



Statement

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**Testimony of
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“STATE OF DEMOCRACY IN THE WESTERN HEMISPHERE”

Mr. Burton, it is a pleasure to congratulate and welcome you as the new Chairman of the Subcommittee on Western Hemisphere. We at USAID, and especially the Bureau for Latin America and Caribbean Affairs, look forward to working with you closely in your new capacity, and with all the Subcommittee Members, on the numerous issues relating to this critical region. On November 18, 2004, I appeared before then Chairman Ballenger and Members of the Subcommittee to address, “Aid to Colombia – The European Role Against Narco-Terrorism.” I took the opportunity to discuss how the United States Agency for International Development (USAID) was contributing to overall U.S. government efforts to promote peace and democracy in Colombia, and to decrease the flow of drugs into the United States. We did so to assist the implementation of President Bush’s vision for a secure and prosperous Western Hemisphere. The essence of the President’s policy was and is that real, long term economic growth, political stability, and consolidation of democracy are inextricably linked – and only possible – if governments consciously extend political power and economic opportunities to everyone, especially the very poor. In her January 18, 2005 confirmation hearing before the Senate Foreign Relations Committee, Secretary of State Condoleezza Rice stated that the Western Hemisphere is “extremely critical” to the United States, “..With our close neighbors in Latin America we are working to realize the vision of a fully democratic hemisphere bound by common values and free trade...”

Today I would like to update you on the state of democracy in the Western Hemisphere, cite a few instances of how USAID's Bureau for Latin America and the Caribbean (LAC) is contributing to the consolidation of democracy in the region, and identify areas of growing concerns that, unless addressed now, will undermine democratic gains in the region in the coming years. Finally, I would like to brief you on opportunities for further targeted USAID assistance in the LAC region.

Synopsis

USAID has been supporting democratic reforms in LAC since the mid- 1980s, and has achieved some notable successes over this period, especially in recent years. However, worrisome trends such as the recent developments in Venezuela, Paraguay and Nicaragua, increased crime, corruption, weak public institutions, and economic polarization threaten to undermine this progress. Moreover, as a region, Latin America is second only to Africa in low growth of income, and ranks first in the world in terms of income disparity. These developments are causing the citizens of the LAC region to lose confidence in the democratic system and question the ability of free markets to provide rising standards for all. These trends, coupled with the lessons of September 11, 2001, make it imperative that the region's development agenda continues to focus on strengthening democracy and the rule of law in order to expand rule-based trade integration, and ensure against back-pedaling from solid democratic gains. Strengthening democracy will also be a prerequisite for assuring that the benefits of increased trade and investment will be shared among all sectors of society in Latin America and the Caribbean, where persistent income inequality presents a growing problem for democratic institutions.

Milestone Achievements

Since 1984 when USAID began programs to assist El Salvador to improve the courts and democratic governance, to the present, extraordinary progress has been made by LAC countries. Today, democratic governance has come to be recognized as the norm, largely in response to citizens' growing consciousness of their rights and power. Democratic practices are becoming increasingly consolidated, and societies have shifted from authoritarian regimes to democratic forms of government. Civilian, rather than military, governments are now in place in all countries of the hemisphere except Cuba. Several generations of free and fair elections have transpired in many countries of the region.

The push for decentralization and devolution of power to local governments continues to expand citizen participation and decision-making at the community level. In addition to increasing citizen participation, USAID is helping civil society organizations (non-profits, business organizations, churches, civic associations, and others) play a significant role in monitoring government actions, advocating policy change, and in providing quality services to the communities in which they

work. The trends in LAC over the past two decades clearly indicate a deepening of democratic values as democracy becomes the expectation of citizens and, in a globalizing world, the expectation of the marketplace.

Hand-in-hand with the strengthening of democracy in the region, violations of human rights have greatly diminished, and governments are taking actions to promote peace and reconciliation. Along with the increasing respect for human rights, governments are beginning to respect and advocate for the rule of law. Modernization of the justice systems continues in the region and in particular, the transition to oral adversarial trials and a consolidation of the independence of the judiciary. By the end of the last decade, largely as a result of U.S. government leadership, the fight against corruption was widely recognized as a critical development issue in the region.

Since the 1980s, USAID has trained thousands of judges, prosecutors, litigators, law professors, and community activists to ensure success of the transition to modern judicial systems. These efforts have improved the lives of ordinary citizens in the region by increasing access to justice and expanding legitimate state services to remote and under-served areas. Moreover, a more effective judicial system serves U.S. interests by combating organized crime, narcotics trafficking, money laundering, human trafficking, and alien smuggling, thus making these countries less susceptible to infiltration by terrorists.

A few examples:

- In Guatemala, USAID support for a new, oral, and adversarial Criminal Procedure Code has reduced case processing time from two years to ten months on average per case. Sixteen new “Justice Centers” provide access to a wide variety of services, from arbitration to police protection. A new USAID-assisted public defense institute provided effective access to justice, human rights assistance, and procedural due process, in twenty-three languages, for over 20,000 Guatemalans in 2004. This institute now has national outreach.
- USAID-assisted mediation centers in Guatemala provide access for the poor to swift, more effective justice: Mediators resolve 73 percent of all cases brought to their attention—whether they are civil, commercial, family, or criminal—within one month. Translators are available to help families of both the accused and victims who speak any of Guatemala’s languages other than Spanish. With USAID’s help, new Victim Assistance Offices now operate in all of Guatemala’s administrative departments.
- Based in part on the Guatemala model, USAID has helped El Salvador establish alternative dispute resolution through seventeen community mediation centers. These centers addressed over 2,700 complaints in 2003-2004.

⊕ Changes to the Criminal Procedure Code that USAID helped promote in Guatemala have since led to similar changes in 11 other countries— Bolivia, Honduras, El Salvador, Peru, Ecuador, Colombia, Nicaragua, Venezuela, Costa Rica, Peru, and Chile. In Bolivia, for example, with three years of experience under its new Code and with USAID help, average trial length was reduced from seven years to 18 months; the cost of trials has decreased from an average of \$2,400 to \$400; and citizen confidence in the integrity of criminal processes has improved.

⊕ In Colombia, as in Guatemala, USAID has funded the construction of 37 “Justice and Peace Houses,” and anticipates bringing the total to 40 by the end of 2005. This has given new access to justice for 2.4 million Colombians. The centers offer:

- ⊕ conciliation services;
- ⊕ access to community police and public defenders;
- ⊕ family law services;
- ⊕ family violence response services;
- ⊕ neighborhood dispute resolution;
- ⊕ human rights ombudsman services;
- ⊕ other legal assistance as needed in the local community;

USAID training programs for justice sector workers are assuring continued progress and sustainability of these centers. Also, with USAID help 4,400 persons have received assistance from the human rights protection program.

⊕ In Paraguay, USAID technical assistance on investigative reporting, has improved the media’s ability and effectiveness to expose public sector corruption and inform citizens. The number of articles on corruption in the four national newspapers has increased by 226% since 2001. Civic oversight has increased with citizens reporting corruption cases. After initial reporting, the press has continued tracking these cases with the Prosecutor’s Office and through the courts to ensure ongoing public scrutiny.

⊕ In Mexico, USAID assistance helped launch in 2003, its new Freedom of Information legislation, modeled in part after similar U.S. legislation. USAID is currently working with the new Federal Institute on Access to Information to implement the law. The Commissioners recognize the milestone that the law represents for Mexico's democracy and a new culture of transparent government.

For the first time in Mexican history, citizens are now able to submit petitions to the government to request access to public documents. In 2004, using USAID technical assistance, President Vicente Fox presented a comprehensive legislative reform package to transform the Mexican criminal justice system.

⊕ Across the LAC region, USAID has worked successfully with countries including Honduras, El Salvador, Guyana, the Dominican Republic, Bolivia, Ecuador, and Peru, to develop modern electoral systems fully capable of conducting free and fair elections without external assistance.

⊕ Through its Rule of Law programs, USAID has helped:

- ⊕ train and professionalize justice sector personnel;
- ⊕ promote and protect human rights;
- ⊕ improve administration of justice;
- ⊕ create public defense capacity;
- ⊕ expand access to justice; and
- ⊕ reform legal frameworks.

⊕ In large part, due to sustained USAID assistance to the Inter-American Institute for Human Rights, national human rights ombudsmen are now the norm across the region.

⊕ Members of supreme courts as well as attorney generals now monitor their own productivity and quality of performance. This resulted in part from USAID support for a Justice Studies Center of the Americas.

⊕ USAID has played a lead role in furthering anti-corruption/transparency initiatives, including working with other donors and governments to create oversight mechanisms, national plans and other methods to combat corruption.

⊕ USAID has worked with national governments, municipalities, and regional associations of municipalities to promote good governance practices based on transparency, accountability, and citizen participation.

⊕ Importantly, USAID has worked with civil society organizations across LAC countries to increase the capacity of citizen organizations to hold elected officials accountable and lobby for improvements.

Evolution in LAC Democracy Programming, Regional Trends, and Emerging Challenges

USAID's democracy programs provide continuing assistance to 16 countries including Cuba. While much remains to be done, USAID programs have stayed the course to promote much needed sector reforms dating back to the 1980s. More recently, USAID democracy programs were fine-tuned to focus on rule of law, civil society, local governance, anticorruption, human rights, and combating violence.

The US National Security Strategy, September 2002 identifies development, together with defense and diplomacy as essential to combating terrorism. By promoting stability and the rule of law, USAID can help prevent the growth of transnational crime and terror networks. By strengthening our neighbors' ability to defend their own borders, we are in fact increasing our ability to protect our

borders. It is in this context that some of USAID's democracy and governance programs work.

USAID-funded research in 2004 about attitudes toward democracy in eight countries in the LAC region indicates a broad, regional commitment to democracy. However, an unfortunate convergence of factors is beginning to undermine countervailing trends in favor of democracy.

State Fragility, Crime, and Personal Security

Traditional literature on state fragility examines national level indicators to predict vulnerability. By these measures, with the exception of Haiti, it is doubtful that any state in the region could be categorized as a "failed" or "failing" state. However, most are chronically weak and vulnerable. And, Latin American and Caribbean countries are now facing an emerging, exogenous threat that the traditional approaches overlook—internationally integrated organized crime, with its associated corrupting influence on government, a threat that hardly existed 30 or 40 years ago, but is now emerging with exponential growth. Organized crime takes advantage of weak public institutions to conduct and diversify its activities from narcotics to alien smuggling, contraband, counterfeit goods, money laundering, and other nefarious activities.

Rising crime and lack of personal security in many LAC countries create not only instability, but also reduce productivity and discourage private investment flows. LAC countries have the highest crime rates in the world. In much of the region, business associations rank crime as the number one issue negatively affecting trade and investment. Jamaica, already one of the most violent countries in the region, experienced a fifty percent increase of its murder rate in 2004 over 2003 figures, due largely to expanded gang violence which extends throughout the LAC region. Crime-related violence represents the most important threat to public health, striking more victims than HIV/AIDS or other infectious diseases.

Parks and environmental reserves are plundered by illegal logging and corruption in extractive industries, undermining U.S. global interests in protecting the environment. The Inter-American Development Bank (IDB) noted that Latin America's per capita gross domestic product would be 25 percent higher today if the region's crime rate were on par with the rest of the world. Similarly, the World Bank has shown a strong link between income inequality and crime. In fact, income inequality has worsened over the past decade, and is unlikely to improve soon.

Many of the threats to democracy and human rights, and growing gang violence, are financed with massive resources from organized crime, money laundering, alien smuggling, illegal drugs, and other illicit, inter-linked enterprises. Criminal groups can take advantage of the situation to expand where law enforcement is lax and bribing officials easy. The Global Terrorism Reports asserts that the tri-

border area (Argentina, Brazil, and Paraguay) has long been characterized as a regional hub for clandestine fundraising activities, arms and drug trafficking, contraband smuggling, document and currency fraud, and money laundering.

The 2004 USAID-funded survey further demonstrated the strong, positive relationship between citizen support for the current democratic system and their feelings of security. As a result, there is tremendous pressure from citizens to address issues of personal security, particularly via fighting crime and terrorism. For example, in May 2002 in Colombia, President Álvaro Uribe capitalized on the citizen frustration over crime and the failed peace talks with guerrilla groups.

President Uribe's program included strengthening the military, not compromising with the guerrillas, fighting corruption, and introducing political reforms to reduce crime and address poverty. The Uribe administration has been able to provide increased citizen safety, and this has resulted in consistently high approval ratings. The anticrime message has been adopted by Presidents Ricardo Maduro in Honduras, Antonio Saca in El Salvador, and Oscar Berger in Guatemala and other regional leaders seeking to repress gangs and violence by strengthening their military and the police.

While justice systems remain weak, and crime represents a chronic, increasing problem, politicians, and the public are more willing to make sacrifices of civil liberties to address those ills.

Corruption

As noted in the Journal for Democracy from the Hoover Institution, "The core obstacle to economic development is not a lack of resources. It is bad—corrupt, abusive, wasteful, unaccountable—governance." In addition to rising levels of organized crime and the resulting violence, corruption is taking its toll on governance in the countries of Latin America and the Caribbean.

Institutionalized corruption at both the national and local levels, not only alienates a country's citizens, but also is likely to be accompanied by other threats to stability including smuggling, drug trafficking, criminal violence, human rights abuses, and the personalization of power. In Latin America and the Caribbean, the World Bank now estimates weak judiciaries and corruption cut 15% from annual growth. Eighty percent of Latin Americans believe corruption, organized crime, and narcotics trafficking have all "increased substantially" in recent years. USAID's experience suggests that strong local governments are particularly effective at curbing corruption and improving standards of living. Survey data show that citizens who receive improved services from local governments have a much more positive view on democracy as a whole. Further, in places like Haiti, local governments may be the only way to achieve more effective governance to mitigate instability.

Weak Political Parties

“Political parties are among the core elements of democracy. They are the only tested vehicles to structure electoral competition, organize government, and recruit leaders.” [Foreign Aid in the National Interest – Natsios Report, 2003].

In the LAC region, political parties are increasingly losing credibility or are simply nonexistent. As a result, governing coalitions are harder and harder to sustain, thereby weakening governments. Demands from indigenous groups, in many cases legitimate, cannot be met by poorly organized political parties. Ecuador in particular has a large number of political parties— few of any national scope, inhibiting coherent national policies. Political institutions in Bolivia, Guatemala, Mexico, Haiti, Guyana, and Jamaica are also brittle and vulnerable.

Across South America, there is a general inability of political institutions and leaders to manage extreme tensions resulting from political and economic realities on the one hand, and expectations from indigenous groups. Indigenous populations now have rising expectations for democratic governance, and those expectations are fueling new demands. Bolivia, very much in the news these days, is a good illustration of rising frustrations of indigenous groups fueling new demands on weak political institutions in a societal context of wide economic disparity. How Bolivia ultimately addresses the pressing demands on its political system will have wide repercussions beyond its borders, as improved communications across borders are increasing awareness by indigenous groups and outsiders of issues and, as a result, pressure for action.

USAID Programs

Justice sector modernization remains the largest focus of USAID governance programs in the LAC region. USAID plans to make operational 15 additional mediation centers and 15 additional justice centers by the end of FY 2006.

These and other justice reform efforts will reduce the time it takes to process a case in eight target countries by an additional 20% by the end of 2006 (cumulative target for Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Peru). New efforts in justice reform will target crime prevention and commercial codes. In addition, we will continue to assist with the protection of the human rights.

We will continue to work in partnership with the leadership in the Andean region to increase state presence, strengthen democracy, create licit economic opportunities, improve social conditions, and assist internally displaced people.

We will continue to train journalists in investigative reporting techniques, and support freedom of the press to print stories within democratically acceptable parameters that allow the public to be informed without threat to the publisher or writer.

USAID will continue to work with the private sector for greater transparency and to streamline procedures for investors and businesses to participate in the global marketplace. USAID will continue to help countries comply with the rules of trade, such as customs and rules of origin, sanitary and phytosanitary measures (animal and plant health and food safety), and intellectual property rights. Also, USAID will continue to support development of regulatory frameworks and innovative approaches to widen and deepen financial intermediation in the small and microenterprise sector to give marginalized business people greater access to borrowing capital.

In addition, USAID is supporting cutting edge efforts to increase the developmental impact of remittances. According to the Inter-American Development Bank May 2004 report, an estimated \$30 billion in remittances were expected to flow to the region from the United States alone, more than all other development assistance combined.

In Haiti, we are continuing to support the Interim Government in its efforts to stabilize the country through activities in employment generation, institutional support, health, humanitarian assistance, education, disaster assistance, and governance. In addition, in the coming months USAID, with other donor support, will focus particular assistance for the holding of communal, parliamentary, and presidential elections, scheduled for late 2005.

In Cuba, USAID efforts aim to hasten the Cuban transition to a democratically free state with a focus on developing civil society through information dissemination.

USAID's Office of Transition Initiatives (OTI) is performing critical work in support of democratic development and civil society in Venezuela, Bolivia, and Haiti. For example, in Venezuela, USAID is implementing the "Venezuela Confidence Building Initiative" to promote a solution to the current political crisis which began over three years ago. The objectives of the program are to facilitate and enhance dialogue, support constitutional processes, and strengthen democratic institutions. The activities are designed to involve both opposition and government aligned parties, and are open to all political groups.

In Bolivia, USAID will continue to increase citizens' confidence in Bolivia's democratic institutions and processes by making them more transparent, efficient, and accessible. USAID's programs directly addresses the root causes of the social unrest, especially in conflict-prone geographic areas such as the city of El Alto. For example, an integrated justice center was recently established in El Alto to provide conflict resolution and other justice services to underserved people, helping to alleviate the lack of government presence that has diminished public confidence in the rule of law. OTI's program in El Alto and the adjacent Altiplano region focuses on community development activities and on promoting

a peaceful and informed dialogue between the government and the people on critical issues.

Conclusions

The rule of law and democracy crisis in the region needs critical attention. America's strength is in its values, and none are dearer than democracy and the rule of law. USAID will continue to project a clear, unambiguous determination to set the course straight and stay the course and the LAC Bureau's milestone achievements and past success show it can be done.

Clearly, democracy and independent judiciaries in LAC face numerous challenges. The security needs of the U.S. have made facing these challenges an urgent necessity. Fortunately, USAID is prepared to work as part of a broad U.S. response to strengthen our allies and, by extension, protect the United States.

Earlier in my testimony, I referred to the 2004 survey which indicated a preference for authoritarian measures to combat crime in the LAC region. Nonetheless, as one prominent former South American President indicated, "It does not mean, however, that faced with the real dilemma of choosing between economic security and democracy, Latin Americans will automatically dump democracy and freedom. Democracy is like oxygen. People don't talk much and don't worry about it, but try to take it away and they will get agitated and react."

Mr. Chairman, this concludes my statement. I welcome any questions that you and other Members of the Subcommittee may have. Thank you.