

CENTRAL AMERICA STRATEGY

TESTIMONY OF
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U.S. DEPARTMENT OF STATE
BEFORE
THE SENATE COMMITTEE ON FOREIGN RELATIONS
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Chairman Corker, Ranking Member Cardin, and Members of the Committee:

Thank you for the opportunity to testify on Central America and our important work in the region.

The security and prosperity of Central America is an essential national security priority for the United States. Over the next decade, as many as six million people will enter the labor pool in Central America where low job growth and high crime rates lead many to choose emigration to Mexico and the United States over poverty and insecurity. To provide a viable alternative, the United States and its partners in the region are taking actions that combine immediate efforts, such as targeting alien smuggling networks and launching public messaging campaigns to highlight the dangers of the journey north, with longer-term investments to address the underlying conditions of the region's longstanding economic, security, and governance challenges. In our implementation of the U.S. Strategy for Engagement in Central America, we seek the right balance of short and long-term action that will ultimately provide an environment where citizens of Central America can remain and thrive on their own home communities.

We know sustained international assistance that balances security, governance and prosperity, combined with demonstrated political will by regional governments and their respective private sectors and civil societies, has the greatest potential to affect positive change. Political will is the most important ingredient and a focus of Vice President Joe Biden's successful personal engagement with the leaders of the Northern Triangle (El Salvador, Guatemala, and Honduras). Over the last two years, this has produced significant commitments by governments to invest their national resources to stimulate economic growth, promote educational

opportunities, target criminal networks, tackle corruption, and strengthen civilian rule of law institutions.

By advancing three, inextricably linked objectives – prosperity, governance, and security – the Department of State, the United States Agency for International Development, and other U.S. agencies work with regional governments to strengthen criminal justice, improve governance practices, and promote stronger and more equitable economic growth. Our efforts build on the political will, commitment, and financial investment of our partner governments, international financial institutions, private sector, and, most importantly, civil society and community based organizations in the region.

For example, Northern Triangle governments will devote \$2.6 billion in 2016 to support their development plan, the Alliance for Prosperity. To ensure sustainability over the long run, these governments have taken numerous steps recently to improve fiscal management and increase government revenues. As of early March 2016, El Salvador had collected \$7.3 million from a special contribution tax for public security, enabling the Attorney General to hire 100 prosecutors and support vocational training for youth in high crime areas. In Guatemala, a number of sectors praised the decision by President Morales to swear in Juan Francisco Solorzano as the new Tax and Customs Administration Superintendent in March after a high-profile corruption scandal led to the ousting of the previous Superintendent last year. The Guatemalan government also drafted a proposal to reform the Tax and Customs Administration and initiated a campaign to build congressional and public support for the reforms. On March 15, the Honduran government closed its tax collection entity due to corruption and inefficiency and approved a fiscal responsibility law on April 5 that will lower the deficit ceiling, increase fiscal transparency, and improve budget planning.

Facing a skyrocketing homicide rate, the Salvadoran government is taking steps to address the crippling security situation. The Legislative Assembly unanimously approved a bill on April 1 to reduce the ability of gang leaders to direct murders, extortions, and other crimes from prison. Last year, we leveraged our resources to align with the government's Safe El Salvador Plan; as a result, we saw declines in crime and violence in areas where we jointly targeted our support. U.S. assistance is essential to helping the Salvadoran government turn around the negative trajectory on homicide and crime rates and improve citizen security.

Since assuming office in January, Guatemalan President Jimmy Morales reaffirmed his support for the Alliance for Prosperity, moving to fulfill

Guatemala's 2016 Action Plan commitments and to extend the mandate of the International Commission Against Impunity in Guatemala (CICIG). Guatemala continues to combat human smuggling, increase citizen security, and expand programs aimed at building human capital. The new administration has developed a strategy to target chronic malnutrition and the lack of opportunities for youth in the Western Highlands, an impoverished area of the country from which many young people migrate. U.S. foreign assistance in areas such as the Western Highlands is critical to complement Guatemalan government efforts to improve healthcare, education, and nutrition, and create job and educational opportunities as an alternative to migration.

Honduras has made impressive strides in addressing its homicide rate, lowering it by one-third from 2011 to 2015, and its legislature recently approved – by a near unanimous vote – the OAS-led Mission Against Corruption and Impunity in Honduras (MACCIH). However, recent developments underscore the importance of continual progress by the Honduran government to meet its commitments under the Alliance for Prosperity. The tragic murder of indigenous and environmental activist Berta Cáceres on March 3 highlights the deficits in citizen security in Honduras. Honduran President Juan Orlando Hernandez stated the investigation into Ms. Cáceres' murder is a national priority and condemned the murder in the strongest of terms. We continue to call on the Honduran government to conduct a prompt, thorough, and transparent investigation to ensure it brings to justice those responsible. In addition, despite taking key steps to reform its national civilian police, Honduras heavily relies on its military police to provide citizen security. Returning all domestic law enforcement duties to civilian authorities remains a key component of our security cooperation in Central America. U.S. assistance will continue to play a key role in training and professionalizing Honduran civilian law enforcement authorities, enabling them to increase their capacity to provide citizen security in Honduras.

The leak of the "Panama Papers" earlier this month demonstrated the need for increased transparency in the international financial system. It further showed how much work remains to be done in the worldwide fight against corruption and illicit financial transactions. For its part, Panama has taken important steps to enhance the transparency of its financial system, tax regime, and anti-money laundering standards, including enacting a law in April 2015 that closed a major loophole in the country's anti-money laundering regulations. Under the new law, non-financial businesses like law firms and real estate agents are required to comply with the same reporting requirements on anti-money laundering and counter-terrorism financing as financial institutions. In recognition of Panama's

recent reforms, the Financial Action Task Force removed Panama from its “gray list” of countries with strategic AML/CFT deficiencies in February 2016. We continue to engage the Government of Panama at senior levels to implement this new legal regime, and promote efforts to increase transparency and accountability throughout the region.

We also continue to respond to the sustained, elevated levels of unaccompanied alien child (UAC) and family migration from the region. March 2016 is the eighth straight month in which the U.S. government apprehended more UACs and family migrant subjects than in the same month in 2015. Northern Triangle governments share our concerns about irregular migration and are taking additional steps to respond. The Salvadoran government appointed “Border Coordinators” at two key ports of entry to oversee the interaction of the numerous agencies operating at the border, improving communication and coordination. Guatemala plans to remodel and expand a migrant reception center to enhance its ability and capacity to successfully reintegrate returned citizens back into the local community and economy. In Honduras, the government continues to make progress in apprehending UACs and family units being smuggled out of the country, and will deliver biometrics technology to all border posts to increase security this year. Continued U.S. support will enhance the capacity of Central American and Mexican governments to manage migration flows, combat human smuggling and trafficking, and enhance border controls. Our assistance also includes capacity building in Central America and Mexico to ensure respect for the rights of migrants and protection as guaranteed under domestic and international law.

The Central American governments in the region continue to demonstrate significant political will to make the difficult decisions that can lead to systemic reform. The transformation we seek will not happen overnight, and there may be setbacks on the path to success. Only through sustained commitment, both ours and theirs, will Central America realize its potential. We are working in partnership with regional governments and international donors to leverage our collective efforts and seize this important moment to create the opportunities to encourage Central Americans to remain at home so they can help contribute to the creation of a more secure, democratic, and prosperous region.

Thank you again and I look forward to any questions you may have.