

Annex 1
CENTRAL AMERICA: ECONOMIC
AND SOCIAL INDICATORS

SOCIAL INDICATORS

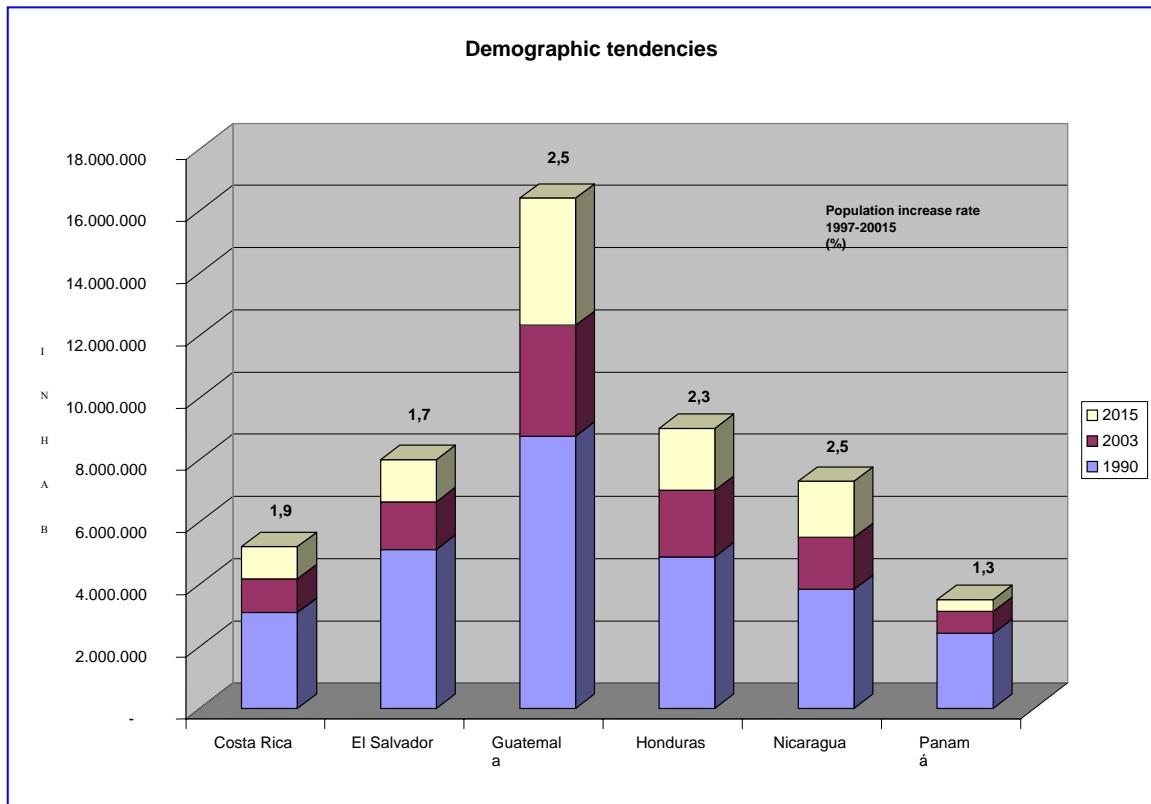
Table 1
TOTAL POPULATION

Country	1990	2000	2001	2002	2003	2004	2005
Costa Rica	3 076	3 925	4 008	4 089	4 167	4 245	4 322
El Salvador	5 110	6 276	6 397	6 518	6 638	6 757	6 875
Guatemala	8 908	11 225	11 501	11 788	12 084	12 389	12 700
Honduras	4 879	6 485	6 656	6 828	7 001	7 174	7 347
Mexico	83 226	98 881	100 373	101 847	103 301	104 735	106 147
Nicaragua	3 960	4 957	5 059	5 162	5 268	5 375	5 483
Panama	2 411	2 948	3 004	3 060	3 116	3 172	3 228

Source: CEPAL, *Anuario estadístico de América Latina y el Caribe, 2004*

Graph 1

DEMOGRAPHIC TENDENCIES (1990 – 2015)



Economically active population in urban or rural sectors

	1998			2000/2001			Total
	rural	urban	Rural Factor	rural	urban	Rural Factor	
Costa Rica	746.831	629.709	1,19	629.518	1.023.803	0,61	1.653.321
Panamá	369.073	714.507	0,52	371.738	715.411	0,52	1.087.149
El Salvador	909.386	1.493.808	0,61	928.027	1.568.338	0,59	2.496.365
Honduras	1.115.673	1.053.574	1,06	1.214.483	1.223.513	0,99	2.437.996
Nicaragua	746.263	915.521	0,82	795.514	1.159.274	0,69	1.954.788
Guatemala	2.379.170	1.828.776	1,30	2.710.850	1.955.701	1,39	4.666.551
							14.296.170

Rate of employment by gender

	1998			2000/2001			Total
	Mn	Women	Rate	Men	Women	Rate	
Costa Rica	928.056	448.484	2,07	1.068.789	584.532	1,83	1.653.321
Panamá	693.821	389.759	1,78	702.688	384.461	1,83	1.087.149
El Salvador	1.465.681	937.513	1,56	1.511.173	985.192	1,53	2.496.365
Honduras	1.458.986	710.261	2,05	1.567.968	870.029	1,80	2.437.997
Nicaragua	1.101.003	560.781	1,96	1.271.072,00	683.716	1,86	1.954.788
Guatemala	2.685.501	1.522.445	1,76	3.011.540	1.655.011	1,82	4.666.551

INDICATORS OF HUMAN DEVELOPMENT (Data inform 2004)

	Life expectancy at birth	Illiteracy rate. (Adults)	Gross enrolment rate	GDP per capita	Index of life expectancy	Educatiopn Index	GDP Index	IDH results 2003
Costa Rica	78,0	95,8	69,0	8.840	0,88	0,87	0,75	0,834
Panamá	74,6	92,3	73,0	6.170	0,83	0,86	0,69	0,791
El Salvador	70,6	79,7	66,0	4.890	0,76	0,75	0,65	0,720
Honduras	68,8	80,0	62,0	2.600	0,73	0,74	0,54	0,672
Nicaragua	69,4	76,7	65,0	2.470	0,74	0,73	0,54	0,667
Guatemala	65,7	69,9	56,0	4.080	0,68	0,65	0,62	0,649
Central America	71,2	82,4	65,2	4.842	0,77	0,77	0,63	0,722
Developing Countries	64,6	76,7	60	4.054	0,66	0,71	0,62	0,663
World	66,9	nd	64	7.804	0,70	0,76	0,73	0,729

Social public expenditure per capita, as a percentage of the GDP and percentage of public cost 1998-1999 (1997 US\$)			
	Expenditure per capita (1997 US\$)	Social public expenditure as a percentage of the	
		GDP	Public cost
Costa Rica	622	16,8	43,1
El Salvador	82	4,3	27
Guatemala	107	6,2	46,2
Honduras	57	7,4	34,3
Nicaragua	57	12,7	37
Panamà	642	19,4	38,6

ECONOMIC INDICATORS

TABLE 1

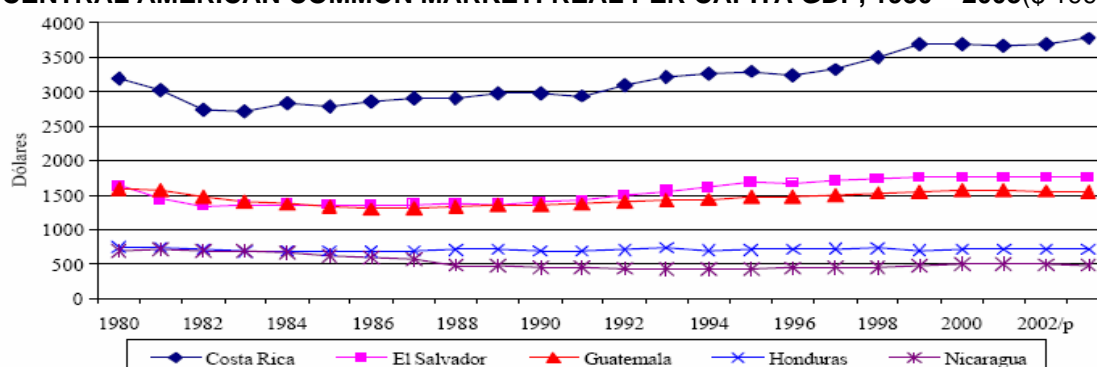
CENTRAL AMERICA: ECONOMIC GROWTH, 1998 – 2004

<i>Indicator</i>	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Real Gross Domestic Product (annual rate of variation)						
1998	8,3	3,8	5,1	3,3	3,5	7,4
1999	8,0	3,4	3,9	-1,5	7,0	4,1
2000	1,8	2,2	3,6	5,7	4,2	2,7
2001	1,0	1,7	2,3	2,6	3,0	0,6
2002	2,9	2,2	2,2	2,7	1,0	2,2
2003	6,4	2,0	2,0	3,5	2,3	4,7
2004 ^a	4,1	1,8	2,6	4,3	4,0	6,0
Real GDP pro capita (annual rate of variation)						
1998	5,6	1,6	2,4	0,5	0,7	5,3
1999	5,6	1,3	1,1	-4,1	4,2	2,1
2000	-0,6	0,2	0,9	3,0	1,4	0,8
2001	-1,0	-0,2	-0,2	0,0	0,3	-1,3
2002	0,9	0,3	-0,4	0,1	-1,6	0,4
2003	4,4	-0,1	-0,5	0,9	-0,3	2,2
2004 ^a	2,2	0,0	0,1	1,8	1,9	4,1
Internal gross investment [gross Formation of fixed capital (% of GDP)						
1998	21,7	17,9	18,5	29,0	23,7	24,6
1999	19,3	17,1	18,8	31,3	30,2	27,5
2000	18,9	17,5	16,9	27,4	26,6	29,5
2001	19,2	17,5	16,5	24,6	25,1	27,1
2002	20,0	17,6	17,0	22,6	24,9	19,8
2003	20,2	17,6	16,0	23,7	24,2	22,8
2004 ^a	18,6	16,8	17,0	27,2	24,8	21,8

SOURCES: Data de CEPAL, ^aPreliminary values

Graph 1

CENTRAL AMERICAN COMMON MARKET: REAL PER CAPITA GDP, 1980 – 2003(\$ 1995)



Fuente: CEPAL con base en cifras oficiales.

Table 2

CENTRAL AMERICAN COMMON MARKET: PARTICIPATION OF SOME ECONOMIC SECTORS IN THE GIP, 1970-2003 (% GDP)

	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99	2000-03
Costa Rica							
Primary	22,8	19,4	19,3	11,6	11,8	11,3	10,5
Agricultura	22,8	19,4	19,3	11,6	11,7	11,2	10,4
Secondary	24,3	27,6	26,4	25,4	25,1	25,9	26,3
Industry	19,5	21,8	21,7	21,1	21,1	22,2	22,4
Services	52,9	53,0	54,3	56,5	56,1	55,1	56,5
El Salvador							
Primary	18,4	17,1	19,2	17,9	16,1	13,5	12,1
Agricultura	18,1	16,9	18,9	17,6	15,7	13,1	11,7
Secondary	30,8	30,8	25,4	25,0	25,3	25,7	27,4
Industry	27,8	26,5	21,8	21,1	21,7	21,9	23,5
Services	50,8	52,0	55,4	57,1	55,7	54,7	54,7
Guatemala							
Primary	27,9	26,7	25,5	26,0	25,5	24,2	23,2
Agricultura	27,8	26,5	25,2	25,7	25,2	23,7	22,6
Secondary	17,5	18,8	19,0	17,6	16,8	16,0	14,8
Industry	15,8	15,9	16,0	15,6	14,7	13,7	12,9
Services	54,6	54,6	55,5	56,5	57,7	59,8	62,0
Honduras							
Primary	33,2	26,8	26,3	25,7	26,0	25,6	24,4

Agricultura	31,0	25,0	24,6	24,2	24,6	23,9	22,8
Secondary	17,1	18,4	18,0	17,9	18,4	17,8	18,4
Industry	12,8	13,6	12,9	13,6	13,6	14,1	15,0
Services	40,0	43,9	46,3	46,5	45,7	47,1	49,8
Nicaragua							
Primary	27,0	27,1	25,1	23,6	25,7	20,8	21,6
Agricultura	23,9	24,9	24,4	23,0	25,0	19,9	20,5
Secondary	25,5	26,8	28,2	28,2	25,6	21,6	21,9
Industry	21,2	22,3	25,5	24,8	22,5	17,2	17,6
Services	47,5	46,1	46,7	48,2	48,7	48,5	48,2

Source: CEPAL data.

Table 3
CENTRAL AMERICA: FISCAL INDICATORS OF THE CENTRAL GOVERNMENT,
1998 – 2003 (in % of GDP)

	1998	1999	2000	2001	2002	2003a/
Total Income/GDP						
Costa Rica	12,7	12,5	12,5	13,5	13,4	14,0
El Salvador	11,7	11,3	12,1	11,9	12,5	13,3
Guatemala	10,3	11,0	11,0	11,1	11,4	11,1
Honduras	19,3	20,0	18,7	19,9	19,6	19,6
Nicaragua	17,4	19,6	18,8	17,3	19,6	21,1
Panamá	15,9	16,7	18,2	17,7	16,9	15,9
Total Expenditures/GDP						
Costa Rica	15,1	14,7	15,5	16,4	17,6	16,9
El Salvador	13,6	13,5	14,3	15,5	15,7	15,6
Guatemala	12,5	13,8	12,8	12,9	12,4	13,4
Honduras	20,4	23,6	23,7	25,2	24,3	25,5
Nicaragua	18,5	22,5	23,5	24,6	20,9	23,1
Panamá	19,0	17,4	19,3	19,4	18,9	19,3
Fiscal Deficit/PIB						
Costa Rica	-2,5	-2,2	-3,0	-2,9	-4,3	-2,9
El Salvador	-2,0	-2,1	-2,3	-3,6	-3,1	-2,3
Guatemala	-2,2	-2,8	-1,8	-1,9	-1,0	-2,3
Honduras	-1,1	-3,6	-4,9	-5,3	-4,8	-5,9
Nicaragua	-1,1	-2,9	-4,7	-7,2	-1,3	-2,0
Panamá	-3,2	-0,7	-1,1	-1,7	-2,0	-3,4

Source: CEPAL

a/ = Preliminary data

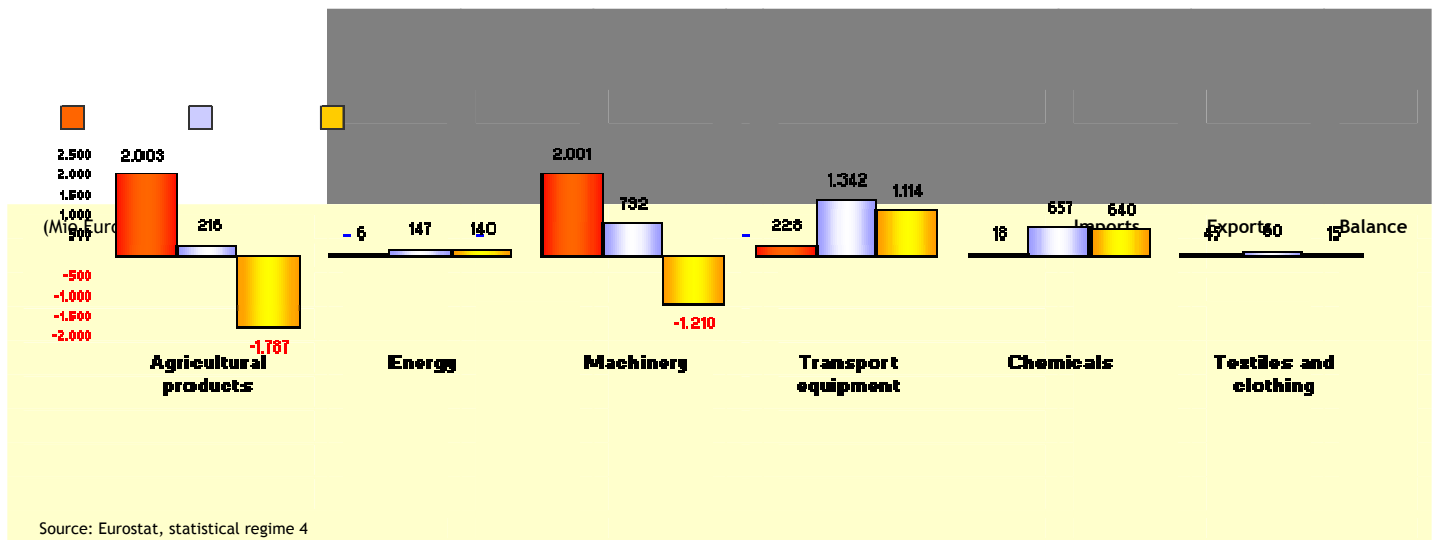
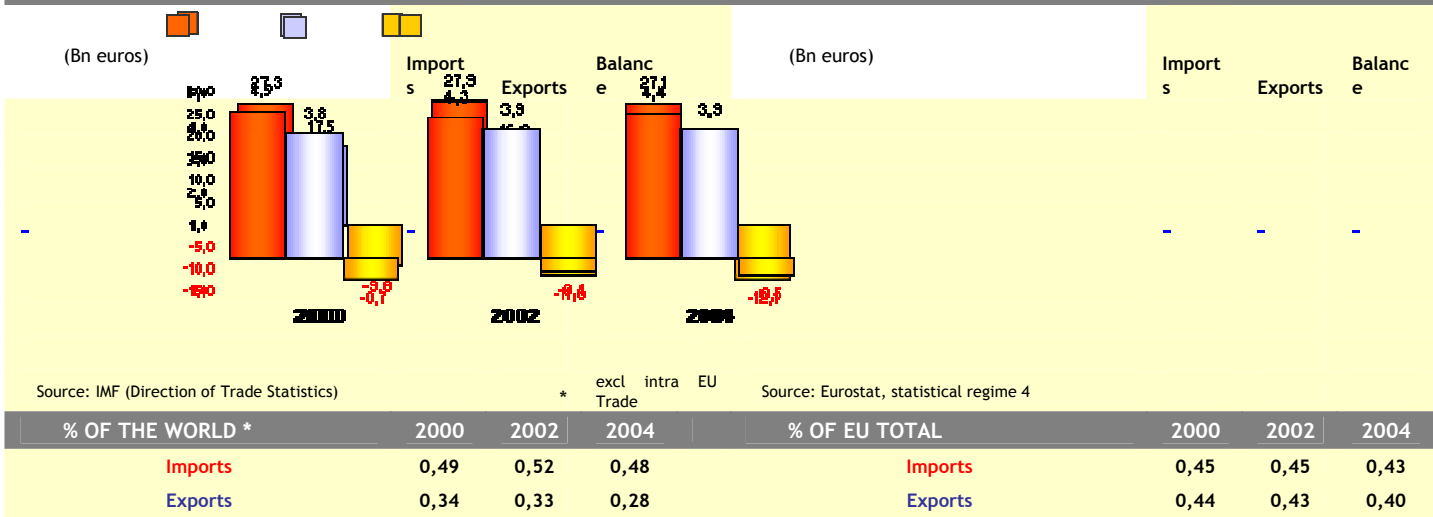
Table 4

**MAIN INDICATORS ABOUT CENTRAL AMERICAN COUNTRIES – SERVICES AND
MERCHANDISE TRADE**

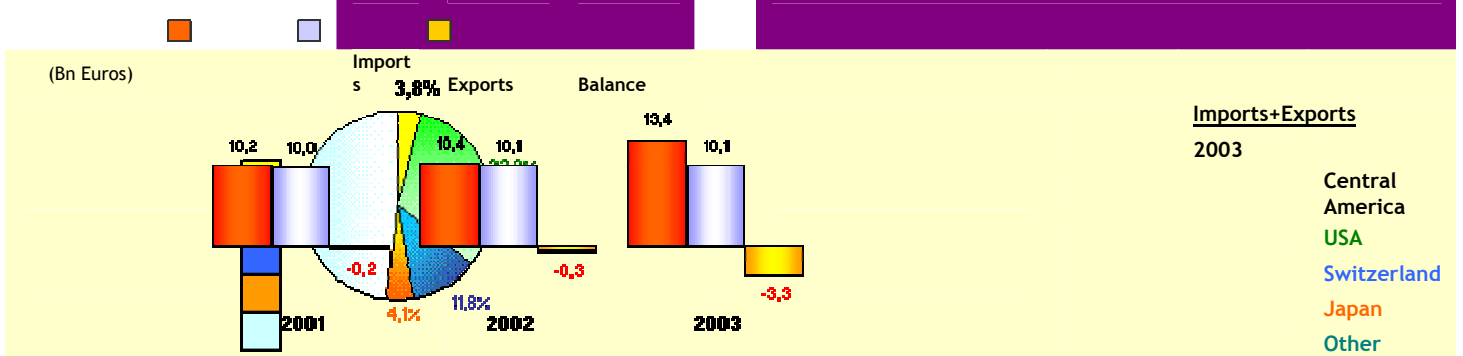
CENTRAL AMERICA									
Population	2003	39,1	(1000 inhabitants)						
Area		489	(1000qkm)						
Gross domestic product	2004	69	Bn euros	Exports-to-GDP ratio:	21,6	% in 2004			
GDP per capita	2003	1.769.000	Euros						
(IMF, World									
Economic Outlook)					2001	2002	2003	2004	
Real GDP (% growth)					1,0	2,9	6,4	4,2	
Current account balance (% of GDP)					-4,5	-4,7	-5,1	-5,1	

CENTRAL AMERICA MERCHANDISE TRADE WITH THE WORLD

EU25 MERCHANDISE TRADE WITH CENTRAL AMERICA



CENTRAL AMERICA SHARE OF EU15 TRADE IN SERVICES



Graph 2

EU25 FOREIGN DIRECT INVESTMENT WITH CENTRAL AMERICA

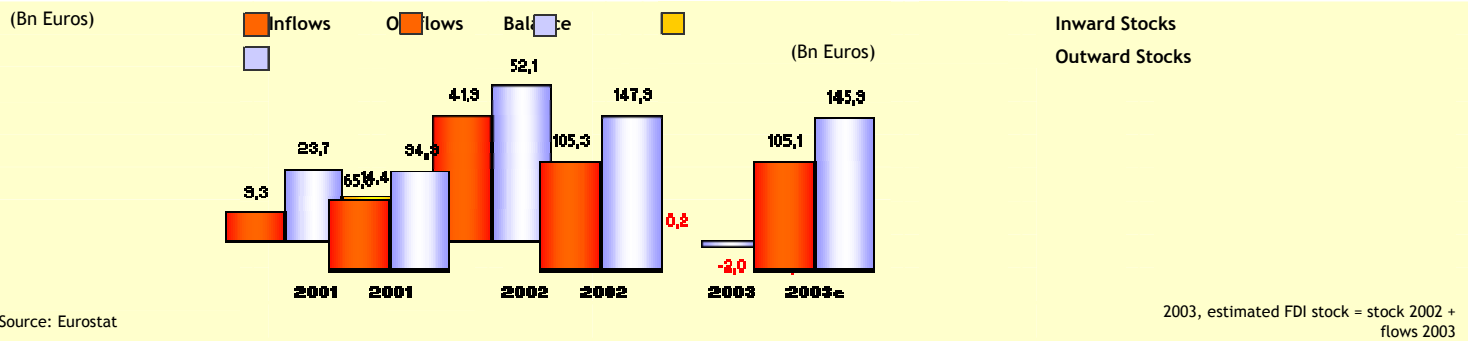


Table 5

CENTRAL AMERICAN COUNTRIES: GDP PER CAPITA (2004) AND REAL GDP (%GROWTH)

COSTA RICA	GDP PER CAPITA 2004			3506 EUROS
	2001	2002	2003	2004
REAL GDP (% GROWTH)	1	2,9	6,5	4,2
EL SALVADOR	GDP PER CAPITA 2004			1807 EUROS
	2001	2002	2003	2004
REAL GDP (% GROWTH)	1,7	2,2	1,8	1,5
GUATEMALA	GDP PER CAPITA 2004			1570 EUROS
	2001	2002	2003	2004
REAL GDP (% GROWTH)	2,3	2,2	2,2	2,6
HONDURAS	GDP PER CAPITA 2004			832 EUROS
	2001	2002	2003	2004
REAL GDP (% GROWTH)	2,6	2,7	3,5	4,2
NICARAGUA	GDP PER CAPITA 2004			633 EUROS

REAL GDP (% GROWTH)	2001	2002	2003	2004
	3	1	2,3	4
PANAMA	GDP PER CAPITA 2004		3637 EUROS	
REAL GDP (% GROWTH)	2001	2002	2003	2004
	0,6	2,2	4,7	6
MEXICO	GDP PER CAPITA 2004		5231 EUROS	
REAL GDP (% GROWTH)	2001	2002	2003	2004
	<i>n. a.</i>	0,6	1,6	4,4

Source: Eurostat, statistical regime n.a.: non available

Table 6

CENTRAL AMERICAN COMMON MARKET: INTRA_REGIONAL AND TOTAL EXPORTS 1999-2003

(data in millions \$ and %)

Year	Intra-CECM Exports (1)	Total Exports (2)	% of intra-CECM exports (1):(2)
1999	2.450	11.627	21,1
2000 ^a	2.617	11.512	22,7
2001 ^a	2.829	10.185	27,7
2002 ^a	2.945	10.247	28,7
2003 ^a	3.088	11.274	27,3

Source: SIECA (Secretaría de la Integración Económica Centroamericana) (2004), *Boletín estadístico* 12.2, Guatemala: SIECA.

^a Preliminary data.

Graph 3

CENTRAL AMERICAN COMMON MARKET: INTRA-REGIONAL EXPORT STRUCTURE, 2003 (in %)

Source: SIECA (Secretaría de la Integración Económica Centroamericana) (2004), *Boletín estadístico 12.2*, Guatemala: SIECA

Table 7
CENTRAL AMERICA: INDICATORS OF THE BALANCE OF PAYMENTS, 1998 – 2003
(in million dollars)

	1998	1999	2000	2001	2002a/	2003a/
Balance of the current account						
Istmo Centroamericano	-3 572,3	-4 425,6	-4 046,0	-3 547,2	-3 786,9	-4 279,8
Centroamérica	-2 556,3	-3 266,8	-3 356,6	-3 373,7	-3 694,6	-3 871,8
Costa Rica	-520,7	-681,1	-706,9	-736,6	-959,6	-969,7
El Salvador	-90,7	-239,3	-430,5	-150,3	-411,8	-733,6
Guatemala	-997,2	-1 015,1	-1 049,0	-1 252,9	-1 234,9	-1 050,6
Honduras	-128,1	-240,9	-245,7	-302,4	-218,7	-258,3
Nicaragua	-819,6	-1 090,4	-924,5	-931,5	-869,7	-859,6
Panamá	-1 016,0	-1 158,8	-689,4	-173,5	-92,3	-408,0
Balance of the balance of trade						
Istmo Centroamericano	-5 081,7	-4 696,3	-5 400,8	-6 318,0	-7 701,9	-8 058,8
Centroamérica	-4 424,4	-4 057,5	-5 111,5	-6 520,8	-7 644,0	-8 229,4
Costa Rica	-165,5	1 038,3	453,4	-91,8	-596,5	-336,7
El Salvador	-1 454,5	-1 538,7	-1 974,5	-2 182,9	-2 111,2	-2 443,0
Guatemala	-1 562,8	-1 549,2	-1 707,9	-2 165,3	-2 892,7	-3 194,8
Honduras	-407,3	-814,3	-839,8	-1 053,9	-997,8	-1 159,7
Nicaragua	-834,3	-1 193,6	-1 042,7	-1 026,9	-1 045,8	-1 095,2
Panamá	-657,3	-638,8	-289,3	202,8	-57,9	170,6
Balance of current transfers						
Istmo Centroamericano	3 191,5	3 606,5	4 001,4	4 934,0	5 762,8	6 548,1
Centroamérica	3 032,9	3 435,4	3 824,4	4 707,9	5 513,2	6 306,8
Costa Rica	113,2	102,2	92,2	147,9	169,0	197,4
El Salvador	1 526,8	1 581,5	1 797,1	2 298,3	2 022,8	2 117,1
Guatemala	705,3	714,8	868,2	996,8	1 976,2	2 461,9
Honduras	487,6	736,9	746,9	929,2	968,7	1 091,6
Nicaragua	200,0	300,0	320,0	335,7	376,5	438,8
Panamá	158,6	171,1	177,0	226,1	249,6	241,3
Financial and capital accounts						

Istmo Centroamericano	3 756,0	5 301,8	4 172,3	4 233,7	3 762,0	4 881,5
Centroamérica	2 844,9	3 952,4	3 560,1	3 416,2	3 609,7	4 626,5
Costa Rica	371,1	1 161,2	554,7	749,7	1 122,6	1 311,1
El Salvador	393,9	447,1	385,0	-27,4	288,3	1 049,8
Guatemala	1 239,8	889,7	1 703,3	1 726,7	1 256,7	1 600,2
Honduras	250,1	454,4	192,0	302,1	282,2	27,1
Nicaragua	590,1	1 000,0	725,1	665,1	660,0	638,4
Panamá	911,1	1 349,4	612,2	817,5	152,3	255,0
Global balance						
Istmo Centroamericano	183,7	876,2	126,3	686,5	-24,9	601,7
Centroamérica	288,6	685,6	203,5	42,5	-84,9	754,7
Costa Rica	-149,6	480,1	-152,2	13,1	163,0	341,3
El Salvador	303,2	207,8	-45,5	-177,7	-123,5	316,2
Guatemala	242,6	-125,4	654,4	473,8	21,8	549,6
Honduras	122,0	213,5	-53,7	-0,3	63,5	-231,2
Nicaragua	-229,5	-90,4	-199,4	-266,4	-209,7	-221,2
Panamá	-104,9	190,6	-77,2	644,0	60,0	-153,0

Source: CEPAL, sobre la base de cifras oficiales

a/ Preliminary data

b/ including mistakes and omissions

Table 8
CENTRAL AMERICA: DEFICIT OF THE BALANCE OF CURRENT ACCOUNT, 1998 - 2004
(in percentage of the GDP)

Year	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
1998	3,7	0,8	5,4	2,8	19,2	9,3
1999	4,2	1,9	5,6	4,4	24,8	10,1
2000	4,4	3,3	5,4	4,6	20,0	5,9
2001	4,5	1,1	6,0	4,7	23,1	1,5
2002	5,4	2,9	5,3	3,3	21,7	0,8
2003	5,3	4,9	4,2	3,7	20,8	3,2
2004 ^a	4,7	4,5	4,1	6,5	22,3	0,3

Fuente: CEPAL (2004), *Balance preliminar de las economías de América Latina y el Caribe 2004*, Santiago: CEPAL, diciembre.

^a Preliminary data

Table 9
CENTRAL AMERICA: REMITTANCES OF WORKERS, 1996-2003
(in percentage of the GDP)

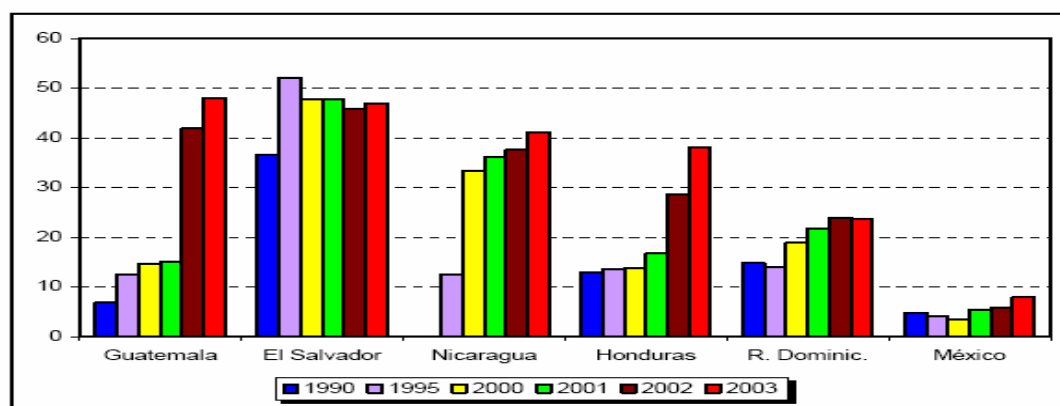
Year	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
1996-2000	0,5	12,8	2,5	4,3	5,8	1,3
2001	0,6	13,8	2,8	6,3	8,4	0,7

2002 2003 ^a	0,8 ...	13,5 14,1	7,3 8,6	11,1 15,0	9,4 10,2	0,8 ...
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Fuente: BID (2004), *Situación económica y perspectivas del Istmo Centroamericano y República Dominicana*, Washington D.C.: BID, Departamento Regional de Operaciones II.

^a Preliminary data

Graph 4
CENTRAL AMERICAN COMMON MARKET: REMITTANCES AS PERCENTAGE OF THE EXPORTS OF GOODS AND SERVICES 1990 – 2003



Fuente: BID, con base en Banco Mundial, FMI y CEPAL.

Nota: Las exportaciones incluyen a la maquila bruta.

Table 10
Indicators related to the Millennium Declaration (1999 – 2003)

	proportion of population below \$1 per day	Prevalence of underweight children (under-five years of age)	Net enrolment ration in primary education	Primary Completion Rate	Ratio girls to boys in primary, secondary and tertiary educat.	Under 5 mortality rate	Proportion of 1 year old children immunised against measles	Proportion of births attended by skilled health personnel	HIV prevalence among 15-24 year old pregnant women	Prop. of pop. with sustainable access to improved water source
COSTA RICA										
1999	9,60%	5	13	88	87	n. a.	90	93	n. a.	92
2000	7,50%	5	12	19	90	107	93	89	n. a.	98
2001	7%	n. a.	13	90	n. a.	n. a.	97	92	n. a.	98
2002	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
2003	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
EL SALVADOR										
1999	n. a.	n. a.	n. a.	89	n. a.	n. a.	99	n. a.	n. a.	n. a.

2000	n. a.	n. a.	n. a.	88	n. a.	40	n. a.	n. a.	n. a.	77	
2001	31,1	12	88,9	87	97,2	40	82	n. a.	0,4	77	
2002	n. a.	12	n. a.	n. a.	n. a.	39	93	90	n. a.	77	
2003	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	0,7	n. a.	
					GUATEMALA						
1999	10	24,2	81	n. a.	n. a.	n. a.	83	n. a.	0,9	n. a.	
2000	15,7	n. a.	84	n. a.	92	49,4	n. a.	n. a.	n. a.	92	
2001	16	24,2	85	58,7	92,5	n. a.	91	40,6	0,85	n. a.	
2002	21,5	21,9	n. a.	59	n. a.	49	92	n. a.	n. a.	92	
2003	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	
					HONDURAS						
1999	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	98	n. a.	n. a.	89,2	
2000	n. a.	n. a.	87,4	70	n. a.	43	98	n. a.	n. a.	88	
2001	23,8	16,6	87,4	69,5	n. a.	42	95	55,7	1,5	88	
2002	n. a.	n. a.	n. a.	n. a.	n. a.	40	97	56	n. a.	n. a.	
2003	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	1,8	n. a.	
					MEXICO						
1999	n. a.	7,6	100,4	98	n. a.	n. a.	95	n. a.	n. a.	n. a.	
2000	n. a.	n. a.	100,7	99	n. a.	30	n. a.	n. a.	n. a.	88	
2001	9,9	n. a.	101,3	99	n. a.	30	95	n. a.	0,1	88	
2002	n. a.	1	n. a.	n. a.	101,3	29	96	86	n. a.	n. a.	
2003	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	
					NICARAGUA						
1999	n. a.	n. a.	79,8	71	n. a.	n. a.	99	n. a.	n. a.	n. a.	
2000	n. a.	n. a.	81,2	71	n. a.	43	99	n. a.	0,1	77	
2001	45,1	9,6	81,9	70	105,3	45	99	66,9	0,1	77	
2002	n. a.	11	82	74,7	n. a.	41	98	67	n. a.	n. a.	
2003	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	0,2	n. a.	
					PANAMA						
1999	n. a.	7	91	n. a.	n. a.	n. a.	n. a.	64	n. a.	n. a.	
2000	14	8	92	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	90	
2001	n. a.	n. a.	n. a.	n. a.	n. a.	25	97	n. a.	n. a.	n. a.	
2002	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	
2003	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	

Source: World Bank "Millennium Development Goals", UNDP (HDI), UN Statistics Division.

n.a.: non available

ANNEX 2. EC-CENTRAL AMERICA – SUMMARY OF COOPERATION AND EIB

Overview of the EC Cooperation with Central America

For the period from 1984 to 2000, total Commission funding of regional cooperation programmes with Central America, in the broad sense of the term, amounted to some €450 million. This support responded to the various initiatives undertaken by the region itself and was in accordance with the priorities stemming from the atmosphere of hostility and mistrust which prevailed in the region 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. A flexible approach allowing for a response to emergencies, the main criterion of relevance was appropriate response was adopted and 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 enterprises through the Central American Bank for Economic Integration (BCIE), the reintegration of returned refugees and exiles, the promotion of human rights, food security, promotion of exports, the cooperative sector, fisheries, air transport, telecommunications, mother and infant health care, and research on basic needs. In 1999 the Regional Programme for the Reconstruction of Central America (PRRAC) was approved by the Commission in the aftermath of Hurricane Mitch, with a budget of €250 million for the period 1999-2006.

This approach led, in practice, to a wide sectoral dispersion of cooperation with only some 5% of the total amount targeted to direct support for the integration process. However, in the late 1990s, an appraisal of the region's development needs was carried out, which pointed to the need to concentrate on fewer priorities and with a longer term perspective. Accordingly, in the context of the San Jose Dialogue Ministerial meeting held in Florence in 1996, it was decided to focus 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. Subsequent analysis undertaken in the context of the "Central America 2020" study, recommended that the sectors to be developed in the medium term should be on the basis of progress on the regional integration agenda and should only be provided to sectors and organisations with an established framework and with confirmed co-financing in order to guarantee the viability of the measures.

Regional Programme for Central America 2002-2006

The 2002-2006 Regional Strategy (RSP) for Central America, which is based on a Memorandum of Understanding signed with the region in 2001, established three focal sectors for cooperation: 1) Support to the process of regional integration, implementation of common policies and institutional strengthening (60%); 2) Strengthening the role of civil society in the process of regional integration (10%); and 3) Reducing vulnerability and

improving environmental management (30%). Under the 2001 Memorandum of Understanding, an indicative €74.5 million was allocated to this programme.

In 2000, the Commission allocated €10 million from the RSP to an **El Salvador-Honduras Trans-border Development Programme**, which has a total budget of some €30 million. The principal focus of the programme is municipal and local development and decentralisation in some 70 municipalities in the border zone between the two countries.

In 2001, a **Customs Union Support Programme** (€8 million) was approved as a central part of the active support to the process of regional integration in Central America. This project aims to assist the Central American Economic Integration Secretariat (SIECA) implement the Central America Customs Union. The main areas of support include the provision of an inter-connected customs information system and the provision of support to the Central American School for Customs and Tax Administration. At the same time a €0.2 million technical assistance project in support of the General Secretariat of the Central American Integration System (SG-SICA) was approved.

In 2003, a €15 million **Programme of Support to Central American Integration (PAIRCA)** was approved. It aims to support capacity building of the principal regional integration institutions in Central America and the involvement of civil society in the process of regional integration. This project will provide institutional strengthening to the Secretariat-General of the Central American Integration System (SG-SICA) as well as for the reform of the Central American Court of Justice (CCJ) and the Central American Parliament (Parlacen). In addition, support will be provided to SIECA for the development of statistical information systems. The strengthening of the role of civil society in the process of integration will be carried out through the building up the capacity of the Consultative Committee of SICA (CC-SICA) and developing sectoral and other initiatives involving civil society actors including universities, NGOs, unions and private sector organisations.

In early 2005, a €10 million **Programme of Support to the Design and Application of Central American Common Policies (ADAPCCA)** was approved. It aims to strengthen the formulation and implementation of harmonised of common policies related to the customs union. This project will cover a range of areas including sanitary and phyto-sanitary policies, norms and standards, services and investment policies, intellectual property rights, competition policy and dispute settlement, building upon the Central American Customs Union.

The second project approved in 2005 is the €20 million **Regional Programme for Vulnerability Reduction and Environmental Management**. This programme will focus on institution building (namely supporting CEPREDENAC, CCAD and CRRH the regional institutions responsible for disaster prevention, environment and water resources respectively) and the provision of human resources development and financing of pilot activities focussed on water management issues.

An additional €7 million will be allocated to the field of customs union/common policies support in 2006. It is expected that this programme will address the consolidation of the Central American Customs Union, eventually including the establishment and/or strengthening of a common customs administration or authority as well as specific issues that may be identified in the context of the Ad Hoc Working Group on Regional Economic Integration.

In conclusion, it can be stated that under the Regional Programme for Central America, some €40 million out of a total of €74.5 million is being channelled in direct support to the process of regional integration, which can be seen as the principal focal sector of the strategy.

Other Key Regional Cooperation Programmes

A number of other key regional cooperation programmes serve to complement the focus of the programmes described above. They include:

The Multi-annual Programme for Democracy and Human Rights in Central America (PPDDHAC): This €11 million programme, approved in 2001, includes two regional programmes and six country programmes aimed at the promotion and dissemination of human rights values and the instruments that guarantee human rights. One regional programme, which addresses the fight against impunity and strengthening the rule of law through international law and human rights, is implemented by the Centre for Justice and International Law (CEJIL). The other programme, implemented by Institute for Human Rights (IDDH), addresses armed forces training in human rights focussing on Guatemala, El Salvador, Honduras and Nicaragua.

Regional Food Security and Nutrition Programme for Central America (PRESANCA): This €12 million programme, which will run for five years was approved in late 2003 and is to be implemented by the Social Integration Secretariat (SISCA) of the SICA General Secretariat (SG-SICA). Its main aim is to improve the food security and nutritional status of the most vulnerable population in the region. It will do this through strengthening regional, national and local food security and nutrition policies, improving analysis and crisis management capabilities, and the provision of funds for specific needed interventions.

Fourth DIPECHO Programme for Central America: Fourth DIPECHO Programme for Central America: This €6 million programme aims to contribute to reducing the risk of the most vulnerable populations to natural disasters through improved preparedness of local populations in Guatemala, El Salvador, Honduras and Nicaragua. 90% of this programme is implemented by 14 international NGOs, with the remainder covering operations administered by CEPREDENAC in Guatemala and by PAHO at regional level.

Central America Border Zone Development Programme (ex-FOEXCA): This €40.5 million project, implemented by the Central American Bank for Economic Integration (BCIE), is a reallocation made in 2003 of unused funds from the 1989 FOEXCA export promotion programme. They are now destined to improve local planning in vulnerable

border zones, focussing in particular on improved water basin management and the application of environmentally friendly technologies.

Regional Programme for the Reconstruction of Central America (PRRAC): This €250 million programme for reconstruction of Central America following the October 1998 Hurricane Mitch responds to the needs presented at the 1999 Stockholm Consultative Group for the Reconstruction and Transformation of the region. The programme, which commenced in 2001 and will run for eight years addresses rehabilitation and improvement of basic water supply and sanitation systems, primary health care systems and facilities, environment and schools in Honduras, Nicaragua, El Salvador and Guatemala.

Regional Programmes for Latin America

- [AL-INVEST](#) provides help to small and medium-sized companies which operate internationally, by encouraging European firms to invest in Latin American enterprises seeking such co-operation;
- [ALFA](#) focuses on the promotion of co-operation in higher education between the two regions;
- The objective of [URB-AL](#) is to establish direct and lasting links between European and Latin American cities;
- [ALURE](#) encourages the optimal and most rational use of energy;
- [@LIS](#) aims to promote the benefits of using information technologies and tries to bridge the so-called digital divide.
- [Alban](#), which was launched in May 2002, aims at the reinforcement of the European Union - Latin America co-operation in the area of Higher Education and covers studies for postgraduates as well as higher training for Latin America professionals/future decision-makers, in institutions or centres in the European Union.
- [OBREAL](#): The Observatory of EU-LA relations, approved by the EU Member States of the European Union on 18 September 2003, aims at creating a network of non profit-making institutions from Latin America and the European Union. The network identify and develop all the opportunities offered by the partnership between the two regions, by exploiting expertise in European Union - Latin America institute networks with a view to creating a better understanding of the regional and sectoral problems pertaining to policymaking.
- EURO SociAL, launched on 25 May 2004, is a five year programme of €30 million with which the European Commission will assist Latin American countries to

develop and implement social policies that will contribute to reducing the gap between the rich and the poor in the region. EUROsocial aims to strengthen social cohesion by developing, among those responsible for preparing public policy, the necessary capacity to take into account the social dimension. Focus will be given to health, education, administration of justice, employment and taxation policies.

EUROPEAN INVESTMENT BANK

EIB financing of projects in Asia and Latin America (ALA) dates back to 1993 when the Council of Ministers of the European Union (EU) broadened the mandates entrusted to the EIB under EU development aid and cooperation policy to include these regions. During its more than 10 years' experience in ALA, the EIB has financed major projects of mutual interest to the EU and the countries Latin America in sectors as diverse as energy and water supply, telecommunications, industry, sanitation and SMEs.

The Central American countries are eligible for EIB financing under the ALA III mandate covering the period from 01.02.2000 to 31.01.2007. Under these arrangements, the EIB funds are utilized to finance investments in countries signatories to cooperation agreements with the EU. There are no amounts allocated per country. Current activities in Central America, for a global amount of some 65 million, include energy interconnection at regional level, financing for small and medium-scale ventures and reconstruction schemes and/or private-sector development initiatives in areas affected by Hurricane Mitch.

A new EIB external mandate will cover the period 2007 – 2013 (coinciding with the new financial perspective) It provides for a total volume of lending for the seven-year period 2007 – 2013 amounting to EUR 27,8 billion, of which EUR 2 billion would be withheld until 2010, pending the results of a mid-term review. EUR 2,8 billion have been set aside for Latin America.

The key feature of the new EIB mandate is the enhanced contribution of EIB financing towards EU priorities thus improving the quality of its external activity. This will be achieved in particular by strengthening the policy dialogue between the Commission and the EIB, as well as strategic planning and coherence between EIB and Commission external action. Improved complementarity between community assistance policies, programs and instruments, and EIB financing will be sought.

Furthermore, the EIB should further upgrade its co-operation arrangements with other IFIs and European bilateral institutions in order to ensure reasonable sharing of risks and coherent project and sector conditionality and to maximise synergies and efficiency.

Annex 3
Donor Matrix

Donor	Area of intervention at regional level	Relevant projects	Amounts US\$	Regional counterpart
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IADB	Three axes: economic, sustainable development and human development	<i>See detailed information further in this section</i>	800 M \$	SICA, national and private sector institutions
USAID	Trade (CAFTA), Environment	Biological corridor, climate change	~10,0 M \$ ~47,0 M \$	SIECA, CCAD (NASA)
World Bank	Small <i>trust funds</i> , GEF (with other donors)	Several	na ~70 M\$	CCAD, BCIE
UNDP	Regional planning Environment	"State of Region" Report Implementing Agency for several GEF projects	na see WB	
Norway	Environment	Several	22,8 M\$	CCAD, CATIE, TIERRA
Switzerland	Environment	Environmental legislation	1,0 M \$	CCAD
Canada			na	
Japan			na	
Republic of Korea	Integration		0,15 M \$	SICA

EU Member States	Stakeholder and main characteristics	Role in regional development	Capacity and interest to participate in the future dynamics	Possible actions to incentivate participation in a possible EU/CA strategy
Germany	Health Environment Social Education development	Biological corridor Several	na	CCAD BCEI
France			na	
United Kingdom	Markets and Trade Governance Mitigating Climate Change	SME Development Political Parties Disaster Risk Reduction	0.5m 0.5m in preparation	RUTA CEPREDENAC
Spain	8 lines	Several	4,5 M 2006	SICA

			7,5 M 2007 8 M 2008	
Italy	Environment	Energy and environment	na	
Netherlands	Environment	Environmental management	3,5M	CCAD
Sweden	Environment	Several	7.0M	CCAD, CATIE
Finland	Environment	Energy and environment	3.0M	CCAD
Denmark	Environment	Environmental Regional programme	In preparation	CCAD

Inter American Development Bank regional programme (October 2004)

Axis and sector	Project	Programme	Amount IADB US\$	All sources
<u>Economic axis</u>				
<i>Trade facilitation</i>	Reduction of technical barriers		495.000	
	Customs modernization	PPP	2.015.000	
	Harmonization of agricultural products standards		510.000	
<i>Harmonization and regulatory framework</i>	Harmonization of the public debt market		600.000	
<i>Improvement of infrastructures</i>	Integration of the Central American road network	PPP	600.000.000	2.500.000.000
	Central American Electricity Integration System	PPP	120.000.000	320.600.000
	Mexico-Guatemala electricity inter-connection	PPP	43.300.000	55.800.000

Capacity-building to negotiate and implement trade agreements	Trade agreements	310.000	
	Coffee sector	3.000.000	
	Special trade facilities for Guatemala, Nicaragua, Honduras		13.000.000
SMEs quality	Small rural producers	495.850	
	Small forest enterprises	1.684.200	
	Entrepreneurial associations	5.000.000	
	Training of financial analysts for SMES	760.000	
	Total	778.170.050	

<u>Sustainable Development Axis</u>				
<i>Institutional strengthening</i>	SD Mesoamerican Initiative		150.000	
<i>Watershed management</i>	Lempa River		21.800.000	
<i>Biodiversity</i>	Mesoamerican Biological Corridor		745.000	
<i>Prevention of natural disasters</i>	Risk management and information		795.000	
	Environmental risk in low income cities		210.000	
	Environmental risk in low income cities		75.000	
Total			23.775.000	
<u>Human Development Axis</u>				
<i>Epidemiological control</i>	AIDS control among population in movement	PPP	300.000	
	AIDS control in Garifuna population		140.000	
<i>Nutrition</i>	Analysis and investment in nutrition		443.000	
<i>Education</i>	Innovation in social programmes (CAPP)		150.000	

	Use of the Internet in education	300.000	
Professional training	Demand and services for professional training	1.400.000	
Science and technology	Innovation in social programmes	150.000	
Social inclusion	Political and social inclusion of afro-descendent women	90.000	
	Strengthening of associations against poverty	200.000	
	Global instrument for reduction of poverty	50.000	
	Total	3.223.000	
Total		805.168.050	
PPP Total		765.615.000	2.876.400.000,0 0

Annex 4. Central American Regional Environmental Profile - Summary

In the context of the pre-programming analyses carried out to prepare the Central American Country and Regional Strategies, a Regional Environmental Profile of the region including individual country annexes was undertaken by a team of two environmental experts who conducted a combination of desk analysis and field visits to Central America between the 24th of November and the 9th of December 2004. The mission visited Nicaragua, El Salvador, Guatemala, Costa Rica and Honduras, where interviews have been conducted with the representatives of the EU, major donors, governmental institutions and NGOs active in this field. The aim of the mission was to prepare an overview of the state of the environment in the region, to review the institutional and legal framework for the environment and to develop recommendations for mainstreaming environmental concerns in priority development areas for Central America.

The basic conclusions of the Regional Environmental Profile are that throughout the region, the environmental problems are the same, with local variations, and are characterized by a degradation affecting more and more persons. Starting with the natural disasters that affected the region 5-6 years ago, a growing concern has developed that nature conservation will not solve the whole problem. In fact, today the focus is more and more on the contamination aspects and its consequences for the social, economic and natural factors.

The main problem seen by all persons met concerns water. Depending on the background of the person, the focus lies more on watershed management, drinking water production and distribution, agricultural and industrial (including for energy) needs, sanitation and water treatment, social conflicts, etc., but always putting water at the heart of the problem. The case of El Salvador is particularly dramatic: being a small country, the high population density and the limited water resources lead to a large dependency on the care taken by the neighbour countries of the resource. Here the concept of “shared watersheds” takes all its meaning, even in the often forgotten sense of “shared underground watershed”. The large attendance at the 3rd “Central American Convention on Water” is significant in this respect. Not only is water availability a concern, its quality too. Contaminated water (rivers or lakes) is more and more a health risk and economic development hindrance. As recently cities have attracted most of the population and their development was poorly planned, the infrastructure to deal with water has not followed. Unfortunately the negative effects of inadequate water management are often displaced in time and space, which lead to poor attention to the problem. Next to the lack of knowledge about the exact water resources and its cost, the legal framework for water is inappropriate and any attempt to change it is blocked by opposing interests.

Linked to water contamination, is undoubtedly the excessively poor solid waste management reported in the whole region. If solid water management is a local problem, this problem is repeated throughout the region. Solid waste is poorly collected, if it is done, usually receives no particular treatment and is often dumped in inappropriate places. The use of agrochemicals without any proper knowledge leads equally to water and soil contamination. Most of the large cities of Central America have grown rapidly which leads to a strong atmospheric contamination, particularly affected are Tegucigalpa, San José and San Salvador. Around 70% of this contamination is produced by vehicles.

Even if the last natural disasters have attracted attention to the poor state of natural resources management, very little has been done to change the situation. Sustainable and rational forest management is lacking everywhere with very few local and limited exceptions. This is not only due to a lack of knowledge and to weak institutions, but also to the advance of the agricultural frontier, and to the perception of forests as a “productive” sector. Today, most of the preserved forests are located in protected areas, hence the importance of their conservation.

Changing the “physical” environment cannot be done without changing the actors having an influence on it. Good governance from the institutions to good behaviour of the individuals is needed. The Central American Commission on Environment and Development (CCAD) plays an important role in this, even if this institution is not yet out of its infancy, with the exception maybe in the field of biodiversity. The challenge for the CCAD is to establish itself in a sustainable fashion, with its proper resources, hence being less dependent on foreign aid and political influences in the execution of its mandate. There is no doubt that its objective of harmonizing the legal framework is a priority and will need to involve other national ministries such as those in charge of the environment. Other regional bodies, like the CEPREDENAC (disaster prevention) or CRRH (water resources) need to receive more attention. At the national level, the institutions dealing with environmental matters depend heavily on foreign aid to execute their tasks, even if this field is more subject to donations and grants, a national contribution should always be a prerequisite. The use by the private sector of sound environmental practices should be encouraged. All projects should have their “environmental practices manual” next to its manual of procedure. Changes in attitude have to take place throughout the society in order to internalise the existing environmental conscience and to take a definitive step toward actions.

Environmental matters are an international concern; the environment itself is homogeneous in Central America and the related problems are shared by all countries. Thus measures in

favour of the environment will continue to be internationally supported and more and more integrated at the level of the region. Nevertheless, actions in the field have to be locally developed but networked where actions of a general interest, like harmonizing the legal and institutional framework and information exchange, will have to be pursued at regional level. The execution of environmental activities in the field (e.g. sanitation infrastructure or land husbandry) is mostly related to property aspects. Without a secure system of property rights throughout the region, the impact of the activities will be reduced. In order to reverse the adverse environmental trends, contribute to the sustainable development of the region and to ensure proper living conditions to the population, it is recommended to:

1) Tackle the main technical issues:

a) Support the **water sector**, aiming to:

- Ensure sustainable water supply and sanitation,
- Support the development of knowledge and the legal framework,
- Conserve and manage the ecosystems ensuring the availability of this resource

b) Fight **environmental contamination** by:

- Improving solid waste management
- Supporting clean technology development and dissemination

c) Foster sustainable **natural resources management** by

- Supporting the use of rational forest management
- Promoting the commitment to and effective application of international conventions

2) Promote actors and processes

a) Support the development of environmental capacities of the national and regional institutions and the civil society and the proper information of the population

b) Promote the “win-win” aspects of environmental development in the private sector

c) Promote good environmental governance at regional level (in view of a future custom union (>CITES), harmonized rules and procedures); and

3) Foster the conditions for **attitude changes** in assisting the internalisation of the environmental awareness and encourage the move from awareness to action through changing the perception of the society and exchanging experiences.

In general it can be said that substantial progress has been made over the past decade in establishing environment-related regional policies, plans and institutions. Much of what is in place depends on donor funding. The European Commission is in the process of approving a €20 million regional programme for the reduction of vulnerability and environmental degradation that will focus on disaster prevention, water and environmental management. The critical tasks which remain for the region concern the increasing of the awareness and the changing of the behaviour of individual actors on the ground, a task which must be systematically built in to all EC funded cooperation programmes.

Annex 5: Policy Mix and Other Instruments

To assess the coherence of the RSP for Central America this annex presents relevant EU policies and guidelines affecting the region. Some policies are also development policies; some are linked to financial instruments or thematic programmes. All of them have a link with the past and future EC development policy towards Central America. For each, different categories and levels of EU interventions are addressed, assessing the complementary and coherence:

- cooperation instruments and programmes: bilateral, sub-regional and regional, with a special focus on the complementarity of horizontal programmes and other financial instruments such as thematic programmes;
- regulatory instruments and international agreements;
- policy and political dialogue (regional level).

Trade & development

Article 133 of the EU Treaty constitutes the legal basis for the EU's trade policy. It states that the objectives of the Union's commercial policy is *«to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers»*. It covers all the main aspects of trade in agricultural and non-agricultural goods, services as well as key aspects of trade related aspects of intellectual property, investment and competition.

The main objective of the Union's trade policy towards Central America is:

- to strengthen and expand bilateral trade relations between the EU and Central American countries on the basis of transparent and non-discriminatory multilateral rules, and notably by means of strengthening our cooperation throughout the WTO negotiations launched at Doha.
- to support the regional trade and economic integration process in Central America.
- to support Central America in completing its international commitments in particular fight against drug trafficking, international labour standard, human right and environment, through autonomously granting market access to EU markets via the GSP scheme.
- to support the Central American countries' integration into the world economy by implementing their existing WTO commitments and to assist them in the negotiations and implementation of new commitments resulting from the new WTO round (Doha Development Agenda).

The strategy set out in the RSP is fully in line with the achievement of these objectives. However, for the third item, Central America is seeking a deeper relation notably through an association agreement which is considered to be a much more powerful tool to attract FDI.

Supports in trade-related matters are provided by the CSP and by the RSP for Central America and Latin America.

Common Agriculture Policy (CAP)

The "*Common Agricultural Policy*" (CAP), created by the Treaty of Rome, sought to increase the productivity of European agriculture, ensure reasonable living standards for farmers, stabilise farm produce markets and guarantee a stable food supply at fair prices for consumers. Since then, many changes to the CAP were made, modifying price policy (reduction of prices support), restricting market intervention, regulating output and introducing a system to control spending on agriculture involving, an adjustment of market management to restore market balance; more assistance is provided for social and environmental measures to stimulate development in rural areas. Those changes focussed on the changes in a global economy and the need to implement WTO commitments to reduce market distortions.

Few agricultural commodities covered by the CAP enter into competition with Central American products. A notable exception is bananas and since the EU is an important destination for Central American products, Central American banana producers have voiced significant grievance concerning the impact Community policy in this field has had on their market access. Indirectly, Latin Americans claim that the CAP influenced different world markets, and Central America has tended to align itself with the South American countries in their discussion with the UE on agriculture in international organizations.

Sanitary and phytosanitary control Policy – consumers protection

The external dimension of the Community policy in this sector aims to ensure a high level of protection of health, safety and economic interests of the consumers, as well as the protection of public health in the EU. The implementation of this principle is sometimes perceived as a measure of non-tariff trade protection that prevents the access of some products – mainly agricultural, but also meat - to the European markets even if the same principle is applied to European-made products.

At the same time, some Central American countries have raised concerns about non-reciprocal treatment by the EC in the implementation of certain Community principles of health inspection, such as that of regionalisation but also agreement of

control institutions. Confusion is also added by the fact that the US and the European SPS systems are different.

This strategy is in accordance with those preoccupations, providing specific supports for the development of harmonised and common policies in the context of the establishment of the Central American Customs union, which will better enable the region's exporters to fulfil EU requirements in this respect.

In addition, a specific effort is associated to SPS (Sanitary and Phytosanitary Measures); experts from Central America countries are benefiting, like other developing countries, from a specific training system to SPS requirements by the EU.

Internal market

The principal aim of this policy is to strengthen the process of economic integration for a liberalisation of the markets as well as the development of a legislative framework compatible with that of the EC in order to:

- assure a suitable level of protection of industrial and intellectual property,
- prevent money laundering,
- protect personal data,
- guarantee minimum standards for public calls for tender, avoiding any kinds of restrictive measure of the markets.

Regulatory convergence is a factor of mutual benefits, by supplying trade and investments and favouring the investments of the EU companies abroad.

Competition policy

The interest of applying competition policy in the EU's relations with third countries, mainly in the negotiation of trade agreements, is based on the establishment of a stable and clear legal framework for the relations between economic operators in order to prevent commercial conflicts.

At the same time, the discriminatory treatment between companies of both parties is avoided with respect to direct investments or access to the services market. Likewise, the EU takes part in multilateral co-operation in this sector in the framework of the World Trade Organisation (WTO). The WTO working group on "trade and competence" examines the possibility of strengthening the convergence of policies for which a multilateral horizontal action might be explored by the EC.

Some countries of Central America have raised concerns for the juridical insecurity, which is linked to the global governance problem. The EU competition policy and the RSP are compatible with the present strategy since interventions promoting

competition are included in the regional context. This issue is particularly relevant in the context of a possible future Association Agreement between the EU and CA.

Research and development policy

In the EU, international co-operation in this area is covered by the Research Framework Programmes through two principal axes:

- an international co-operation dimension for each thematic research programme and
- a specific international S&T Co-operation programme that contributes to the solution of common or sustainable development problems in third countries and regions.

It should be noted that specific instruments of the EU Research Framework Programmes that will be continued further under the 7th Research Framework Programme (2007-2013), also support research collaboration:

- Exchanges of researchers from third countries are highly encouraged at all stages of research careers in FP6 under the Marie Curie activities,
- under the ERA-NET scheme the coordination of the bi-lateral cooperation programmes between EU Member States and Third Countries will be further reinforced.

Moreover S&T Promotion Platforms recently launched with Latin-America will further develop other possibilities for these countries widening our partnerships from a predominately bilateral to a bi-regional context.

In addition, specific programmes developed at the level of the Regional Strategy Paper for America Latina complement the R&D policy in the area of high level education and cooperation between academic institutions (ALFA, ALβAN). The R&D policy is complementary to the RSP by strengthening links between Central America, Latin America and Europe.

Governance, capacity building, rule of Law

This is one of the decisive components for policies and reforms toward social cohesion. The level of social cohesion, the economic development, the environmental sustainability and human rights are depending on the quality of governance. Governance is one of the critical factors to reach the Millennium Development Goals even though there is no specific indicator related to it. The October 2006 *Conclusions of The Council and the Representatives of the Governments of the Member States meeting within the Council* and the August 2006 communication of the Commission “*Governance on the European Consensus for the Development – Towards a harmonised approach within the European Union*” propose a coordinated policy towards governance by:

- using the external dimension of community policies,
- making use of political dialogue and development aid programming to encourage change and to adopt the requisite support measures,
- developing a common approach of the EU Member States, the Commission, the other donors and international organisations to support partner countries,
- developing a consistent common approach to promote all aspects of democratic governance.
- support human rights and democracy, governance and rule of law developing a consistent common approach to promote all aspects of democratic governance.

The present strategy is fully in line with these recommendations, and tries to bring a response to these modalities, in particular in relation with the second item. The specific human rights instrument is addressing human rights and democracy ([see below](#)).

Human rights, democracy, indigenous people and democracy

The commitment in furthering human rights and democracy is a long-standing priority for partnership between the EU and the Central American regional, dating from the launching of the San Jose Dialogue in 1984 to the signature of the EU-Central America Political Dialogue and Cooperation Agreement in late 2003, of which it is a fundamental clause.

The basic idea is that democracy, rule of law, human rights and fundamental freedom are basic principles of the European Union, independently to the fact that national Governments are responsible of their respect. The EC has developed different instruments in relation, and raised a number of thematic matters.

The understanding of this traversal nature demands a considerable effort for assuring coherence. The EC identified three main areas of actuation:

- Stimulate coherent support policies, looking for a better coherence between cooperation and external relation, complementarity between the EC and

Member States, and integrate these issues as cross-cutting issues within other policies and actions of the EU.

- Give a greater priority to human rights and democracy in the relations with third countries,
- Have a more strategic focus when addressing programmes and projects in this matter.

This is of particular relevance for Central America and is an area which has received significant support at both bilateral and regional level in particular in the framework of a specific thematic instrument (EIDHR- European Initiative for Democracy and Human Rights) addressing the promotion of democracy and human rights through supports to Civil Society, universities, regional and international organisations. For the future, social cohesion should be added as a focal sector within the IEDDH and additional attention would be given to supporting democracy, gender and ethnic equity.

In addition it is worth mentioning the Multi-annual Programme for Democracy and Human Rights in Central America (PPDDHAC) which includes two regional programmes and six country programmes aimed at the promotion and dissemination of human rights values and the instruments that guarantee human rights. The Multi-annual Programme is implemented by key organisations at regional level such as the Centre for Justice and International Law (CEJIL) and Institute for Human Rights (IDDH), while the six country programmes work with consortia of public and civil society entities involved in the defence of human rights and democracy at the national. The use of counterpart consortia of NGOs and other bodies has made a significant contribution to developing a new culture of joint analysis and collective action and has enabled the programme to build institutional bridges. This initiative is providing positive results and may constitute the basis for future initiative in this sector at both bilateral and regional level to be possibly continued under the EC thematic instruments for cooperation on Human Rights and Democracy (such as the EIDHR). In case it should not be possible to support initiatives at regional level by these thematic programs/initiatives, the Commission will try to define specific actions in the context of the component “governance and security” of the present Regional Strategy Paper. EC initiatives at regional level should be conceived as complementary to initiatives taken at country level.

Finally, the Andean and Central American countries receive a special treatment within the framework of the Generalised System of Preferences linked to their international commitments towards good governance and promotion of Human Rights standards.

Environmental policy

The priorities of environmental policy for Central America are defined at two levels:

- Objectives and principles included in the 6th Community Environment Action Programme (6EAP, 2002-2011): climate change, biodiversity, health and quality of life, natural resources and waste.
- Mainstreaming the environmental dimension into development policy, stressing the links between environment and poverty, and between environment policy and management of disasters;
- To encourage Central America to implement its international commitments under the different multilateral environmental agreements.

These objectives imply major changes which lay beyond the competence of environmental organizations. They should address governance, education, economic policy and other sector policies. The integration of the environmental dimension in social cohesion is a fundamental issue the EC is trying to raise by policy dialogue. In this context, the Andean and Central American countries receive a special treatment within the framework of the Generalised System of Preferences linked to their international environmental commitments.

A specific assessment has been carried out at the level of Central America to determine the environment profile for the region. One of the main conclusions is that environmental issues have to be better addressed by a global mainstreaming through all sectors than by specific financing. Both at national and regional levels, environment is one of the main crosscutting issues to mainstream. Environment is also addressed by the regional strategy for Latin America and horizontal programmes (e.g. education/ALFA; trade and Investments/AL-INVEST; local management/URB-AL).

On the same issue the statement, contemplated within the water management communication, constitutes also a transversal strategy which should be articulated with the different policy to support social cohesion, regional integration, food security, and other crosscutting issues. The Communication suggests providing a framework for water security, both in term of quality and quantity, for all developing countries, in view to achieve sustainable development. Water management policy is linked to other policies: land use management, social policy such as health, disaster prevention, economic development, food security agriculture and rural development, regional integration and cooperation, good governance, trade, transport, gender equity. The communication suggests that donors must join their efforts to assist partner countries, raising the issue on the political agenda and promote a shift in thinking in order to apply a real integrated approach.

In the context of the 2002-2006 regional strategy for Central America, the European Commission is in the process of approving a €20 million regional programme for the reduction of vulnerability and environmental degradation that will focus on disaster prevention, water and environmental management and its results and lessons learnt

could feed into the implementation of a specific component of the present strategy addressing institutional strengthening and capacity building.

Two specific horizontal budget lines have been addressing the environmental for many years. The recent evaluation of these budget lines stressed the need for the environmental specific budget lines to be aligned with the above objectives. More specifically, there have been some concerns about sustainability of the financed projects, their coherence with the national policies and, overall, preoccupations about the pertinence of the projects selection with regard to the needs of the country and the sub-region. Environment should be better addressed by these financial instruments and be considered in a long-term perspective. This could be better addressed with those budget lines if clear and country-specific terms of references are drafted for the calls for proposals in conformity that are coherent with the political priorities of the Commission towards Central America.

Health and poverty

If social cohesion is the centre of the EU-LA relations, the EC health policy is establishing the link between health and poverty, between health and well-being and development, including a reference for AIDS and other contaminating diseases. There is a consensus to make assistance more efficient by a more important ownership and participation of recipient States. The health sector in Central America receives significant external assistance. That related to AIDS, tuberculosis and malaria is financed through the Global Fund and the World Bank.

Assistance related to AIDS, tuberculosis and malaria is financed through a world global fund (The Global Fund) using parallel administration, and often subcontracting their activities to the national authorities. Some organisations are voicing the incoherence between the way the Global Fund is implemented and the objective to reinforcing ownership. The Commission should raise this concern at the Board of the Global Fund in order to stimulate an assessment of the system of intervention the Global Fund for getting better ownership and sustainability.

The regional programme Eurosocietal includes a provision for institutional capacity building in health policy and is open to the participation of Central American Countries.

Conflict prevention

In its communication on conflict prevention, the Commission announced its intention to focus its co-operation programmes more clearly on addressing the root causes of conflict in an integrated manner. In this context, the Commission will seek to incorporate specific conflict prevention (or resolution) measures into its various sector programmes.

A first analysis of potential sources of conflict in Central America has put in evidence several problems including: corruption, relative weakness and politicisation of the judicial system, unequal income distribution and access to natural resources and social services, lack of social cohesion, an over-dependence on a reduced number of commodities, as well as the influence in the region of phenomena such of “maras”. The Commission is addressing these issues both at regional and bilateral level in a complementary way. In particular, the RSP for 2007-13 includes a specific focal sector aiming at strengthening regional governance and security in Central America, in the context of mitigating the impact of the free circulation of goods, capital and persons due to the progressive opening of borders. This constitutes also a response to the growing wave of insecurity and crime in the region and may increase the CA countries capacity to better tackle the root causes of conflict prevention at regional level. Coherence will be assured with related support in the areas of security, good governance and social policy provided in the context of individual country strategies.

Linking emergency, rehabilitation and development

Emergency aid is in charge of immediate needs for population affected by crisis. Rehabilitation is orientated to support to the mid-term the recuperation of development capacity of the affected populations. There is no standardised model for linking emergency to rehabilitation and rehabilitation to development. This link has been of particular relevance for Central America after the conflicts of the eighties and, more recently, after hurricane Mitch. Regional mechanisms of preparedness are under preparation. The RSP is fully compatible with this policy.

In addition, ECHO’s disaster preparedness programme (DIPECHO) targets vulnerable communities living in the main disaster-prone regions of the world, of which Central America. DIPECHO tries to reduce the risk by ensuring prior preparedness for the most vulnerable populations in the regions most affected by recurring natural disaster. It increases the response capacity at local level by incorporating and coordinating activities at local, national, and regional levels.

EC humanitarian emergency response will be provided to affected population in case of natural and/or man-made disaster through ECHO. Disaster preparedness programmes financed through the DIPECHO action plans will be possibly taken into account for the design of future prevention and mitigation actions funded by the Commission.

Migration, justice and home affairs:

The current policy concerning immigration could have an impact on the development of some Central American countries due the extreme importance of remittances from immigrants in hosting countries in the macro-economic equilibrium (remittances represent near 20% of the PIB). Migration within Central America is therefore a factor to take into account when addressing regional problems.

In addition, as mentioned above (see paragraph on Conflict Prevention), the Commission has foreseen a specific focal sector aiming at mitigating the impact of the free circulation of goods, capital and persons due to the progressive opening of borders.

As mentioned above (see par. on Human Rights) EC actions at regional level should be possibly launched in the context of the thematic instruments for cooperation on Human Rights and Democracy (such as the EIDHR). These actions could include, inter alia, addressing factors that make people vulnerable to human trafficking and insecurity, including illegal migration, with particular emphasis on the attention to vulnerable groups (women and children, indigenous peoples). Measures in this area should be based on an integrated approach having as its fundament the respect of human rights and calling for a coordinated policy response including the area of freedom, security and justice, development, employment, gender equality and non discrimination. The reinforcement of the broad public-private dialogue in this area should be also taken into account.

Information Society

The main co-operation objectives pursued with Latin America in the Information Society field are the following:

- Promoting social cohesion through the development of an inclusive Information Society in those countries and fighting the digital divide within and between countries and regions and, in such, contributing to governance and to the economic and social development of Latin American countries;
- Fostering regional integration and the integration of Latin American countries in the global Information Society;
- Promoting investment and reinforcing commercial exchange with Latin America by creating a favourable environment in the region, notably by promoting efficient regulatory and policy frameworks, as well as open and global standards;

These objectives are specifically addressed by the Latin American regional strategy and the @lis programme. It includes by a high level regular policy dialogue between Latin America and the European Union.

Food security, rural development and sustainable resource management

The European Commission recognises that rural poverty is a multi-dimensional problem that includes low incomes, inequity in access to the production factors, low health and education standards, degradation of natural resources, vulnerability to natural disasters, and little political power. Rural development strategies should

tackle all these issues and incorporate rural poverty strategies such as food security and sustainable natural resources management.

These are important concerns for Central America that, given the differences between the countries and regions, are addressed more specifically at bilateral level (CSP). At national level, the European Commission sets out a policy of adapting its actions to the specific national context and to encourage political and sector dialogue including the private sector, civil society and NGOs.

Integration of the gender factor

The Community's strategy on gender equity lays out a global framework to promote equality between men and women in five intervention areas: economic life, equality of participation and representation, social rights, civil life and roles, gender stereotypes.

Gender issues are important concerns for Central America which are addressed more specifically at bilateral level (CSP).

Participation of Non State Actors (NSA) in development

The European Commission's policy is based on the recognition that ownership of strategy is the key to the success of development policies. Therefore, the most wide-ranging participation of all segments of the society must be encouraged and implemented, respecting both the particular situation of each partner country and the central role of the Government complemented by decentralized authorities. Beside the implication of NSA in the present strategy, the Commission is committing direct financing to NSA through horizontal/thematic instruments.

Besides sector budget lines detailed in other chapters, the Commission has been co-financing development activities proposed by NGO for many years. Progressively, priority has been given to activities initiated by partner organisations and to larger projects. Those financing are concentrated in two budget lines: the Co-Financing and Decentralised Co-operation. The aim of the specificity of these budget lines was to add a specific dimension to the EU development co-operation.

Those financing have been particularly active in Central America at national level. Being only demand-driven, there is a feeling that the financing has missed its role of supporting the process of implicating the local NSA in the development agendas. These issues are very important for CA and are addressed more specifically at bilateral level (CSP), even is specific support to NSA is envisaged by the RSP for Central America..

The EU drugs strategy

At the external level, the EU drug strategy is based on strengthening coordination in the fight against drugs and on supporting the development of relations between third countries and the EU. Based on the principle of shared responsibility, the EU approach is comprehensive and multidisciplinary and focuses simultaneously on demand reduction, supply reduction, the fight against trafficking and international action. This has been concretised by the EU-Latin American Action Plan of Panama adopted and ratified in 1999 and, based on this, by the Lisbon Priorities (2000) focussing action on demand reduction, alternative development, money laundering and maritime co-operation. Furthermore, there are far-reaching provisions for anti-drug co-operation in all existing sub-regional and bi-lateral agreements between the EU and Latin America, including Central America. The 2004 EU-LAC summit in Guadalajara reaffirmed the essential role of international co-operation in the fight against illicit drugs and highlighted the increasing importance of dealing with drug trafficking and drug consumption.

With respect to the institutional framework, co-operation with Central America in the fight against illicit drugs takes place at bi-regional level in the EU-Latin America and Caribbean (LAC) Co-ordination and Co-operation Mechanism, as well as at multilateral level in the meetings of the UN Commission of Narcotic Drugs (CND) in Vienna.

One should recall the special treatment received by the Andean and Central American countries, within the framework of the Generalised System of Preferences, to support to their efforts in combating drugs.

The objectives of the present strategy is coherent with the instruments put into place by the EC in its relations with Central America to fight drug trafficking. As mentioned before (see Conflict Prevention, Migration), the EC strategy for 2007-13 includes a specific focal sector aiming at strengthening regional governance and security in Central America. Even though it does not target directly the fight against drug trafficking, the EC action in this field may have an indirect positive impact in this area.

Finally, the Latin American regional strategy includes a new specific provision between the EU and Latin America to take place in addition to the *ad hoc* policy dialogue.

Education and training

The Commission recognizes the vital importance of education in reducing poverty. Education priorities for the Community are:

- basic education, in particular primary education and teacher training,
- work-related training,

- higher education, especially at regional level.

At the level of primary education, the Commission is participating to the “Education-for-All” initiative (EFA-FTI). It is committed to improve the efficiency of the education system, stressing as much quality and quantity of education. At the level of higher education, the focus is on institutionalizing networks, exchanges of students, teachers and professors between Europe and the rest of the world.

The Community is supporting the Education for All initiative and financing its coordination, helping it to be more flexible and adapted to specific situation. At the level of higher education, Central America countries are participating in the regional projects ALβAN and ALFA, and to different initiatives of networking and exchange of students and teachers. Those initiatives at the level of high education are considered very positive and should continue.

These aspects are very important for CA, and are addressed more specifically at bilateral level (CSP).

Economic and financial affairs

In its international policy on economic and financial affairs towards Latin America, the Commission has two main priorities supporting the global agenda toward Latin America:

- to foster macro-economic stability and convergence
- to promote social cohesion

In matter of macro-economic convergence, the Commission participates in the policy dialogue among policy makers of Latin America transmitting its own experience.

This exchange of experience is crucial for supporting regional economic integration, and is significant in helping the Central American integration agenda. Activities are financed and to be financed at the level the Latin American RES. Among other actions, the Commission contributes is supporting activities of the Economic Commission for Latin America and the Caribbean (ECLAC).

Fisheries and Maritime Affairs

The common fishery policy has the objective to protect fish resources by regulating the amount of fish taken from the sea, to help the fishing and aquaculture industries to adapt themselves to the constraints of the market, and to maintain a common organisation of the market.

Regarding third countries, the objectives are to set up fisheries agreements and to negotiate for common conservation measures in deep-sea fisheries, in order to guarantee both conservation and sustainable exploitation of fish resources. This

includes close collaboration with developing countries to help them become more effective in fisheries matters, and support to the efforts to combat illegal and unregulated fisheries.

These aspects are addressed more specifically at bilateral level (CSP).

Employment, Social Affairs and Equal Opportunities

Employment is a crucial factor to achieve a high level of social cohesion. In this respect the EC promotes decent work for all in line with the ILO agenda. Core Social Responsibility (CSR) is a concept whereby companies integrate social and environment concerns in their business operation and their interaction with stakeholders on a voluntary basis. In consequence respect of fundamental labour rights is a key element of the EU policy. Social responsible initiatives by entrepreneurs have a long tradition in Europe, but CSR has also a global nature, with the issues of global governance and liberalisation, including their social and environmental dimension, dealing with both social cohesion and regional integration.

In the field of labour policy, Central America has recently reaffirmed its commitments to the ILO principles and fundamental labour rights through a declaration made on 30 June 2005 by labour ministers and representatives of employers and labour in support of the development of employment and “decent jobs”. The fundamental aims of this programme include promotion of international labour norms, employment creation, expansion of social protection and strengthening social dialogue.

The rationale of the present programming for Central America is to address social cohesion issues at country level on the ground that improvements in this area should be mainly based on national efforts. Complementary, the main objective of the 2007-2013 Regional Strategy for Central America will be to support the process of political, economic and social integration in the context of the preparation of an Association Agreement with the EU.