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**House Committee on Foreign Affairs**

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**Mr. Chairman 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 priorities 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.

It is also an honor to testify again with my State Department counterpart, Assistant Secretary Arturo Valenzuela. The collaboration and coordination between our bureaus is stronger today than ever.

Mr. Chairman, the President's FY12 budget request for USAID in the Western Hemisphere reflects the Administration's intent to focus our investments in priority countries and sectors and achieve lasting development gains overseas while contributing to the security and prosperity of the American people.

USAID's work is not charity. Our programs are not only *for* the American people, as the agency's motto says; they are *for* the American people.

When we help stabilize and grow economies closely tied to our own, we develop markets for *our* products. When we help farmers in coca producing areas of Colombia harvest legal crops or steer vulnerable youth in Central America toward constructive endeavors, we help to stem the flow of drugs to *our* communities. When we reduce deforestation in the Amazon, we help stabilize rainfall cycles for farmers in *our* country. And when we reduce the prevalence of disease in the Americas, we help keep *our* communities healthy.

But USAID's programs not only advance our national security and economic interests, they reflect core American values in action – values that inspire our citizens to mobilize others and to act quickly and generously in times of crisis. The American people's overwhelming outpouring of support following Haiti's devastating earthquake is a prime example of these values at work. We at USAID are doing our part too. The reconstruction and sustainable development of Haiti is our largest investment in this hemisphere.

As we move into the second year of post-earthquake recovery and reconstruction, we are building on the results from the past year. The number of Haitians living in camps has fallen by more than 800,000 since last spring. Twenty percent of the 10 million cubic meters of rubble produced by the quake has been removed. More Haitians have access to clean water and health services today than before the earthquake. Although cholera will likely become endemic to Haiti, we have stabilized the epidemic and have systems in place to respond quickly to future outbreaks. USAID's support for the second round of the elections resulted in a much improved process. We look forward to working with the new government to be headed by Michel Martelly to accelerate the reconstruction process and implement our long-term development plan focused on infrastructure, health, agriculture and governance.

In Haiti, as elsewhere, we are embracing a culture of rigorous oversight to prevent waste, fraud and abuse and to respond quickly when problems arise. USAID has teams of auditors and investigators embedded at our office in Port-au-Prince.

In the context of a challenging fiscal environment, the President's FY12 budget request manages to protect key priorities, including combating drug trafficking and organized crime in the Americas.

Mexico, Central America and parts of the Caribbean are suffering from the highest rates of non-political violence in the world, and it is in our interest to support the efforts of regional leaders to counter the crime wave. In an increasingly globalized world, organized crime, like disease and environmental degradation, penetrates borders. The flow of drugs through the Caribbean and Central America often continues into this country, harming our youth and sapping strength and resources from our communities.

Our development investments are crucial to combating violent crime and drug trafficking, which threaten to undermine all our other work in the region. Crime is discouraging business investment and diverting public and private resources that could otherwise be used for more productive investments. Organized crime is corroding state institutions and undermining faith in democracy. Drug trafficking organizations have a greater presence in some areas than governments.

While we are continuing our longstanding work to strengthen the capacity of judicial systems to fairly and effectively provide justice, the heart of USAID's security work involves supporting preventive measures that deal with the social roots of violence, namely providing positive and productive alternatives to youth vulnerable to the lure of crime. Through the Central America Regional Security Initiative, we are helping local communities create safe urban spaces, provide job training, and keep children in school.

The transnational nature of trafficking and organized crime in the Americas requires that we also support the security efforts of the island nations of the Caribbean, whose small size and porous borders leaves them vulnerable to trafficking and organized crime. Through the Caribbean Basin Security Initiative, USAID is investing in community policing programs to make communities more resistant to crime, and in education and workforce development for youth.

As Mexico, Central America, and the Caribbean are mostly transit points for the movement of drugs, we continue to help drug-producing countries to cut off the source. In Colombia and Peru, which in recent years have been the two leading recipients after Haiti of USAID investments in the Americas, USAID is helping to re-establish government presence in areas where guerrilla groups and drug trafficking organizations once operated with impunity. We are providing farmers with legal alternatives to growing coca and rehabilitating health centers and schools.

Defeating the drug cartels and gangs in Mexico and Central America will require strong democratic institutions and greater respect for human rights and the rule of law. The FY12 budget request maintains our support for programs that strengthen the capacity of national and municipal institutions to deliver services to their people.

Our democracy work will also continue to extend support to civil society and political parties in countries where political space is narrowing or, in the hemisphere's remaining dictatorship, non-existent. Civil society, human rights, and fundamental freedoms are under threat by government-endorsed regulations, restrictions, and at times, repression. Our engagement in the Americas will be shaped by countries' shared commitment to democratic practices and our ability to support individuals and institutions in those countries that advocate for greater democracy, human rights, and protections for vulnerable populations. Governments receiving USAID development assistance that take measures to restrict democratic rights will put their aid programs in jeopardy.

Democracy is advanced and bolstered by broad-based economic growth. Despite high growth in the region in recent years and the movement into the middle class of many millions of people, one third of Latin America's population lives in poverty. These rates more than double in parts of Central America and reach 80 percent in Haiti. USAID, therefore, continues to prioritize programs that allow the private sector to flourish and create jobs that lift people out of poverty. In El Salvador, for example, we are helping over 50 municipalities reduce the time it takes to start a business. And through President Obama's Feed the Future initiative, small farmers in Haiti and Central America are able to increase their incomes by diversifying into higher-value crops and accessing more lucrative domestic and international markets.

Recent economic gains in Latin America and the Caribbean are threatened not only by the deteriorating security environment, but also by the potentially debilitating effects of global climate change. Many of the region's key economic activities, such as agricultural production and tourism are acutely sensitive to the extreme weather patterns attributed to climate change. Added to this is the strain on national budgets when droughts, heavy flooding or powerful hurricanes siphon off scarce resources to finance disaster relief and recovery efforts.

Our investments strengthen the capacity of Central and South American countries to preserve their forests and reduce emissions, and they help the nations of the Caribbean craft plans to protect critical industries and resources.

Ensuring that we have adequate resources for our highest priorities requires making tough choices – choices that we are already making. We are focusing our resources in countries and sectors where we have the best partners and where we can have the greatest impact. As President Obama has noted, “no one nation can do everything everywhere and still do it well.”

To date, we have committed to closing two USAID overseas offices in this hemisphere. In recognition of the gains that Panama has made since we reopened our office there in 1990, we will be closing the mission and winding down our programming. And in a cost-saving measure, we plan to manage our Guyana projects from one of our regional offices.

Of all the metrics we use to gauge our success, none is more important than reaching the point at which we can close up shop in a country. As President Obama has said, the purpose of development "is creating the conditions where our assistance is no longer needed." To help achieve that, we will channel resources more directly through local NGOs, the private sector and host governments. USAID will continue to use outside contractors where appropriate, but will direct more assistance to local entities in order to strengthen their capacity and reduce dependence on outside assistance.

The President's budget request also shows declines in countries where we have fewer viable official counterparts to achieve our development objectives and demonstrate value for our investments. In these countries, however, we are still able to collaborate with civil society actors to advance political or economic development.

We are also able to dedicate fewer resources in areas where we have largely achieved our objectives. We are on target to end our support for family planning in all but three countries in the Americas by 2013. Now that the holding of legitimate elections is commonplace in the region, we can reduce our overall support in this area. Given the growing economic maturity of the hemisphere, we are trimming our support for micro-lending, yielding much of that work to regional banks. And as trade in the region flourishes, several USAID offices in the Americas are evaluating their trade capacity-building programs, with an eye to ending some assistance.

In order to maximize the impact of our budget, we are leveraging other sources of funding. First, as countries reach a point when they no longer need our assistance, we will actively recruit them to work with USAID as fellow donors. We are already working with countries like Brazil and Chile, which have valuable lessons to share from their recent successes in achieving broad-based economic growth and developing effective democratic institutions. During the President's recent trip to Latin America, he announced expansions of those arrangements. We are looking to establish comparable agreements with other countries in the region.

Second, recognizing that long-term development and job creation depend upon an active and vibrant private sector, we are increasingly collaborating with businesses. Through these partnerships, companies meet business goals and the poor improve their livelihoods.

For example, through a USAID partnership with Coca Cola, 25,000 Haitian mango farmers have doubled their incomes by improving farming practices and supplying their products for international natural juice products.

In the same vein, a new regional partnership with Wal-Mart will give small rural farmers in Central America access to the retailer's technical know-how and the opportunity to supply fruits and vegetables to its many stores across the region. And most recently, nine Salvadoran private sector foundations agreed to create a consortium to complement investments by the government and USAID in crime prevention in poor communities.

Finally, we are increasing the return on our investments by encouraging the development of innovative solutions to the region's development challenges. For example, spurred on by an incentive fund created by USAID and the Gates Foundation, the telecommunications company Digicel introduced a mobile money system that will enable Haitians to access financial services on their cell phones.

Such modern and novel approaches, combined with selectivity in USAID investments and a commitment to create greater governing and management capacity abroad, will accelerate the pace of economic and democratic development in the Americas. And as Latin America and the Caribbean become more prosperous and secure, the United States will also reap the benefits.

Thank you, Mr. Chairman. I look forward to the committee's questions.