

Testimony of

Robert N. Kaplan, President and CEO, Inter-American Foundation

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Chairman Menendez, Ranking Member Rubio and Members of the Subcommittee:

It is my pleasure to testify before you today 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. Policy deliberations naturally consider broad trends and impacts at the national or regional level, and I appreciate your interest in bringing a community perspective to the table. We know from our own country's experience that healthy communities strengthen democracy, create economic opportunities and enhance social resilience.

For four decades, the Inter-American Foundation has been providing small grants to support grassroots development in Latin America and the Caribbean. We invest in self-help ideas and solutions proposed by the poor themselves, and we work with them directly. Our grants to local and community-based groups complement their own resources to address a problem or take advantage of an opportunity to improve families' livelihoods where they live. Individual grants may help start or expand small businesses, create jobs, develop skills or access markets for local products. They may promote inclusion of disadvantaged groups or address basic needs, such as nutrition or access to clean drinking water, sanitation or health care. Regardless of the immediate purpose of the limited funding we provide, the fundamental long-term objective is to enhance local social capital as people work together to solve their most pressing problems, and in the process build stronger communities and more stable societies.

The experience of the IAF's staff working directly with the organized poor in 21 countries gives us first-hand insight into their concerns and aspirations. While there has been significant progress throughout the region over the last few decades, many challenges remain. There are still deep pockets of poverty where people struggle to meet even their most basic needs. In many places, public and private institutions are not yet able to engage the poor effectively to help them along a viable path out of poverty. Globalization has opened opportunities, but it has also made the poor more vulnerable to economic shocks such as rising food or fuel prices. Lacking better alternatives, the poor often settle on land that is particularly exposed to hurricanes, earthquakes or man-made hazards. Too often, the poor fall victim to criminal opportunists trafficking in drugs or women and children and to the destabilizing violence that comes with them. And despair

at lack of opportunities at home leads some to leave, despite the personal risks and the immediate cost to their own families and communities.

At the IAF, we receive hundreds of proposals every year from grassroots groups with imaginative ideas for overcoming these challenges. We see in their organizations their embrace of democratic values and their desire to participate actively in civic life. Their proposals illustrate their strong belief in the opportunities available in a market economy. These are decent, hard-working people living in difficult circumstances but full of spirit and the will to succeed. Their creativity and perseverance, despite the odds, are inspiring.

Assistant Secretary Valenzuela recently told an audience at the Brookings Institution that U.S. policy toward Latin America must be “respectful, responsive and realistic.” This has been the Inter-American Foundation’s approach at the grassroots since the beginning. In 1975, an appraisal of the IAF and its grantees during the first five years was titled *They Know How* to acknowledge the capabilities of our partners and to underline the central tenets of the IAF’s responsive approach and respect for local knowledge. We provide an opportunity for marginal populations to articulate their principal challenges and map a way forward. In the process, this approach strengthens bonds within communities, as well as engagement with society at large.

The proposals we receive identify a funding gap after taking into account the proponents’ own resources and what they are able to mobilize from others. Since the agency’s founding in 1969, grantees have contributed or mobilized almost \$1 billion — far exceeding the IAF’s \$665 million investment. In deciding whether to fund a proposal, IAF staff confirm on the ground that the communities themselves play a protagonist role. This approach both increases the likelihood of success and enhances local social capital so that community groups can build on the experience to solve other problems or take advantage of future opportunities.

The scale of the Inter-American Foundation’s program is very small, and it is clear to us that we must work in partnership with others. We have always tried to use the flexibility and agility that comes with being small and independent to experiment, share our experience and encourage others to bring their resources to bear. For example, over the last several years, we have developed a robust relationship with a network of corporate foundations from the region that, by co-funding with us, have learned to direct their own programs to address long-term development needs rather than short-term charity. Through this relationship, the IAF levers its investment two-to-one and nurtures a still-incipient culture of private philanthropy in the region.

We can also play a useful role by complementing and extending the impact of large public or private development projects. Over the years, we have seen marginalized communities lose out or be displaced if they are located in the footprint of multi-million dollar investments in infrastructure, natural resources extraction or tourism. By providing timely support to these communities, the IAF may be able to help them take advantage of the economic opportunities that accompany these investments instead.



The Inter-American Foundation has consistently encouraged a culture of results as part of our program of development grants. Since 2000, all grantees have been required to report on their progress by applying a “grassroots development framework” that the IAF designed to track both tangible and intangible results. Grantees submit reports every six months, and the data are independently verified on site. More recently, we have begun to return to communities five years after the IAF’s support has ended in order to assess the ongoing impact. This results-based approach helps us and our grantees learn what works and adjust accordingly.

By funding small-scale, self-help development and entrepreneurship, the Inter-American Foundation supports the efforts of disadvantaged people throughout the hemisphere as they begin to break out of poverty, improving conditions for themselves and future generations, and participate more actively in their nation’s civil society. Through its support, the IAF develops goodwill toward the United States and maintains a positive presence at the community level, including in countries where bilateral governmental relations may be strained.

Cost-effective investments at the grassroots that help make Latin America and the Caribbean a better place in which to live are fundamentally in the interest of the United States. This is the mandate with which Congress charged the Inter-American Foundation four decades ago, and it is as important and relevant today as ever.