which foreign assistance is no longer necessary, the family of donor nations will grow. Countries where USAID made significant investments in the past, such as Chile and Brazil, are now collaborating with us in third countries. Chile is sharing its agricultural expertise with Paraguay and Guatemala and is exploring doing the same with the Dominican Republic, and Brazil is extending its agricultural innovations to Haiti, Honduras and Mozambique. We plan to pursue similar arrangements with other countries, such as Colombia and Mexico, which have valuable lessons to share in other sectors.

These four approaches – strengthening local capacity; mobilizing local revenue; leveraging private sector resources; and collaborating with other donors – were once novel, but are now simply how USAID does its business. They will make us more successful, more quickly, as we advance the Administration's development priorities.

Just as our approach to advancing development has changed, the nature of the development challenge in the Americas has evolved as well. Continued economic progress is now impeded in many countries by a wave of violence and criminality. Economists point to crime as a leading obstacle to economic growth, while advocates for democracy and human rights are increasingly concerned about the extent to which criminal groups are penetrating government institutions or threatening freedom of expression. At USAID, we have concluded that if crime and violence are not reduced, the success of our development programs will be limited.

Reducing crime and violence requires a range of tools, but governments in the region are increasingly recognizing that prevention programs and investments in youth and communities must be a central part of the strategy. Countries that had tried heavy-handed *mano dura*, or iron fist, tactics now embrace programs like job training for at-risk youth, community policing, the establishment of safe urban spaces and juvenile justice reform. President Porfirio “Pepe” Lobo of Honduras has declared 2013 the Year of Prevention, and he and his Central American counterparts recently summoned leaders of the USAID-supported Central American Youth Movement Against Violence to solicit their recommendations for fighting crime.

USAID is also helping countries in the region to draw on lessons from U.S. cities that have been successful in reducing crime. Last year, USAID Administrator Rajiv Shah signed an agreement with Los Angeles Mayor Antonio Villaraigosa to train certain Central American officials on methods that have worked in Los Angeles, particularly in preventing youth from joining gangs. Officials with the Cure Violence, formerly Cease Fire, program in the United States are also collaborating with USAID in the region to train outreach workers in urban areas to interrupt potential violence.

It is early yet, but we are already seeing signs that our programs are working. In El Salvador, municipalities where USAID is implementing crime prevention programs are experiencing declines in crime. Mexican states that are transitioning to the more open and transparent oral accusatorial system with USAID assistance are prosecuting criminals at higher rates and reducing excessive pre-trial detention. In Jamaica, police attribute a dramatic drop in major crime in a particularly violent area to a USAID community-oriented policing program.

In South America, Peru and Colombia face their own security challenges that are curbing inclusive economic growth. Illegal groups engage in violence against the state and citizens, traffic in drugs, and market illegal timber. In Colombia, our decade long effort to help the government defeat guerrilla groups, reduce drug production and consolidate a civilian presence in former conflict zones is now also focused on helping the Santos Administration implement historic land reforms and compensate victims of the conflict. If the Colombia Government reaches a peace agreement with the FARC guerrillas, we will be prepared to help implement the accord. In Peru, we are working with the government to expand

a successful regional program that has helped coca farmers transition to legal crops and effectively eliminate coca production in one zone of the country.

The beneficiaries of these security programs are not only in Latin America and the Caribbean. USAID's programs enhance security in *this* country. Coca grown in South America and transited as cocaine to the United States contributes to violence and drug addiction in our towns and cities and saps the social and economic vitality of our communities. Gangs operating in Mexico, Central America and the Caribbean have bases in our communities too.

As violence and criminality emerge as threats to democracy in the region, there are still more traditional practices being employed to undermine democracy, albeit in a more sophisticated manner than in the past. Actions that had seemingly been relegated to the history books – electoral fraud, unconstitutional breaches of power, intimidation of human rights defenders, harassment of civil society and restrictions on the press – are occurring more frequently in some countries. To empower citizens to push back against these encroachments, we are ramping up our support for a wider cross section of local civil society organizations. In the coming months, for example, we will launch a new program to protect beleaguered journalists and assist them in reaching wider audiences.

We carry out such initiatives because, as President Obama declared in his second inaugural address, “our interests and our conscience compel us to act on behalf of those who long for freedom.” In the Americas, nowhere is that longing for freedom more suppressed than in Cuba. USAID continues to support Cubans who desire to exercise the most basic internationally recognized rights – express an opinion without fear of retribution; vote in a free election; inform oneself, including via the internet. This program had faced administrative challenges in years past, but last month the GAO issued a report free of recommendations for USAID and noted improvements under this Administration.

Today in Cuba, the government not only imprisons Cubans who try to exercise their internationally recognized rights; it targets foreigners as well. Alan Gross, a U.S. citizen and resident of Maryland, has languished in a Cuban jail for more than three years for helping a small community of Jews on the island to access the internet. As nearly every country in the world races to take advantage of technology to benefit its citizens, the Government of Cuba erects barriers to progress. But those barriers cannot stand.

Elsewhere in the Caribbean hopes are rising despite considerable challenges. Haiti, where USAID invests the most resources in the Americas, is making notable progress in building back from one of the most destructive earthquakes in history. Rubble from the quake has largely been cleared, the number of people living in camps has fallen substantially, and a new industrial park with the potential for 65,000 new jobs has opened on the country's northern coast. A recent health survey shows health standards

improving, with the prevalence of underweight children decreasing and the share who are fully vaccinated rising.

USAID is in the midst of implementing a five-year strategy designed to create jobs and boost the standard of living in Haiti. With more than 60 percent of Haitians reliant on agriculture for income, USAID will help boost the productivity and incomes of more than 100,000 small-scale farmers. To accelerate the job-creating potential of local small and medium enterprises, we are providing seed capital and financing options. To make the country more attractive to investment, we continue to invest in upgrades to roads and utilities.

To be sure, there is much more to do in Haiti. No country, especially one of the poorest in the world, can rebuild in three years following an earthquake that kills more than 2 percent of its population, injures 3 percent, displaces 15 percent more into camps, and damages every government ministry but one.

As we implement our programs, USAID will increasingly rely on Haitian institutions to carry out the work. Our goal in Haiti, as it is everywhere, is to help the country reach the point where it can lead and finance its own development. We plan to provide fewer funds to non-Haitian NGOs to deliver services and invest instead in strengthening the capacity of key state institutions, like the Ministries of Health and Finance, to receive and coordinate donor assistance and provide services.

We have learned from experience that donors and the Haitian government need to be ready to manage unexpected obstacles to our work. Already since the earthquake, Haiti has confronted a cholera epidemic that has killed almost 8,000 people and devastating rains and a drought that set back agriculture production yields that, with USAID assistance, had risen by as much as fourfold. Today, up to 3 million Haitians are at risk of hunger because of the destruction to farmland wrought by weather-related disasters coupled with rising global food prices. USAID has reacted quickly, providing emergency food supplies, as well as agricultural inputs to thousands of farmers.

It will be important to avoid man-made crises and manufactured obstacles to development as well. As significant as our role and that of other donors in Haiti, creating the conditions under which businesses of all sizes can thrive and create jobs in the long term depends upon Haiti's leaders. Only Haitian politicians can form the electoral council needed to call elections to fill critical vacant positions. Only the Haitian government can name justices to ensure the rule of law. Only Haitian legislators can pass pending legislation to facilitate investment and fight money laundering.

Haiti is particularly vulnerable to a phenomenon that threatens every country in one way or another – global climate change. President Obama recently reminded us that we betray our children and future generations if we do not act to stem the impact of changes in climate. As he noted, “some may deny the

overwhelming judgment of science, but none can avoid the devastating impact of raging fires and crippling droughts and more powerful storms.”

In Haiti and elsewhere in the region, we are supporting political and business leaders to reduce, and adapt to, the wide-ranging effects of global climate change. Powerful hurricanes in the Caribbean damage crucial infrastructure and wipe out food supplies; unseasonable shifts in temperature and rainfall damage lucrative export crops in Central and South America; and extended torrential rains in the Southern Cone flood farm and ranch lands and displace thousands of people. The increasing frequency of these events is putting greater and greater pressure on countries’ already stretched budgets.

USAID’s work on global climate change in the Americas is twofold. First, we help countries that are significant contributors to global climate change to reduce their carbon emissions. In Mexico, Colombia and Guatemala we are providing advice on economic strategies that promote rapid economic growth while advancing industries and measures that produce fewer emissions. In countries across the region, we are helping to reduce the rate of deforestation, a principal cause of carbon emissions.

Second, we assist countries that are particularly vulnerable to the impact of climate change to adapt to the effects. In the Eastern Caribbean, we are helping local communities and authorities upgrade critical infrastructure to protect potable water supplies. In the Andean region where millions of people, agriculture and industry are dependent on glaciers for water, we are helping to counter the negative effects of glacial melt.

Just as in the effort to enhance citizen security, we are collaborating with the private sector to address climate change. Together with the international reinsurance company, SwissRe Americas, we are designing weather-indexed crop insurance for small farmers in the Dominican Republic. To preserve valuable forests, offset carbon emissions, and help local communities to make a legal living, we are partnering with Bunge Limited, an international agribusinesses company, to support small-scale cacao production.

The beneficiaries of these programs include of course citizens of our own country. When neighboring countries employ clean energy and preserve their forests, our air and rivers are cleaner. When other countries are able to prepare for and respond to extreme weather events, the United States is not called upon to provide costly reconstruction and humanitarian assistance.

Mr. Chairman, this USAID agenda for the Americas – enhancing citizen security to promote inclusive economic growth, supporting democracy, rebuilding Haiti, and reducing global climate change – may sound ambitious. But it is also achievable. Never before have the governments, private sector companies, and civil society in the region been as willing and as well-equipped to partner with us, and lead, on these issues of mutual interest. The day in which foreign assistance ceases to be part of the regular parlance of U.S.-Latin American relations should not be that far off.

Thank you. I look forward to your questions.