

PROGRAM TO SUPPORT THE ACTIVITIES OF THE CONSULTATIVE GROUP ON
REGIONAL TECHNICAL COOPERATION FOR CENTRAL AMERICA. STAGE II

(TC-94-09-08-9-RG)

EXECUTIVE SUMMARY

REQUESTER: The Governments of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama

EXECUTING AGENCY: Inter-American Development Bank (IDB)

BENEFICIARIES: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama

FINANCING: IDB: US\$1,120,000 (FSO)

FINANCIAL Amortization period: 4.0 years
TERMS AND Disbursement period: 4.5 years
CONDITIONS:

ENVIRONMENTAL The Environment Committee, at its meeting of August
CLASSIFICATION: 22, 1995, classified this as a Category II operation.

OBJECTIVES: The general objective of the program to support the activities of the Consultative Group on Regional Technical Cooperation for Central America (CGRTC-CA) is to assist the countries of the isthmus in strengthening their capacity to program and negotiate external aid to promote closer economic integration, by making use of economies of scale and the additionalities stemming from a regional approach.

The CGRTC-CA's intent is to become a key tool in programming regional technical cooperation for Central America. The mechanism will define country priorities for dealing with requests for regional technical cooperation made to the Bank, and will establish an order of precedence for technical-cooperation requests for which financing will be sought from donors other than the Bank.

DESCRIPTION: The program provides for two components: (i) coordination of and follow-up on the activities included in the agenda of the CGRTC-CA, which is determined by its Multilateral Steering Committee whose members include ministers appointed by the Central American economic authorities and officials from the IDB, the IMF, the IBRD, and the UNDP; and (ii) financing for periodic meetings of the

Consultative Group, including preparation of the necessary supporting documentation. It is expected that at least two meetings of the CGRTC-CA and related meetings to establish the agenda for the mechanism will be held. The program will be executed by the IDB and supervised by the Integration and Regional Programs Department (INT) and Regional Operations Department 2 (RE2).

The Bank will assist the CGRTC-CA through this technical-cooperation project, which consists of institutional support, the coordination of activities, the identification of study and project areas, and communication of the resulting proposals to different donor countries and international financial agencies, in accordance with the priorities established by the Central American governments.

This stage will include Belize in addition to the previous beneficiary countries. The agenda of the CGRTC-CA will be defined on the basis of the priorities established by the Central American governments. For the period 1995-1996, some areas have been tentatively identified for consideration by the Multilateral Steering Committee at its next meeting. They include areas that were considered by the CGRTC-CA during stage one (regional infrastructure, particularly energy, transportation, and communications; the social sectors; and modernization of the productive apparatus, including activities in the areas of human resources, science and technology, and natural resource management), and the following new areas: industrial competitiveness; the strengthening of regional institutions; phase two in the convergence of macroeconomic policies; transportation; and a trade support program, including access to the North American Free Trade Agreement and hemispheric cooperation.

BENEFITS:

The countries will obtain the benefits described below.

The CGRTC-CA will foster a decision-making process that entails establishing an order of precedence for requests for regional technical cooperation submitted by the countries to the Bank and to other participating agencies.

The countries will be supported in organizing meetings with the international community through the preparation of documentation - including technical justification - and through the Bank's ability to convoke such meetings.

The countries will be assisted in following up on actions linked to: (i) the formulation of operations submitted to the CGRTC-CA for consideration; (ii) financial negotiations to identify donors other than the Bank interested in financing such projects; and (iii) execution of projects endorsed by the CGRTC-CA.

RISKS:

For the program to be effective, close coordination of the authorities involved in the program is required. This, in turn, necessitates building up various subregional organizations, some of which are known not to have adequate institutional capacity. Therefore, the Bank will have to step up its coordination efforts.

**THE BANK'S
REGIONAL
STRATEGY:**

The regional programming paper for Central America considers the CGRTC-CA to be a good mechanism for supporting regional programming for the countries in question. The paper looks to the CGRTC-CA to develop an action strategy for the subregion.

**BANK
RESPONSIBILITY:**

Basic and technical: INT/RTC and RE2.

I. BACKGROUND

A. Frame of reference

- 1.1 The Central American Common Market (CACM) is the integration agreement with the greatest impact on Latin American and Caribbean economies. In 1993, it accounted for 24% of total exports, which is a higher percentage than intraregional sales under MERCOSUR (17%) or the Andean Pact (10%). Central American intraregional trade is even more relevant from the standpoint of the heavy relative weight of trade in the GDPs of the countries. It is worth noting that even in the worst periods of conflict in the last decade, intraregional trade remained high, although it dropped with the external debt crisis.
- 1.2 Owing to their proximity, the countries of the CACM form a natural market because of the implicit protection offered by the low cost of intraregional transport. This market is distinguished by the higher value added in its trade in comparison with extraregional exports. In turn, it serves as a platform for developing subregional export capacity, by offering exporters a proving ground for achieving the economies of scale necessary to become competitive on the international scene.
- 1.3 Another element that distinguishes the CACM at present is active participation by the private sector in establishing national and subregional policies and in developing business initiatives. Steps taken in the field of financial services prior to formal attempts at integration and the harmonization of regulatory frameworks are particularly noteworthy.
- 1.4 This dynamism is present despite tensions in the subregion with respect to the common trade system, negotiations with third countries, the adoption of the trade rules of the World Trade Organization (WTO), the efficiency and effectiveness of integration agencies, restrictions on trade in agricultural products and services, bottlenecks in the area of transportation and customs infrastructure, considerable disparity in development levels, and the recent slowdown in the move towards macroeconomic convergence among the members of the CACM.
- 1.5 In view of the situation, it is important to consolidate the gains that have been made in intraregional trade and Central American integration. The broad gamut of needs and the reduction in nonreimbursable funding available to address them from the international community make it necessary to continue supporting the coordination of assistance in the areas assigned top priority by the countries. It is also crucial to support the Central American governments in the process of setting regional priorities and to consolidate the regional activities of the economic authorities and external affairs departments.

- 1.6 As a consequence of the positive results of the RCG-CA mechanism over the period 1993-1995, at the Eighth Consultation Meeting with Bank Management held in San Salvador in March 1995, the Governors for the Central American countries asked for the IDB's assistance for stage two of the program to support the activities of the Regional Consultative Group.

B. The Regional Consultative Group for Central America

- 1.7 The Regional Consultative Group for Central America (RCG-CA) was established under the auspices of the Bank at the request of the presidents of the countries of Central America and Panama at the Summit in Puntarenas, Costa Rica, in 1990, as a programming mechanism to coordinate external support for the technical and financial requirements arising out of the new economic integration process. International organizations, cooperation agencies, and donor countries were called upon to participate.
- 1.8 In response to the request, in March 1992 the Bank approved a regional technical-cooperation project - the Program of Support for Central American Development and Integration (PRADIC) - in the amount of US\$2,736,000, drawn on the net income of the Fund for Special Operations.
- 1.9 The program included two subprograms. Subprogram I (US\$1,699,000) was designed to boost the region's institutional capacity to define economic, trade, and competitiveness policies. The executing units for these areas were the Secretariat of the Central American Monetary Council (SCMCA), the Permanent Secretariat of the Treaty on Central American Economic Integration, and the Private Business Federation of Central America and Panama (FEDEPRICAP), respectively.
- 1.10 Subprogram II (US\$1,037,000) was designed to support the activities of the RCG-CA over a three-year period. This subprogram was executed by the IDB and coordinated by the Economic and Social Development Department (DES), now the Integration and Regional Programs Department (INT). Prior to the Bank's reorganization, the RCG-CA was supported by an interdepartmental group which was responsible for technical aspects related to the areas dealt with by the RCG-CA.
- 1.11 The body guiding the activities of the RCG-CA was the Multilateral Steering Committee (MSC) whose members included ministers appointed by the Central American economic authorities and officials from the IDB, the IMF, the IBRD, and the UNDP. The Central Americans delegated the processes of negotiating and deciding on regional initiatives to their economic authorities. With respect to this program, the Governors for the region acted as intermediaries with the economic authorities.

- 1.12 Throughout the period, the priorities for Central American development reflected the general guidelines of the Central American Economic Action Plan, approved in 1990. Consistent with those guidelines, in 1992, the Multilateral Steering Committee, after an exhaustive process of consultations and meetings, approved the items on the regional agenda for this decade proposed by the countries of Central America, which include regional infrastructure (particularly energy, transportation, and telecommunications), the social sectors, and modernization of the production apparatus. A number of items were not included on the agenda of the RCG-CA, since it was the intention of the mechanism to encourage governments to establish priorities for international support for actions at the regional level.
- 1.13 The first meeting of the RCG-CA was held in March 1993 in Brussels. The purpose of the meeting was to analyze the integration process in Central America. The agenda also included the presentation and discussion of the program for electric interconnection, the modernization of the productive apparatus through human resource training, science and technology development, and environmental management. Of these alternatives, the RCG-CA decided to support the electric power sector, environmental management, and human resources, in addition to the policy areas mentioned in paragraph 1.9.
- 1.14 The meeting of the Steering Committee held after the Brussels meeting defined a strategy for following up on the activities of the RCG-CA, which included the preparation of 13 regional technical-cooperation proposals in the areas mentioned in paragraph 1.13. The IDB contracted specialized consultants who worked with the Bank's technical divisions to design the proposals, sent missions to the countries, and maintained contact with other bilateral and multilateral agencies that support these sectors in Central America.
- 1.15 Each of the projects considered by the RCG-CA was based on a sector diagnosis performed by the Bank. They were designed in conjunction with the Bank, one or more specialized regional agencies, and the sector authorities in each of the countries. Prior to submission to the RCG-CA, the projects were the object of extensive consultations and close coordination with the countries' economic and sector authorities. Annex III describes the projects carried out in stage I in each of the sectors.

C. Electric power projects

- 1.16 The seven regional technical-cooperation projects for this sector were based on the common denominator of promoting regional electric integration and solving the most pressing problems through the use of economies of scale stemming from the regional approach. Special care was taken to ensure that these features were present in the projects selected. The projects, which are summarized in

Annex III, cover technical aspects of regional electric operations and planning and the selection of power plant technologies based on common criteria or regional capacity. They also include integrated information systems and management training in new areas related to the reform of the electric utilities, such as charges for access to transmission, and regulation and restructuring of the companies.

- 1.17 The projects were selected from a larger portfolio, with the national electric utilities from the six countries in the region and the Central American Electrification Council participating in the choice. The projects therefore constitute a platform for integrated infrastructure and a commitment by the utilities to execute and operate them. Pursuant to the decisions of the Steering Committee, the RCG-CA called a meeting of donors interested in the sector in June 1994, for the purpose of obtaining undertakings from the international community to finance each operation. As a result of the exercise, five of the seven operations obtained backing from the financial agencies invited to the meeting, and potential sources of financing have been identified for the other two projects.
- 1.18 Two of the five projects for which funding was found been fully executed, two are under way, and one is in the approval stage.
- 1.19 When the projects in this stage are completed, another step will have been taken in the ambitious strategy of regional electric integration under the SIEPAC project, which seeks to tap the enormous benefits that can potentially be obtained from the coordinated operation and planning of additions to generating power at the regional level, particularly from regional generating projects based on the use of natural resources.
- 1.20 In addition to helping design the projects in question, the Bank has promoted the strategy through investment projects to complete existing interconnections and technical-cooperation projects. Examples include the Regional Study on Central American Electrical Interconnection (ERICA) in 1979 and the Program of Regional Activities in the Central American Electric Power Sector (PARSEICA) in 1990-1993.

D. Natural resource management projects

- 1.21 The portfolio of eight projects in this area was defined following a process similar to that used for the electric power sector, with ample participation by the region's environmental authorities and the Secretariat of the Central American Commission on Environment and Development (CCAD) and support from the Bank's technical divisions. The projects were based on the agenda that the Central American countries had defined for the Environmental Summit and the more recent regional agenda, known as the agenda for sustainable development. The portfolio includes institutional strengthening programs for the secretariat and the national environmental

commissions, and regional preinvestment studies for the management of biodiversity, coastal resources, and watersheds.

- 1.22 The RCG-CA has facilitated financing from the German government for a project to educate and inform the region's private sector about changes in production methods that would improve environmental quality in Central America. Support has also been provided for preparing different profiles and projects in the regional technical-cooperation pipeline to be financed by the Bank through different windows: (i) the regional biodiversity program, which will be financed by the Multilateral Investment Fund (MIF); (ii) the regional environment fund, which is being considered by the Global Environment Facility of the World Bank and the MIF; and (iii) the program to support the Central American legal environmental framework, which will be financed by the Netherlands Environmental Technical-Cooperation Trust Fund.
- 1.23 The proposals for which no source of financing has yet been identified will be presented for consideration at the next meeting of the Steering Committee, provided the work plan of the CGRTC-CA is maintained.

E. Human resources

- 1.24 The European Union has informed the Bank that it is prepared to finance the project on studies for a regional human-resource training strategy presented at the first meeting of the RCG-CA. The strategy will lead to other projects in this field, which will be considered by the CGRTC-CA during stage II.

F. Bank activities as donor

- 1.25 As RCG-CA donor, the Bank contributed to institutional support for the SCMCA (US\$597,000 equivalent), SIECA (US\$424,000), and FEDEPRICAP (US\$678,000). The three components of this subprogram have been fully executed. The Bank conducted an ex post evaluation of each component, which concluded that the results were satisfactory for FEDEPRICAP and SCMCA but made some observations regarding SIECA. Furthermore, the Canadian CT/Fondos Program was used to finance a US\$90,000 operation in the electric power sector. The project on regional biodiversity management to be financed by the MIF (US\$2.5 million) and the program to support the Central American environmental legal framework, which was approved in September 1995, were also prepared.
- 1.26 RCG-CA project funds were used to conduct the studies and prepare the projects. Financial support was also provided by the Bank's technical divisions, which absorbed the costs of consulting services for projects in their fields. When this support is included, the annual average cost of the RCG-CA in this category has been US\$95,000, which is much higher than the US\$30,000

allocated under the project. This technical support was used to consolidate a pipeline of projects which, if so decided by the Steering Committee, will continue to form part of the CGRTC-CA agenda.

G. Results of stage I

- 1.27 Stage I of the RCG-CA was the Bank's first exercise in consultative groups for regional action. During that stage the basic guidelines established by the Steering Committee were adhered to. According to the guidelines: (i) the work plan was to focus on not more than three areas assigned priority for regional action, whose limited number reflected the execution capacity of Central American regional institutions; (ii) the expressions of support made at the first formal meeting of the RCG-CA were to be closely followed up on; (iii) the areas to be consolidated were to be supported by a solid regional strategy and an effective regional institution; and (iv) expectations for funding were to be modest.
- 1.28 An analysis of the activities carried out concluded that: (a) the work of the RCG-CA as a legitimate programming mechanism for the countries has been highly satisfactory, since it has helped to improve the regional decision-making process regarding the actions to be taken in the agenda areas; (b) under the action strategy defined by the Steering Committee, the RCG-CA played the role of catalyst in obtaining donations from other development agencies (from Germany, Spain, Canada, Chile, Mexico, Colombia, the European Union, and CABEI) in the amount of US\$6.2 million for regional development in the electric power sector, definition of a Central American human resource development strategy, and environmental management; 1/ and (c) the need was confirmed for a regional counterpart body with sufficient political support and the technical capacity to contribute to project analysis and design if the exercise was to be successful. One example is the Central American electric power sector, which has a very dynamic Executive Secretariat and receives technical support from ECLAC.
- 1.29 The learning process since the RCG-CA began working has been very fruitful and has led to closer coordination and better management of the decision-making process for the Bank and the countries alike, regarding the regional projects that were finally placed on the agenda. The semiannual summits of Central American presidents have established a very rich and broad field for potential regional action. However, the presidential agenda outstrips the region's institutional capacity for executing such programs and would cost a

1/ The funding mobilized by the RCG-CA is significant considering that funding for the regional programs approved biannually by the IDB for Central America has not surpassed US\$2 million dollars in the last six years.

great deal more than the funding available from the international community. This is why priority-setting has become a constant in establishing the agenda, based on the dialogue fostered by the RCG-CA.

- 1.30 A very effective method of executing projects of special interest to the IDB was developed during stage I, which enabled the Bank to participate in defining the terms of reference and in monitoring the results of projects financed by other agencies. The process involved the establishment of management committees for each project, in which the donor agency, the regional executing agency, and the Bank participated. It was applied in three projects in the electric power sector and one in environmental management.
- 1.31 Last, the program worked very closely with the regional integration agencies, which has strengthened their capacity in the different areas covered in the work agenda for 1993-1995. The capacity of Central America to formulate and execute regional projects has also improved.

II. PROJECT OBJECTIVES

- 2.1 The general objective of the CGRTC-CA is to help the countries of Central America to strengthen their capacity to program and negotiate external cooperation to promote fuller integration of their economies, by tapping their inherent economies of scale and the additionalities resulting from the regional approach.
- 2.2 The CGRTC-CA has the goal of becoming a key tool in programming regional technical cooperation for Central America. The mechanism determines the countries' priorities for regional technical cooperation from the Bank and establishes an order of precedence among requests for regional technical cooperation for which funding is to be sought from donors other than the Bank.
- 2.3 The specific objective of the regional technical-cooperation project proposed here is to support the CGRTC-CA in identifying, conducting, and disseminating studies and projects that are consistent with the Steering Committee's priorities for economic integration and sustainable development for the countries of Central America.

III. PROJECT DESCRIPTION

A. Description of the program

- 3.1 The program consists of two components: (i) coordination of and follow-up on the activities included in the agenda of the CGRTC-CA, which is defined by the Multilateral Steering Committee of the CGRTC-CA; and (ii) financing for periodic meetings of the Consultative Group, including preparation of the necessary supporting documentation. It is expected that at least two meetings of the CGRTC-CA will be financed plus related meetings to implement the mechanism's agenda (for example, meetings of donors by sector and coordination meetings between agencies and institutions).

B. Functioning of the program

- 3.2 The Bank will participate in the CGRTC-CA, providing the following types of assistance: (i) as a donor, it will be involved in the execution of regional programming; and (ii) as coordinator of the Consultative Group, it will supplement the financing available for regional technical-cooperation projects with funding from other donors. In its role as coordinator of the CGRTC-CA, the Bank is also responsible for assisting the countries in preparing the documentation (i.e. analyses, strategies, project profiles, studies, etc.) required for meetings with donors, Central American governments, regional institutions, and the private sector.
- 3.3 The CGRTC-CA will act through a technical secretariat at Bank headquarters. The secretariat will report to the managers of the Integration and Regional Programs Department (INT) and Regional Operations Department 2 (RE2) with regard to the identification, design, and execution of studies. The design (terms of reference) and supervision of the studies financed by the CGRTC-CA will be assigned by the managers of the two departments, in accordance with the technical requirements of the subject matter. INT and RE2 will jointly prepare the meetings of the Multilateral Steering Committee and the CGRTC-CA. The meetings will be cochaired by the two managers. In general, technical responsibility for the project will be shared by the Integration, Trade and Hemispheric Issues Division (INT/ITD) and the technical divisions of RE2, depending on the subject.
- 3.4 The Steering Committee will guide the activities of the CGRTC-CA. Its members include ministers appointed by the Central American economic authorities and officials from the IDB, the IMF, the IBRD, and the UNDP.
- 3.5 The assistance provided by the Bank for the CGRTC-CA under this technical-cooperation program consists of institutional support, coordination of activities, identification of studies and projects,

and communication of the proposals to donor countries and international financial agencies, respecting the priorities established by the Steering Committee.

C. Beneficiaries

- 3.6 Consistent with the political evolution of the process of Central American integration, Belize will be included in this stage of the program, in addition to the six beneficiary countries involved thus far, which are Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama.

D. Work areas

- 3.7 In accordance with the priorities of the Central American governments, some areas have been tentatively defined for consideration by the CGRTC-CA for the period 1995-1996. They include continuation of support for the sectors targeted to date (see paragraph 1.13), in addition to the following: strengthening of regional institutions and progress toward an integrated economic area. ^{2/} In the social sectors, the 1995-1996 work plan includes activities in the field of human resource training. A broader regional approach to the social sectors is expected to be considered by the CGRTC-CA in the work plan for 1996-1997.
- 3.8 Given the intention of the SIEPAC project to establish a regional electricity market, the regional technical-cooperation projects proposed for stage II (like the seven included in stage I) will be designed to reflect reforms in the electric power industry, using SIEPAC as the frame of reference, which will facilitate the installation of multinational and regional generating plants, with private investment and lower production costs.
- 3.9 The avenues suggested in the preceding paragraph will be presented for approval to the Steering Committee, which will hold its next meeting in October 1995.

E. Cost and financing

- 3.10 The equivalent of US\$1.12 million in foreign exchange from the net income of the Fund for Special Operations has been budgeted to support the work of the CGRTC-CA in stage II, as summarized below. The budget differs from stage I in that it includes: (a) one additional country (Belize); (b) new areas in the work plan of the CGRTC-CA (see paragraph 3.6); and (c) lengthening of the program from three to four years (the detailed budget is attached as Annex I).

^{2/} See annex IV, which contains a summary of the activities of the RCG-CA proposed for stage II.

Budget Summary

Category	Amount
1. Coordination	
2. Individual consultants	622,400
6. General support	106,000
98. Contingencies	90,000
Subtotal	818,400
2. Meetings	
5. Travel	69,600
6. General support	200,000
98. Contingencies	32,000
Subtotal	301,600
Total	1,120,000

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The CGRTC-CA encourages the countries to establish priorities for regional technical cooperation through a planning process that permits optimum allocation of resources for regional projects in the greatest areas of need.
- 4.2 The countries receive support in organizing meetings with the international community through the preparation of documentation, including technical justification, and through the Bank's ability to organize such meetings.
- 4.3 The countries are assisted in following up on actions linked to:
(i) the formulation of operations submitted to the CGRTC-CA for consideration; (ii) financial negotiations to identify donors other than the Bank interested in financing such projects; and
(iii) execution of projects endorsed by the CGRTC-CA.
- 4.4 Given the larger role being played by ministers of external affairs in determining the subregional and hemispheric economic agenda, a further benefit will be consolidation of a forum for those ministers and support for coordination between them and the economic authorities.

B. Risks

- 4.5 Most regional agencies suffer from institutional shortcomings, which hampers the formulation and implementation of strategies and the corresponding plans of action and execution of the projects considered by the CGRTC-CA.
- 4.6 The institutional weaknesses impede coordination with governments, and as a result the Bank's efforts at coordination may be insufficient to attain the project's objectives.
- 4.7 The subregional integration process may be adversely affected by changes in government that slow the political momentum of the process, with the consequent difficulties for the execution of the CGRTC-CA activities.
- 4.8 Donors have been concerned about the effectiveness of cooperation with Central America, since the large amounts of technical-cooperation funding provided under programs sponsored by other agencies have not always attained the expected goals. The future cooperation provided for in this second stage of the Consultative Group should be more effective for the following reasons: (i) the political and social stability in the region has improved the climate for dialogue and cooperation among the countries; (ii) the CGRTC-CA mechanism allows for better coordination between the Central American governments and donors; (iii) the technical-cooperation projects under the program will be designed to include new evaluation mechanisms; (iv) a number of regional technical-cooperation counterpart institutions are being strengthened, which will result in better project execution; and (v) the projects will be designed to include incentives to induce the beneficiaries to feel a sense of ownership.

V. EVALUATION

- 5.1 The evaluation of the results and impact of this project will be based on an assessment of each meeting and the results of each project. Given the nature of the CGRTC-CA program, which requires decision-making based on the opinions of officials from several Bank departments, the evaluation will take two forms: (a) an external evaluation; and (b) an evaluation of project results by the beneficiaries.
- 5.2 The completed regional projects will be evaluated by sector.

**REGIONAL CONSULTATIVE GROUP FOR CENTRAL AMERICA
WORK PLAN EXECUTED FROM 1993-1995**

**ENVIRONMENT
STAGE I
PROJECTS IN PREPARATION**

Project name	Project description	Estimated cost (US\$ thousands) Potential executing agency and donors	Project status and activities pending
Strengthening of the legal environmental framework in CA	To devise an appropriate legal framework, prepare training manuals based on a common regional model, train judges, strengthen NGOs in environmental law, and conduct a feasibility study on the harmonization of environmental legislation in CA	Amount: US\$400 Executing agency: CCAD Donor: IDB and Netherlands CT/Fondos	Project under negotiation Approval 09/95
Environmental information, education, and training for productive reconversion in CA	To promote the adoption of clean and cost-effective technologies by CA agroindustry and industry. To hold seminars in each country. This would be stage I	Amount: US\$1,000 Executing agency: FEDEPRICAP Donor: German government (GTZ)	GTZ is evaluating the plan of operations
Regional biodiversity program	To establish an information network in each country, build up the biodiversity inventory, and identify an investment project	Amount: US\$2,500 Executing agency: CCAD/INBIO Donor: IDB/MIF	Plan of operations being prepared. Approval 10/95

ENVIRONMENT
STAGE I
PROJECTS PREPARED

Project name	Project description	Estimated cost (US\$ thousands) Potential executing agency and donors	Project status and activities pending
Study and design of a regional watershed program	To prepare investment projects, including project design and feasibility (preinvestment) studies	Amount: US\$1,700 Executing agency: to be determined; CATIE will be proposed Donor: to be determined	Source of funding to be identified
Regional environment fund	To meet the financial needs of communities and NGOs for environmental projects	Amount: to be determined Executing agency: to be determined Potential donors: MIF and WB/GEF	Project being evaluated
Information system and strengthening of CCAD and the national environmental management committees (CONAMAs)	To develop a regional geographic information system	Amount: US\$550 Executing agency: to be determined; CCAD and CONAMAs will be proposed Donor: to be determined	Source of funding to be identified
Study and design of a regional coastal resources management program	To prepare investment projects, including project design and feasibility (preinvestment) studies	Amount: US\$1,871 Executing agency: to be determined; CCAD will be proposed Donor: to be determined	Source of funding to be identified

ELECTRIC POWER SECTOR
STAGE I
PROJECTS IN EXECUTION

Project name	Project description	Estimated cost (US\$ thousands) Potential executing agency and donors	Project status and activities pending
Strengthening of the CEAC. SE-02	To support this regional forum so that it can perform more effectively. Includes a sector information system and regional electronic mail system	Amount: US\$328 Regional coordinator: CEAC Secretariat at INDE of Guatemala Donor: Spanish government	Project 90% completed. Intraregional electronic mail installed and being tested. Related training completed. Power sector data base installed and ready for data input
Comprehensive review of technical cooperation in the Central American power sector. SE-06	To examine the consistency of the sector development strategy. To make recommendations for consolidating the institutional mechanisms needed for regional coordination. To lay the groundwork for future action by Canada in the sector	Amount CDN\$520 Executing agency: ECLAC-Mexico Donor: Canadian government through CIDA	Project in execution (80%). Based on the study, CIDA plans to earmark CDN\$15 million to expand operations in the sector. A preliminary project report is being prepared which will be sent to the countries for comment. Meeting of the Management Committee (September 1995). Final seminar in November 1995
Cost study for fast maturing plants. SE-07	Includes identification of: suppliers of such plants and the optional fuels they use; technical parameters of the machinery, operations, and availability indicators; investment and operating costs; and delivery times for the plants	Amount: US\$90 Executing agency: CEAC, IDB, and consulting firm Regional coordinator: ENEE of Honduras Donor: Canadian government through CT/Fondos	Work program approved. Awaiting signature of the consultant's contract. Start of activities in September 1995.

ELECTRIC POWER SECTOR
STAGE I
PROJECTS PREPARED

Project name	Project description	Estimated cost (US\$ thousands) Potential executing agency and donors	Project status and activities pending
Coordinated operation of the electric grids. SE-01	Has three components: (a) periodic measurement of the energy efficiency of thermoelectric plants, procurement of equipment, and training; (b) mechanisms for assured payment between countries; and (c) consolidation of the capacity for coordinated operation of the interconnected grid	Amount: US\$496 Regional coordinator: ICE of Costa Rica Potential donors: Colombia/Canada	Source of funding to be identified
Program of power planning activities (PARPE). SE-03	To transfer power planning models to CA. Super IDB-OLADE and ISA-Colombia models	Amount: US\$1,486 Donor: to be determined Regional coordinator: CEL of El Salvador	Source of funding to be identified
Financial and administrative training program. SE-04	To strengthen financial evaluation management and analysis capacity, including the private sector. Analysis of other countries' experience in managing interconnected grids	Amount: US\$1,500 Donor: Chilean government Executing agency: Chilean Corporation for International Development Regional coordinator: IRHE of Panama	The Chilean government sent an identification mission to CA in July 1995 to determine training requirements based on the region's needs. Training program being prepared

ELECTRIC POWER SECTOR**STAGE I****PROJECTS PREPARED**

Project name	Project description	Estimated cost (US\$ thousands) Potential executing agency and donors	Project status and activities pending
Fossil-fuel based power generating capacity for the CA electric grid. SE-05	To determine the feasibility of establishing a thermal plant with the participation of two or more countries	Amount: US\$1,245 Executing agency: Institute for Electric Power Research (IIE) of Mexico Regional coordinator: INE of Nicaragua Donor: Mexican government (80%) and CABEL (20%)	CABEL, CEAC, and IIE signed an agreement to execute the operation in July 1995. Execution to begin in September 1995.
Program to support liberalization of the fuel market	To strengthen the CHAC, enhance the ability of CA to assure reliable supplies at least cost, improve information systems, train personnel, and transfer technology	Amount: US\$1,500 Executing agency: CHAC/ECLAC-Mexico Donor: GTZ	The GTZ approved funding without requiring intercession by the RGC.

COMPETITIVENESS AND TRADE SUPPORT

STAGE I

PROJECTS EXECUTED

Project name	Project description	Estimated cost (US\$ thousands) Potential executing agency and donors	Project status and activities pending
PRADIC. Component 2. Organization of intraregional and international trade	To help strengthen SIECA's capacity to analyze intraregional and international trade and propose and implement CA integration	Cost: US\$502 Executing agency: SIECA Donor: IDB	Project executed. Ex post evaluation contains observations
PRADIC. Component 3. Competitiveness of the productive sectors in CA	To promote the capacity of private sector entities to analyze policies for an internationally-competitive, efficient, and regionally-integrated productive structure	Cost: US\$813 Executing agency: FEDEPRICAP Donor: IDB	Project executed. Ex post evaluation satisfactory. External and internal factors affecting regional competitiveness were identified for a group of projects and for the region as a whole

MACROECONOMIC CONVERGENCE

STAGE I

PROJECTS EXECUTED

Project name	Project description	Estimated cost (US\$ thousands) Potential executing agency and donors	Project status and activities pending
PRADIC. Component 1. Coordination of economic policies	To support the establishment of a process for coordinating macroeconomic policies in CA, including institutional infrastructure	Cost: US\$702 Executing agency: Secretariat of the Central American Monetary Council Donor: IDB	Project executed. The executing unit presented a final product in 14 study areas related to monetary and financial integration, institutional changes, and additional financing needs. Ex post evaluation satisfactory. The recommendations are being adopted by the monetary authorities

**REGIONAL CONSULTATIVE GROUP FOR CENTRAL AMERICA
BIANNUAL WORK PLAN FOR 1995-1996**

**ENVIRONMENT
STAGE II**

PROJECTS PREPARED DURING STAGE I TO BE PRESENTED TO THE STEERING COMMITTEE

PROJECT NAME	PROJECT DESCRIPTION	ESTIMATED COST (US\$ THOUSANDS) POTENTIAL EXECUTING AGENCY AND DONORS	PROJECT STATUS ACTIVITIES PER
Design of a regional watershed program	To prepare investment projects, including project design and feasibility (preinvestment) studies	Amount: US\$1,700 Executing agency: to be determined; CATIE will be proposed Donor: to be determined	Source of funding to be identified
System and strengthening of CCAD and environmental management (CONAMAs)	To develop a regional geographic information system	Amount: US\$550 Executing agency: to be determined; CCAD and CONAMAs will be proposed Donor: to be determined	Source of funding to be identified
Design of a regional coastal resources management program	To prepare investment projects, including project design and feasibility (preinvestment) studies	Amount: US\$1,871 Executing agency: to be determined; CCAD will be proposed Donor: to be determined	Source of funding to be identified

ELECTRIC POWER SECTOR, STAGE II
PROJECTS PRESENTED IN STAGE I TO BE EXECUTED IN STAGE II

PROJECT NAME	PROJECT DESCRIPTION	ESTIMATED COST (US\$ THOUSANDS) POTENTIAL EXECUTING AGENCY AND DONORS	PROJECT STATUS ACTIVITIES PERFORMED
operation of the electric grids. SE-01	Has three components: (a) periodic measurement of the energy efficiency of thermoelectric plants, procurement of equipment, and training; (b) mechanisms for assured payment between countries; and (c) consolidation of the capacity for coordinated operation of the interconnected grid	Amount: US\$496 Regional coordinator: ICE of Costa Rica Potential donors: Colombia/Canada	Source of funding to be identified. Costa Rica will organize a regional seminar in 1995 on the Colombian experience in this area. Experts from CA and CABEI will cofinance the operation
power planning activities (PARPE).	To transfer power planning models to CA. Super IDB-OLADE and ISA-Colombia models	Amount: US\$1,486 Donor: to be determined Regional coordinator: CEL of El Salvador	Source of funding to be identified
administrative training program. SE-	To strengthen financial evaluation management and analysis capacity, including the private sector. Analysis of other countries' experience in managing interconnected grids	Amount: US\$1,500 Donor: Chilean government Executing agency: Chilean Corporation for International Development Regional coordinator: IRHE of Panama	The Chilean government will send an identification mission in July 1995 to determine training requirements and the region's needs. The program being prepared
ased power generating capacity for the grid. SE-05	To determine the feasibility of establishing a thermal plant with the participation of two or more countries	Amount: US\$1,245 Executing agency: Institute for Electric Power Research (IIE) of Mexico Regional coordinator: INE of Nicaragua Donor: Mexican government (80%) and CABEI (20%)	CABEI, CEAC, and IIE have reached an agreement in July 1995 to execute the operation. Execution to begin in September 1995

**HUMAN RESOURCES
STAGE II
PROJECTS IN PREPARATION**

PROJECT NAME	PROJECT DESCRIPTION	ESTIMATED COST (US\$ THOUSANDS) POTENTIAL EXECUTING AGENCY AND DONORS	PROJECT STATUS ACTIVITIES PERFORMED
Train human resources for integration	To design a program to train public and private officials in specialized areas of integration management	Amount: US\$500 Executing agency: CABEL Donors: CABEL, IDB, and others	Profile being prepared
Regional human resources strategy in	To produce an inventory of studies already conducted, an analysis of the situation in the sector, a regional action strategy, and the corresponding investment projects with the respective feasibility studies	Amount: US\$950 Executing agency: IDB Donor: European Union	The Bank will present project proposal to the September 1995

**STRENGTHENING FOR ECONOMIC CONVERGENCE
STAGE II
PROJECTS BEING PROCESSED**

PROJECT NAME	PROJECT DESCRIPTION	ESTIMATED COST (US\$ THOUSANDS) POTENTIAL EXECUTING AGENCY AND DONORS	PROJECT STATUS ACTIVITIES PERFORMED
the convergence program	(i) Analysis of readiness criteria for CA; readiness strategy for convergence; (ii) development and application of methods for analyzing the impact of adhering to the different accords by specific sector; (iii) training for public and private trade negotiators; and (iv) proposals for having the CACM adopt the rules of the WTO and NAFTA	Amount: US\$1,400 (preliminary estimate) Executing agencies: FEDEPRICAP and ECLAC Potential donors: MIF/IDB	Profile I being prepared Source of funding to be identified
of macroeconomic policies. Stage II	Support for the design of convergence mechanisms and the program of short-term indicators	Amount: US\$200 Executing agency: CMCA Potential donor: IDB	Profile being prepared
on of regulatory frameworks for public	Support and harmonization of the processing of reforming the regulatory frameworks for public services in CA	Amount: US\$100 Executing agency: IDB Donor: IDB	Profile being prepared
program to support Central American ess	Components: (i) identification and institutional strengthening of centers engaged in research, services, and training for the productive sectors; and (ii) harmonization of standards for metrology, quality, standardization, etc.	Amount: US\$2,950 (preliminary estimate) Executing agency: to be defined Potential regional counterpart: CTCAP Potential donor: MIF/IDB	Profile I being prepared Source of funding to be identified

**EVALUATION AND MODERNIZATION OF THE CENTRAL AMERICAN INSTITUTIONAL SYSTEM
STAGE II
PROJECTS BEING PREPARED**

PROJECT NAME	PROJECT DESCRIPTION	ESTIMATED COST (US\$ THOUSANDS) POTENTIAL EXECUTING AGENCY AND DONORS	PROJECT STATUS ACTIVITIES PER
nd modernization of regional agencies and institutions	(i) Analysis of the region's institutional system; (ii) evaluation of agencies from the standpoint of presidential mandates and new legal frameworks approved; (iii) recommendations to governments; and (iv) institutional support based on government decisions	Amount: US\$2,000 (preliminary) Potential executing agency: CA governments, ECLAC, and URECTOR Donors: 1995 — US\$500 from IDB 1996 — IDB and others	Profile I being prepared Document to be presented the RCG-CA Steering in July 1995. Approved Board of Executive Directors July 1995

**PROGRAM TO SUPPORT THE CONSULTATIVE GROUP ON REGIONAL TECHNICAL
COOPERATION FOR CENTRAL AMERICA (CGRTC-CA) STAGE II**

**MONITORING AND EVALUATION INDICATORS INCLUDED IN THE PROPOSED
TECHNICAL-COOPERATION PROJECT**

Objectives	Indicators	Means of verification	Assumptions
To boost the capacity of the countries of CA to negotiate external technical-cooperation funding to promote closer economic integration, through the use of the economies of scale inherent in a regional approach	<p>Government commitments made and implemented in the form of agreements, resolutions, and regulations on the regional level in areas assigned priority by the Steering Committee</p> <p>Preparation of a strategy to strengthen regional institutions</p> <p>Progress in adopting WTO trade rules</p> <p>Progress in analyzing macroeconomic convergence (fiscal, capital markets, banking services, etc.)</p> <p>Improved infrastructure (e.g. energy, highways, ports, customs)</p>	<p>Documents of regional organizations, executive decisions in ministerial forums</p> <p>In situ project evaluation</p>	<p>Commitment by government authorities to making suitable decisions and coordinating actions at the regional level</p>
<p>To support the countries in preparing regional action strategies and regional profiles and projects in priority areas for presentation at CGRTC-CA meetings</p> <p>Between meetings, provide the necessary followup on each operation</p>	<p>Organization of at least two meetings of the CGRTC-CA during the life of the project. Each meeting will discuss at least two subject areas and their respective strategies, duly approved by the governments, plus a minimum of three profiles per area</p>	<p>Review of the documents of the economic authorities, including approvals of strategies, profiles, and projects</p> <p>Ensure participation in pertinent regional meetings (meetings of presidents, economic authorities, and sector forums)</p> <p>Missions to inspect projects in execution</p> <p>Coordination mission for projects in preparation</p>	<p>Maintenance of political priority</p> <p>Proper coordination among regional authorities, donors, and regional agencies in priority areas</p> <p>Budgetary allocations for CGRTC-CA projects in national investment plans</p>

Objectives	Indicators	Means of verification	Assumptions
<p>1. To coordinate two meetings of the CGRTC-CA</p> <p>2. To follow up on the proposals presented to the CGRTC-CA to obtain financing</p> <p>3. To coordinate supervision of the execution of operations endorsed by the CGRTC-CA</p>	<p>1. Logistical coordination of the first meeting in year one of project execution, with the participation of seven beneficiary governments, 10 international organizations, and 20 delegations from donor countries</p> <p>Logistical coordination of the second meeting in year three of the project, with a similar number of participants</p> <p>2. Provide the necessary followup on each proposal presented at the CGRTC-CA meetings, in keeping with the agenda for each meeting (at least two subject areas and three proposals for each area)</p> <p>3. Coordinate the execution of the proposals endorsed by the CGRTC-CA with regional organizations, governments, donor agencies, and the Bank (at least six)</p>	<p>1. Minutes of the meeting, Bank reports and other documents</p> <p>2. Meetings with financial agencies, beneficiaries, and public officials involved with the areas under consideration</p> <p>3. Coordination meetings, missions to the region, and official Bank communications with the agencies and institutions involved. Signed agreements and other documents describing the execution of operations</p>	<p>The integration agencies have the capacity to bring national authorities into common agreement on strategies for the startup of new regional projects and profiles, with support from the countries</p> <p>The regional agencies have the capacity to convoke the economic authorities to validate the strategies and projects presented to the CGRTC-CA</p>
<p>Preparatory actions prior to the two meetings of the CGRTC-CA</p> <p>Meetings of the Steering Committee</p> <p>Ad-hoc meetings of donors</p>	Budget	Budget performance	<p>Willingness of the European Union to hold the event at its headquarters</p> <p>Cooperation with the Bank's Country Offices and regional agencies in the consultations necessary prior to the meetings</p>

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR A PROGRAM TO
SUPPORT THE ACTIVITIES OF THE CENTRAL AMERICA REGIONAL
TECHNICAL COOPERATION CONSULTATIVE GROUP. SECOND STAGE.

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to take such additional measures as may be pertinent for the execution of the plan of operations referred to in Document AT- with respect to a nonreimbursable technical cooperation for a Program to Support the Activities of the Central America Regional Technical Cooperation Consultative Group. Second Stage.

2. That up to the equivalent of US\$1,120,000 in foreign exchange, is authorized for the purpose of this resolution, chargeable to net income of the Fund for Special Operations.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.