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Madam Chairwoman, Ranking Member Lowey, 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) priorities in Latin America and the Caribbean and pleased to have this opportunity to discuss the Obama Administration's development policy in the Americas and our efforts to enhance security in the region. As always, I am eager to hear your advice and counsel.

It is also an honor to testify alongside my colleagues from the State Department, Ambassador William Brownfield and Deputy Assistant Secretary Kevin Whitaker. Collaboration among our three bureaus has never been stronger.

A year ago, USAID's Latin America and Caribbean Bureau issued a mission statement presenting our 20-year vision. In that document, we envisioned a bureau that by 2030 would be a fraction of its current size. To some, it might sound unusual for a government agency to aspire to shrink in size. But in fact, the most important metric for a development agency is to reach the point at which a country, or region, no longer needs our aid. As President Obama has said, the purpose of development is "creating the conditions where assistance is no longer needed."

We can aspire to this bold goal in the Americas because of the largely favorable development trends in the region. In recent years, sound economic management has helped spur economic growth, while greater access to education and innovative social programs have reduced poverty and narrowed income inequality. In the last 20 years, poverty has declined from 49 percent to 31 percent in Latin America.

At the same time, the region has undergone a political transformation. Free elections are mostly the norm, governments are more responsive to their citizens' needs, and civil society is robust and largely operates free of restraints. Of the hemisphere's 35 countries, 29 are classified as "free" by Freedom House, a stark contrast to a generation ago when fewer than half were free.

The President's FY 2013 budget, coupled with our investments in recent years, lays the groundwork for USAID to help countries in the Americas continue on this trajectory, while keeping the United States engaged in responding to transnational challenges that affect our country.

We are doing so by consolidating our resources in a few high-priority countries. Doing good is not good enough. We must make tough choices to stay focused on the biggest opportunities. In a fiscally-constrained environment, we have maintained our support for Haiti in the wake of the 2010 earthquake, while focusing resources in countries on the frontlines of the effort to reduce the violence and drug trafficking threatening the region's stability and prosperity – from Colombia and Peru, to Mexico, Central America and parts of the Caribbean.

At the same time, we have been able to reduce USAID's role in countries able to assume responsibility for their own development. This year, we will close our office in Panama, a stable and democratic upper-middle income country. In Brazil, now the world's sixth largest economy and an aid donor itself, we will convert our bilateral presence to one solely focused on developing joint programs in countries in Africa and the Americas. In Guyana, we will manage programs from our regional mission. And in some countries where we maintain a significant presence, such as Colombia and Peru, we will nevertheless reduce our role as those countries' governments increasingly fund and manage programs previously administered by USAID.

We are also exiting sectors where Latin American and Caribbean countries have made great strides, or where partner governments, the private sector or other donors are filling gaps. As legitimate elections become the norm, we are ending electoral support in a number of countries. And with the dramatic improvement in health standards and increased capacity of countries to provide care for their citizens, we are shutting down our health programs in all but five high-need countries.

In order to accelerate the pace of development, we are prioritizing investments in innovation. In Haiti, for instance, our support for new, more resilient seed varieties has nearly tripled the yields of small-scale rice farmers, all while using fewer seeds and less water and fertilizer.

To supplement our assistance and make our efforts more sustainable, we are increasingly collaborating with the private sector, which more than ever understands that its interests dovetail with those of the development community. In the Dominican Republic, for example, more than 10,000 farmers supported by USAID can now sell their sustainably-grown cacao to Kraft Foods. In Jamaica, which has some of the highest levels of crime and youth unemployment in the world, the local private sector is providing a fourteen to one match in funds to provide skills training and job opportunities for poor youth.

We are also aggressively seeking new ways to work with host country partners to make our investments more sustainable and hasten our exit from countries, while cutting costs. By investing in local organizations, we can save money and leave behind a legacy long after our dollars are spent. We are therefore channeling more assistance through partner governments, local entrepreneurs and civil society organizations – entities like Transparencia, a Peruvian NGO and longtime USAID sub-grantee, with whom we recently worked directly to organize a parallel vote count of the recent presidential election.

All these steps that USAID is taking in the Americas are designed above all to enhance our capacity to support efforts to combat violence and criminality in the region. The security challenges that our southern neighbors face are not self-contained. In an increasingly globalized world, organized crime penetrates borders. Coca grown in South America and transported as

cocaine through the Caribbean, Central America and Mexico harms our youth and saps strength and resources from our communities.

Organized crime and drug trafficking are also arguably the leading threats to democracy and human rights in the hemisphere and a significant constraint on economic growth and development. Narco-fueled organized crime corrodes public institutions and undermines faith in the rule of law. It discourages investment and diverts public and private resources that could otherwise be used to create jobs and invest in vital services like health and education.

In El Salvador, for example, through a joint assessment with the Salvadoran Government as part of President Obama's landmark Partnership for Growth initiative, we found that crime is the leading impediment to economic growth in that country. USAID will now be working with other U.S. Government agencies in collaboration with the Salvadoran government to combat crime, as well as improve the competitiveness of Salvadoran products, in order to promote economic growth.

The President's FY13 budget request reflects the priority that this administration places on enhancing security in the Americas. The USAID budgets for the Administration's signature security initiatives in Central America and the Caribbean, CARSI and CBSI, have increased by more than 50 percent since FY11. And the proposed combined budget for the Central American countries suffering some of the world's highest crime rates – El Salvador, Honduras and Guatemala – rises by 12 percent from FY11.

The heart of our security work involves supporting preventive anti-crime measures and laying the foundation for economic growth and development. In Mexico, Central America and the Caribbean, we are creating safe urban spaces, promoting community policing, providing job training for vulnerable youth and strengthening the capacity of the justice sector.

It is early yet, but we are seeing signs that our interventions are working. In El Salvador, municipalities where USAID is implementing crime prevention programs are experiencing declines in crime. In Mexico, states that have received USAID assistance to help with the transition to the more open and transparent oral accusatorial system are prosecuting criminals at higher rates and reducing excessive pre-trial detention.

To help cut the drugs off at their source; USAID supports alternative development in the coca-growing regions of the Andes. In Peru's San Martin province, where USAID has supported farmers, coca production has declined dramatically. Farmers who once grew coca are now earning their living by selling cacao in foreign markets. We are working with the Government of Peru to replicate this success in other coca-growing areas of Peru.

Ultimately, improving citizen security will depend more than anything on the political will of governments in the region and the resources they invest to combat violence. We are encouraged that several are taking steps to improve tax collection and increase domestic revenue to invest in their own security. Honduras has just passed a security tax, and Guatemala has advanced tax reform to generate more revenue. To support under-resourced municipal governments on the frontlines of the worsening security situation, USAID is setting up mechanisms in El Salvador and Honduras to "match" municipalities that increase fee collection for crime prevention efforts.

USAID's traditional development programming complements and reinforces our investments in crime prevention. For instance, now that the region has attained near universal access to primary school, our education programs are focused on enhancing the quality of that education, especially for at-risk youth most in need of the skills needed to lead productive lives.

In many countries in Latin America and the Caribbean, economic growth is linked to agricultural productivity. Through our global food security initiative – Feed the Future – small-scale farmers in Guatemala and Honduras are getting help to improve crop yields and link up with international buyers, while their children gain access to more nutritious food. As farmers' incomes increase, so does the ability of their communities to resist pressure from illicit actors and retain young men who might otherwise migrate to urban centers under the influence of gangs.

The President's Global Climate Change initiative is also helping to bolster security in the hemisphere. On the Pacific coast of Colombia, in northern Ecuador and in the Peten region of Guatemala, USAID is helping communities that face both environmental and security threats to engage in more secure and legal livelihoods and resist the lure of illicit activities that also inflict ecological damage.

As daunting as many of these challenges are, the hemisphere is better equipped to deal with them because of the democratic advances of recent years. Citizens are more engaged and freer to participate in civic life and contribute to public dialogue and solutions. This is not true everywhere, however. As President Obama has noted, there are leaders in the region "who cling to bankrupt ideologies to justify their own power and who seek to silence their opponents because those opponents have the audacity to demand their universal rights." The President's FY13 budget requests more than \$200 million for democracy programs in the Americas, an increase of 9 percent from FY12.

Cuba of course is the most glaring exception to the democratic advances in the Americas. Today a USAID subcontractor is serving a 15-year sentence in a Havana prison for trying to help Cubans to access the internet. The Administration is pursuing all appropriate diplomatic channels available to help free Alan Gross. All over the world, countries are trying to facilitate internet access as a tool to accelerate development. In Cuba, however, a regime fearful of its own people blocks citizens from retrieving information or communicating among themselves and with the outside world. In an effort to support the Cuban people's internationally recognized rights, USAID is facilitating their access to information, supporting civil society and providing humanitarian support to dissidents and their families.

Our broad approach to development in Latin America and the Caribbean comes together in our efforts to help Haiti rebuild from the devastating earthquake. While reconstruction is a long-term proposition, Haiti is already building back better. The economy is getting a much-needed boost from the revitalization of the agricultural sector and the renewed attention of the international private sector. For example, the United States was integral in putting together a partnership with the Government of Haiti and the Inter-American Development Bank to develop an industrial park on the country's Northern coast. Secretary Clinton played an important leadership role in securing the large Korean garment manufacturer, Sae-A Trading Company Ltd to anchor the park. Sae-A alone will create 20,000 jobs. The full park, owned by the

Government of Haiti, has the potential to create 65,000 jobs. As part of the development, there will be housing, schools, health facilities, improvements to infrastructure to support increases in population, and agricultural investment.

These positive advances are possible because of the concerted efforts of the Haitian Government and its international partners to place Haiti on a solid footing following the earthquake. Together, we have cleared more than half the rubble from the streets, helped hundreds of thousands of displaced persons return home and got a potentially crippling cholera outbreak under control.

Haiti's prosperity and security requires steadfast political commitment. We urge President Martelly and the Parliament to work together to swiftly confirm a new prime minister. The protracted absence of an empowered prime minister will hamper Haiti's ability to realize economic growth and sustainable development. It will impede the government's ability to push for the needed legal and policy changes for development assistance to succeed.

We are pleased to see the government commit to dealing with corruption, as it did in the electricity sector resulting in more than \$1.6 million in savings per month. It must continue to root out waste, fraud and abuse and promote transparency.

In all of this, USAID is doing things differently. We are working directly with Haitian organizations and the government to deliver assistance. Since the earthquake, we have worked directly or through sub-awards with more than 400 Haitian organizations and for-profit firms.

We are also mobilizing innovative development solutions to help us achieve our goals in Haiti. Our partnership with the Bill and Melinda Gates Foundation is helping 150,000 formerly un-banked Haitians to send, receive, and store money using their mobile phones, laying the foundation for banking services that could help millions of Haitians lift themselves out of extreme poverty.

Such creative approaches open up extraordinary possibilities and make our goal of a hemisphere no longer in need of foreign assistance that much more attainable. As USAID Administrator Rajiv Shah has noted, "We need to bend the curve of progress, fostering a spirit of entrepreneurship and innovation to dramatically accelerate development." In Latin America and the Caribbean, that process is well underway. USAID is proud to support the efforts of reform-minded political and civic leaders throughout the region to create greater prosperity and security that is as much in our interest as those of our neighbors. Perhaps in no other region in the world is our assistance as much "from the American people," as the USAID slogan says, as it is for the American people.

Thank you, Madam Chairwoman. I look forward to taking your questions.