

**Statement of Elizabeth Hogan,
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United States Agency for International Development (USAID)
Senate Committee on Foreign Relations
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Mr. Chairman, Ranking Member Cardin, and distinguished members of the Committee: 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 update you on our efforts in Central America.

Development Context

As you know, social development and economic growth in Central America have been stymied by a dramatic rise in crime and violence — particularly in the Northern Triangle countries of El Salvador, Guatemala and Honduras. While the homicide rate has declined in Honduras, it is still unacceptably high. In El Salvador, the statistics from 2015 are particularly alarming — over 100 murders per 100,000 people. This surpasses the murder rate at the peak of El Salvador's civil war in the 1980s.

The recent wave of insecurity is rooted in increased gang violence and transnational crime, deep-seated social and economic inequity, lack of economic opportunity, and high unemployment. These problems are exacerbated by systemic challenges across local and national governments in the region. Institutions are plagued by lack of capacity to govern, antiquated management systems, and corruption that continues to undermine efforts to improve security and advance prosperity. According to Transparency International (2015), three of the five most corrupt nations in Latin America and the Caribbean are in Central America.

We continue to see the consequences of these problems manifest at our border as children and families make the dangerous journey to the United States. This migration is deeply concerning to us and our interagency partners, and USAID is determined to help migrant returnees, while simultaneously addressing the underlying causes that drive people away from their homelands. In the immediate term, USAID supports the work of the International Organization for Migration to upgrade reception centers across the Northern Triangle, improve intake and referral services for returned migrants, and provide technical assistance to governments to improve their own child protective services and migration data analysis.

Regional Response from Central America

These obstacles are deeply entrenched, and years in the making, but they are not insurmountable. As we have seen in Colombia, where peace is within reach after decades of internal conflict and poverty, real development gains occur when there is a strategic and determined effort on the part of host governments, an engaged civil society, and sustained commitment by the United States.

We have already seen promising signs of the Central American governments' commitment in the form of a serious, regional plan, the Alliance for Prosperity, which aligns closely with much of our United States Strategy for Engagement in Central America. The Alliance for Prosperity lays out the Northern Triangle governments' shared commitment to grow their economies, create employment, and improve the life prospects of their citizens, particularly the poorest and most vulnerable. We are encouraged that the governments of Guatemala, Honduras, and El Salvador passed 2016 budgets totaling \$2.6 billion to support the Alliance for Prosperity.

Policy reforms undertaken in the past several years have translated into tangible results on the ground. Newly elected President Morales has committed to extending the mandate for the International Commission Against Impunity in Guatemala (CICIG) beyond his own term in office. With USAID support, the Guatemalan judicial system, Office of the Attorney General, High Impact Court, and National Forensics Lab have made progress in combatting impunity.

Honduras initiated top-to-bottom reforms of its National Police and has embraced violence prevention as policy.

Neighboring El Salvador has developed the most comprehensive national security plan in the Northern Triangle — *Plan Seguro*. El Salvador has started *Plan Seguro* implementation in ten of the country's most violent communities, and USAID and the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) have concrete plans to support their efforts. *Plan Seguro* is financed by newly imposed taxes on telecommunications companies and Salvadorans who earn more than \$500,000 per year.

These particular actions and local ownership of the Alliance for Prosperity demonstrate political will from the Northern Triangle countries. Nevertheless, a strong partnership with the United States is necessary to achieve and sustain our shared objectives of prosperity, improved governance, and security, which underpin both the Alliance for Prosperity and the United States Strategy for Engagement in Central America. This partnership is in line with USAID's overall

mission to partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity.

Prosperity

One of our key priorities is to spur greater prosperity in the Northern Triangle by supporting broad-based economic growth programs designed to expand business, employment, and educational opportunities to the poor and those most likely to migrate. We know that opening doors to employment and education for citizens — especially youth at risk of gang recruitment, crime, and violence — will bolster our efforts in security and lead to safer, more prosperous societies.

USAID will continue to support El Salvador in its own efforts to grow the economy at the municipal and national levels. At the local level, our work includes projects that help local communities promote economic development and business opportunities. At the national level, we are assisting the government to create a more welcoming business environment, encourage private investment, and improve the ability of small and medium enterprises to take advantage of market opportunities.

USAID's investments have helped enable domestic sales and exports by 9,000 Salvadoran companies that have exceeded \$100 million and led to the creation of over 15,000 jobs. More recently, USAID's partnership with the El Salvadoran small business development agency has expanded services in two of *Plan Seguro's* most violent municipalities, bringing together small business owners, municipal authorities, and police to create viable business development zones.

In Guatemala, our prosperity programs are geographically focused in the rural Western Highlands, where poverty levels are the highest. Chronic malnutrition rates remain around 50 percent country-wide and average 66 percent in indigenous communities in the Western Highlands. As a result of USAID's Integrated Program, targeted communities have seen a reduction in the prevalence of poverty, improved nutritional status for children, increased income and employment, greater agricultural productivity, improved access to water, and better health and educational services. For instance, in the 2,500 communities where we work, the prevalence of poverty was reduced from 85.9 percent in 2012 to 72.9 percent in 2014, according to an independent evaluation. According to preliminary data from the latest mid-term evaluation, chronic malnutrition was reduced from 67.4 percent in 2013 to 64.9 percent in 2015 for children under five in the same target communities.

We plan to significantly expand the Integrated Program to help address the causes of migration by youth from the region. This includes exploring new economic opportunities in sectors beyond agriculture, as well as ramping up workforce readiness and vocational education opportunities. With additional FY 2016 and FY 2017 resources, we can expand the reach of our Integrated Program to all of the targeted municipalities in the Western Highlands with the greatest levels of migration.

In Honduras, USAID will use additional resources to build on our successful Feed the Future (FTF) programming, which has shown significant results in reducing extreme poverty. While monitoring FTF investments, we have tracked program progress and found that between 2011 and 2015, incomes increased by nearly 55 percent for more than 180,000 of the poorest individuals. Within the last fiscal year alone, the number of FTF beneficiary families whose incomes rose beyond the extreme poverty line increased by 30 percent (8,719 in FY 2015, compared to 6,626 in FY 2014).

Across all three countries, we will invest in clean energy programs and trade facilitation that promote regional electricity integration, in support of President Obama's Energy Security Task Force for Central America, and prepare the poor to actively participate in the 21st century workforce. Our investments will promote clean energy, and improve the poor quality of electricity in the region. Less expensive, more reliable energy will improve the competitiveness of the business sector while enhancing energy security.

Governance

Economic growth and security are only sustainable in an environment where democratic values and institutions flourish, citizens can depend on basic social services, impunity is reduced or eliminated, human rights are respected and protected, and civil society and the media can play their rightful roles. The peaceful protests that characterized the "Guatemalan Spring" offer real hope that we have entered a new era in Central America. Ultimately, the success of our efforts depends upon strong and effective governance by the Northern Triangle countries.

We plan to invest the increased FY 2015 and FY 2016 funding in new initiatives to promote good governance and accountability in the Northern Triangle. In Guatemala, USAID will complement a Millennium Challenge Corporation-supported tax administration program to assist private sector and civil society groups in monitoring the effectiveness of the tax and customs services. In an effort

to address rampant corruption and build on the wave of public sentiment and support for reform, we are considering support for the start-up of the Government of Honduras and Organization of American States' new anti-corruption initiative, known by its Spanish acronym MACCIH. This would include resources to help stand up the investigative unit and support the civil society observatory, which will monitor and promote the implementation of reforms to the criminal justice system.

With FY 2016 resources, we will continue to support programs that address chronically low tax revenue collection, improve fiscal transparency, and expand justice sector reform throughout the region. USAID provides technical training to judges, lawyers, and court personnel, as well as technical assistance to the juvenile justice system on important rehabilitation and reintegration reforms.

In El Salvador, we support civil society to advocate for passage of civil service laws and transparent policies for hiring and promotion, and assist the government to develop a national integrity plan that improves transparency in public resource use. For example, USAID, the Government of El Salvador, and the Government of Brazil partnered to support the launch of a new fiscal transparency portal. The portal, which receives more than 10,000 hits per month, provides a user-friendly platform for researchers, the private sector, and ordinary citizens to obtain information about the public budget.

We are also committed to supporting civil society and human rights throughout the Northern Triangle. We work with indigenous groups, human rights defenders, and governments to help foster a culture of respect, especially for historically marginalized groups. We recognize the important role that these groups, particularly indigenous peoples, play in sustainable development, conservation, safeguarding biodiversity, and adapting to and mitigating the effects of global climate change. Our programs work in partnership with these groups by integrating consideration of their concerns into our policies, programs, and projects; strengthening their traditional resource management strategies; helping to legalize and demarcate their territories; and helping them to improve their livelihoods.

Security

None of our efforts in prosperity and governance will take root in societies that are plagued by insecurity. The heart of our security work is youth-focused, as we invest in programs that reach those most at risk for gang recruitment, crime, and violence. We have supported a range of tested, community-level approaches to reduce and prevent crime and violence in high-crime communities across the

Northern Triangle. These approaches include partnering with communities, civil society, governments and the private sector to develop crime prevention plans, invest in municipal crime observatories, create safe community spaces, expand after-school activities, provide job and life skills training, and build trust between police and residents.

Already we are seeing tangible results of our crime prevention activities in El Salvador, where our initial analysis points to a drop in homicides of more than 60 percent in the 76 communities where USAID targets its programming. This statistic is a stark contrast to other communities where homicide rates have climbed sharply over the past year. Additionally, our 200 youth outreach centers reach around 85,000 at-risk youth every year who are susceptible to gang recruitment and potential migration.

We will use additional resources to help the Northern Triangle governments scale up what is working, particularly in the communities from which youth are migrating. We are working with INL to marry the United States Government's prevention, law enforcement, and justice interventions, focusing on the youth most at risk of falling into lives of crime. We are also heartened that the Government of Honduras has supported this model and directed its own resources to support this program; it is likewise gratifying that so many elements of our model are reflected in El Salvador's *Plan Seguro*.

Regional Approach

Through our Central America regional platform, USAID recently released a new regional strategy to address cross-boundary concerns, including human rights, labor, energy and environment issues, and trade facilitation. We are developing a new regional trade facilitation program that aims to reduce the time and costs to move goods across the border, making it easier for businesses to capitalize on market opportunities.

Part of our regional program will expand a successful regional trade and market alliance with the Inter-American Development Bank, which supports 25,000 small producers in new producer-buyer alliances across several agricultural value chains. We also plan to extend our regional agreement with the U.S. Department of Agriculture to promote food safety, market access, and local capacity in the Northern Triangle to export safe, high value agricultural products to the United States. In addition, we are planning new regional programs to promote human rights and labor rights.

Partnering with the Private Sector

To accelerate progress, we will continue to tap into the resources, value chains, expertise, and reach of the private sector. We currently boast a roster of 60 private sector partners in the Northern Triangle, from whom we leveraged \$150 million in FY 2014 resources to jointly support our vocational training, education, and employment work for at-risk youth, and increase food security and incomes for vulnerable communities.

Oversight

Operationally, we have made several changes to better equip our teams to expand successful programs, and design and implement new ones. One year ago, USAID instituted a Regional Governing Board comprised of Agency leadership in Washington and the field, which meets quarterly to identify and share implementation challenges, unblock bottlenecks, streamline approaches, and update critical stakeholders including Congress. We recently added a civil society consultation to the quarterly meetings—in Washington and the field—to ensure that we are getting a wide-cross section of input into our plans and programs.

USAID has realigned our staffing pattern to accommodate 16 new positions in the field and Washington that support the implementation of the U.S. Strategy. We are also unifying all of our procurement planning throughout the region, so that staff can be mobilized to work on the highest priority procurements. These changes give us the management capacity needed to more effectively implement the increased funding for Central America.

USAID is committed to accountability, transparency, and oversight of the programs through which we are implementing the U.S. Strategy. We rely on a full range of monitoring and evaluation tools, including survey data collection, performance indicator monitoring, analysis, studies, and external evaluations. Our Missions in the Northern Triangle are also guided by five-year strategic plans, and their individual monitoring, evaluation, and learning plans. These tools and plans not only allow us to establish baselines and track the status of our programming; they also help us to be more flexible in our approach by demonstrating what is not working and providing the data needed to help us adapt our programs and allocate resources accordingly.

For example, last year we expanded our community-based crime and violence prevention programs in Central America after an independent and rigorous impact evaluation statistically demonstrated that crime victimization is dramatically lower and public perception of security higher, in USAID's treatment communities.

In addition, we recently created a Central America Learning Agenda to build regional evidence and data collection for each of the three pillars of the U.S. Strategy. This Learning Agenda allows our team to compile evidence from ongoing regional assessments and evaluations, and to plan and carry out performance and impact evaluations for new or expanded programs.

Encouraging Cooperation and Accountability: The El Salvador Partnership for Growth Model

USAID remains resolutely focused on helping the governments of Guatemala, El Salvador, and Honduras become more responsive and transparent to their citizens. We coordinate our support with other United States Government agencies, and have made our assistance dependent on significant reform. The U.S. Strategy for Engagement in Central America reinforces the Alliance for Prosperity, which commits the countries to monitor and evaluate their own efforts and empowers civil society organizations to assume an oversight role as well. Adopting a collaborative approach that encourages not only partnerships, but also ownership by governments and civil society requires intensive work, but, importantly, increases buy-in and commitment.

To accomplish our goals, USAID intends to support the core operating principles of the Administration's Partnership for Growth (PFG) model in Guatemala and Honduras, encouraging mutual accountability, coordination, rigorous measurement, and transparency with the public. The PFG model, founded on principles of country ownership and partnership; high-level mutual accountability and transparency; rigorous, evidence-based analyses to focus and prioritize resources; and a whole-of-government approach, was first used in El Salvador, where our efforts ensure that aid follows reform. For example, USAID leveraged the Millennium Challenge Corporation's existing efforts to promote key reforms on public-private partnerships and money laundering—important legislation that was needed to ensure sustainability for our efforts and was agreed to by the Government of El Salvador when PFG was launched in 2011. Though Guatemala and Honduras are not PFG countries, we intend to use lessons learned from the implementation of PFG in El Salvador to promote reform, transparency and local ownership of development progress.

Conclusion

With renewed commitment from Northern Triangle countries to advance their own development goals, and our government's support, USAID is well placed for

success. Our programs are strategically designed to confront current challenges while also enabling countries to better address emerging threats. As we have seen with the Zika outbreak and the prolonged drought, preparation and coordination are crucial to mitigating the effects of, and developing a response to, the crises and natural disasters that the region regularly faces. Political will, in combination with improved local capacity, leveraged resources and new partnerships, will allow us to help Central American governments create a more peaceful, prosperous, and integrated region.

On behalf of the Agency, I would like to thank Chairman Corker, Ranking Member Cardin and this Committee for your support and leadership on U.S. engagement in the Northern Triangle. We look forward to collaborating with you to address long-standing challenges and new opportunities for reform in the region.

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