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1. SUMMARY

During the late 1970s and throughout the 1980s, several Central American countries were ravaged by an upsurge of **internal conflicts and disputes**, with knock-on effects in the other countries of the region. The region suffered socioeconomic damage as a result, and there was a serious setback to the process of economic integration, underway since the beginning of the 1960s. The late 1980s saw Latin American and European initiatives aimed at establishing a negotiated peace settlement. These initiatives fostered a climate in which, under the impetus of the Presidents of the Central American countries, a process of dialogue evolved, leading to the signing of the Esquipulas II Peace Accord.

Peace was achieved at different times in the countries affected (Nicaragua in 1990, El Salvador in 1992, Guatemala in 1995) through the initiation and consolidation of the democratisation process, which brought to power in the mid 1990s, governments elected in free elections and accepted by all parties in all countries of the region. A renewed impulse to regional integration and economic revival resulted from this new context. But in spite of these achievements, the political and economic processes are still fragile and require continued support to assure viability.

A notable feature of the region is its **vulnerability to natural disasters**. In 1998, Hurricane Mitch caused enormous damage, particularly in Honduras and Nicaragua; in early 2001, parts of El Salvador were devastated by two earthquakes; from May 2002 onwards, the entire region was hit by serious drought; and in Autumn, Hurricane Michelle brought renewed devastation.

At the beginning of the 21st century, the people of Central America face a series of interlinked challenges; on the one hand, to consolidate the process of peace building and democratic government, and on the other, to fight poverty, to build competitive economies, to reduce environmental vulnerability and to reduce wide social inequalities in terms of income, gender and the urban/rural divide. Confronting these challenges will entail as **a necessary condition a more economically integrated region, focused on sustainable human development**. It also assumes the continuation of international cooperation support.

The EU has supported efforts to bring peace, democracy and development to the region, especially since 1984, following the establishment of the San José Dialogue. Ever since, apart from its political dimension, the Dialogue has allowed considerable Community cooperation engagement at both regional and bilateral level. The continuity of this cooperation is key to complementing the efforts of the region to consolidate peace, democracy and economic and social development.

In this context, the EU intends to focus its regional cooperation on broader and deeper integration by means of programmes, which will bring added value and have real impact on the process of regional integration. The proposed areas of cooperation are as follows:

- Support for **regional integration** and for the implementation of **common policies and institutional consolidation**.
- Strengthening **the participation of civil society** in the process of integration.
- The reduction of **vulnerability** and environmental improvements.

2. OBJECTIVES AND PRINCIPLES OF COMMUNITY COOPERATION

2.1. Objectives and principles of Community cooperation with Central America

2.1.1. General objectives

Article 177 of the **EU Treaty** sets out three broad objectives for development cooperation with third countries. These are:

- support for sustainable economic and social development,
- the gradual integration of developing countries into the world economy,
- the fight against poverty.

Cooperation must contribute to the general objective of development, the consolidation of democracy and the rule of law, together with respect for human rights and basic liberties.

In particular, **the Joint Statement by the Council of Ministers and the European Commission on the Community's Development Policy (Nov. 2000)** confirmed that European Union cooperation should principally be focused on the reduction and gradual elimination of poverty¹ and identified **regional cooperation** as one of six priority areas of the Commission's development policy.² These areas are as follows: 1) trade and development; 2) regional integration and cooperation; 3) macroeconomic policies and equitable access to social services; 4) transport; 5) food security and sustainable rural development; 6) institution building.³

¹ The Joint Statement gives a broad interpretation of the concept of poverty, which is defined "not simply as the lack of income and financial resources but also as encompassing the notion of vulnerability and such factors as no access to adequate food supplies, education and health, natural resources and drinking water, land, employment and credit facilities, information and political involvement, services and infrastructure".

² "Regional integration and cooperation contribute to the integration of the developing countries into the world economy and play a decisive role in consolidating peace and preventing conflict. They alone enable the countries involved to face cross-border challenges, in particular in the field of the environment and the use and management of natural resources. In the light of its experience and of the instruments at its disposal, the Community is in a position to support efforts in this direction by the developing countries".

³ Following the WTO ministerial conference in Doha in November 2001, renewed priority was given to trade and development and institution building, as described by the European Commission in SEC(2001)1903 of 20 November 2001.

2.1.2. Regional objectives

As part of the follow-up to the **Summit of the Heads of State and Government of the countries of Latin America, the Caribbean and the European Union** (Rio de Janeiro, 1999), the Commission⁴ confirmed that the current priorities for the Central American subregion are the rule of law and human rights, support for social policies and integration into the global economy. Furthermore, the EC stressed that the prevention of natural disasters and the protection of the environment, together with the consolidation of the regional integration process should be given particular emphasis in Community cooperation relations.

It is intended to develop strategic alliances based on identifying convergent topics and positions in order to facilitate common positions in international forums. Similarly, it is intended to promote various models of sustainable development and to facilitate political dialogue between bodies representing civil society in the two regions⁵.

The guidelines for cooperation with Central America are set out in the framework of the San José meetings between the EU and the countries of Central America (Guatemala, Costa Rica, El Salvador, Honduras, Nicaragua and Panama) which have been, since 1984, the primary forum for dialogue between the two sides. **The San José process**, renewed in Florence in 1996, has laid down the following general objectives for future cooperation with the countries and the region:

- to strengthen the peace and democratisation process in the region;
- to promote sustainable and equitable economic and social development;
- to step up the fight against insecurity and crime;
- to promote the consolidation and modernisation of the rule of law;
- to strengthen social policies.

The EC-Central America Cooperation Agreement (Luxembourg, 1985), superseded by that of San Salvador in 1993, established specific references regarding the importance that the EU attaches to integration efforts in the region.

The financing of several cooperation sectors envisaged in this accord is activated annually by means of a series of regulations, including specifically **Council Regulation No 443/92 of 25 February 1992** on financial and technical assistance and economic cooperation with the countries of Latin America and Asia, which defines and details most

⁴ COM/2000/0670

⁵ Subsequent to the meeting of the Rio Group and with a view to pursuing the objectives that were set, the Commission proposed that its cooperation with Latin America should concentrate on three priority areas: promotion and protection of human rights, promotion of the information society and the reduction of social imbalances (COM/2000/670).

of the aid earmarked for Latin America and Asia. This regulation notes that regional cooperation between the developing countries should be considered a priority sector for Community aid, in respect of the two types of assistance and cooperation and across a wide range of sectors⁶.

Since 1995, the Commission has issued **three communications on relations between the EU and Latin America**, setting out specific objectives for relations with the region⁷. Taking into account the diversity of the sub-continent, the EU decided to adapt the dialogue and cooperation according to local circumstances and to support regional integration as an element of economic and social development.

It should be noted that the mainstay of economic and trade relations with Central America is the **Generalised System of Preferences (GSP)** agreed at regional level with all the countries of Central America. This system has been renewed until 2004. Under the provisions for "drugs", the preferential tariffs for certain agricultural products have been renewed, and the specific preferences for industrial products, devised for the Andean countries, have been extended to those of Central America.

The first **Regional Strategy Paper for Central America** was prepared in 1998. On 26 March 2001, the first **Memorandum of Understanding**, concerning multiannual financial perspectives for the implementation of Community cooperation between 2000 and 2006 was signed with the General Secretary of the Central American Integration System.

3. THE REGIONAL INTEGRATION PROCESS AND A GENERAL INTRODUCTION TO THE REGION

3.1. Geographical and social situation

Central America is a natural bridge linking North and South America; it is bounded to the north by Mexico, to the south by Colombia, to the south-west by the Pacific, and to the north-east by the Atlantic. The region covers an area of approximately 500,000 km², with a population of close to 40 million, equivalent to the population of an average Latin American country. Average population growth is high, although the figures vary from country to country. The people of the region are largely of mixed race, with common historical roots, while Spanish is both the official language and the language of general use in all the countries of the region.

The geography of the region is quite diverse, varying from high mountainous areas to plains, resulting in temperate climate in some areas and tropical in others (dry tropical and wet tropical). There is great ecological diversity of worldwide interest. However, the region is affected by increasing, and in some cases, irreversible environmental

⁶ Articles 5 and 8 respectively for financial assistance and technical cooperation.

⁷ COM/95/495; COM/99/105 of 9 March 1999; COM/2000/670 of 31 October 2000.

degradation, with the continuing erosion of arable land, deforestation and the depletion or pollution of water resources. Among the root causes of this situation are inadequate environmental policies and legislation, institutional weakness, destructive farming practices such as the burning of fields prior to sowing, as well as the effects of poverty and the persistence of polluting or harmful methods of production.

Furthermore, the increased urbanisation of recent decades, largely as a result of migration from the countryside to towns and cities, and the persistence of poverty and social inequalities, apart from increasing the burden on already overstretched public services in urban areas, have led to an increase in figures for crime and violence – including domestic violence – to alarming levels in most countries in the region, while destitution is increasing among broad sections of the rural population.

3.2. Political situation

In the late 1970s and early 1980s, Guatemala, El Salvador and Nicaragua were racked by a series of internal disputes, as a direct result of economic and social inequalities, repressive political regimes, and the policies pursued in the region by foreign powers.

These conflicts also affected Costa Rica and Honduras due to the presence of armed groups operating outside the countries affected and to the presence of large numbers of displaced persons. Faced with a deteriorating situation and the threat of full scale war, several initiatives promoting solutions based on dialogue and negotiations were made. Consequently, the Contadora Group was created in 1983, consisting of Venezuela, Colombia, Mexico and Panama, with a Support Group, consisting of Brazil, Argentina, Peru and Uruguay, subsequently reinforcing the peace process. In parallel with but complementary to these efforts, the San José Dialogue between the European Community and Central America was initiated in 1984.

Encouraged by these developments, the Presidents of Central America initiated what are known as the Esquipulas negotiations. Subsequently, on the principle that peace, democracy and development are inextricably linked, they adopted a peace plan which brought an end to different factors of the conflict, which included the demobilisation of irregular armed groups and their reintegration into civilian life, as has progressively been achieved in Nicaragua, El Salvador and Guatemala.

It should be emphasised that active European involvement made a significant contribution to the resolution of the conflicts by peaceful means rather than by military force. In the 1990s, there was a general consensus in favour of negotiated solutions.

The progress achieved in peace building and democratisation have greatly transformed the region, evidenced by the replacement of a widespread authoritarian tradition by normal elections, more robust parliaments and the creation of forums for participation by civil society.

However, despite the varying degrees of progress achieved in the countries concerned, the authority of their governments remains under threat and democracy is subject to ups and downs. The rule of law remains weak in most countries and political polarisation is an obstacle to the building of essential consensus. Public security is deteriorating due to

the high levels of crime and impunity. There is serious lack of confidence in the administration of justice. Although some countries have taken steps to combat the problem, the persistence of corruption, in both the public and private sectors, is a serious hindrance to development in certain countries. The various forms of social exclusion undermine the basis of coexistence. These deficiencies, in societies where the social and institutional fabric is still weak, reflect the vulnerability of the region.

In this context, a potentially destabilising factor is the periodic outbreak of disagreements between the countries themselves on account of border disputes, leading to a cycle of antagonism and the cooling of relations.

3.3. Economic and trade situation

Between 1980 and 1990, all the countries of the region suffered a steep decline in per capita GDP. It is only since the early 1990s that economic growth has again turned positive. Current per capita GDP across the region is \$1,645, but it is important to note the major differences between individual countries (less than \$500 in the case of Nicaragua, over \$2500 in Costa Rica).

In the 1990s, all the countries of the region undertook structural adjustment programmes, which involved the adoption of policies of privatisation, the control of public expenditure and the promotion of the private sector within a framework of the opening up of their markets.

The macroeconomic situation of the six countries has improved considerably, in large measure due to the inflow of funds from emigrant workers and a large reduction in the public deficit despite low tax receipts in most of the countries. Inflation levels vary between moderate and low. Interest rates remain very high, however, and as a consequence investment is weak and the region's productive sectors are stagnant.

Foreign debt remains a significant burden in most countries, severely limiting the room for manoeuvre of the governments and the business sector.

The export sector has grown in recent years, especially in light of expansion of the maquila⁸ industry. The United States remains Central America's main export market (42.8% in 1999), followed by Europe (18.6% in 1999).

Although there has been some degree of diversification in the region's exports, traditional products such as coffee, bananas and sugar still constitute a large proportion, particularly to Europe. Central America benefits from the EU's Generalised System of Preferences (GSP), even if not all countries take full advantage of the scheme. Currently, one of region's main demands is for an extension of the period of application of the GSP in order to promote a medium to long term outlook among the business community, which

⁸ Maquila: a term first used in Mexico and now used throughout Latin America for factories located in tax-free and duty-free zones where the final stage of production takes place for goods bound for the markets of the developed world.

could serve as an additional stimulus to their investment plans and thus have a positive impact on investment decisions. All the countries of Central America are members of the World Trade Organisation (WTO).

One of the principle domains of intervention in Central America is enhancing its integration into the global economy. To this end, joint measures have been taken to establish free trade areas with certain countries and regions. Mexico, the Dominican Republic, Chile and Mercosur are involved in these measures. Likewise, Central America is actively involved in working groups aiming to create the Free Trade Area of the Americas (FTAA).

In this context, a fresh appraisal of relations between Europe and Central America, in the framework of the WTO, could advance the deepening of economic and trade relations.

In contrast to progress in the macroeconomic sector, levels of poverty are still very disturbing, and certain countries show the highest degree of inequality in Latin America, a sub-continent which itself has alarming level of inequality. Access to healthcare, housing and potable water is limited, especially in rural areas, as are levels of literacy and school attendance. Moreover, rates of unemployment and underemployment are very high in most countries, while strong population growth is aggravating the situation. Two countries, Honduras and Nicaragua, benefit from the HIPC (Highly Indebted Poor Countries) initiative of the World Bank and the IMF.

A special factor, especially in the cases of El Salvador, Nicaragua and Honduras, is emigration to areas outside the region, particularly to the USA and to Costa Rica. Emigrants' remittances constitute one of the most effective forms of social adjustment and help to support the macroeconomic balance. However, the effects of emigration on family integration and on investment in human resources, while currently inadequately researched, indisputably have a serious impact on the social structure and cultural habits. Furthermore, this situation will also have to assimilate the fallout from the difficulties in North America following the events of September 11 last.

Mechanisms remain to be explored to better utilise these remittances, both in terms of better support for the dependent families and in terms of channelling them towards investment in the productive sector.

3.4. The integration process

3.4.1. Economic integration

The economic integration of Central America was formally initiated in 1960 with General Treaty of Central-American Integration. The signatories were El Salvador, Guatemala, Honduras and Nicaragua, with Costa Rica joining in 1963. The administration of the process was assigned to the Central American Secretariat for Economic Integration (SIECA), set up under the Treaty.

The objectives of the integration process were the expansion of the market and the promotion of industrialisation beginning with import substitution.

For an initial period, principally during the 1960s, intra-regional trade grew rapidly. In addition, there was a significant increase in the contribution of the industrial sector to national output, and GDP grew strongly. However, the end of the decade saw the integration project beginning to stall due, inter alia, to the unequal division of income and the limitations of the regional market. The conclusion of this initial stage was marked by the dispute between El Salvador and Honduras.

Despite efforts to deepen the process of integration in the 1970s, the unfavourable world economic climate, characterised by the rise in oil prices, the increase in world interest rates and the deterioration in the terms of trade affected all economies in the area and badly hit trade between them. This crisis led to a worsening of politico-military problems, principally in Nicaragua and El Salvador, and subsequently led to the regionalisation of the conflicts. The scale and the manifestations of the crisis of the 1980s led to stagnation and a reversal of the economic links built up in the course of the previous twenty years.

Following the peace process of the early 1990s, there was a revival of regional trade coinciding with the beginning of a revitalisation of the integration process, resulting in the signing of the Central American Economic Action Plan (PAECA) in 1990. The signing of the Guatemala Protocol in 1993 ushered in a new phase of integration. This new phase led to a reappraisal aimed at enhancing opportunities for Central American participation in world markets, by opening the door to the principle of "two speed" integration, given the differences between the individual countries regarding the desired pace of integration.

3.4.2. The most significant developments in economic integration

One of the principle indicators of progress in economic integration is the pattern of intraregional trade. The figures for the year 2000 show a total of USD 2 700 million, representing an 11% increase on 1999 (as a measure of comparison, it is worth noting that in 1990, the figure was less than a billion dollars). The region's largest exporters of intraregional trade are Guatemala, El Salvador and Costa Rica, with 30.3%, 28.8% and 24.7% respectively, while Honduras and Nicaragua have 9.9% and 6.2%.

Intraregional trade (exports) grew from a total of US\$ 650 million in 1990 to USD 2 700 million in 2000.

El Salvador (29.1%), Guatemala (23.6%) and Nicaragua (18.7%) are the principal intraregional importers.

The region currently operates a free trade area covering all indigenous products, with the exception of coffee, sugar, ethyl alcohol, wheat flour, alcoholic spirits and certain oil derivatives.

In terms of trade law, the following instruments have been adopted:

- Central American regulation on the origin of goods
- Central American regulation on safeguard measures

- Central American regulation on unfair trade practices
- Regulation on the international customs transit regime, customs declaration and information forms.
- Central American regulation on measures of standardisation, measurement and authorisation procedures.
- Central American regulation on sanitary and phytosanitary measures and procedures.

These regulations provide a solid regulatory basis for the integration process, but much remains to be done as regards their implementation.

The following tariff policy applies as regards intraregional trade:

- an average tariff of 7.5%
- 0% for capital goods and raw materials
- 5% for raw materials produced in Central America
- 10% for intermediate goods produced in Central America
- 15% for finished goods

There are a number of exceptions to these tariffs under the Uruguay Round. These concern textiles, shoes, tyres and agricultural products.

One of the areas of progress in the integration process is that of customs union. The project was initiated by Guatemala and El Salvador, later joined by Honduras and Nicaragua. The aim is to create a common customs area, involving free movement being extended to all goods regardless of their origin, by abolishing customs between the countries. This is without doubt an area in which Community cooperation can play a key role in the coming years.

However, the ongoing border dispute between Honduras and Nicaragua has had a negative impact on the process, given that it has led to the raising of tariff barriers and other obstacles to the free movement of goods.

2002 will see a fresh opportunity to relaunch the integration process. The new Presidents of Nicaragua and Honduras have included the priority of regional integration in their programmes. Several sources within the Nicaraguan government have confirmed the administration's willingness to find a solution to the latest dispute with Honduras, in order to abolish the 35% duty imposed on imports from Honduras in retaliation for the signing of a treaty on territorial waters with Colombia. Nicaragua has indicated that finding a solution to intraregional conflicts is a priority for its government.

The new leaders of Nicaragua and Honduras are convinced integrationists. The same is true for El Salvador, which has always been the most integrationist country in Central America, and for Guatemala, which has already established common customs with Nicaragua and El Salvador. In particular, Nicaragua is anxious to advance the regional integration process on the basis of a customs union and the free movement of goods within the region.

These measures are almost unavoidable in the light of the possibility of a free trade agreement with the United States, which could otherwise have the effect that goods en route to or from the USA would be duty free and could move freely, while intraregional trade would be subject to customs duties and controls. In this context, the customs union project, financed by the Commission, which envisages technical support for the Central American initiative to abolish internal customs by 2005, entails support for the irrevocable process of creating an internal market in Central America.

3.4.3. Political, social and environmental integration

The process of political integration received renewed impetus with the signing in 1991 of the Tegucigalpa Protocol and the creation of the Central American Integration System (SICA), which includes Panama. The objective of SICA is to stimulate and to manage the Central American integration process, to create a region of peace, freedom, democracy and development. The Tegucigalpa Protocol provides for institutional changes in line with the requirements of the integration process.

The Tegucigalpa Protocol also set up the Civil Society Consultative Committee in Central America, representing regional civil society organisations, in order to enable them to be consulted and to make proposals on matters pertaining to integration.

In 1994, the Presidents decided to create the Alliance for Sustainable Development (ALIDES) aimed at promoting human development and economic growth with social justice, and at developing a management structure for the promotion and the protection of the environment. The Central American Commission for Environment and Development (CCAD) was set up to this end.

In this sector, regional priorities have already been specified, and coordination networks have been established in areas such as: protected areas, information systems and research on environmental impact. The region occupies a unique position in international conferences on biodiversity and climate change.

In 1995, the Treaty on Social Integration for Central America was signed, and, with the aim of including the social agenda among the priorities of the integration process, the Social Integration Council (CIS) was established in El Salvador.

Although social integration has recently been promoted, it is worth noting the progress, which has been achieved in cross-border social security cover in emergency cases, as well as coordinated measures for campaigns to prevent the spread of vector-borne diseases. There has also been progress in programmes relating to food security and education.

Similarly, the Framework Treaty on Democratic Security in Central America was signed in December 1995, representing a key element in the establishment of a new security vision for the region, based on a wider and more comprehensive concept than a purely military approach.

The initiative to redesign the institutional structure with a view to greater effectiveness and speed is also to be noted. In 1996, the countries of the region entrusted the IDB and CEPAL with the task of conducting a study of the operations of the numerous integration bodies that exist and the development of a plan to rationalise the system of Central American integration. In July 1997, following recommendations made in the report, the Central American Presidents decided to convene the secretariats and to draw up a Treaty of Central American Union in order to give political decisions on integration a legal framework.

Subsequently, however, there has been a slackening off in the process, due to the varying degrees of enthusiasm for economic and political integration among the countries of the region.

Modernisation of Central America: agenda of the Madrid Consultative Group

In the course of **Regional Consultative Group** meetings between the countries of Central America and donor countries and organisations, held in Madrid in March 2001, a series of medium term directives and objectives were presented for the modernisation of the region, on the basis of reducing social inequalities, strengthening regional integration, economic integration and physical integration:

- To reduce the region's ecological, productive and social vulnerability;
- To transform Central America on the basis of an integrated analysis of the transformation of the productive sectors and of human development;
- To manage the available natural resources rationally;
- To promote greater participation by civil society in development;
- To enhance regional integration and the institutional structure of integration;
- To coordinate the efforts of donors, guided by the established priorities;

3.4.4. Principal obstacles and challenges to sustainable integration in Central America

Despite repeated expressions of political will in favour of integration, progress is slow, and in some cases, has suffered setbacks. Some of the principal obstacles and challenges are as follows:

1) *Conflict between the countries, principally involving border disputes.* The persistence of these disputes creates an unhelpful atmosphere, often leading to measures and counter measures contrary to the commitments previously made. Overcoming these obstacles by creating a climate of trust is crucial to the advancement of the process on a solid basis. The challenge is to encourage mutual interest in order to neutralise the possibility of conflict.

2) *Institutional weakness:* despite the measures taken to improve the organisational aspects of the regional institutions, various deficiencies persist. First, the organisational structure and the status of the decisions of the various levels is not conducive to the follow-up and the implementation of these decisions. Secondly, several institutions have a system of rules which limits their capacity to make proposals and to take action. Finally, the level of professionalism and of technical

competence is a sensitive area, which urgently needs to be addressed in several integration institutions.

The strengthening of the system is hindered by the slow rate of progress in the planned restructuring.

- 3) ***Different visions and levels of interest regarding integration:*** the countries of the region do not display the same level of interest or the same willingness to make commitments. Even if the possibility of a multi-speed integration process is accepted, it appears that in certain cases the priority is the link with foreign markets and the development of these links on an individual basis. Furthermore, the procedures to put into practice the “two-speed” principle have not been clearly defined.

Moreover, the political will towards integration has not, up to now, come to terms with the notion that in order to advance sovereignty has to be ceded in certain areas, which, as well as involving a loss of power, also entails working together to exercise the pooled sovereignty thereby created. This is true for the larger countries, and even more so for the smaller countries.

- 4) ***Intraregional economic disparities:*** concerns about the consequences of integration resulting from unequal economic development in each country lead to reservations regarding the measures, effects and procedures of the integration process in certain countries. Consequently, as well as a comprehensive, realistic and long term vision, based on firm commitments, and political willingness and capacity for integration, it is necessary to find measures and programmes designed to reduce economic inequality and to promote an equitable distribution of income, both on a regional scale and within each country. To achieve this, the development of satisfactory tax systems is an issue, which must be addressed in most countries of the Central American region.

- 5) ***Lack of financing mechanisms to strengthen and develop the integration system:*** SICA does not have an adequate system of financing, which seriously limits its initiatives and its capacity to carry out its mandate.

An excessive dependence on international cooperation leads to serious inefficiencies in its operations.

- 6) ***The binding nature of the regulations and resolutions.*** The embryonic nature of common legislation and binding instruments, together with the weakness of enforcement mechanisms, threatens to damage the legitimacy of the process through a lack of concrete application of measures and decisions.

- 7) ***Social ownership of the integration process.*** In most of the countries concerned, large sections of society are as yet isolated from the integration process, due to a lack of effective means of participation, or because the benefits of this participation are not apparent, or because they are not sufficiently aware of the potential of their contribution. In this regard, the formulation and implementation of policies which, for example, foster the involvement of small and medium-sized businesses and, in general, organised civil society, could have far-reaching effects.

8) **Vulnerability.** Physical as well as social vulnerability should be addressed at a regional level in order for prevention and the development of medium and long-term structural policies to produce results and to serve as regional means of reducing social inequalities. One of the challenges facing the integration process is to achieve joint and harmonised planning for sustainable development.

4. GENERAL FRAMEWORK OF INTERNATIONAL AID

4.1. Intervention by the principal donors

Support for peace building and regional integration have been priority issues for the cooperation of various donors. Thus, during the first half of the 1990s, various international initiatives were proposed, such as the Special Plan of Economic Cooperation for Central America, PEC, devised by the United Nations Development Programme (UNDP); the International Conference on Central American Refugees, CIREFCA, also under the auspices of the United Nations; the programmes known as “Route and Route Sociale”, supported, among others, by the World Bank.

Within the framework of bilateral cooperation by Member States of the EU, it is worth noting the contribution to the regional integration process of all European countries by different routes. In this regard, certain countries have paid particular attention to promoting programmes pertaining to human rights and democratisation. Italy, France, Germany, The Netherlands, Sweden, the United Kingdom, Denmark and Finland, along with the Commission, have participated in this process. Sweden has also identified the health sector as a priority at regional level. Spain has combined a substantial programme of regional cooperation with initiatives at regional level.

However, in the second half of the 1990s, in the face of a lack of progress, the integration process lost momentum, and support for the regional perspective declined amongst the international community, with the exception of European cooperation which continued to supplement bilateral cooperation with certain initiatives and projects at bi-national and regional level. The amounts involved in cooperation by European countries for regional projects were less than €20 million for the period 1999-2001.

Recently, the regional approach was placed in a new framework based on the preparation of regional strategies by the European Commission and the meeting of the Stockholm Consultative Group, held in May 1999, in support of the process of reconstruction following the disaster caused by Hurricane Mitch in late 1998. Following the Stockholm meeting, a process of dialogue and action was undertaken concerning cooperation between the international community and Central America, including political, economic and aid-related aspects. The most recent event was the meeting of the Central American Regional Consultative Group that was held in Madrid in March 2001, at which, in a specific consultative group, a reconstruction programme for El Salvador was addressed at the same time, and the Central American analysis was directed towards regional modernisation initiatives, which favour investment initiatives in those sectors crucial to sustainable development.

In the course of the Regional Consultative Group meeting in Madrid, a study entitled Central America 2020 was presented, a forward-looking analysis of the region which underlined the importance of regional integration in achieving sustainable development in the medium term. It is intended to follow up the recommendations contained in this study.

Another major outcome of this initiative is the Puebla Panama Plan, sponsored by the Mexican government and the InterAmerican Development Bank (IDB), with the participation of various regional authorities such as CEPAL, BCIE and INCAE. The objective of this plan is to support a development project based on sustainable human development, awareness of natural disasters and modernisation of infrastructure (improving land routes, electricity interconnection, energy, telecommunications) as the main areas.

4.2. Commission cooperation

The EC-Central America Cooperation Agreement (Luxembourg, 1985), superseded by that of San Salvador in 1993, made specific reference to the importance which the EU attaches to supporting moves to integration of the region.

From 1984 to date, total contributions by the Commission to programmes and projects of regional cooperation, in the broad sense of the term, with Central America amount to €452m. The contribution directly earmarked for supporting the integration process accounts for only 5% of this amount.

A primary feature of Community intervention in recent years has been the extent of the areas covered. Responding to the various initiatives undertaken by the region itself has led, in practice, to a wide sectoral dispersion. This was in accordance with the priorities stemming from the atmosphere of hostility and mistrust which prevailed in the late 1980s and the early 1990s. In this context, the paramount objective of Community cooperation was to promote reconciliation between the governments of Central America and among the various groups within each country. In addition, the intention was to adopt a flexible approach allowing for a response to emergencies, the main criterion of relevance was appropriate response. Moreover, prominence was given to strengthening existing regional organisations, as well as promoting opportunities for exchange and dialogue in specific sectors.

Other areas of intervention included support for small and medium sized businesses and industries through the Central American Bank For Economic Integration (BCIE) (summary table of programmes in Annex 5), the reintegration of returned refugees and exiles, the promotion of human rights, food security, export promotion, the cooperative sector, fishing, air transport, telecommunications, mother and infant health care, research into basic seeds.

In 1999 the Regional Programme for the Reconstruction of Central America (PRRAC) was implemented by the Commission in the aftermath of Hurricane Mitch, with a budget of €250 million for the period 1999-2006 (a summary is given in Annex 6).

However, in the late 1990s, an appraisal of the region more focused on development was implemented, with more concentrated priorities and with a longer term perspective. Accordingly, in 1996 in Florence, it was decided by common accord to concentrate cooperation on three issues: consolidation of the rule of law, support for the social sectors, in particular health and education, and the integration of Central America into the global economy. The first two areas are currently the priority areas of bilateral cooperation with the countries of the region, while regional cooperation covers the third area.

Previous experience of cooperation with Central America, based on the various evaluations undertaken as well as forward-looking studies, such as the aforementioned “Central America 2020”, indicate and recommend that the sectors to be developed in the medium term should be on the basis of progress on the regional integration agenda, and support for sectors and organisations with an established framework and with confirmed cofinancing to guarantee the viability of the measures.

The results and recommendations of previous evaluations confirm that: total European support for all regional integration in Latin America represents nearly 35% of the funds committed to Financial and Technical Cooperation with the region. Some 600 projects were financed, to the tune of €700 million, under agreements with the three subregions (Central America, Andean Pact and Mercosur).

The principal conclusions of the evaluations concern:

- The relevance of the support to regional measures;
- Effectiveness was confirmed, particularly in the case of horizontal projects (ALFA, AL INVEST, URB-AL)
- The formation of networks between European and Latin American economic actors, and/or between Latin American actors, at regional and subregional level, has a very positive effect.
- The consolidation of inter-state forums and regional institutions, responsible for promoting and managing the regional processes, is very mixed: from a technical point of view, the results are poor. But in relation to the strategic objectives of regional cooperation and the promotion of regional integration, the outcome is more positive;
- Despite the human and financial resources allocated, regional cooperation tends to suffer from a lack of visibility, and the threshold of visibility is even lower in the smaller countries;
- There is a very real demand for regional cooperation in Latin America, generated by several models for regional and subregional integration, concerning the participation of civil society actors, particularly business leaders; the search for international competitiveness; the development of democratic commitment; and a heightened awareness of social needs.

The principal recommendations of the evaluations are as follows:

- An initial verification of the relevance of regional cooperation should give more consideration to the capacities and willingness of all the actors, national and regional, private and public;
- Regional cooperation aimed at the coordinated management or the pooling of resources and/or common priorities on a sector-by-sector basis, while it requires a certain minimum level of commitment and capacity, has great potential and should be supported;
- The effectiveness of interstate cooperation through regional integration bodies could be improved by the prior requirement to establish common regulations and legislation;
- The extension and strengthening of horizontal programmes aimed at devising and consolidating links and exchanges in more dynamic areas of economic and scientific development, while avoiding the bureaucratisation of the programmes, are recommended throughout the continent.
- For Central America, Community support should concentrate on the creation of a regulatory framework and of management and monitoring tools aimed at facilitating greater mobility of people, capital and goods;
- Support for regional integration at the level of civil society and of institutional strengthening should be a priority of Community cooperation in Central America.

Democratic consolidation, human development and strengthening common policies are the areas considered as priorities on the basis of previous cooperation experience in Central America.

5. DEFINITION OF THE COMMUNITY SUPPORT PROGRAMME

The Community programme is intended to support the process of Central American integration, which should be carried out within a framework of sustainable development and consolidation of democracy, of social justice and peaceful coexistence, thus fostering the creation of a zone of peace and an economic bloc in Central America, with better opportunities in the context of a globalised economy.

5.1. General objective of Community cooperation

The strategy proposed by the EC regarding Central America is aimed at consolidating the processes of peace and democratisation in the region, and supporting efforts towards economic and social development, by stimulating regional integration and reducing vulnerability. In supporting existing common policies, linking rehabilitation and sustainable development, this strategy must also take into account the need to promote equal access for men and women to political, social and economic development.

This will be carried out by means of contributing to the consolidation of peace and democratisation, the creation and operation of integration institutions, the implementation of common policies, strengthening the role of civil society in the integration process and strengthening the systems of natural disaster prevention. Economic growth in the region has possibilities of increasing insofar as the situation becomes more integrated.

In order to attain this objective, consideration must be given to the limitations and difficulties of the region vis-à-vis its integration process, in particular institutional weakness, the issue of coordination between integration bodies and the significant differences that exist between national governments regarding willingness and effective political capacity to pursue integration.

The strategic intervention areas of Community cooperation are to be developed in the light of the results of previous experiences and of programmes currently underway, and they must take into account sectoral policies and the application of the principle of cofinancing, in order to assure the sustainability of the programmes.

This regional strategy is coherent with, and in certain cases, complementary to the strategies developed by the EC for each country of the region, as well as sectoral strategies. Complementarity must be assured during the process of identifying cooperation programmes, in particular, with regard to the promotion of common policies on the model of the customs union, which has had support from the EC since 2001.

5.2. Focal sectors of cooperation for the coming years

In order to effectively support the integration process, the regional programmes and projects should be comprised within **a limited number of intervention sectors** in accordance with **the priorities of the Central American integration agenda**, should have a real and quantifiable impact on the process and should give specific added value to regional integration.

In general, the aim is to strengthen the integration process by promoting and reinforcing the legislative and legal frameworks adopted by Central America with a specific impact on the creation of an internal market, by encouraging free movement of persons, capital, services and goods. In this way, direct support for the productive sectors at regional level can be avoided.

It is appropriate to point out the coherence of these strategies with the programmes of the European Union, such as the programme for democratisation and human rights in Central America, the ECHO programme for preventing and preparing for natural disasters and the operations being conducted in the fight against drug trafficking in Latin America, among others. Provision should also be made for complementarity with regional programmes of support for the integration process, in particular those financed by Member States. In this regard, it is intended to promote the systematic and ongoing exchange of experience.

Moreover, certain projects under bilateral cooperation with each country should include, in appropriate cases, the regional dimension as regards intra-Central American cooperation, and in particular in the case of support for the integration process.

To achieve the intended objective, and taking into consideration the limitations referred to in section 3.4, EU intervention will be developed on the basis of three priority areas.

5.2.1. Support for integration: implementation of common policies and institutional consolidation

The objective of actions in this area will be to support the development of economic integration measures and to strengthen the operation of integration bodies, to develop common policies in sectors which have an impact on regional integration and to promote Central America's integration into world markets.

Support for economic integration by strengthening the actions already initiated by the region; implementation of common policies and consolidation of the Central American institutional structure and its operation:

- *Support for progress in the integration process and the formulation of a common economic policy through the creation of a customs union, the harmonisation of legislation on standards, rules of origin, quality and the free movement of people, capital, services and goods. Among the possible actions to be supported, the following may be mentioned:*
 - Technical assistance for the design and implementation of measures to establish a customs union in continuation of the programme approved by the European Commission in 2001;
 - Design and implementation of mechanisms to harmonise legislation in the field of technical standards, rules of origin and quality in order to encourage the participation of small and medium sizes businesses in intraregional trade;
 - Technical assistance for the development of a competition policy through the establishment of a regional legal framework;
 - Strengthening the competitiveness of the region. Access to markets, standards and certification (rules of origin, technical rules, standardisation and conformity assessment).
- According to the priorities established and developed by the region, consideration could be given to support for the formation and implementation of common policies in sectors such as: harmonisation of economic and industrial legislation, convergence of economic policy, competition policy, monetary policy, and policies on labour, taxation, transport and education. This support will be dependent on the actual adoption of agreements with sufficient binding legal force by the countries concerned. The deterioration and the lack of development in these areas constitute a genuine challenge for Central America and are a priority of the integration process.

According to the progress made at regional level in these areas, the experience acquired might be utilised to define other specific areas where the adoption of common policies would be appropriate.

- The establishment of a permanent and appropriate system of financing common policies and integration bodies, and the development of a monitoring and evaluation system.

- Technical assistance to oversee the establishment of a permanent financing mechanism for the Central American Integration System (SICA) and its operation, which is autonomous and has its own resources;
- One of the fundamental difficulties facing the integration process in Central America is institutional weakness, demonstrated by low productivity, poor coordination and a professional and technical level in need of improvement. Although the Presidents of Central America have taken policy decisions to overcome the situation, concrete measures must be implemented with regard to the design and satisfactory operation of integration bodies. These must have the power to propose initiatives and to oversee and facilitate the implementation of the decisions taken and the common policies agreed.

In this context, support will be given to measures aimed at implementing the decisions of meetings of the Central American Presidents in relation to institutional reform, in particular those concerning the Central American Parliament, the Central American Court of Justice and the Consultative Committee of the Unified General Secretariat.

- The design of an institutional framework

In order to support effectively the process of political and economic integration, there is a need for institutions with clearly defined functions and with suitable technical, administrative and budgetary resources. The Presidents of Central America have promised measures aimed at improving a systematic and permanent framework for inter-institutional coordination.

It is intended to support regional bodies central to the democratic and integration processes, such as PARLACEN and the Central American Court of Justice, based on an action programme focused on tasks relating to the strengthening of their role and responsibilities, with defined priorities and a medium term time frame.

Support for the development of the Consultative Committee of SICA (CC-SICA), an organ with functions similar to an economic and social committee comprising employers organisations, trade unions and other organisations from civil society.

5.2.2. Strengthening the role of civil society in the integration process:

The fact that national societies have not yet taken ownership of the process, despite declarations to develop a common aspiration, constitutes one of the major weaknesses of the Central American integration process. A lack of information, the absence of appropriate participation mechanisms and the fact that the benefits are not sufficiently evident to the majority of the people are some of the reasons.

The task is to raise awareness of the advantages of regional integration across the social, economic and legal spheres, and to foster the necessary solidarity to overcome existing imbalances and to promote greater participation and sustainable development.

Actions to foster the participation of civil society by programmes of discussion and dissemination to facilitate the appraisal by local actors of the integration

process, and the training of both students and professionals (as part of the ALFA programme)

It would seem necessary to support information, training and awareness-raising measures aimed at the people of Central America, by trying to strengthen existing networks, coordination mechanisms and civil society organisations to improve their capacity to participate effectively in the formation and implementation of initiatives, including the preparation of common policies. The need to encourage the participation of representatives of indigenous peoples and minority ethnic groups in these actions should be borne in mind.

The political impetus required to revive the process of regional integration in Central America must go hand in hand with demand from and awareness on the part of civil society regarding the social, economic and developmental advantages which integration can deliver. A appraisal of the situation by sector and raising of awareness among the actors of the process should lead to the formation of an appropriate model of integration, responsive to the needs and the prospects of the region.

The negotiation process to advance regional integration needs substantial technical support. The technical qualification of personnel in the public and private sectors, as well as other sectors of society, including the academic community, appears to be an area in which Community involvement would have significant comparative advantages.

Support for the development of a regional network of institutes and universities to analyse and reflect on the various aspects of the Central American integration process from a local perspective and its dissemination to society at large through the media. Under the ALFA programme, cooperation with European institutes of integration would be supported.

The promotion of forms for dialogue between regional integration bodies and civil society organisations on the consolidation of the democratic process and on human rights.

- The development of a programme on regional integration with the universities and institutes of Central America that are specialists in this field.
- Regional meetings of civil society organisations that are specialists in regional integration.

5.2.3. Reduction of vulnerability and environmental improvement

Central America's vulnerability is repeatedly highlighted by the regular occurrence of natural disasters, clearly indicating the need for greater harmonisation of prevention policies. It is therefore necessary to support regional initiatives to harmonise the operational legal framework, such as that implemented by CEPREDENAC which aims at improving the capacities of the countries concerned in matters of prevention, through the development of a regional network of disaster prevention. It also involves consolidating the work undertaken under the DIPECHO programme, developing activities directly

linked to regional integration in the medium and long term in this area from the angle of sustainability.

The fragility of the region requires the strengthening of environmental protection measures, in particular by the concerted planning of protection initiatives for the management of watershed basins.

- The analysis and implementation of mechanisms to develop a common legal framework for regional prevention measures;
- The consolidation of the regional network for natural disaster prevention in the framework of SICA;
- The development of a legislative framework and regional initiatives for the prevention of fires;
- The development of regional initiatives for environmental protection and sustainability.

5.3. Non-focal sectors

The expansion of trade relations with Europe and European investment in Central America.

This involves supporting activities of mutual interest between the two regions. More specifically, intervention will focus on:

- Technical assistance to enable Central America profit from the preferential tariffs accorded by Europe;
- The development of a legal and institutional environment to make the region more attractive and secure for European investors. The promotion of common standards and a harmonised legal framework and strengthening the system of investment guarantees;
- The identification and appraisal of mechanisms to extend and intensify two-way trade and investment.

Other sectors:

- Democratisation and human rights
- Cofinancing with NGOs
- The environment
- Others

5.4. Complementarity with national strategies (CSP) and regional programming

This regional strategy for Central America is coherent with the regional strategy for Latin America, especially with regard to the following two areas: vulnerability (preventing natural disasters) and partnership with civil society (strengthening academic cooperation in Latin America). For the programmes concerning vulnerability, in Central America the emphasis will be on developing common legislation, harmonising the legal frameworks and consolidating the prevention network at the level of regional integration in Central

America (pre-disaster), while in Latin America, the emphasis will be on post-disaster initiatives. Coordination and complementarity at an operational level as of the project identification phase will be required with the “América Latina Cooperación Académica” programme in respect of the section entitled “Studies on Regional Integration”.

This regional strategy is coherent with national strategies, whereby the Country Strategy Papers allow for the possibility of allocating part of the budget to the regional integration sector and, vice versa, the possibility of utilising part of the regional budget for the implementation at national level of common policies which facilitate the integration process. In this situation, the initiatives to be supported must be complementary with the regional strategy.

During the definition phase of the programmes and projects concerning common policies, the Central American integration agenda and the level of consensus on that issue will be taken into account, along with the definition and completion of basic parameters and timetables, in an approach similar to that developed to support the Central American customs union in 2001.

Two Central American countries, Honduras and Nicaragua, benefit from the HIPC (Highly Indebted Poor Countries) initiative, devised by the World Bank and the IMF and supported by the European Commission. To maintain complementarity with national strategies, account must be taken of national poverty reduction programmes, and specific encouragement must be given to the adjustment of the integration process in order to reduce the serious imbalances in income distribution in the region.

5.5. Policy Mix (Coherence with other EU policies)

The principal Community policies which could have significance for Community relations with the Central American Integration System are: trade, GSP, the Common Agricultural Policy (CAP), sanitary and phytosanitary controls, consumer protection, the internal market, competition policy, research and development, the environment, conflict prevention, democratisation and human rights, JAI drugs and the information society. In general, it can be assumed that the current strategy is coherent with Community policies. Nevertheless, attention should be drawn to certain issues concerning the implementation of:

- The Generalised System of Preferences (GSP) as an instrument of trade and in the fight against drugs for a fixed period,
- The Common Agricultural Policy (CAP), and
- Sanitary and phytosanitary control measures

A description of the principal conclusions on this subject is to be found in **Annex 3**.

5.6. Complementarity with EU Member States and other donors

5.6.1. Complementarity with EU Member States

In accordance with the guidelines laid down by Council resolutions concerning operational coordination and complementarity with member states, it is intended to improve the coherence, coordination and complementarity of the programmes and activities, both at the preparation stage of strategy papers and the identification phase of operations. In particular, it is planned to give greater importance to the devolution of activities throughout the region and to enhance, if necessary, the role of the regional authorities and the beneficiaries of the cooperation programmes in the coordination, programming and monitoring functions.

The preparation of this strategy benefits from the contribution of the Delegation and the Commission offices in Central America, and of the representatives of Member States in the region, with whom meetings have been organised to coordinate the definition of priority areas and to establish a system of coordination.

The involvement of Member States in supporting the regional integration process in Central America is politically important but financially insignificant. Consequently, there must be a specific interest in order to put in place the necessary resources in order to achieve the greatest impact from complementarity in the preparation of cooperation initiatives with regional integration institutions and bodies (for example, SICA, SIECA, PARLACEN, CCJ and BCIE).

5.6.2. Complementarity with other donors

Our analysis shows that there is a convergence of objectives with the principal donors in the area of support for regional integration in Central America and it demonstrates the need to coordinate our action with them.

Both the general coherence of the intervention strategy and the complementarity of specific actions must be ensured by the Central American organisations responsible for coordination of regional cooperation. In particular, the aim is to foster the participation of the beneficiary organisations in order to enable them to ensure the coherence, visibility and complementarity required to maximise the impact of cooperation measures.

Like the Member States, the principal international donors are involved in only a limited number of measures in the area of Central American regional integration, and these projects tend to be on a small scale. This is due both to the limited institutional capacity of the Central American integration bodies and to the complex operational framework that has to be devised in order to plan and implement projects of this kind.

6. MULTIANNUAL INDICATIVE PROGRAMME

This indicative programme is based on an appraisal of the situation and the strategy presented above. It is presented as an intervention framework, broken down by priority area, indicative commitment and timetable with estimates of expenditure for each year of the period 2002-2006.

6.1 Financial instruments for EC cooperation with Central America

A series of budget lines can be utilised for the implementation of the cooperation strategy mentioned above:

- a) Financial and technical cooperation. The budget estimate in the regional Central America Memorandum of Understanding is €61.5 million for the period 2000-2006.
- b) Economic cooperation. With a budget estimate in the regional Central America Memorandum of Understanding of €13 million for the period 2000-2006.
- c) Other lines of finance can be utilised to support specific actions. In particular, in decentralised or thematic sectors such as: human rights and democratisation, the environment and tropical forests, cofinancing with NGOs. Financing under these budget lines will be decided in accordance with Community procedures and the implementing conditions laid down for each line. Given the requirement to publish openly, it is not possible to include a budget estimate.

The funds earmarked for the implementation of the regional cooperation strategy between 2000 and 2006 total €74.5 million. As is indicated in the regional Central America Memorandum of Understanding, these sums are indicative and are subject to possible adjustment according to the budget resources available. One of the criteria for releasing funds will be on the basis of evidence to be produced by the beneficiaries that the money is being spent.

6.2 Principle of review and evaluation

The cooperation strategy and the indicative programme are subject to review and regular evaluation, in order to identify possible measures and adjustments required for satisfactory implementation.

6.3 The priority sectors of regional cooperation

6.3.1 Priority issue "Support for the regional integration process, implementation of common policies and institutional consolidation".

(60% of budget)

General objective: to develop measures to foster economic and social integration in Central America, to strengthen the operation of integration institutions and to foster the development of common policies.

The intervention sectors envisaged are:

Support for economic and social integration by strengthening the measures already initiated by the region, and the formulation of a common economic policy through the development of a customs union. Harmonisation of legislation on standards, rules of origin and the free movement of people, capital, services and goods.

The implementation of common policies in these sectors: customs union, harmonisation of economic and industrial legislation, monetary policy, employment policy, taxation and the environment.

Consolidation of the Central American institutional structure and its operation
Creation of an institutional structure and support for reforms in progress in order to equip the regional organs with the appropriate technical capacity.

The preconditions for the preparation of the programmes are:

- The existence of a legal framework and the agreement necessary for the implementation of common policies and that the budgetary allocation required for cofinancing and the future sustainability of actions is guaranteed.
- The existence of policy measures and preliminary agreements to ensure that the institutions have an adequate budget to enable them to fulfil tasks relevant to their role and responsibilities in the regional integration process.

The indicators are those relating to actual progress in the regional integration agenda for Central America, in the areas of activity of the programmes. Conditions will have to be devised in each area on the basis of sectoral diagnosis. In the preparation of programmes, specific indicators are to be prepared for each operation.

6.3.2 Priority area "Strengthening the role of civil society in the integration process"

(10% of total budget)

The general objective is: to promote the participation of organisations of civil society as a whole, economic, sectoral and corporate agents, NGOs, etc. in the integration process. It involves encouraging greater reflection on the future and the benefits of integration in the region, by fostering awareness of the process and by engendering the solidarity required to overcome the existing imbalances, with a view to achieving sustainable development.

The intervention areas envisaged are:

Promotion of forums for dialogue between the institutions of regional integration and the organisations of civil society regarding the concept and the priorities of regional integration. The need to include organisations representing indigenous peoples and minority ethnic groups should be borne in mind.

Support for the development of a regional network of institutes and universities to analyse and reflect on the various aspects of the Central American integration process from a local viewpoint, and the dissemination of these ideas through the media to society at large. Cooperation measures with European institutes can be facilitated through the ALFA programme. The issue of coordination or

complementarity with actions at the Latin American regional level will also be explored during the development of the programmes.

Regional convocation (Project funds) with a significant regional added value, in the priority areas of the integration agenda. It is intended to promote and urge the effective and meaningful participation of the various current initiatives on social and economic integration. Decentralised measures should be prepared and launched by the Delegation based in Nicaragua.

The preconditions for the preparation of the programmes are those regarding the selection of beneficiaries, taking into account their specialisation, representativeness, management and cofinancing capacities, as well as having regard to positive experiences of previous programmes.

The indicators should be developed in the course of preparing the programmes and projects, on the basis of the specific objectives of each measure. Participation by the organisations of civil society on the basis of objective data on their involvement in round table discussions, TV and radio programmes, seminars, workshops, communications, as well as consultation meetings organised by the regional integration institutional authorities and the number of dissemination measures.

6.3.3 Priority issue "Reduction of vulnerability and environmental improvement"

(30% of total budget)

The general objective is: to reduce the region's vulnerability by strengthening the capacities of the countries concerned with regard to regional planning and prevention. It also involves the further harmonisation of the legislative frameworks in the context of the Central American Integration System.

The intervention sectors envisaged are:

Consolidation of existing regional networks for natural disaster prevention through programmes of adequate and guaranteed sustainability.

Support for the planning of prevention and environmental protection measures on a regional basis.

The preconditions for the preparation of the programmes are the selection of suitable partners in the framework of regional integration, taking into account the work plans accorded by the countries, and within a well-defined legal framework, as well as the development of conditions of sustainability: the preparation of a budget and adequate cofinancing within a regional intervention budgetary framework approved by the countries, and coordination with other interested regional authorities. To maintain coherence, the programmes will be complementary to the DIPECHO natural disaster prevention programme, developed by ECHO since 1998 to provide greater sustainability

to the measures taken. Accordingly, it is intended to take into account the evaluation results of the DIPECHO programme in Central America.

The indicators to be developed during the preparation phase of the programmes should take as their reference base: the situation prior to intervention in comparison with the expected results of each programme, the evaluation results of the DIPECHO programme, statistics on disasters, fires, and landslides, and relating to coordination between national agencies and the number of planning and prevention measures.

6.4 Crosscutting issues:

Cooperation between the two sides should be based on the objective of broad participation by civil society, the principles of social equality – including as regards gender, respect for minorities and different cultures and sustainability of environmental management. All actions prepared on the basis of these intervention areas must take into consideration the following crosscutting issues:

- Equal opportunities and exclusion: all actions under this current strategy will take into consideration the equal participation of men and women, as well as access for indigenous communities, in order to combat exclusion and marginalisation.
- Protection and management of the environment and the struggle against vulnerability: the repercussions of natural disasters, and the fragility of the environment, are serious obstacles to sustainable development in Central America. The prevention and reduction of natural disasters, in a regional framework, is a priority of Community cooperation, in particular to ensure that the progress made to date does not suffer a setback. Similarly, criteria should be developed in all actions to evaluate the impact and the sustainability of the management of the environment. Initiatives in this area should be coherent with the priorities of EC environmental policy and with future measures aimed at reducing vulnerability to natural disaster throughout the whole of Latin America.
- Others: Decentralisation, promotion of information technology, promotion and respect for human rights, and the fight against corruption.

7. INDICATIVE WORK PROGRAMME

	2002	2003	2004	2005	2006
1. Support for the regional integration process, implementation of common policies and institutional consolidation (60% of budget) Strengthening the SICA Consultative Committee and institutional support (PARLACEN, CCJ) Common Policies Common Policies (Customs Union-2)		7	10		7
2. Strengthening the role of civil society in the integration process (10% of budget) Programme of debate and dissemination on the integration process and regional meetings of civil society	8				
3. Reduction of vulnerability and environmental improvement (30% of budget) Regional plan for the reduction of natural disasters		10		10	

A reserve of €3.3 million is to be allocated to non-focal sectors, especially: democratisation, human rights and other aspects of economic cooperation.

WORK PROGRAMME 2002-2003

The total indicative budget envisaged in the Regional Memorandum of Understanding 2000-2006 for Central America is €74.5 million, of which the following amounts have already been committed, in 2000: €10 million for the “Development of El Salvador-Honduras Border Zone” programme, and in 2001: €8 million for the “Central American Customs Union” programme and €0.2 million for technical assistance to SICA.

2002	
Programme of debate and dissemination on the integration process and regional meetings of civil society	€8 million
2003	
Regional plan for the prevention of natural disasters-1	€10 million
SICA Consultative Committee and institutional strengthening, support for PARLACEN and CCJ	€7 million
2004	
Harmonisation of legislation and implementation of common policies*	€10 million
2005	
Regional plan for the prevention of natural disasters-2	€10 million
Common policies: Customs union-2*	€7 million

(* to be detailed in the next revision of the strategy paper)

The final selection of projects and the associated amounts will be made according to the results of detailed identification and preparation work conducted by the Commission. This indicative programme of work depends on the annual budget resources available to the Commission.