

Prepared Testimony of Sarah-Ann Lynch
Acting Assistant Administrator for Latin America and the Caribbean
United States Agency for International Development (USAID)
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Subcommittee on the Western Hemisphere
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Chairman Duncan, Ranking Member Sires, and members of the Subcommittee, thank you for the invitation to testify today. I am grateful for the Committee's support for the United States Agency for International Development's work in Latin America and the Caribbean, and am pleased to have this opportunity to present our plans outlined in the fiscal year (FY) 2018 budget request.

Introduction

The FY 2018 request of \$541 million for the Western Hemisphere through the Economic Support and Development Fund and USAID's Global Health Programs includes support for USAID's programs in the region that recognizes the need for greater security, prosperity, and good governance throughout Latin America and the Caribbean to bring greater security and opportunity to the United States. We are focusing our efforts on programs that stem the flow of illegal migration by addressing root causes, disrupt the activities of transnational criminal organizations, and advance security and prosperity in our neighbors to the south and here at home.

USAID programs in Latin America and the Caribbean play a critical role in our national security. Our efforts in the region promote security and prosperity in the United States and the Western Hemisphere by providing alternatives to youth at risk for violence and illegal migration; giving rural farmers an alternative to coca cultivation; strengthening governments' ability to combat crime and disrupt transnational criminal organizations that traffic in drugs, weapons, and people; supporting transparent and accountable governance and anti-corruption efforts; and creating an economic environment in which the private sector can flourish, create jobs, and open markets for American businesses.

Central America

Central America, particularly the Northern Triangle countries of El Salvador, Guatemala, and Honduras, is USAID's highest priority in the hemisphere. Illegal migration, including that of unaccompanied children, is largely a result of poverty and a lack of opportunity, instability marked by crime and violence, and weak governance, including high levels of corruption and impunity. USAID is working with the governments of the region, the private sector, and civil society to address the drivers of migration and instability. Of the total Department of State and USAID \$460 million FY 2018 request for Central America, USAID proposes to implement approximately \$294 million for our integrated strategy, which tailors programs to address the challenges unique to each country. These investments complement the Northern Triangle countries' Alliance for Prosperity Plan and their commitment to provide more than \$5.4 billion of their own resources in 2016 and 2017 combined to stimulate development in the region.

Prosperity, Security, and Governance

Deep-seated issues of social and economic inequity and lack of economic opportunity for vast segments of society stymie economic growth in Central America. In the Northern Triangle, lack of economic opportunity drives people to migrate in search of a better life and contributes to insecurity as people turn to illicit means of income generation. In the FY 2018 request, USAID builds upon programs that are already having a transformative impact and prioritizes prosperity programs that focus on improving small and medium-sized business development, vocational education, and workforce training that offers licit employment opportunities to out-of-school youth who are at risk for gang recruitment, crime, violence, and migration. We are targeting the geographic regions and populations most likely to migrate, particularly the rural poor in Guatemala and urban youth in El Salvador and Honduras. For example, in El Salvador, USAID prosperity programs assisted 11,000 small and medium-sized enterprises, generating more than 22,000 jobs and \$153 million in sales during the last five years.

Despite recent improvements in the security situation, the countries of the Northern Triangle remain among the most violent in the world, ranking in the top five in the hemisphere in murder rates. USAID's FY 2018 request is confronting the drivers of violence to make communities safer, promote the rule of law, and defend human rights, particularly among vulnerable populations and victims of violence. Under the Central America Regional Security Initiative (CARSI), we are taking a data-driven approach to violence reduction that targets those at the highest risk of gang violence perpetration and/or victimization. We support individual- and community-level interventions, such as youth outreach centers and municipal violence prevention committees, paired with targeted institutional reform that improves the quality and legitimacy of police and justice systems. In many of these communities, we are working under the "Place-based Strategy" with our colleagues at the Department of State to use our comparative advantages in specific geographic locations characterized by high levels of crime and violence. For example, thanks to a concerted effort by USAID and the Department of State and leadership from the Government of Honduras, there was a 62 percent decrease in homicides between 2013 and 2015 in the Rivera Hernández neighborhood of San Pedro Sula, Honduras, the most violent neighborhood in the most violent city in one of the world's most violent countries.

Growth in prosperity and improved security in the region are hampered by systemic challenges across local and national governments. Corruption enables transnational criminal organizations to operate more freely and turns public sentiment against the state. For FY 2018, USAID is prioritizing governance efforts that work with government institutions to reduce impunity, combat corruption, and build citizen trust. We are working with courts, attorneys general, and civil society watchdog organizations to build cases against corrupt officials and improve the judicial systems that prosecute them. Programs also help the governments to increase revenue collection and manage expenditures in order to fund development efforts. For example, in Guatemala, USAID supported an integrated 24-hour court system that helped courts meet a constitutional requirement that evidence be presented within 24 hours of arrest. As a result, the percentage of criminal cases dismissed without merit dropped from 70 percent to 15 percent.

South America

USAID's FY 2018 request for South America prioritizes Colombia and Peru. Despite growing economies, both are plagued by high levels of coca cultivation and related illicit activity that strengthens transnational criminal organizations and furthers instability in the region. USAID's FY 2018 request focuses on rural economic development as a way to build licit alternatives that will allow poor, rural farmers to participate in their nations' economic progress.

Colombia

In Colombia, dynamic, sophisticated urban centers like Bogota and Medellin thrive alongside a rural countryside that is suffering the effects of the 52-year conflict between the Government of Colombia and the Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia, FARC). Thanks to the Peace Accords signed in 2016, rural populations isolated by conflict will have access to government services for the first time in more than a half-century, but transnational criminal organizations remain a threat.

The lack of state presence and limited licit economic options for those living in areas formerly controlled by the FARC are serious challenges with effects that extend beyond Colombia's borders. One of the most troubling of these challenges for the United States is the increasing flow of cocaine across our border. The FY 2018 request includes \$105 million for USAID to continue to help solidify the hard-won peace, prioritizing programs that encourage a diversified rural economy and alternatives to coca production; support the reintegration and inclusion process; and further Government of Colombia efforts to increase institutional presence, protect human rights, promote access to justice, and provide services to historically underserved areas.

USAID's efforts are having a positive impact. For example, our rural economic development programs have helped to develop both the domestic and international markets for high-value crops of cacao, specialty coffee, rubber, and dairy products. In Tumaco, one of the most impacted regions of the country, these programs benefited more than 5,200 families and created more than 2,000 jobs in 2016.

Peru

Peru has proven to be a vital partner to the United States in a polarized region, and has developed into a more responsive democracy that pursues equitable economic growth. Despite its growing economy, Peru's financial success has yet to reach many Peruvians, particularly those who live outside the coastal urban areas. The country was the second-largest producer of cocaine and cultivator of coca in 2015.¹

In light of these challenges, USAID is focusing its FY 2018 request of \$22 million on alternative development programs. We work in underdeveloped areas to help rural farmers produce high-value crops and connect them to markets, particularly specialty chocolate (cacao) and coffee, that give them a safe, stable, lucrative alternative to illicit activity and help the country participate in international markets. According to the United Nations Office on Drugs and Crime, coca

¹United States Department of State Bureau for International Narcotics and Law Enforcement Affairs; International Narcotics Control Strategy Report 2017; March 2017; <https://www.state.gov/documents/organization/268025.pdf>; accessed 07/2017

cultivation in Peru decreased by nearly 90 percent from 2011-2015 in places where alternative development was paired with forced eradication.² This effort helps to take funding out of the hands of dangerous cartels that affect U.S. security.

FY 2018 funds will continue programs that are already seeing success in the provinces of San Martin, Ucayali, and Huanuco, areas once overwhelmed by narco-trafficking and violence. In FY 2016, in collaboration with the Peruvian government, we reached more than 37,500 families with our alternative development programs. Sales of legal farm and non-farm products from these areas totaled \$41 million and created 20,500 full-time-equivalent jobs.

Caribbean

The majority of USAID's FY 2018 request for the Caribbean is dedicated to two primary areas: continued development in Haiti and citizen security interventions across the region under the Caribbean Basin Security Initiative.

Haiti

As is the case elsewhere in the region, poverty and lack of opportunity are key drivers of illegal migration from Haiti to the United States and elsewhere. The FY 2018 budget request includes \$64 million for USAID work in Haiti, where we are prioritizing programs that fight poverty and promote good governance. Our work will focus on providing economic opportunity through agriculture development and micro-, small, and medium-sized business development; improving food security and nutrition; fighting infectious disease and improving primary healthcare services; improving access to water and sanitation; and advancing transparent and accountable government institutions.

USAID programs have produced measurable results in Haiti, especially in agricultural production and job creation. For example, USAID has introduced improved seeds, fertilizer, and other innovative technologies to more than 70,000 farmers, helping to increase crop yields. And our work in economic growth has leveraged \$12 million of private sector funds and created more than 13,000 jobs.

Caribbean Basin Security Initiative

According to the Inter-American Development Bank, spending on policing, corrections, private sector security, and lost income from victims and incarcerated youth costs the Caribbean between 2.41 percent and 3.55 percent of gross domestic product, among the highest costs in the region.³ Youth unemployment in the region is high, averaging between 20 and 40 percent, exposing young people to increased risk of migration and criminal activity, including gang affiliation and drug trafficking.

In FY 2018, USAID is requesting \$20 million for the Caribbean Basin Security Initiative to reduce illicit trafficking, increase citizen security, and address the root causes of crime and

²United Nations Office on Drugs and Crime; Perú Monitoreo de Cultivos de Coca 2015; https://www.unodc.org/documents/crop-monitoring/Peru/Peru_monitoreo_coca_2016.pdf

³Inter-American Development Bank; The Costs of Crime and Violence: New Evidence and Insights in Latin America and the Caribbean; 02/2017; <https://publications.iadb.org/handle/11319/8133>; accessed 06/2017

violence across the Caribbean. USAID's work with governments and civil society in the region includes programs to reduce corruption; reform justice systems; increase transparency, professionalism, and trust between police and communities; and provide social and economic opportunities to at-risk youth. Together, these programs help to reduce the likelihood that young people will engage in criminal activity or migrate in search of security or opportunity.

USAID programming has helped Caribbean countries to achieve success. For example, in 2016 in the Dominican Republic, nearly 4,000 youth obtained new or better jobs. And great strides have been made in enacting legislation in three member states in the Eastern Caribbean, with passage of a child justice law guiding treatment of youth in conflict with the law.

USAID Efficiency and Effectiveness in Latin America and the Caribbean

Success in these endeavors will require other actors to play a more robust role. To this end, USAID is engaging the private sector, including American businesses, in partnerships that benefit all involved. For example, since 2012, USAID has leveraged approximately \$146 million in private sector and non-USG resources for public-private partnerships in Central America alone. Through Development Credit Authority guarantees, nearly \$34 million has been lent to over 20,000 micro-, small, and medium-sized enterprises across former coca-producing regions in Peru since 2003, promoting legal livelihoods.

We have a responsibility to the United States taxpayer to design and implement programs that contribute to broader national security goals and to maximize results of these programs. To do this, we integrate performance monitoring, evaluation, and other accountability tools into all our programs. We use the evidence generated by these tools to make course corrections as needed and to inform design of new programs, all in support of accountability, transparency, and meaningful oversight of all our programs.

Conclusion

USAID's FY 2018 request for Latin America and the Caribbean prioritizes the challenges that most directly affect the United States. Our work will help to stem the flow of illegal migration by addressing the root causes that drive people from their homelands in search of a better life. Supporting efforts to reduce these root causes protects our homeland and our citizens. We would like to thank this Committee for its interest in and support for our work, and look forward to collaborating with you to address the challenges and opportunities in the region.

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