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“Keeping Democracy on Track: Hot Spots in Latin America”

Mr. Chairman, Members of the Subcommittee, I am pleased to have this opportunity to voice USAID’s concerns for Latin America and Caribbean (LAC) democratic progress and draw your attention to the “hot spots” in our region. In March, I was able to speak before this very same Subcommittee on the “State of Democracy in the Western Hemisphere,” the region’s challenges and the United States Agency for International Development’s (USAID) democracy assistance programs. I greatly appreciate the opportunity to appear before you again today to update you on these critical issues.

President Bush remarked in November 2004 that “in this century, countries benefit from healthy, prosperous, confident partners. Weak and troubled nations export their ills – problems such as economic instability and crime and terrorism. Healthy and prosperous nations export the goods and services that help stabilize regions.” The strong economic, cultural, and geographic

ties between the United States and the countries of the Western Hemisphere make their political and economic stability of vital interest to the United States and underscore why USAID remains committed to promoting strong and prosperous democracies in Latin America. Democracy serves as the foundation necessary to facilitate hemispheric security, trade, and development.

Over the last two and a half decades, Latin America has made real progress toward democratic consolidation. Twenty-five years ago, only three countries in the region had democratically elected leaders. Today only one country, Cuba, continues under a dictatorship. The rest of Latin America has mainstreamed the practices of elected civilian governments, peaceful presidential transitions, relatively free and independent media, and basic civil liberties. Nevertheless, USAID believes that corruption, weak public institutions, and inequality and poverty undermine this progress as demonstrated in public opinion polls that show that citizens in Latin America are losing their confidence in the democratic system.

As a region, LAC is second only to Africa in poverty. LAC countries also have some of the highest crime rates in the world. Despite recent prosecutions, corruption among political and economic elites, political parties, and public and private sector institutions remains a cause for grave concern. These problems, coupled with the inability of governments to provide basic services to its people, have led to an erosion in democratic gains and are beginning to foster radical populism.

This is well documented in the 2004 USAID funded national-level surveys on attitudes toward democracy that show citizens frustration with rising levels of crime, corruption, and poor service delivery and a concomitant decline in their support for democracy and democratic institutions. Similarly, a 2004 United Nations study of the entire LAC region revealed that only 43 percent of Latin Americans are “fully supportive” of democracy while frighteningly more than half, 54.7 percent, say they would support an authoritarian regime if it could resolve their economic problems. Moreover the least trusted democratic institutions in Latin America are also among the most important institutions in a democracy – political parties, the justice system, legislatures, and the police.

This challenge to democracy comes as no surprise given the vast levels of inequality and poverty in Latin America. Unfortunately, the region’s

classification of mostly middle income status disguises the harsh realities of its economic disparity. According to the United Nations, 43 percent of the population or about 222 million people in Latin America are poor, and 96 million, 18.6 percent, live in extreme poverty. Furthermore, inequality in Latin American is higher than any other region of the world, despite increases in per capita income over the last decade.

Many LAC countries are held back by the powerful elite, weak government institutions, and self-protecting political parties wielding unchecked authority fortified through amended constitutions, legal immunity, porous regulations, and corruption. This contributes to the inability of Latin American countries to create opportunities for its citizenry and to provide the services needed to enable them to take advantage of these opportunities, and it makes the rhetoric of undemocratic, populist campaigns very enticing.

I believe that USAID's work is critical to meeting the challenges ahead and consolidating democratic gains in the hemisphere. Some of the complex challenges ahead will surface in the upcoming elections of Bolivia, Ecuador, Nicaragua, Haiti, and Venezuela.

## **Bolivia**

In Bolivia the registration of candidates for the December 2005 general elections closed on September 5. Eight parties confirmed their participation in the presidential elections with three candidates serving as early frontrunners, including a candidate from the Movement to Socialism party who has a six percentage point lead according to a Latin American polling agency. The race remains close, and national divisions into east-west camps suggests little likelihood of a united Bolivian electorate. Constitutional challenges to the electoral process could postpone the vote, but the President and all leading candidates are pressing to remain on schedule.

USAID will support the December Presidential and Congressional elections and the July 2006 Constituent Assembly elections (to chose representatives that will re-write the Bolivian constitution), and the July 2006 referendum on autonomy. This will include providing technical assistance and training to a network of civil society organizations in coalition building, monitoring, and voter education campaigns, with a focus on indigenous populations. Intensive civic education activities will be supported, including technical assistance to the media to improve professional reporting of electoral

processes, and national public opinion polls and surveys will be conducted to gauge political perceptions and candidate support. Debates will be facilitated among political parties, citizen groups, and indigenous communities to discuss key issues related to electoral processes. Additionally, USAID will assist civil society organizations to strengthen their ability to advocate and inform the debate about controversial issues related to revisions to the Constitution and regional autonomy.

Our previous electoral support for the November 2004 municipal elections had a highly significant impact. USAID trained over 1,000 future women leaders, contributing to the increase of women municipal candidates from 46 percent in 1999 to 56 percent in 2004. The political party development activity also made progress in civic education, including developing a manual on democratic values for high school students that has been approved by the Ministry of Education for nationwide use. About 25 percent of high school social science teachers were trained in the use of this manual. USAID also initiated a coordination effort among governmental and private institutions that play roles in civic education.

USAID is also supporting economic growth in Bolivia through programs that aim to increase the income of the poor. Economic programs will provide technology services to increase production and marketing of agricultural commodities, increase access to financial services in urban and rural areas, access to technology and market services, and micro-irrigation.

## **Ecuador**

Elections in Ecuador are not until October 2006, but there is already debate about the current electoral environment. Ousted President Lucio Gutierrez is barred from returning to the country and current President Alfredo Palacio is not eligible for re-election leaving no clear front-runners. In addition, the Congress is considering making drastic legislative changes that could alter the entire political environment and process.

USAID is intensifying efforts to work with civil society to promote democracy, advance political reforms, and provide election support for the 2006 Presidential and Congressional elections to ensure vulnerable groups such as youth, women, indigenous and Afro-Ecuadorians can participate fully in the electoral process. The programs with civil society will promote poverty reduction activities for micro and small enterprises, support a public

consultation in connection with a free trade agreement, improve competitiveness, strengthen financial sector services, and improve fiscal and tax management.

Despite political and economic uncertainties in Ecuador, USAID's programs have been successful to date. USAID support has been key to free and fair elections for the 2002 National and 2004 sub-national elections. In addition to providing international observation and technical assistance to the Electoral Tribunal, USAID provided assistance to a local nongovernmental organization that served to mobilize thousands of young volunteers nationwide to observe the elections, and conduct statistically accurate and independent "quick counts" on election days. USAID also provided assistance to nongovernmental organizations to monitor campaign spending, develop civic education campaigns, and demand accountability of elected officials. It was the first time in Ecuador's history that a process of such a grand scale of domestic observations and general democratic accountability had been undertaken.

Additionally USAID support is having a positive impact on citizen trust in local government. Nationwide, citizen confidence in municipal governments increased from 46.7 percent to 51.4 percent from 2001 to 2004. In contrast, confidence in central government institutions, over the same period, increased less than 1 percent, from 30.5 percent to 31.4 percent. In 15 of the 47 cities where USAID has been working with the municipal governments, citizen satisfaction with local government exceeded the national average, reaching 53 percent in 2004. The assistance USAID has provided to municipalities through its democracy and Northern and Southern border programs has been instrumental in strengthening Ecuadorians belief that democracy can indeed deliver concrete benefits.

## **Nicaragua**

In Nicaragua, Sandinista Leader and ex-President Daniel Ortega, who retains an anti-U.S. worldview and recently made a deal with Venezuela for supplies of oil to Sandinista-controlled municipalities at preferential financing rates, has announced that he will run for president in November 2006. Considering that Sandinista and Liberal parties control the Supreme Electoral Council (CSE), there is a lack of public confidence in the CSE and the fairness of the upcoming presidential elections. Moreover, based on a review of previous electoral assistance and international observation

missions from the 1990 elections onwards, it is clear that Nicaraguan elections face several recurring problems such as a lack of public confidence in the electoral framework, mistrust in the party primary elections, inaccurate voter registration lists, and weak election monitoring and organizational capacity. Opinion polls show a dramatic lack of confidence in the government and public institutions. About 80% of Nicaraguans said they would prefer to live outside of the country and a high percentage also believes the electoral authorities will commit fraud in the coming election.

USAID is working to address these challenges. The Agency is focusing on election monitoring as a key function for effectively promoting democratic elections. These efforts are designed to reduce the opportunities and incentives for electoral fraud; identify and address problems with the electoral process; and legitimize a peaceful transfer of power. USAID is working on electoral law reform, voter registration and voter list updates, massive civic education campaigns, technical assistance to the CSE, and donor coordination. In Nicaragua, the two strongest political parties are working together to block the entrance of smaller parties to participate in the 2006 elections. Some parties may lack the organizational capacity to campaign nationwide, present viable candidates, and recruit and train poll watchers. USAID will provide assistance to strengthen the role of underrepresented parties and will support improvements throughout the electoral process.

USAID also continues to support economic growth to reduce the impacts of poverty and income inequality. Currently USAID is working with the Government of Nicaragua and private sector agencies to implement trade-based economic growth by reducing structural, policy and regulatory constraints to national competitiveness. In addition, USAID support has provided 116,000 farmers with technical assistance and training aimed at encouraging crop diversification, promoting higher-value crops, and introducing environmentally sustainable farming methods and improved marketing techniques.

## **Haiti**

Thanks to an improving security situation, a timetable has been set for elections in Haiti with a first round of presidential and legislative elections set for November 20, local elections scheduled for December 11, and run-off elections planned for January 3. On September 17, the United Nations

General Assembly reaffirmed that the elections in Haiti are one of the nation's highest priorities. USAID will play an active role in the process although some USAID personnel are still under evacuation status. Next month in Brussels, key donors, including USAID, will meet to discuss their concerns in Haiti. It will be critical that the electoral process is transparent, free and fair; that the United Nations Stabilization Mission (MINUSTAH) remains vigilant and further improves the security situation; that Haiti's development and consolidation of the rule of law and reform of the Haitian National Police continues; and that post-election, long-term commitment to Haiti's political and economic development remains.

USAID is implementing over \$30 million for electoral administration, registration, observation and monitoring, as well as assistance to legitimate political parties and civil society organizations in preparation for the elections. Additional details on USAID's work in Haiti will be presented in the October 19 hearing before this committee where we will present an overview of U.S. Policy in the Caribbean.

## **Venezuela**

This administration is greatly concerned by the rise of radical populism in South America and with President Hugo Chavez's strident anti-American posture which has left Venezuela bitterly divided. His opponents point to his authoritarian tactics reflecting Communist Cuba, while his supporters praise his expansion of social programs bolstered by oil revenue surplus. There were enough citizens in opposition to petition for a mid-term Presidential referendum in August 2004. However, there were not enough votes to remove President Chavez from office and thus he will remain in office until the next Presidential elections in 2006. Meanwhile, the projection of Chavez's interests and his brand of populism only serve to further undermine democracy in the region.

USAID's work in Venezuela is handled through our Office of Transition Initiatives. Our objectives are to enhance civil society dialogue; support constitutional processes; and strengthen democratic institutions while promoting a constitutional, peaceful, and democratic solution to the current political crisis in accordance with Organization of American States Permanent Council Resolution 933. USAID's social impact programs reinforce the favorable impression that most Venezuelans have of the American people and demonstrate the USG's solidarity with the global fight

against poverty. Specifically, these projects support inner-city day-care centers, centers for street children, and cancer hospices for children of low-income families. USAID also works to expose Venezuelan human rights organizations and practitioners to successful strategies employed by human rights defenders in other countries, and to increase their institutional capacity through training in Latin American countries with a history of strong human rights activism and respected human rights organizations.

USAID's election-related activities in Venezuela include training candidates, campaign managers, and other political party workers on the mechanics of electoral campaigns. Training topics include candidate profiles, message development, get-out-the-vote, day-of-the-vote activities, and understanding relevant electoral laws. USAID also works to strengthen political parties in message development, citizen responsiveness, and outreach. For example, prior to the referendum and local elections of 2004, USAID worked with political parties to train party-affiliated election observers from both sides in the rules and regulations associated with electoral events. During the elections of 2004, USAID also supported the institutionalization of a non-partisan, domestic electoral observation organization.

### **Other Hotspots of Interest**

In addition to the aforementioned, other areas of concern in the Hemisphere are the follow on to Plan Colombia and gang violence in Central America.

### **Colombia**

The elections in Colombia next year may be in the hands of the nine members of the Colombian Constitutional Court. The court has been asked to uphold recent legislation that would allow a sitting President to run again. President Uribe has expressed a desire to run again and has an approval rating near 70%. No matter what the outcome is, he continues to work with the United States to address the major security and political issues of the country.

On August 4th, President Uribe of Colombia and President Bush met in Crawford, Texas to discuss the future of U.S. support for counterdrug programs in Colombia. USAID is already engaged in its fifth and final year of assistance under Plan Colombia and continued USG support will be



provided through the annual appropriations process, primarily through the Andean Counterdrug Initiative account. Starting in FY 2006 and over the next several years, USAID will begin implementation of its revised country strategy which seeks to achieve increased sustainability of development results by focusing programs in key economic growth corridors of the country; emphasizing greater program integration and inclusion of Colombian institutions; and incorporating trade capacity building to support a new free trade agreement under negotiation with the United States. All of these development activities are in place with the intent of eliminating the drug trade in the country.

### **Crime and Gang Violence**

Finally I would also like to note my on-going concern with gangs and crime in Latin America, and especially Central America. Polls show that gang violence is one of the greatest concerns of citizens in Honduras, Guatemala and El Salvador – countries which now have some of the highest murder rates in the world. It is very clear that gang violence poses a direct threat to security, economic growth, and democratic institutions, and it spills across our borders to affect our own communities in the United States as well. Gang violence is now a transnational phenomenon and most observers believe that contact between gang members in different countries is increasing.

USAID efforts to reduce crime are intricately linked for a need to strengthen and reform justice systems. Moreover, USAID has also worked on the preventive side – collaborating with the Department of Justice (ICITAP) to create a community policing program in some 200 municipalities in El Salvador and implementing an innovative community crime prevention program in Guatemala.

We are looking to do more – especially in prevention. USAID is now conducting a gangs assessment in Central America and Mexico and meeting with key stakeholders here in the United States. This study will inform future USAID programmatic decisions and enhance USG inter-agency collaboration.

## **Conclusion**

Despite progress, much remains to be done and USAID will continue to promote democratic reforms that reflect the complex realities each country confronts. Given the trends and challenges in our Hemisphere, USAID will sharpen its focus to address the rising crime and violence, attack the impunity and immunity of political and economic elites, and better address the inequality between people. USAID will work to reduce poverty and inequality through the promotion of economic prosperity through job creation, employment expansion, and economic growth. Additionally, USAID will also strengthen government institutions via decentralization and local governance, legislative strengthening, electoral assistance, policy reform, and anticorruption programs. And we will work with civil society and improved civic response for better governance, inclusion, transparency, and accountability for all people regardless of status.

We cannot realistically expect to solve the problems of Latin America's democracy in the short term. In fact, it will require a long-term, sustained, and collaborative effort. By working together with host country governments and other U.S. government agencies to implement effective multisectoral measures that reduce corruption, strengthen institutions and build local capacity, we can – and will – have an impact.

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear before you today. I welcome any questions that you may have.