

## **SUMMARY**

### **MID TERM REVIEW RSP- Central America 2007-2013 and Regional Indicative Programme 2011-2013**

#### **Executive Summary**

##### **Main developments at regional level**

Important economic and social disparities exist among countries of Central America. Over the last ten years important progress has been achieved in the areas of democracy and governance. However, the rule of law remains fragile, due in particular to crime and insecurity.

In 2007 40% of the overall population was still living below the poverty level. No progress has been achieved in reducing inequality. Remittances from migrants to the US contribute significantly to many CA economies, representing about 15% of their GDP but they decrease due to the financial crisis.

Increase of the oil and food prices in 2007/2008 and the international financial and economic crisis had relevant impacts on trade and growth and increased poverty and food insecurity.

Insecurity is a major issue in Central America, which is the most violent region of Latin America. CA is a drug trafficking corridor through which passes most of the cocaine consumed in the US, entailing a rise in drug consumption, trafficking and related crimes.

The region has a rich biodiversity but is affected by man-made environmental degradation and is highly vulnerable to natural disasters, especially poorest population. Environmental institutions and policies are weak and cannot address properly environmental damage. The region is highly dependent of petroleum and wood products. In general the energy supply is deficient despite the high potential for renewable energy sources.

CA economies are increasingly open to international trade which has expanded. In comparison with the increase of international trade, in particular with China, trade with EU is relatively stable since 2004.

In the last two years some substantial reforms to the management of the Central American Integration System (SICA) institutions and sector strategies have been adopted in areas such as energy, regional security, social cohesion, agriculture, food security and climate change. The Presidents also instructed the SG-SICA to propose a multiannual work programme on integration. PARLACEN underwent reforms, while Guatemala decided to enter into the CA Court of Justice. However there is no consensus among CA governments to undertake a thorough overhaul of the System, regional institutions remain weak as there are no regional financing mechanisms.

A higher degree of economic integration has been achieved since the entry into force of CAFTA and the decision to launch an Association Agreement with the European Union. The latter has driven the participating countries to negotiate as a region for the first time. All CA countries have concluded bilateral free trade agreements with other Latin American and Asian countries and have developed policy dialogue. Guatemala, El Salvador and Honduras have signed a Customs Union Agreement which could give a new impetus to the regional system. In the context of these Association Agreement negotiations there have appeared new requests

on issues such as the creation of a bi regional instrument for funding regional development, new TRTA needs, and the opportunity of increasing EIB and other IFIs (role or support) in regional development.

**EC Cooperation, implementation of RSP/RIP 2007-2010 includes three priority sectors :**

- Strengthening the institutional system of regional integration. (PAIRCA 2, 15 M€)
- Support to the economic integration process, consolidated Customs Union and related harmonised policies. A new programme, PRACAMS (23,5M€) will support the creation of a regional system of quality control and the application of sanitary and phytosanitary measures
- Strengthening regional governance and security matters (5.5M€) promotes coordination between police, immigration and customs)

Despite the fact that regional programs are executed by weak institutions, performance of regional cooperation has been relatively satisfactory in the last few years. This is due to important technical assistance and closed monitoring by the EC. The evaluation of regional cooperation 1996-2006 demonstrated its high relevance in the CA integration process.

The consultation emphasized the need to make regional integration more concrete and to concentrate on social (jobs) and environmental concerns (in particular climate change adaptation), involving local people, in a context of economic crisis and job loss.

**Conclusion :**

The strategy remains pertinent for the 2011-2013 period and it will continue to support the CA process of political, economic and social integration in the context of the implementation of the EU-CA Association Agreement. Taking into account the state of implementation of RIP and of ending projects, no more cooperation activities are needed in the focal sector “strengthening regional institutions. On the other hand RIP 2 allocation will be increased from 31 to 61M€ focusing on the two remaining priority area of CA/RSP:

- Support to regional integration ( 44 M€)
- Support regional security at the borders (7M€)

This increase is justified on the new needs appeared in the framework of the Association Agreement negotiations (possible new financial mechanism for regional development, trans border action, etc. ) as well as in consideration of the increasing vulnerability of the region on security and trans border criminality.

**MULTIANNUAL PROGRAMMING 2007-2013 (105M€)**

SECTORS	RIP 1				RIP 2	Total €M
	2007	2008	2009	2010	2011-2013	
1. Strengthening the institutional system for		15				15

regional integration						
2. Support regional economic integration			23.5		44	67.5
3. Strengthening regional security			5.5		7	12.5
Total		15	29		51	95

**List of Acronyms**

CAFTA: Central American and United States Free Trade Agreement

CCJ: Central American Court of Justice

PAIRCA: Program to Support the Central American Regional Integration

PARLACEN: Central American Parliament

PRACAMS: Program to Support the Creation of a Regional System for Quality Control and the Application of Sanitary and Phytosanitary Measures in Central America

RSP: Regional Strategy Paper

SG-SICA: General Secretariat of the Central American Integration System

SICA: Central American Integration System

SIECA: Central American Economic Integration Secretariat