

## **PLAN OF OPERATIONS**

### **PROGRAM TO STRENGTHEN THE DIALOG WITH CENTRAL AMERICAN CONGRESSES**

**(RG-T1107)**

#### **I. EXECUTIVE SUMMARY**

Project Team:	Team Leader, David Tither (INT/RTC); other members: John Ferriter (EXR/PIP); Manuel Agosin (RE2/RE2); Ennio Rodriguez (RE2/OD3); Norelis Betancourt (RES); Fernando Velayos (SDS/SGC), and; Kevin McTigue (LEG/OPR).		
Requester:	Central American Governments		
Executing agency:	The Bank, via its Regional Operations Department 2 (RE2), in close coordination with the Office of the External Relations Advisor (EXR).		
Beneficiaries:	The five Governments of Central America		
Amount and source:	IDB: (FSO net income)	US\$	150,000
	Local:	US\$	0
	Total:	US\$	150,000
Terms:	Execution Period:	6	Months
	Disbursement Period:	9	Months
Objectives:	The objective of the program is to strengthen the dialog and coordination between the executive and legislative branches of the five Central American governments. Additionally, it aims to strengthen the institutional capacity of the various committees of the Central American congresses by fomenting increased awareness of important topics as well as allowing for the interchange of experiences. This will be done through a series of workshops on topics that are key for Central American development. These workshops will particularly emphasize the roles and the interactions of the legislative and executive branches of government – when relevant, those of multilateral development institutions will also be included.		
Special contractual conditions:	None		
Exceptions to Bank policy:	None		
Environmental/ social review:	The program was reviewed by the CESI, which gave its environmental no objection on December 13, 2004, without comment.		

## **II. BACKGROUND AND JUSTIFICATION**

- 2.1 The legislative branch of government--national congresses, assemblies or parliaments--, constitutes a key institution within the political process of a participative democracy, and it is a partner with the executive branch in management of the state's affairs, participating in the social, political and economic processes of the country through the legislative actions it takes. The work of legislatures is highly complex in that, as opposed to the executive branch, it encompasses representatives of different political parties, thoughts and persuasions, making decision-making and the achievement of a consensus difficult.
- 2.2 The analysis of topics that are the object of legislation is usually accomplished through committees specialized the subject matter that coincides with their jurisdiction (e.g., international cooperation; tax and revenue policy; the social sectors). In certain cases, these committees can count on the technical support and advice of a specialized unit that forms part of the organizational structure of the Congress. Nevertheless, in some Central American countries, these units suffer from a lack of specialized technical expertise, or methodological weaknesses, which, added to the lack of modern information management processes, often results in their efforts being diminished.
- 2.3 For countries to be able to make changes or reforms that result in a better level of wellbeing for the country, a constructive, responsible and coordinated contribution from the various branches of the state, especially the legislative and the executive, is needed. Due to the nature of both these branches of government, as well as factors such as the lack of institutional capacity and the low level of state modernization, this collaboration is often neither as routine, timely or efficient as it should be. It should also be noted that, in order to make wise decisions, parliamentarians need to have knowledge of the economic, social and political topics involved. Ideally they should be aware of the mechanics of successful parliamentary/executive collaboration in other countries, be able to discuss such matters with their counterparts in those countries and deepen their knowledge on delicate and complex topics with experts in various areas of legislative jurisdiction.
- 2.4 This technical cooperation aims to address these issues.

## **III. PROGRAM DESCRIPTION**

### **A. Objectives**

- 3.1 The objective of the proposed technical cooperation is to strengthen the dialog and coordination between the executive and legislative branches of the five Central American governments.
- 3.2 Additionally, it aims to strengthen the institutional capacity of the various committees of the Central American congresses through a series of workshops that will foment increased awareness of important topics as well as allow for the interchange of experiences.

### **B. Components**

- 3.3 The program will consist of a series of workshops on topics that are key for Central American development. These workshops will particularly emphasize the roles and the

interactions of the legislative and executive branches of government. Each workshop will consist of an orientation section that is common to them all, and then a section specific to the topic being considered; this structure is described in more detail below. The topics will be presented and facilitated by Bank personnel or by specialists from other appropriate institutions, depending on the topic.

- 3.4 Each workshop will have a duration of no more than two days. The participants will be congresspersons who are intimately involved with the topic being presented and who will generally be members of an appropriate congressional committee. Representatives of the executive branch of government working in a relevant area may also attend. The principal selection criterion will be that the person selected will be able to make a difference and a contribution to change on return to his/her country after the workshop. Details of the selection criteria are given in Annex I.

#### Orientation Section Common to all Workshops

- 3.5 In this section of the workshop, two principal concepts will be transmitted: (i) the role of international finance institutions, in particular the IDB, and; (ii) an overview of development in a subregional, regional and global context- what has been done and the current and future agenda, with an emphasis on the role of the parliaments.
- 3.6 This part of the workshop will provide, amongst other things: a view of the respective roles of the Central American political institutions and the multilateral development agencies in the development of Central America; an overview of the world economy, and Central America's situation within it; the effect of reform policies on the countries' economies, and; the inter-institutional relations between the legislative and executive branches of government (including an inter-regional comparison of techniques for conducting oversight on existing legislation and regulatory codes).
- 3.7 In particular, it will illustrate the role of the multilateral development agencies, with particular reference to the IDB, in the development of the five Central American countries. The cycle of a project, from idea through approval to execution, will be explained, with particular emphasis on the roles of the Congresses and the executive branches of government (approval and legislative ratification of projects).
- 3.8 In addition, this part of the workshop will provide a vision of the experiences gained over the last decade as a result of the implementation of a deep and ambitious set of pro-market reforms in the region, with an emphasis on their results and achievements. Among the particular points to be touched on are the reasons why Latin America has turned against the pro-market reforms of the nineties and the political strategies that governments/congress could adopt when facing public opinion resistance to pro-market reforms.

#### Specific Topics

- 3.9 Among the specific topics that may be presented in these workshops are:
- 3.10 **Financial Sector: Importance, Problems and Challenges.** In certain Central American countries, deficiencies in the financial sector can be observed, among them: much higher interest rates than internationally; elevated intermediation margins; lack of long-term

credit instruments; absence of important market segments (stock and capital risk markets, financing of small and micro-enterprises), and; a limit selection of savings instruments.

- 3.11 According to the 2005 report on the financial sector prepared by the Bank (entitled “Unlocking Credit: The Quest for Deep and Stable Bank Lending”), credit in Latin America is scarce, costly and volatile. These factors also apply to Central America. Using this report as a platform, the abovementioned characteristics of banking credit will be analyzed from three perspectives: 1) The effects of crises, their resolution and prevention; 2) The impact of changes in the structure of the banking sector; and; 3) The role played by the institutions supporting credit markets. In addition, issues such as banking legislation, monetary policy models, and institutional models for crisis prevention will be addressed. Other elements, such as the lack of long-term credit instruments, absence of important market segments (stock and capital risk markets, financing of small and micro-enterprises), and a limited selection of savings instruments will also be discussed.
- 3.12 **Competitiveness.** This module will investigate such issues as: how can Central America compete in a world market; what are the 5 countries’ competitive advantages; what development alternatives are available; what socio-economic model is feasible in the medium term; how can the executive and legislative branches of government work together to improve Central America’s competitiveness. Also in this context, this topic will examine the labor markets in Central America, the problems that the countries face, and the options for improving the performance of these markets. In particular, the workshop will analyze the mechanisms through which the decisions taken by the legislative and executive branches of government impact the functioning of the labor market.
- 3.13 **Social Policy.** This module will examine such social issues as health care, pensions, education reform and programs to combat extreme poverty. Above all, the discussion of these issues will be undertaken in the context of restricted budgets and how the executive and legislative branches can work together to produce the most benefits given those restrictions.
- 3.14 **Fiscal Institutions and the Importance of Fiscal Reform.** Tax burdens in the region are low (9-14 percent of GDP) and, as a result, they need to be brought up at least three percentage points of GDP, not only to ensure fiscal balance but for governments to be able to fund essential expenditures in human development (health, education, sanitation). In addition, expenditures are often inefficient, poorly targeted, and with little accountability. Control of expenditures needs to be improved, not only to make good use of very scarce resources but also as part of a social contract between government and society that would include raising tax revenue. It is expected that RE2’s project on “Building Social Capital through Fiscal Reform” will contribute to developing this module.
- 3.15 In addition, this workshop will study the factors that influence the balance of power of the Legislatures vis-à-vis the Executive in fiscal issues, the main features of fiscal institutions and fiscal policy-making processes and how these things affect fiscal outcomes. Of especial interest is the cyclical character and short-term nature of fiscal expenditures in many Latin American countries. As a part of this component EXR will seek to arrange meetings and exchanges among program participants and the US

Congressional Budget Office (CBO) and Members and staff of the US House and Senate budget, appropriations and tax-writing committees.

- 3.16 **Regional Integration and CAFTA.** Countries in the region are becoming increasingly open to international trade. This will intensify with the approval by legislatures of CAFTA and as the efforts toward regional integration continue to bear fruit. Legislators need to be aware of the importance of international trade and regional integration in an increasingly globalized world economy.

### C. Expected results

- 3.17 At the end of the program, it is expected that up to 95 representatives of the legislative and executive branches of government from the five participating countries will have participated in the workshops. As mentioned in paragraph 3.4 above, the principal selection criterion for attendance at a workshop will be that the person selected will be able to make a difference and a contribution to change on return to his/her country. In this regard, an expected result of the program is improved coordination between the legislative and executive branches of Central American governments.

## IV. COST AND FINANCING

### A. Summary cost table

Description	IDB (FSO)	Total
1. Workshops	123,750	123,750
Participants (95)		
• Airfare (95 @US\$750)	71,250	71,250
• Per-diem (95 x 2 days @ US\$250)	47,500	47,500
Interpretation (2 interpreters x 5 days @US\$500)	5,000	5,000
2. Coordination	20,000	20,000
Consultant (80 days @ US\$250)	20,000	20,000
3. Contingencies	6,250	6,250
<b>TOTAL</b>	<b>150,000</b>	<b>150,000</b>

### B. Description, composition and sources of funding

- 4.2 The contribution of the Bank is estimated to be US\$150,000 from the net income of the Fund for Special Operations (FSO). This contribution will finance: (i) the travel of workshop presenters and participants, and; (ii) the honoraria of a consultant to coordinate the logistics of the workshops.
- 4.3 In terms of in-kind contributions: RE2, in close coordination with EXR, is expected to provide the organization and hosting of the workshops within the Bank; other Bank units will provide staff to develop and deliver the workshop presentations (it is expected that entities external to the Bank, such as US Government agencies, will also provide this service, through arrangement with EXR). Participating governments are expected to arrange social events through their embassies.

## **V. EXECUTING AGENCY AND MECHANISM**

### **D. The executing agency**

- 5.1 The program will be executed directly by the Bank, with RE2 having the technical responsibility and INT/RTC having the basic responsibility. RE2 will coordinate the execution of the program closely with EXR. The Bank is executing as result of a direct request from the countries involved to facilitate the type of workshops mentioned in Section III.

### **E. Executing mechanism**

- 5.2 Workshops will be organized and facilitated by RE2, in close coordination with EXR and the Bank units relevant to the topic to be presented. When desirable, or necessary, they will contact and arrange for the participation of presenters external to the Bank.
- 5.3 Central American government participants will be selected in accordance with the selection criteria and procedures indicated in Annex I.

### **F. Program implementation readiness**

- 5.4 The procedures and criteria for the selection of workshop participants have been developed (see Annex I). Terms of reference for the coordination consultant have also been developed (see Annex II).

### **G. Execution and disbursement schedule**

- 5.5 It is expected that the program will be executed in 6 months, with a disbursement period of 9 months.

### **H. Procurement**

- 5.6 With regards to the contracting of consultants and the procurement of goods and services, the program will follow the policies and procedures of the Bank.

## **VI. MONITORING AND EVALUATION**

- 6.1 A final report will be prepared by RE2, in coordination with EXR, within 30 days after the completion of the program execution. This report will detail the activities undertaken, the results obtained, problems encountered with their solution, and lessons learned from the program. No external evaluation is envisaged.

## **VII. PROGRAM BENEFITS AND RISKS**

### **A. Benefits and beneficiaries**

- 7.1 The principal benefit expected from the program is an improvement in the level of communication and coordination between the legislative and executive branches of Central American governments.
- 7.2 The direct beneficiaries of the program are the representatives of the legislative and executive branches of Central American governments, who attend the workshops and

who, as a result, should benefit from an increased awareness of issues critical for Central American development and their roles in those processes.

**B. Risks**

- 7.3 The main risk relates to the selection of appropriate participants for the workshops. As far as is possible, this risk has been mitigated by the selection criteria and procedures indicated in Annex I.

**VIII. ENVIRONMENTAL AND SOCIAL ASPECTS**

- 8.1 The project will have no direct social or environmental impact. Through an expected improvement in the level of communication and coordination between the legislative and executive branches of Central American governments, and a resulting improvement in the efficiency and efficacy of their operations, an indirect positive socio-environmental impact may be expected.

**IX. APPROVAL**

- 5.1 In accordance with Document CC-5290, approved by the Coordination Committee on August 2, 1995, and the corresponding simplification memorandum ("Simplification of Procedures and Delegation of Authority for Approval of Non-reimbursable Technical Cooperation") of September 12, 1995, I submit for your approval the present operation in the amount of US\$150,000 drawn on the net income of the Fund for Special Operations.

 12/16/04  
Laura Bocalandro, Chief INT/RTC

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Date

Approved by:

  
Nohra Rey de Marulanda, Manager INT

12/16/04  
Date

## **Annex I - Participant Selection Criteria and Procedures**

### **1. Selection Criteria**

To the degree possible, the responsibility for compiling an initial list of candidates from each country should reside with the respective Country Office. In compiling an initial list, the Country Office should assemble as many as 10-15 names, being sure to include representatives from each of the major parties in the parliament--in all cases including at least one representative from the majority party--and without regard to whether those parties are members of any government or opposition coalition. [Please note: This assumes that the total number of legislators finally selected from each country will not exceed five. It would appear advisable to have the "initial" list be large enough to afford the executive branch to express some opinion. This also assumes that each of the legislatures in question is unicameral. If there were both an upper and a lower house, it would be advisable to select roughly the same number of initial candidates from each.]

Another selection criterion is membership on the key committees involved with the work of the IDB and/or with the topics that will be presented - committees with jurisdiction over budget, or finance or international cooperation matters, and always including representatives of any committee or "leadership offices" charged directly with ratifying IDB loan agreements. Other factors include age (a mix of ages is desirable, but with a preference for younger parliamentarians who may enjoy prominence either by virtue of party affiliation, or committee membership); gender diversity; and in countries with significant minority/indigenous populations, ethnic diversity.

Finally, and most importantly, the candidates selected should be in a position to make a difference and a contribution to change on return to his/her country after the workshop.

### **2. Procedures**

Upon approval of the TC Plan of Operations, the Country Office and/or State and Civil Society Division (RE2/SC2) should send a short notification to the ministry serving as the principal IDB contact point in each country, advising them that the Country Office will shortly be sending them a list of candidates for possible participation in this program and further apprising them of the initial criteria above involving diversity among parties, government/opposition and demographics. Country Offices should request that the ministry approve in writing a final list of participants so that RE2, in conjunction with each of the Country Offices, could begin the process of extending invitations, reconciling the legislative calendars in each of the respective countries with the availability of program participants at Bank headquarters and from elsewhere in Washington. Upon the conclusion of the program, INT and/or RE2 should distribute a short evaluation form to program participants for use in the design of any future bank operations in this area.



## **Términos de Referencia - Consultoría**

### **Cooperación Técnica Regional para el fortalecimiento del diálogo con los Congresos de Centroamérica**

#### **Objetivo de la consultoría**

Organizar y facilitar la logística de las actividades de la Cooperación Técnica Regional para el fortalecimiento del diálogo con los Congresos de Centroamérica

#### **Actividades**

- El Consultor estará bajo supervisión de RE2 y trabajará en coordinación con los diferentes departamentos y secciones involucradas en esta cooperación técnica.
- El Consultor organizará la realización de presentaciones con respecto a aspectos generales del Banco.
- El Consultor servirá de enlace para la realización de presentaciones por parte de representantes de instituciones fuera del Banco. También, el Consultor coordinará estas presentaciones.
- El Consultor será la persona de contacto para parlamentarios y/o terceras partes interesadas, proveyendo información acerca de las actividades de la cooperación técnica y como participar en ellas.
- El Consultor se encargará de la preparación, distribución y recopilación de instrumentos de evaluación del programa, una vez concluidas sus actividades. También preparará una síntesis de dichas evaluaciones para el uso del banco durante la consideración de posibles operaciones de este índole.