

**REGIONAL DEVELOPMENT STRATEGY  
STATEMENT**

**RDSS**

**DRAFT**

**Guatemala  
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## I. EXECUTIVE SUMMARY

The Regional Development Strategy Statement has been written within the context of the Economic Assistance Strategy for Central America: 1991-2000. It identifies the outlines of a regional program, a collaborative process for developing and implementing that program, and prescribes a role for ROCAP within that process and program. It suggests that an overarching purpose for USG assistance should be to help Central Americans evolve a new regional community of responsible citizens and governments collaborating for the common good and participating as equals in the world community of nations. We believe fostering the sense and substance of interdependence within the region will serve the U.S. national interest by reinforcing the democratic and pluralist center and discouraging recourse to political and economic extremism.

The ROCAP program will focus on

- **political and economic decentralization**
- **expansion of non-traditional exports**
- **removal of obstacles to free trade within the region and to the world**
- **free flow of capital within and to the region**
- **protection of the environment and promotion of sustainable agriculture**

We will seek a high level of collaboration with the Central American public and private sectors, keeping them in the lead in their development process. We will design and implement our program and activities with the full participation of the bilateral USAID Missions and seek maximum synergism with the programs of the other donors. Finally, as mandated by the C.A. 2000 Strategy, we will act as Executive Secretary to the Central America Steering Committee.

The program described is budgeted at \$125 million over five years.

## II. ROCAP STRATEGIC CONTEXT

### Introduction

*"Dramatic political and economic changes in Central America, and in the world, demand a new US economic assistance policy for the region in the 1990s. For the first time in history, all Central American countries have democratically elected governments. The region's presidents have renewed their commitment to peace and mutual interdependence. Also underway in the region is an economic transformation that has the potential to be as profound as the political transition of the 1980s. It is the kind of transformation that will foster diversified trade and investment, generate employment, and improve prosperity for all."*

New directions are emerging from the political and economic chaos of the 1980s but with expected lags and at an uneven pace.

While all governments are headed by popularly elected presidents, democracy is still fragile. Economic policies to support an outward-looking growth strategy have been approved but the legacy of import substitution strategies remains. Political support for new environmental programs is growing at all levels but natural resource depletion continues. The variations in the pace of change among the Central American countries, as shown in Table I, are of course considerable.

Building the political infrastructure for democratic governments —active and responsible political parties, fiscal reform, decentralization of power—are goals yet to be attained in most countries. The current policy set is still largely inconsistent with a competitive export-led growth strategy. Though the mechanics and management of structural adjustment are now much better understood, broad sweeping economic policy changes are incomplete. Commercial practice and regulations still, for the most

**TABLE I. Performance Related to LAC Bureau Objectives of Central American Countries**

Country	Overall Perform Ranking in LAC	Overall Perform (100%)	Macro Policies (50%)	Social Services (20%)	Environ Mgt (10%)	Dem & HR Commit (20%)
Costa Rica	1	82.9	38.0	16.9	8.0	20.0
Belize	3	77.0	39.5	14.0	5.0	18.5
Panama	4	75.1	39.5	16.6	5.0	14.0
Honduras	7	72.6	34.4	15.7	7.0	15.5
El Salvador	9	70.2	40.7	12.0	5.0	12.5
Guatemala	13	53.9	23.7	11.7	6.0	12.5
Nicaragua	15	49.7	16.0	14.7	5.0	14.0

Source: LAC/DP

part, reflect the paternalist/mercantilist legacy of legislated protection for a small segment of private interests, usually at the expense of consumers, and excessive control by parastatals. Confidence of potential private investors, foreign and domestic, in the ability or political will of the governments to adopt and maintain an appropriate policy mix is understandably weak.

The successes of the later 1980s, flowing from the beginning of the structural adjustment process, are threatened by three overriding factors common throughout Central America. First, many institutions respond to legislative mandates, or to long-standing traditions, that perpetuate old policies and practices designed to promote import substitution and protect powerful political interests. These institutions and regulatory bodies have yet to undergo the radical realignment called for by the political and economic realities of the 1990s.

Second, paternalism permeates all levels of society. The lower levels look to powerful individuals to attend to their economic and political needs. The governments for the most part retain a "commanding heights" mentality of economic management. Although the new generation of public leaders is less likely than its predecessors to distrust the "invisible hand" of Adam Smith, and is more inclined to accept the notion that centralized economic decision-making is either ineffective or too expensive, it remains fearful of the social consequences of over-reliance on market forces. Moreover, for many career bureaucrats, and the customs officials in particular, deregulation threatens power, prestige, and jobs. Nor is there unanimity within the private sector for radical and rapid adoption of free market principles. For the protected industrialist, the new model

threatens competition, layoffs, and accompanying labor strife. Politicians fear political blow-ups.

These fears are not without historical foundation; witness the disturbances in the Dominican Republic and Venezuela as they attempted to initiate open economic systems. But until new political economy models emerge that address satisfactorily these social and growing environmental concerns and the legitimate needs of business, many rearguard actions can be expected.

Holders of economic privilege will see their economic and political positions eroding. Conflicts between "old" and "new" money will retard structural transformation. Labor unions are faced with new "bosses" and governments that, in the future, may not be as compliant in settling management-labor disputes. Unions fear the loss of economic and political power and thus tend to oppose "privatization" of large public sector institutions.

Third, there is the real danger that the retrenchments in public investments in economic infrastructure of the 1980s—particularly transport and energy—and the continued runaway destruction of the region's natural resources will place absolute limits on growth in the later 1990's and thus dissipate the benefits of the painful structural adjustment process now underway.

With these factors in mind, we now examine the present situation and likely future trends in the context of the LAC Strategic Objectives as a prelude to identification of the ROCAP role in USG assistance.

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## **A. Development of Stable Democratic Societies**

The dramatic outcome of the presidential election in Nicaragua and the recent transfer of power in Guatemala from President Cerzo to President Serrano are encouraging indicators that electoral processes per se are becoming institutionalized. The next step will be to ensure that the political parties themselves operate democratically — and respond to the needs of those who put them in power. Stable party structures are not native to Central America, and electoral traditions, with the possible exception of Costa Rica, are young. Parties tend to be shifting coalitions put together for the purpose of winning elections, to the neglect of the formation of a consistent policy consensus. Parties are viewed largely as patronage vehicles, and voter identification is with candidates, not issues. Civic groups tend to follow this "strong leader" bias. Thus the underpinnings of recent electoral successes are fragile. Nevertheless recent successful elections do appear to reflect a trend towards more stable democratic governments.

The tradition of centralized power, usually in the person of the chief executive, is an historical legacy from the Spanish. This was buttressed in the 1960's by international thinking which promoted centralized planning. Legislators are largely viewed as powerless and/or corrupt. Their record over the past few years of democratic resurgence has done little to dispel that impression. In any case, they lack staff and training and have been an ineffective counter to the use of executive power for economic control. Provincial, departmental, and municipal governments are also historically weak and although several of the recently-elected

presidents profess to see the political and economic imperatives of decentralization, they face an uphill battle within the national power structure. Selling the concepts of independent municipal taxing authority and local control of programs and expenditures will be a long, hard battle.

Centralized civilian control over political and economic affairs does not extend to the military and police. The need for greater civilian control and for reduction in force levels is being discussed, albeit quietly and carefully, in the media and political fora but has not yet reached the level of a "public debate". Moreover, political leaders too often still use force to silence opposition and continuing guerrilla actions provide an excuse for the maintenance of high military budgets and force levels. The growing drug threat also cuts both ways, playing to the need for a strong and independent military and police force while simultaneously serving to corrupt and undermine discipline.

Administration of justice, and protection of civil and human rights, are almost daily topics of political and journalistic conversation throughout the region. Public demands for respect of constitutional guarantees are made more openly. Public opinion is generally positive towards honest, efficient legal systems and all countries recognize the concept of civil and human rights and can cite constitutional clauses. Abuses are increasingly met with strong public condemnation and media reporting is generally more aggressive. Much of the media, however, are politically and economically compromised and reportorial staff remain undertrained. Responsible, issue-oriented informative reporting still is the exception to the rule.

Cultural biases against low income and minority groups and women are still strong and there remains a fatalistic acceptance by many that money and political power purchase civil rights. Failures by public prosecutors and the court system to bring known criminals and human rights violators to justice reinforce the widespread lack of faith in the legal system and legal remedies.

Nevertheless, important steps have been taken to strengthen democratic processes and as long as world opinion, an important influence in domestic politics, supports progress and condemns reversals, the trends are expected to continue. Careful policy and programmatic interventions by the Western Democracies can maintain and accelerate progress and, fortunately, such help is usually welcomed by the new generation of C.A. politicians.

## **B. ACHIEVEMENT OF BROAD-BASED, SUSTAINABLE ECONOMIC GROWTH**

Central America has shown some encouraging gains in economic performance. The transformation from the "old model" — traditional agricultural exports and regional import substitution — to the "new" — adoption of more market-oriented and export policies — has begun, although considerable and deep structural change is still required. The popular consensus on the need for an outward looking strategy, is growing and should spur more rapid transformation. Success should breed confidence.

This shift of viewpoint grew throughout the late 1980's and up to the point of the EAI

proposal, which offered an unprecedented opportunity and prospect of change. The governments and private sector organizations have responded positively. However, the offer appears to have induced something like a state of shock. On the one hand the idea of free access to the U.S. — and Mexican — markets seems like the answer to Central America's growth problems. On the other hand, the prospect of massive change, possibly accompanied by political turmoil, economic dislocation, and communal violence may be delaying responsive action.

Central America evidently needs help and encouragement to work its way through the considerable process of adjustment required to take advantage of this historic opportunity for rapid growth and development.

### **Institutionalized, Attitudinal Restraints to Regional Development**

- The public sector's full and open acceptance of free market, export-driven, and more open investment policies has lagged well behind the private sector's. This is most evident among senior and mid-level career staff in economic and planning ministries, trained in the academics of centrally-planned economies, and designers and implementers of the inward-looking, import-substitution, and nationalistic trade and investment policies of the past twenty-five years. Resistance to moving ahead on privatization in the region manifests itself at both the political appointee and senior career staff level the advancement of liberal trade and investment policies, which is almost invariably accompanied by a transfer of operational functions to the

private sector, is perceived as a career and power threat;

- accessibility to credit and working capital has been hampered by a highly conservative banking attitude which is oriented very heavily toward traditional domestic agricultural activities accompanied by insistence on property-based collateral, and not the risk-taking inherent in nontraditional and export-oriented ventures;
- investment reform has been hampered or slowed by concern over encroachment by foreign business interests on national sovereignty. Whether this concern is justified or not, it is pervasively shared by influential elements of both the business and public sectors throughout the region.

### **Regulatory Restraints to Regional Development**

- Strong economic controls remain, notably in the area of exchange convertibility, continuation of price control of politically sensitive consumer commodities and services, direct and indirect subsidies on agriculture, and protection of favored older industries through tax or import actions that comprise subsidies.
- protectionism is a force that continues to express itself within the region in beggar-thy-neighbor bilateral trade restraints or in the continuation of tariff protection in selected tariff categories.
- the regulatory framework for such activities as customs formalities and processes affecting trade transactions, export and import licensing by minis-

tries of economy and finance, border controls, procedures for merchandise and people, all still continue to reflect a protectionist bias through maintenance of archaic forms of registration and juridical norms. These are based upon Napoleonic Code-Roman Law, in which every transaction must be notarized or registered by some legal preeminence and due payment made. In short, the commercial codes of the region must be modernized.

- cross-national, intra-regional flow of equity capital to capital markets is hampered by lack of adequate funding for the regional foreign exchange compensation mechanism.

### **Attention is required at four levels:**

- First, the successful macroeconomic policy shifts that have led the way to increased exports of non-traditional products require "fine tuning" to reduce policy inconsistencies, followed by much more careful attention to lessening the "drag" of traditional regulatory and commercial practices which are still largely in place.
- Second, specific interventions to address the growing needs of the emerging non-traditional export sector, agriculture and light industry, need to be creative and consistent.
- Third, barriers to intra-regional trade and capital and to labor mobility must be reduced or eliminated to foster wise use of the comparative advantage of individual countries as well as of the region.

- Fourth, and fundamental to the achievement of sustainable economic growth, the region must develop and apply technologies that protect the environment, increase productivity and enhance the natural resource base.

### **Fine-Tuning Policy**

The new generation of private sector leaders has been instrumental in obtaining positive changes and there is now a more open dialogue on trade and investment issues. However, lags in rationalizing the regulatory structure restrict the benefit of these policy changes. Unless overridden by strong private support for the new model, continued governmental inaction on regulatory roadblocks will impede export growth and stymie the formation of dynamic capital markets. Similarly, despite over 25 years and many hundred of millions of dollars in funding, the financial sector, public and private alike, remains largely inadequate to the challenge — and the opportunity. The inability to mobilize capital from within the region (or recapture flight capital) and the absence of heavy flows from abroad, could well result in Central America missing the EAI train.

Equally important, the policy changes made to date are incomplete. Policies that stimulate growth may not adequately address social objectives. To achieve genuinely "sustainable" economic growth requires increased attention to the environmental and human cost of the "new" growth machine. Parallel policies to stimulate private, and public oversight of the natural resource base are essential.

### **Non-Traditional Exports**

This changing macroeconomic environment has already produced new and exciting opportunities for non-traditional exports — agricultural and industrial — and market-determined import substitution. Realignment of exchange rates reflecting real economic forces and making imports more expensive and exports more profitable, is the most visible of the new policies. A new group of entrepreneurs, foreign and domestic has emerged, much more ready to exploit new opportunities and new markets. The diversification of markets increases the hope for dynamic new growth in demand and profitability once it is no longer solely dependent on increases in regional incomes. Backward and forward linkages are strong and higher export prices, in domestic currencies, permit the use of modern technologies that are more profitable. As the new policies move into place, joined by companion fiscal policies, state-mandated underpricing of domestic foodstuffs can be phased-out and be replaced by market prices, opening the door for utilization of modern, more productive technologies.

The failure to maintain critical infrastructure — roads, ports, power generation — and to adjust investment in new infrastructure towards international trade, is limiting the gains from the new policy set. Roads have deteriorated, ports are inadequately equipped to handle increased and projected flows of exports and imports, and recent studies forecast a drastic energy shortage in the 1990's.

## Regional Barriers

Trade within the region showed sharp declines in the 1980's. More recently, several governments have taken steps to reduce intra-regional tariffs, often accompanying reduction in tariffs for non-regional trading partners. This trend was threatened when Costa Rica imposed a 10 per cent tariff on regional imports and Guatemala retaliated with a 15 per cent tariff on Costa Rican products. The Costa Rican action was largely rescinded and a trade war is unlikely.<sup>1</sup>

Other regulatory barriers to intraregional trade — customs, special transport regulations, — combine to limit the development of a regional comparative advantage vis-a-vis the rest of the trading world, i.e., where Central American exports are the product of Central American capital, labor, and natural resources and the region captures a large share of the value added of the final exported product.

## Management of Natural Resources

Production growth of the 1970s was, in part, accomplished through consumption of the patrimony of individual countries. This is certainly true of timber-based industries where forest management was the exception and of the livestock industry where conversion of forest to pasture was accomplished with little attention to sustainability.

It is important that both we and the Central Americans realize that nature indeed places limits on the growth path. The use of modern

technologies carries benefits and costs for the environment. Intensive agricultural production which characterizes non-traditional exports, utilizes more labor, and can reduce the pressure to open new lands. But unfortunately, modern technologies in use today also mean greater reliance on chemicals which, if not used properly or used over long periods, will have a detrimental impact on the environment. Likewise, continued production of the same crop, even with small, individual plots, leads to second and third generation production problems, a natural and expected result.

## C. ATTAINMENT OF EFFECTIVE REGIONAL COOPERATION

Central American leadership "rediscovered" regionalism in 1990. Emboldened by their successes in the Esquipulas Peace Process the five Presidents invited President Endara of Panama to meet with them last May in Antigua for the first economic summit to be held in the region in many years. It is significant that the Presidents used a phrase from the Mayan Popol Vuh as a preamble to their Declaration of Antigua:

*"Que todos se levanten, que se llame a todos, que no haya un grupo, ni dos grupos de entre nosotros que se quede atras de los demás"*

This statement echoes both the emotional and historic desire for unity within the region and the sober recognition that past efforts at integration foundered when that

1. This unilateral act reportedly took place with tacit (or explicit) IMF approval. It violated the EC agreements on C.A. Monetary Council operations and highlights the need for closer consultation at the regional level, and scrutiny at the bilateral level.

sense of common destiny and purpose was lost. The Central American people realize perhaps more strongly than ever before that their individual well-being and advancement is inextricably bound to their collective efforts. However, mindful of past failures, they are unsure of their way and therefore are proceeding cautiously.

The Antigua Summit set forth an action agenda - The Plan de Acción Económico para Centroamérica (PAECA) - and charged several ad hoc committees and the "ministros responsables" with developing a program for its execution. A follow-on summit held in Puntarenas in December 1990 further institutionalized the summit process and added to the menu of things to be done. These actions by the Central Americans coincided with a remarkable spate of initiatives by the US and others: the announcement of President Bush's Enterprise for the Americas Initiative and the Partnership for Democracy and Development proposal, President Salinas' offer of a Mexico-Central America free trade zone, the IDB proposal to set up a Regional Consultative Group, the extension of the UN Special Program for Central America and the promise of new EC aid for the region at the next San Jose Accord meeting scheduled in March 1991.

Given this flurry of activity (in only ten months) and the distraction of the Persian Gulf Crisis, it is small wonder that many Central Americans reflect the recent tongue-in-cheek comment of one minister: "I'm so confused". Indeed there is real confusion and, unfortunately little action, on the ambitious agenda set forth in the PAECA. There is a clear desire to get moving (and frustration with the inaction), but the internal and external distractions are also great and very immediate for each of these governments.

The private sector, at once fascinated and mesmerized by the opportunities and the challenges (some say threat) of the free trade proposals, has yet to respond in a concerted fashion.

Finally, most of the public regional institutions so important to past efforts at concerted action also are in disarray and/or disrepair.

The Central Americans are searching for the appropriate fora to promote reintegration/cooperation within the region and are puzzling over how to respond to the external opportunities— separately, in parallel, or together. They have not responded to the CADCC formulation of the Sanford Commission, in part because they don't own the concept and don't think it is workable. They are also somewhat tentative concerning the PDD and the Regional CG which they fear will mean less rather than more bilateral aid. ROCAP has stimulated the private sector through the Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP) to propose a mixed commission concept made up of private sector, government and regional institution representatives to advise the governments and the Presidential summits on the PAECA, the EAI and the several aid coordinative mechanisms. The proposal is "under consideration". In regard to the public sector, ROCAP has and will continue to push the Central American governments to look to their regional public sector institutions, to support those of value, and to dispatch humanely those no longer relevant or viable. For those which fall in the former category we will work directly with the other donors and via the PDD and other consultative mechanisms to obtain funding for critical programs and for the essential core operating costs needed

for financial stability and technical excellence.

The Central Americans' disarray appears to reflect in part their own reading, more or less accurate, of the disarray of the donors themselves. The U.S. is moving ahead to sign bilateral framework agreements on trade, while the Mexicans, at least at this early stage, would seem to prefer to deal with the region as a whole. The Europeans have shown a distinct preference to deal regionally both on trade and aid matters, while the IDB and IBRD, given the state of CABEL, have little alternative to bilateral programs.

We must be patient and supportive of their process as they sort out new patterns of collaboration, and make pragmatic use of those mechanisms that already exist to support the regional dialogue. There already exist an ample number of fora in the areas addressed in the C.A. Strategy and more are coming into existence each month. We can work with these to forge a broader consensus and the sense of interdependence which we and they seek. To do so effectively, however, will mean that we, (ROCAP, bilaterals and LAC/W), must make maximum use of the new coordinative mechanism set forth in the C.A. Strategy to plot a common course and speak consistently with one voice.

### III. STRATEGY DEVELOPMENT

#### Introduction

The unifying theme of the program ROCAP will pursue in the 1990s is the building of a Central American community of responsible citizens and governments collaborating for the common good and participating as equals in the world community. To this end we will promote individual and group involvement in the process of governance and development both at the community level and the national level. At the regional level we will seek an interdependence which can serve to discourage swings to the extremes of economic and political nationalism and reinforce the will to pursue a democratic and pluralist center ground. Consistent with the approved Central America 2000 Strategy, ROCAP will focus on:

- **political and economic decentralization and citizen participation;**
- **diversification and expansion of non-traditional production, removing constraints to intra-regional trade and to full Central American participation in world markets; and**
- **continued support for the Bureau's comprehensive environmental and natural resource effort.**

As Executive Secretariat to the Bureau's Central American Steering Committee mechanism ROCAP will:

- **convene periodic meetings to gauge overall progress against the C.A. 2000 Strategy and coordinate next steps**
- **provide liaison with the Central American governments, regional institutions, private sector and other donors on regional development issues;**

- coordinate the preparation of materials for regional consultative mechanisms such as the PDD and the regional and bilateral Consultative Groups chaired by the IBRD and IDB;
- monitor overall development of the region and, in consultation with US-AIDs, plan and execute overarching evaluations and forward looking research and development projects; and
- as directed, act as a regional service center providing administrative and technical support to the bilateral missions.

The evolution of ROCAP's involvement in Trade and Investment and Democratic Initiatives will be patterned on the approach utilized in the preparation of the Central American E/NR strategy and the supporting RENARM project. The activities outlined below will be developed through a consultative process with Mission staff and management and concerned Bureau backstop offices, vetted formally at both the PID and PP stage and reviewed periodically at meetings of the Central American Steering Committee (CASC) and/or ad hoc meetings as detailed in Section IV. As with RENARM the emphasis will be on support for bilateral programs and dynamic synergism with the regional activities of the Central Americans and the other donors.

ROCAP will seek Mission advice in the development of these mechanisms, to ensure that the services provided are what is needed and that they are compatible with Mission programs. Funding, however, may be an issue. Missions will need to provide buy-ins or direct financing to help fund these services, in addition to whatever funds ROCAP can provide or leverage from other sources, e.g. other donors and central LAC/DI projects.

In this section, under each thematic objective, we have indicated the relevant section of ROCAP's recently completed Action Plan which provides specific reference to proposed ROCAP activities in support of LAC objectives.

## A. REGIONAL DEMOCRATIC INITIATIVES

The ROCAP DI program will focus on helping to forge the tools and techniques Central Americans need to ensure effective participation. The activities proposed are consistent with the approved C. A. 2000 Strategy, and reinforce the Central Americans' own sense of accomplishment gained in the Esquipulas process. ROCAP will help expand the pool of technical talent, a particularly scarce resource in the DI area; promote political and technical networking to help attenuate swings to economic and political extremism; and, finally, provide a layer of political insulation on issues which can be, either for ourselves and/or the Central Americans, "too hot to handle" bilaterally.

Over the next three years, the ROCAP Democratic Initiatives program will be developed to address discrete elements of seven of the ten C.A. 2000 Strategy objectives identified under the Development of Stable Democratic Governments.

We do not propose to work in Administration of Justice, Electoral Process/Institutions, or Civil/Human rights. These fields appear to be well covered between LAC/DI and the Missions and a role for ROCAP is not readily apparent...

It is important to note that while the areas of focus within Democratic Initiatives are

clearly outlined in the C.A. 2000 Strategy, in all but a few cases such as Administration of Justice, we lack a depth of experience on which to draw. This accounts, in part, for the fact that the activities proposed here seem less well-defined than one would expect at the RDSS stage. ROCAP, along with the bilateral Missions, will have to feel its way slowly and carefully in most of the proposed DI areas. We must expect delays, and possibly some false starts. With this in mind, the following is a brief description of how ROCAP proposes to approach its selected Democratic Initiatives activities:

## AREAS OF FOCUS

### Municipal Development/ Decentralization

(AP Table 3; pp. 2-7; 3-2; 3-5)

The C.A. 2000 Strategy notes the general agreement in the region that highly centralized, sometimes corrupt, national bureaucracies actually limit the countries' ability to deliver essential services; and that such bureaucracies are often anti-democratic, preventing citizen participation.

RHUDO/CA has been working with INCAE, with funding from ROCAP, to help create the political consensus and networking needed to start a region-wide municipal development effort. USAID/Honduras is carrying out a Municipal Development project. The El Salvador Mission is providing funds for some local municipal projects. These experiences will be useful in moving to a regional level, but each country will have to have a program custom-tailored to its particular needs and circumstances.

The theory is that political and economic decision-making should be moved as close to the citizenry as possible and feasible to promote democratic participation; and that local financing and management of public services is more likely to keep government honest and responsive. The process of shifting from national to local control will have to take place slowly.

### Possible Activities

- **Training of local government officials in the basics of management and democratic practice and providing them with the financial and human resources, and technical assistance, able to create and operate institutional and physical infrastructure, develop locally owned/operated utilities, and provide for local control and support of social services.**
- **Research, seminars, and technical assistance in examining the constitutional, historical and regulatory factors affecting decentralization. Here again Honduran experience could be used to stimulate debate on issues and legislative tactics.**
- **Existing projects, such as ROCAP'S NRECA/CARES project, can be drawn upon to help municipalities take control of electric power services.**
- **Encourage other donors to channel their assistance to the local level, (eg. the World Bank/UNICEF regional water and sanitation project) to help strengthen municipalities. By drawing on such sources of financing, local governments will have real services to deliver, which, in turn, should increase citizen confidence, and willingness to support local government and pay for services.**
- **Support for the recently formed C.A. Federation of Municipalities.**

## **PLURALISM AND CIVIC PARTICIPATION**

(AP Table 3; pp. 2-8; 3-3; 3-17)

In order to sustain democratic participation a wide variety of interest groups needs to be strengthened or created. Such groups are the medium through which the majority of people will be able to express their will, and pressure government to deliver what they want. A number of different routes will be examined including the introduction into the classroom of relevant curricula and materials in civic theory and practice. Specific issue NGO's could be called on, as well, in public education campaigns around key issues tied to the electoral process. This clearly is also supportive of our Municipal Development concerns.

### **Possible Activities**

- **Technical assistance and training to complement/support bilateral efforts with NGO's, and local civic groups.**
- **Sponsor regional conferences and associations to promote networking, with emphasis on decentralization issues.**
- **Continuation/expansion of INCAE's political leadership course.**
- **Assistance for curriculum development/**

express their needs. This component will be designed to help elected legislators and their professional staffs to develop a more open and responsive environment, where negotiation and compromise, rather than accusation (or violence) moves the legislative agenda forward. Particular emphasis will be on constituent service, response to interest groups, and on developing specialized expertise in drafting legislation. The CA Parliament, to be formed in November, 1991, may prove to be another useful channel for the promotion of improved legislative operations and research on common issues.

### **Possible Activities**

- **A team of experts on various aspects of legislative reform and development**
- **Training for legislators on issues identification/negotiating skills.**
- **Support for the Regional Federation of CA Legislative Clerks.**
- **Encourage ties to US State legislatures, perhaps through Partners of the Americas programs.**
- **Coordination with other donors-notably the EC- in this area, and with the CA Parliament.**
- **The CA Parliament may undertake (with project support) collaborative research on themes of common interest with country legislatures across the**

onstrate to the electorate that they are efficient, honest and responsive - in a way that authoritarian regimes are not - if citizen confidence in pluralist government is to be sustained. Bilateral Missions are already active in efforts to train qualified civil servants, and to strengthen fiscal accountability and investigative functions. The ROCAP contribution here will be to support bilateral efforts, and to work with selected regional institutions to the same ends.

### **Possible Activities**

- **Work with LAC/DI and the Missions to define today's problems and identify courses of action in light of AID'S past experience with public administration.**
- **Make maximum use of resources available in the region (eg. INCAE, ICAP) to provide cross-region TA/training/dialogue opportunities.**
- **Investigate regional CLASP-type effort for public administrators, perhaps in conjunction with the EC.**

## **CIVILIAN CONTROL POLICE/ MILITARY**

(AP Table 3; pp. 3-3; 3-17)

The CA Presidents have set in motion a structured effort to verify, control and limit armaments within the region, with the hope of redirecting those resources to development. The broader issue, however, is civilian control and direction of the military and police establishment. ROCAP can help this process take hold by providing civilian leadership with the information and skills required to assess military and intelligence needs, and thus manage effectively the military budget and size. Members of the military, too, can benefit from training and study

of issues with colleagues and scholars. In fact, the military must be engaged in the dialogue, in order to realize regional goals for disarmament and downsizing of the forces under arms. This collegiality should work to persuade the military that over the longer term it is in their own interests to allow for control by responsible and informed civil authorities, to minimize the potential for fratricidal infighting over promotions and power. An ancillary issue is the large number of private security guards (companies and individuals) which add both to security problems by increasing the number of poorly-controlled arms on the street and serve no useful productive purpose.

### **Possible Activities**

- **Provide consultants, training, special research and fora for regional level dialogue (for political insulation).**
- **Expansion of the LAC/DI-supported American University program.**
- **Send CA civilian scholars to US defense schools.**
- **Study tours of the Congressional Research Service to observe how the US monitors defense budgets/operations.**
- **Examine decentralizing the police function.**

## **FREE AND RESPONSIBLE PRESS**

(AP Table 3; pp. 3-3; 3-17)

Information on the workings of government within the nations of the region is extremely limited, as is high-visibility discussion of critical issues facing the region. This lack of cross-boundary knowledge is a major impediment to the achievement of our goals

both in the Democratic Initiatives and Trade/Investment areas. The FIU journalism program supported by LAC/DI is a step in the right direction, but low levels of literacy mean limited circulation and impact of printed materials. The region's media are generally underdeveloped as well. There is no regional radio or TV network; and national TV coverage is poor (increasingly dominated by foreign programming).

**Possible Activities**

- Investigate avenues for improving region-wide news and information coverage.
- Explore ways to help existing research organizations and opinion-makers to get their products widely distributed and discussed.

**STRENGTHEN POLITICAL LEADERSHIP**

(AP Table 3; pp. 3-2; 3-5)

Political leaders in the region require skill upgrading to effectively address major public policy issues, and in techniques to gauge the social and economic impacts their decisions as government managers will have on society. Practical training is envisaged for political leaders to enable them to acquire the appropriate skill mix to govern responsibly and responsively.

**Possible Activities:**

- Continuation/expansion of political leadership courses.
- Host regional seminars for political leaders to advance networking and exchanges of information on regional themes.

**THE OPERATIONAL PLAN**

In evolving its DI Program, ROCAP will build on the accumulated experience of the bilateral Missions and LAC/DI to develop a portfolio which supports, supplements, and facilitates mutual programming and evaluation of the overall USG effort. We will plan requirement contractors for specialized TA and training. We will maximize use of local talent and expertise, develop regional networks of NGOs and professional associations, and take the lead in organizing research and small-scale R&D on the problems of the next decade.

**FY 1991**

— Recruit our own DI staff of one Senior USDH and 1-2 PSC's.

— With RHUDO, LAC/DI and the US-AIDs, begin the design of a Municipal Development Support Activity.

**FY 1992**

— Develop and authorize contracts for T.A./training and research activities for Legislative Strengthening and Political Leadership training. Explore with leadership of the new Central American Parliament and E.C. areas of mutual interest. Award contract for implementation.

— Consult widely with USAIDs, LAC/DI, others to determine what sort of Regional Honest and Efficient Government, Pluralism, Civic Participation, and Free Press Components should be designed for FY 93 obligation to meet the needs of the 1990's and beyond.

— Explore possibilities for AID's role in "Civilian Control of the Military", e.g. funding regional seminar(s) and selected training in U.S. and elsewhere.

— Authorize the Municipal Development Support component. Award contract for T.A./training, etc.

### **FY 1993**

— Authorize the Civilian Control of Military, Honest, Efficient Government, Pluralism and Civic Participation and Free Press components. Award contract(s) for implementation.

— Award contract(s) to study the role of Central America information/media industry as a contributor to both democratic stability and development information and education. Identify possible activities for future funding under Free and Responsible Press component.

## **B. ACHIEVEMENT OF BROAD-BASED SUSTAINABLE GROWTH**

The C.A. 2000 Strategy proposes a program focus to "stimulate private sector trade and investment through regional and bilateral policies and programs." While ROCAP and the USAIDs have a large number of activities already underway which contribute to this emphasis, we do not have as yet a concerted strategy or program in place. During the course of the next year ROCAP will prepare a new, more comprehensive approach to the regional aspects of trade and investment, building on our experience to

date with our highly successful non-traditional agricultural export PROEXAG activity and our cooperative efforts with FEDEPRICAP. We will emphasize: a strong and informed private sector speaking out on economic, trade and investment policy, research on harmonization of tariff policy and joint action to remove non-tariff barriers. Moreover, we will promote active issue-oriented dialogue between Central American producers and US (and now Mexican) buyers and investors. We design our program and we hope to contribute as we can to the evolution of a unified T&I program for the region similar to that already in place for environment and natural resources.

The ROCAP program will not concentrate on those aspects of macro-economic reform which are best handled bilaterally. Our involvement in the promotion of financial markets and investment will emphasize research and dialogue via private sector organizations and activities which directly support our own non-traditional export program. We will be actively involved in prioritizing the region's physical infrastructure, including energy, but in the context of region-wide cooperation. Our involvement in the social sector will be limited to a responsible phase-out of our support to IN-CAP.

ROCAP has had a key role in raising environmental awareness and promoting sustainable natural resource management in C.A. ROCAP took the lead in developing the Bureau's long-term E/NR strategy. Indeed the strategy approved in February 1989 "...provides the policy framework against which all A.I.D. E/NR activities in the region, AID/W, ROCAP or bilaterally-financed projects will be planned, justified to Congress and implemented." The RENARM project provides major

regional support to the implementation of the strategy.

The economic development component of the ROCAP program is directed toward six of the ten broad based sustainable growth sub-objectives included in the C.A. 2000 strategy, which become the specific ROCAP program objectives. These six sub-objectives are:

- **Trade liberalization.**
- **Strengthened private sector organizations.**
- **Financial sector dynamism.**
- **Institutional infrastructure investment — in human resources, information, and new technologies.**
- **Agriculture and agribusiness growth and market diversification.**
- **Rational management of the environment and natural resources.**

## AREAS OF FOCUS

The first five of these themes have as their common elements a strong emphasis on new and dynamic market-oriented production. We therefore treat them and their underlying rationale together, as follows:

### 1. TRADE AND GROWTH

(AP Table 3; pp. 2-8; 2-9; 3-2; 3-2)

Refinement of the macroeconomic policy set for the "new" model will require continued regional policy dialogue to complement country-specific attempts to harmonize policies and re-think regulations. Intra-regional trade barriers require regional fora to negotiate specific and consistent changes,

tied to a time line, to stimulate an efficient flow of goods and services through the region.

Strong private sector organizations are the key to maintaining political support for the new policy set and for identification of specific regulatory changes. A tiered collection of such organizations—trade groups, chambers of commerce, commodity organizations, producer and service groups—are necessary at the national level. Some means to reflect regional priorities vis-a-vis each national government and the rest of the world in specific areas is required, and is slowly being developed. FEDEPRICAP plays an important role in conveying and explaining to governments the policy and administrative reforms needed under the new model of development; in explaining to members the need for reforms; and providing or stimulating a variety of market and technological information in order to integrate CA businesses with world markets. Other examples where national and regional interests coincide:

- **Regional negotiations with offshore shipping companies to assure reasonable freight rates and availability of ships and containers during peak shipping seasons.**
- **Up-to-date information on changing U.S. pesticide regulations.**

Experience over the past several years in financial market development in Central America suggests that, with time, the existing, strengthened capital markets can be integrated regionally. At the moment, every country, with the exception of Nicaragua, has a working stock market and employs it, albeit thinly, as a vehicle for selected corporate equity transactions. It is widely recognized that these vehicles are too light to attract international risk capital in any vol-

ume. However, if, over time reforms continue in national financial markets, in investment legislation that permits ready capital and profit repatriation, and in harmonizing intra-regional currency exchange regimes, a beginning can be made in attracting international risk capital and in encouraging cross-national Central American stock market transactions. Already a Central American Association of Stock Markets has been formed (January, 1991).

Aggressive private sector actions are the expected result of the new macroeconomic policies. New agribusinesses, especially in the non-traditional export sector, are blossoming. AID has been active throughout the region with successful programs. The combined AID experience over the past five years has also demonstrated the difficulty and complexity of the task. Entrepreneurs have had to learn new ways to do business often in joint ventures with buyers from the US. But more common is that new commercial practices are hindered by old "control" regulations. Building confidence in foreign buyers and foreign consumers is impeded by variations in product quality; contract farmers and packing workers need training. Transport systems were inadequate for high volumes and speedy delivery, and ad hoc improvements now need to be stabilized. Regulatory requirements - health and product quality - of importing nations were unknown to new exporters and attempts to use traditional means to avoid compliance with US regulatory agencies, personal contacts and subterfuge, were rejected. Major changes in pesticide regulations in the US added to the confusion and required concerted programs in Central America to harmonize regulations and advise users on appropriate and safe use.

Under the new model, production of domestic foodstuffs will also undergo structural transformation. More expensive imports open the door for market-determined import substitution and, once price controls are eliminated on domestic goods, adoption of improved technologies will follow where it is profitable. This will create a need for new ways to "produce" the necessary technologies that can profitably take advantage of new markets and, with imports, provide food security for domestic consumers. Second and third generation production problems will require research programs to test (and seek approval) of new pesticides, improved cultural practices, and new varieties.

#### **The ROCAP Program:**

Over the five years of this RDSS, expanded agricultural and light industrial trade will be the primary objectives for ROCAP. The successful PROEXAG model will be continued into the 1990's under an expanded Trade and Investment Program. With an operational focus on facilitating the movement of goods to markets and diversifying market penetration, elements of the program will also support:

- (a) continuing policy dialogue on regional and international trade issues;
- (b) strengthening of private trade and commodity organizations to foster commitment to the new model;
- (c) applied research on production problems, processing, and distribution; and
- (d) capital formation for non-traditional export industries.

Key components of the Trade and Investment Program are underway or beginning to take shape, and their major elements are the following:

- Technical assistance in the placement of products in foreign markets is the mainstay of the PROEXAG project. Following a "deal making" model, (identifying the gaps in the series of actions needed to sell something,) market information is generated and distributed and introductions executed between buyers and sellers.

- Institutional support for regional private sector organizations, FEDEPRICAP, key to influencing trade policy at both the national and regional level.

- Capital mobilization from the Latin American Agribusiness Development (LAAD) generating capital to exporting firms.

- Strong demarches on trade and related investment policy and reforms undertaken by FEDEPRICAP, aimed at strengthening the regional institutional base for the PAECA, at exploiting trade and investment opportunities with Mexico, and incorporating Panama fully into the Central American liberalization process.

- Follow-up to the trade framework agreements by all of Central America, not just Honduras and Costa Rica, in furtherance of the Enterprise of the Americas Initiative. In a parallel area, clearer identification by Central American businessmen of not only regionally-oriented projects involving debt for equity swaps applicable to major commercial projects.

- Strengthening national capital markets by opening the doors to cross-border capital

trading and, as national investment reforms occur, attraction of overseas equity and risk capital directly and through stock markets to non-traditional export activities.

- Multiplicity of new technologies applied in the agricultural, and light industry non-traditional export areas, responsive to international market signals and competitive in terms of price, quality, and timeliness of delivery as the result of regionally-oriented assistance at the production and factory level.

- The new Science for Environmental Protection and Agricultural Growth (SEPAG) project will support expansion of regional cooperation in agricultural research in order to strengthen science-based education and outreach programs to address common constraints throughout Central America. It will link national programs to regional institutions and expand the circle of participants to include private enterprises - business, commodity organizations and quasi-governmental bodies. Research and educational programs will be fostered to maximize the use of scarce scientific personnel and a wide range of outreach mechanisms.

## OPERATIONAL PLAN

ROCAP will fund programs directed at sustainable agriculture and natural resource management, and expanded intra- and extra-regional trade and investment. We will maximize the use of local talent and expertise to develop a coherent program to address regional constraints that require regional solutions.

**FY 1991**

- **Design and Authorize the Export Industry Technology Support Project. Award Contract for Implementation.**
- **Begin design of the Regional Trade and Infrastructure Project.**
- **Recruit additional contract staff for newly created Trade and Investment Office in ROCAP.**
- **Begin design of the Science for Environmental Protection and Agricultural Growth Project.**

**FY 1992**

- **Complete the design and authorize the Regional Trade and Infrastructure Project.**
- **Complete and Authorize the Science for Environmental Protection and Agricultural Growth Project.**
- **Facilitate framework agreements with the U.S. incorporating Panama into elements of a Central American trade framework, beginning with cooperation in the services sector.**
- **Promote integrated Central American action in response to the Enterprise for the Americas Initiative.**

**FY 1993**

- **Facilitate the harmonization of customs and border procedures within the region and smooth operation of national one-stop export documentation centers.**
- **Encourage the compatibility of Central American and Mexican efforts with EAI free trade concepts.**

**2. Rational Management of the Environment and Sustainable Natural Resources**

In Central America, as elsewhere, the successful promotion of a public environmental ethic, the identification and dissemination of the scientific principles which undergird it, and the development and continual refinement of the science-based technologies required to practice it demand, and will produce, broad-based and thorough change. Fundamentally, this is cultural change of the most inclusive and integrated sort, touching on values, education, technology, law, economics, politics, social organization, public and private institutions.

The measure of its success, as well as its most visible impact, will be in the widespread practice of sustainable agriculture, rational management of forestry resources, the preservation of biological diversity through wildlands protection and other means, critical watersheds under permanent, science-based management, and urban pollution reduced to a level consistent with ecological sustainability. None of these changes are purely technological nor will they be the product of purely technological interventions; all are interrelated and each implies the more fundamental cultural change noted above if it is to become a permanent feature of the Central American landscape.

While the approved LAC E/NR Strategy was drafted by ROCAP as the designated lead mission, we did also through close collaboration with the bilateral Missions. The authorization from AID/W mandated yearly meetings with the CA mission directors and

chaired by the AA/LAC to discuss progress measured against the Strategy. We therefore propose that these reviews take place routinely within the CASC system beginning in the April CASC meeting.

### **ROCAP Program:**

The RENARM project is now in the mobilization stage. RENARM continued to evolve (in consultation with the Bilateral Missions) in FY 1991 and will continue through the RDSS time frame. Additionally, a new activity is proposed for FY92 which will complement the Bureau's Objectives under the LAC E/NR Strategy to provide *"education and training, and technology development and dissemination"* required for non-traditional export growth.

Under RENARM we will expand our research and development work in wood utilization, seeking new uses for underutilized species, helping to develop new products and markets, and providing technical assistance and training to the private sector on more efficient and profitable use of lumber by the wood industry. This work will be especially pertinent to reforestation efforts - the private sector won't plant trees if there's no way to turn a profit on them.

The 1991 expansion of the Regional Agricultural Higher Education project, will develop innovative funding mechanisms to help strengthen Zamorano's and EARTH's ability to accept qualified students who might not otherwise be able to afford the costs of the first-rate technical education these schools provide under their respective ecological conditions. The objective, essentially a tuition pay-back arrangement, will help en-

sure that the talent needed, to tackle Central America's challenge of improving productivity in ways consistent with preservation of its environmental integrity. If successful, this should help set the stage for expansion of regional cooperation in scientific education relevant to environmental management.

We will continue to support symposia, workshops, and seminars which address important environmental topics of regional concern such as the recent workshop on U.S. legislation requiring the use of Turtle Excluder Devices in the shrimp export industry and a planned symposium on the role of livestock production within the context of sustainable agricultural production systems.

We will begin shortly to focus special attention on the indigenous groups occupying the especially fragile lowland jungle areas along the eastern side of Central America. This will help ensure that the NGO's and others working in these areas have available to them the information and assistance required to work effectively and successfully with these groups.

Semi-annual RENARM Coordination Meetings will continue to bring together the Central American USAIDs, the international environmental NGOs, CATIE, EARTH, and Zamorano to focus on pressing substantive issues as well as to facilitate regional coordination and information exchange.

In the coming years we will also:

**reinforce, strengthen and expand the reach of the region's environmental news dissemination network, one more step in a necessarily multifaceted effort to get the message out; to develop an informed citizenry on the subject of environment and on its relevance to Central America;**

- help establish a Central American Youth Conservation Corps movement;
- sponsor Masters degree training in the United States for fourteen Central Americans in the field of Environmental Education;
- explore the establishment of a Masters degree program in environmental management at INCAE; and
- foster the creation of a new, private sector, environmental clean-up industry in Central America working in close collaboration with the Central American Commission for the Environment and Development (CCAD) and FEDEPRICAP;

Finally, we are considering a major expansion of RENARM in 1992 or 1993 to address pressing issues in coastal zone management and will explore opportunities for regional approaches to addressing the problem of urban pollution, beyond our presently planned efforts at environmental clean-up, in 1993. The nature and content of the coastal zone program will become more clear in light of the Coastal Zone Resource Management Workshop (scheduled for September 1991), any further studies which may be required, and discussions with bilateral Missions.

In all of these initiatives we are and will be addressing problems which are bigger than ROCAP, and bigger than AID, but which may prove tractable to a coordinated effort. We anticipate continued close participation of the bilateral USAIDs in this effort, either by direct buy-ins, by joint ventures, or simply through operational coordination. None of us has all the answers, but we think that we are beginning to ask the right questions and to undertake the preliminary work which will be required if ultimate solutions are to be found or created.

## Operational Plan

### FY 1991

- Hold two RENARM Coordination Meetings for all C.A. USAIDs, as well as international NGOs, and regional organizations associated with RENARM.
- Sign Grant Agreements with CATIE for the Tree Crop Dissemination program.
- Sign PASA Agreement with EPA (with MOU to be executed between EPA and FDA) for provision of technical assistance services related to pesticide use, primarily with regard to non-traditional export crops.
- Establish a grant agreement for coordination of technical and organizational strengthening activities with indigenous groups.
- Extend PACD of Regional Agricultural Higher Education Project to continue CATIE M.S. program, pending resolution of CATIE's bid for International Agricultural Research Center status, and to develop student loan program with EARTH and Zamorano.
- Execute contract for coordination of Masters-level training of fourteen Central Americans in the U.S. in Environmental Education.
- Extend contract with Zamorano for provision of pesticide management course to numerous target groups throughout C.A.
- Sponsor regional workshop on Coastal Zone Resource Management to help identify possible future activities in this field.

### FY 1992

- Design, in collaboration with the bilateral USAIDs, an Amendment to RENARM to expand support to the region's environmental news coverage,

help establish a Central American Youth Conservation Corps, and foster the development of a new private sector environmental clean-up industry in Central America in collaboration with CCAD and FEDEPRICAP.

- Execute grant agreements for implementation of Amendment activities.
- Undertake further study on needs of the region in the area of Coastal Zone Resource Management for a 1992 or 1993 RENARM Amendment, or include a major coastal zone component in the RENARM Amendment scheduled for 1992. The decision will be made in the light of information available and information gaps identified, as well as the interest of USAIDs, subsequent to the Coastal Zone Workshop cited above.

### FY 1993

- Initiate series of studies concerned with problems of urban pollution and ways to address them. This effort will generate information required to better understand the extent and causes of urban pollution, and to determine what role, if any, ROCAP might play in addressing the problem.

## THE ATTAINMENT OF EFFECTIVE REGIONAL COOPERATION

ROCAP's historical mandate as set forth in the 1965 treaty with the five Central American republics is to: "...maintain liaison with the Central American regional integration entities...in order to assist in the joint effort to achieve economic and social progress through the process of integration."

In the past, heavy emphasis has been placed on working with and through the regional entities. In the decade of the 1990s, our focus

increasingly will be on the content of the integration and cooperation process and less on the integration entities per se.

We do so because we wish to see the Central Americans in the lead and prefer to respond to their pace and, second, because we wish to see an end to the financial and programmatic dependencies these entities now have on US and other donor aid.

## SUPPORT/STRENGTHEN FORA FOR REGIONAL DIALOGUE

As noted earlier, the Central American Presidents have yet to settle on an effective mechanism for overall management of the PAECA and responding to the US and Mexican free trade overtures. The two principal inter-governmental regional institutions which played similar roles in the past, SIECA and CABEL, are moribund and largely discredited and their masters, the Ministers of Economy and the Presidents of the Central Banks, have thus far avoided meaningful action on their reform. On the plus side the past year has seen a very dynamic process of interchange among private and public sector leaders on a wide ranging regional agenda. They have held scores of formal meetings on such topics as:

- financial markets
- municipal government
- regional transport
- regional electrical nets
- tourism
- environment
- arms reductions
- private universities
- government auditors
- women entrepreneurs
- trade

In a parallel fashion we know that key ministers often confer informally on common issues like the oil crisis, privatization and the demands of the donors for reforms. In sum, there is considerable communication at the regional level much of which does not come to our attention and upon which we are not really in a position to opine as to its efficacy. Nevertheless, we believe that dialogue in itself is conducive to our interest and should be supported.

### **ROCAP Role:**

Given the relative lack of movement on the part of officialdom, ROCAP has concentrated on pushing the private sector to speak out on overarching issues, and make their concerns known. We continue to support a FEDEPRICAP proposal to set up a mixed private-public commission to advise the governments and the Presidents themselves on the implementation of the PAECA and steps needed to respond to our own EAI. We will continue support for the Panamanian working group which is examining closer economic ties with the rest of the region. We also intend to collaborate with AID Mexico to promote a Central American-Mexican private sector dialogue on free trade. We support the work of CCAD which was given the lead at Puntarenas in the environmental area and will renew our ties to CORECA. Similarly we propose to work closely with CAEC (Central American Electrical Commission) on rationalizing electrical generation, sharing and conservation. The overall intent is to be opportunistic and to avoid creating dependency.

### **STRENGTHEN REGIONAL INSTITUTIONS AND REDUCE THEIR DEPENDENCE ON A.I.D. RESOURCES**

The research/technical support/educational institutions (INCAP, INCAE, CATIE, etc.) remain in varying degrees dependent on A.I.D. support or program "purchase" of their services. Excessive dependence on AID and other donor resources inhibits institutional maturity, reduces pressures for cost recovery, skews their agenda, and distances them from the governments which should be supporting them.

### **ROCAP's Role:**

We will continue to press both the management of the regional institutions and their public and private "owners", to develop long-term institutional plans consistent with the realities of Central America as it enters the 21st Century. In doing so we have made it clear that AID will no longer subsidize operating costs. For the most part this message is getting across and the institutions realize that they must work hard to develop a broader client base, to sell their services and product both to the C.A. governments and private sector and to the international donor community. For those showing a willingness to change and adapt, ROCAP has provided transition funding and technical assistance. With ICAITI, success is at hand under the REDI project; we are supporting CATIE's bid for international status under the CGIAR mechanism while, with INCAE we are watching and waiting for signs that the C.A. private sector will step forward to take charge of and support its institution.

INCAP is clearly an institution worth the extra work required to break a long history of dependency. The C.A. 2000 Strategy specifically identifies as one of the opportunities for Central Americans to work regionally in carrying out the "Health and Peace for Development and Democracy" declaration adopted in 1990 by the Ministers of Health in the sub-region. INCAP is the key to effectively catalyzing regional collaboration in the health sector based on its 40 years of experience in addressing regional health and nutrition problems and its increasingly strong performance record over the past several years.

The FY 91 INCAP Institutional Strengthening Project is a carefully considered and measured approach to free INCAP of its dependence on A.I.D. funding by building on the Institute's comparative advantages and addressing its weaknesses. It will complete a process now underway with support from the two current ROCAP-supported projects to strengthen INCAP's technical, management and financial capacity.

## **STUDIES AND POLICY DIALOGUE SUPPORTING TRADE LIBERALIZATION**

ROCAP's Economic Research Policy Project and the Private Sector Initiatives Projects support the policy dialogue processes, and to stimulate and encourage searching consensus on the many issues the Central Americans face. Stimulating the convergence of sound economic policies and promoting of a future regional free trade zone continues to be a high priority for ROCAP.

## **ROCAP's Role:**

ROCAP's role in the future will be to: (1) work more closely with bilateral missions; (2) reconfigure ROCAP, in terms of projects and staffing (both direct-hire and contract) to better support this task; and (3) redouble our efforts in this area. In the past we have concentrated on work by SIECA's research unit (CEIE) and INCAE. How we can organize AID's regional policy research and analysis effort will depend on how the governments organize their own coordination/cooperation/negotiation processes. We will use our financing and technical support to help them concentrate on high priority, relevant issues.

## **SUPPORT REGIONAL COOPERATION/ COLLABORATION AT SECTORAL LEVEL**

### **Transport**

Economic infrastructure deficiencies will, as sounder policies take hold, become an increasing constraint on growth and particularly on outward-oriented trade development. While roads, ports, and airports are just adequate for the current level of economic activity, there are increasing shortfalls in their ability to handle the changing and growing mix of trade. Ineffective management of transport and related services continuously frustrates the free flow of commerce within and outside the region.

However, without a concomitant effort to upgrade the physical and institutional infrastructure to accommodate projected trade levels, the system will not be able to carry the required volumes. The highway net, in par-

particular, has deteriorated badly throughout Central America, and rebuilding and upgrading it will require close cooperation. Port facilities are in most cases antiquated and badly in need of renovation. Looked at from the other end of the pipeline, buyers in major markets will, over time, view Central America as an unreliable supplier compared with other areas, and will justifiably make this decision on the basis of failure by exporters to meet the high standards of international commerce, in part a result of increasingly inefficient infrastructure.

From all accounts of users, a major problem also arises from the human side of the equation, not just the physical. Although businessmen are generally not satisfied with the quality and extensiveness of the physical transport infrastructure, their more acute concerns are expressed in terms of human inefficiencies in processing, monitoring, and screening; that is, in the array of judgmental activities performed by public officers that are associated with the movement of merchandise across borders.

### **ROCAP's Role:**

Continue to work closely with the private sector regional organizations in identifying major transport obstacles and coordinating efforts to solve them. FEDEPRICAP already works closely and continuously with national and regional committees and autonomous entities responsible for highway, maritime, air, and rail transport policy and programs to provide insights from business as to needs and solutions.

Over the course of the RDSS, ROCAP will work with regional public agencies to provide

needed management, technical and institutional assistance.

We will also look for opportunities to support "privatizing" management of ports and airports and rationalizing the region's redundant and inadequate air cargo capacity. As part of our Secretariat function we will work with the bilateral missions to identify key infrastructure issues and priorities for the PDD, the U.S. Executive Directors at the IDB and IBRD, and for possible funding under the EAI Fund in order that the heavy investment in physical infrastructure which will take place in the 1990s will make regional sense.

## **ENERGY**

ROCAP has been involved with several aspects of the problem for over five years. The firewood issue has been addressed under CATIE's Madelena project and will be continued under RENARM. The Central American Energy Resources (Los Alamos) project looked at alternatives, principally geothermal, while the on-going CARES (NRECA) activity looks at aspects of electrical conservation. In 1990, concerned with the deteriorating electric power situation in the region ROCAP and the Science and Technology Bureau's Office of Energy commissioned a study by Hagler-Bailly. The study confirms the approach of an electrical power crisis. Two countries — Nicaragua and Panama — are already in an excess demand situation. The others have one to three years before they also begin experiencing chronic shortfalls. Lead time for putting new capacity on line is in excess of three years and few projects are even at the planning stage. Fortunately, there is a growing awareness that existing capacity can be more efficiently utilized

through inter-country power-sharing and purchase arrangements, better demand management and other conservation measures, with the active participation and leadership of business and industry. However, the private sector is only now becoming involved in the development of national or regional energy policy, and in the generation of electric power. The principal issue in developing solutions is whether governments will have the political will to make essential policy and pricing changes, and permit the private sector to become more actively engaged.

Other international donors, e.g. the IDB, World Bank and EC, are committed to major financial investments (of \$1 billion plus) in electric power infrastructure over the next decade. ROCAP's work in T.A., training, policy formulation, etc. will be coordinated with, and complement, those infrastructure investments. It is more appropriate to offer this assistance on a regional than bilateral basis, because the problems are common to all C.A. countries. Thus, economies of scale can be realized, and better regional cooperation can be achieved through regional services.

The UNDP has estimated the region's electric power investment needs (to meet rising demand) at \$10 billion over the next 10 years. Our Missions in Honduras and Panama are not yet involved in the power sector. In the case of Panama, the problem is the two-year limitation on the AID program. The GOP itself has identified power shortages as a major block to economic growth. Honduras is still getting by with the El Cajón dam, but in just three more years, Honduras will need all of El Cajón's generating capacity (and will no longer be able to sell power to neighboring countries). In addition to their own pro-

grams, all C.A. Missions are participating in/receiving services from the ROCAP-funded Rural Electrification project. The combined AID-other donor investments together will not come close to meeting the need. Therefore, the kind of assistance in efficiency and conservation measures to be offered by ROCAP will be crucial to help bridge the gap between need (driven by economic and population growth) and supply (constrained by funds, policies and outmoded technology).

### ROCAP Program

ROCAP is proposing a new Energy project for FY 92, which will work with all the countries of the region to achieve more efficient utilization of existing electric generating capacity, demand management/control, policy and pricing reform, private sector construction of new electric generating capacity, and optimization of regional electric grid operations. The TA and training services to be provided under the new project will complement, and be closely coordinated with, major new energy infrastructure investments in the region planned by other donors (IBRD, the EC).

Whereas we think we have the fuelwood and electric energy issues reasonably well defined and covered, we agree with a recent LAC/Washington suggestion to do a regional Energy Strategy. Such a Strategy is needed to bring together all the issues around CA's energy situation, and identify which players are to do what among the broad array of possible interventions. The Strategy is also needed to respond more directly and precisely to the Agency's Congressional directives on Energy and Global Warming. In our judgement, however, the

electric energy situation is so urgent for the CA region that we plan to go ahead with design of our new FY 92 project without waiting for the Strategy to be completed. We do plan, however, to go ahead with the strategy using project funding.

### Priority Areas For Action:

There are eight major areas where ROCAP, in cooperation with the USAID bilateral missions, will help address the region's energy problems, six in electric power, and two in fuelwood:

#### ELECTRIC POWER:

- **Financial and Least-cost Planning:** To develop sound national energy policies integrated with economic policies leading to the financial recovery of the sector.
- **Demand Side Management and Conservation:** To restrain growth in energy demand and consumption; and make utilization more efficient.
- **Private Sector Participation:** To make independent producers the primary source for development of new energy supplies.

- **Resources Development:** To evaluate indigenous energy resources (oil, gas, hydro, solar, wind, and geothermal), and plan for their development.
- **Rural Electrification:** To strengthen the institutional and technical base for improved electrification programs (primarily rural) in the national utility companies.
- **Interconnection Optimization:** To maximize cost/benefit and efficiencies in pooling the region's electric power capacity.

#### FUELWOOD:

- **Watershed Management and River Basin Development:** To assist in the improvement of land use and water resources in those critical upland watersheds which are of high priority because of their downstream impacts on infrastructure (e.g. electrical systems), water supply, and coastal areas (through RENARM).
- **Production from Natural Forests:** To assist in the management of selected areas of existing natural forest with high productive potential, for the sustainable production of forest products (e.g. fuelwood), water and other environmental benefits (through RENARM).

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1/ Under the Central American Rural Electrification Support Project, NRECA is presently collaborating with the IDB in the development of a 15 MW hydroelectric project for a consortium of electric cooperatives (CONELECTRICAS) in Costa Rica. Under this arrangement, NRECA is providing technical assistance and training and the IDB will provide the project funding through a \$15 million private sector loan program.

## IV. MANAGEMENT AND RESOURCES

### ROCAP PRIORITIES AND FUNDING

**ROCAP STRATEGIC OBJECTIVE PRIORITIES ARE ORDERED AS FOLLOWS: (5-year cumulative totals in millions of dollars)**

#### SUSTAINABLE GROWTH

A. STABLE DEMOCRATIC SOCIETIES	\$10 — \$15
B. BROAD-BASED SUSTAINABLE ECONOMIC GROWTH	
TRADE AND INVESTMENT...	\$33 — \$40
SUSTAINABLE AGRICULTURE/ EDUCATION/TECHNOLOGY	\$10 — \$15
ENVIRONMENT AND NATURAL RESOURCES	\$62 — \$70
C. EFFECTIVE REGIONAL COOPERATION	\$10 — \$10
TOTAL	\$125 - \$150

The above table shows a \$25 to \$30 million annual obligation level. At a \$20 million level, the pace of RENARM activities would be put on a slower track. If funding were reduced to the \$15 million annual level, we would be unable to undertake planned activities in sustainable agriculture education and technology dissemination. Below this level we would successively cut energy, transportation, and the public administration support, and other remaining DI activities.

## The Roles of ROCAP

- Executive Secretariat
  - Liaison
    - Coordinator
      - Program Implementation
      - Service and Support

### Executive Secretariat:

The LAC Strategy established a new management oversight structure to enhance coordination and more effectively integrate bilateral and regional AID programming in Central America. The "Central America Steering committee" (CASC) composed of the Directors of the six bilateral missions, ROCAP, and chaired by the AA/LAC will meet semi-annually to review overall priorities and assess progress against C.A. Strategy and LAC objectives, and prepare inputs to the PDD, Regional Consultative Group and other fora in which regional issues are addressed. ROCAP will serve as the Executive Secretariat to the CASC and be responsible for coordinating agenda items, venue and providing staff support.

The Deputy Mission Directors, with appropriate LAC/W representation, will meet off-cycle to the CASC to effect operational coordination, plan joint studies and evaluations, discuss RDSS and Action Plan updates and follow-up on decisions made at the CASC. Similarly, the existing practice of annual meetings of functional specialists (health and family planning officers, economic officers, private sector/TI officers, DI specialists, education and RENARM) will be continued with their meetings specifically designed to measure progress and problems against the goals and objectives of the C.A. 2000 Strategy.

### Liaison:

The advent of the PDD and the EAI codify the changing nature of our relationship to the Western Hemisphere and most specifically to the way AID will conduct its business in Central America. AID will make greater use of its long experience in the region and still significant on-the-ground presence to play a supportive role to the new generation of Central American leaders as they chart their own destiny, seek to attract new investment, and open new markets. It will be critically important that we use our shrinking resources to catalyze increased aid from other sources. In addition to pulling together AID position papers for the PDD and Regional CG, ROCAP will also step up its efforts with the IFIs, the EC and other donors, many of which prefer to work at the regional level.

### Trade and Investment:

The Central American Presidents at their Antigua Summit called for a new intra-regional trade regime under a C.A. Economic Union. In their Puntarenas Declaration they warmly endorsed President Bush's Enterprise Initiative for the Americas. The challenge for the Central America leadership is to progress toward the former objective in a manner congruent with attainment of the other. The challenge for AID will be interrelating with the Central Americans, other donors, and the business and investment community based on the same data and consistently pursuing the same ends but perhaps at a varying pace. ROCAP will work with the USAIDs and AID/W to:

- develop a common methodology for examining the policies , practices,

legal, financial and infrastructure impediments to external and regional trade.

- coordinate needed analysis to be done internally by AID and interface with the Central American institutions involved in such analysis, including financing such work as appropriate.
- promote exchange of information and analysis at the technical level to the end that it is incorporated into the decision process at the Presidential level.
- develop a follow-up system to ensure that once the Presidents make key decisions they are in fact acted upon at the country and regional level and appropriately supported by AID in concert with the IFIs and other donors including guidance for use in the PDD, Regional CG and other relevant fora.
- ROCAP will also provide limited funding for pre-feasibility studies and pilot projects designed to trigger major infrastructure financing.

#### **Executor of Programs and Projects:**

ROCAP's projects are, and will continue to be designed to support achievement of the overall LAC/CA strategy and program and, in all but exceptional cases, provide specialized support to the bilateral missions. This is presently true of the RENARM and PROEX-AG activities and will be true of planned projects in support of the EAI, Energy and DI objectives. Regional institutions will be utilized to achieve finite ends and deliver specific products, as contractors and grantees as appropriate, but always in a manner to eliminate the state of dependency which now exists. The possibility exists, however, that the USG, functioning through the Steering Committee, may wish to provide financial support for C.A. organizations (new or exist-

ing) which are critical to the effective operation of the PDD or to negotiation with the USG to implement the EAI. ROCAP would hope that any such arrangements could be kept limited and ad hoc in nature.

#### **Service and Support:**

There are several levels of service and support which may be appropriate under the new corporate structure for C.A. ROCAP currently houses the Regional Commodity Management Officer and the Regional Environmental Officer, the latter located in San Jose. Further centralization, probably through attrition, may be required and desirable over the next two years, both to cut costs and personnel, by moving the RLAs and RCOs. Similarly we propose folding the present RHUDO staff into ROCAP to support the planned DI municipal development/decentralization activities.

There are two additional functions which fall into this category. One, a sub-set of the Secretariat function, is a collaborative effort with the USAIDs to gauge the progress the region as a whole is making, refining the broad indices we have established in the CA 2000 Strategy, and developing a common approach to data gathering and compilation and preparing the requisite reports for the Congress and the public. For example, as requested by the Bilateral Missions, ROCAP has contacted a firm under the RENARM project to employ a programmatic approach to monitor and evaluate not only the RENARM project but the entire LAC E/NR Strategy as a whole. We propose to employ a similar approach in both the DI and TI programs.

Over time we would hope to involve the host governments in this effort, thus hope-

fully improving their ability to make the case that government of and by the people really pays off for all the people. Finally, ROCAP requests the charter to do forward looking analysis and planning on ways the Central Americans can cope with perhaps the greatest challenge of the 1990s—the region's rapid urbanization. Specifically, we would like to design a R&D agenda for the agency which looks at the challenge and opportunity for the non-governmental and private sector to provide health and education services to the 40 million plus Central Americans that will inhabit this isthmus by the year 2000.

### **Mission Organization:**

An internal reorganization process within the Mission during the months of December and January was completed in February and the requisite documentation for AID/W approval has been prepared and submitted. Briefly, two new offices are to be created to give organizational recognition to the new role ROCAP will play in support of the Trade and Investment and Democratic Initiatives components of the new C.A. Strategy. We have asked that these positions be established at the FE-OC level in recognition of the level of contact they will be expected to have within the region and the leadership/liaison role they will have in relation to the other donors and our embassies, and other USG agencies which will have a part in making these new initiatives a reality. The General Development Office which has handled the bulk of projects with the regional institutions is being phased out as those activities reach their end. The two USDH slots will be used to cover the new T&I and DI team leaders. The Program and Project Development Offices are being merged into a new entity Program Development, Support and Coordination which, in addition to the normal

program and project development function, will also support the Executive Secretariat role referred to above.

### **Mission Staffing:**

ROCAP presently has 11 USDH positions which includes the Regional Commodity Management Officer and one part-time resident hire. The part-time position is being eliminated. One additional USDH slot is absolutely necessary. A Senior Regional Economist must be designated to work with the bilateral USAID and Embassy economists to identify the economic policy agenda for our mutual effort to help the region harmonize trade and investment policy, interface with the other donors, EC and the international financing institutions on these issues, and supervise ROCAP's program activities aimed at gauging the overall state of development of the region. Given the level of contact required and the sensitivity of the subject matter this must be filled by a senior USG employee. If an increased ceiling cannot be provided then ROCAP will have no choice but to abolish the RCMO slot on the departure of the incumbent. This will be a serious loss to the bilateral missions who depend heavily on this position during project design and implementation and who has made a real contribution to ensuring that the commodities AID finances are not only appropriate but used appropriately.

ROCAP is making and will continue to make, heavy use of Central American talent in both program design and implementation. Our RENARM project alone has four professional level Central American and TCNs onboard, financed under program funds, and we are following a similar path in the other projects we are designing.

## **Annex I**

# **ROCAP PROGRAM PERFORMANCE 1991-2000**

## **Indicators**

During the development of the E/NR Strategy and RENARM project ROCAP was asked to employ a contractor to develop the overall indices to be used in evaluating the impact of the E/NR program, carry out evaluations and studies against those indices and to help the individual USAIDs monitor performance of their portions of the overall effort. That contractor is now on board and beginning work. ROCAP proposes to employ a similar approach for the Democratic Initiatives and Trade and Investment portions of its portfolio and if the Bureau so desires will extend the coverage to the bilateral programs. Such a procedure would allow development of yearly evaluation plans in collaboration with USAID and LAC/W staff and discussions of findings at the periodic meetings of the CASC. An illustrative grouping of indicators by LAC objective is provided below. However, over the course of the RDSS timeframe, these indicators will be adjusted and additional ones added, to provide a more realistic picture for evaluating our programs.

## **OBJECTIVE I: DEVELOPMENT OF STABLE DEMOCRATIC SOCIETIES**

### **Performance Indicators**

- 1.5a Three national decentralization policies in effect by 1996.**
- 1.5b Three national decentralization/municipal development plans approved by 1999.**
- 1.9 36 leadership training courses completed by 1992.**

## **OBJECTIVE II: ACHIEVEMENT OF BROAD-BASED, SUSTAINABLE ECONOMIC GROWTH.**

### **Performance Indicators**

- 1.1.a -32 analytical studies completed and 8 seminars held by 1993.**
- 1.1.b -Private sector actively represented in formulation of integration approaches by 1992; Private sector monitoring relevant legislation by 1992.**
- 11.2 -Double non-traditional exports to the U.S. to US\$3 billion; double number of exporters; double number of export products; increase number of import countries by 8 by 1996.**
- 1.4 -20 non-CA foreign investors in national stock markets at over US\$ 500,000 by 1993; Cross-national trading begun by 1993.**
- 11.5a -Policy constraints identified and analyzed by 1992. 3 constraints mitigated by 1996.**
- 11.5b -Technology improved at 50 agricultural businesses by 1996.**
- 11.5c -150 new agribusinesses; 300 new agricultural exporters; 100% increase in NTAE agricultural export earnings as a partial result of ROCAP-funded projects by 1996.**
- 11.6 -20 infrastructural constraints to exporters identified and analyzed; CA-wide sustainable agricultural and light industrial market information systems and networks established; 200 companies and 5000 business persons trained; and 1000 technical interventions developed or disseminated as a result of ROCAP-funded projects by 1996. Private sector investment in export businesses increased by 100% by 1996.**
- 11.10 -Environmental degradation viewed as the major public policy issue by 1996; major increase in areas of particular ecological significance set aside for preservation and under effective management, including a regional, environmentally integrated series of parks and reserves established by 1995; Regionwide, reduced net rate of deforestation, per hectare reduction in pesticide use, and increase in percentage of total land area managed in accordance with its land use capability by 2000.**

## **OBJECTIVE III: ATTAINMENT OF EFFECTIVE REGIONAL COOPERATION.**

### **Performance Indicators**

- III.1 Joint public/private sector fora increase by 50%; international fora at ministerial level or above increase by 25%; and at least one policy change in each C.A. country resulting from ROCAP-supported forum by 1995.**
- III.2a INCAP still financially sustainable without AID core funding support in 1998.**
- III.2b CATIE still financially sustainable without AID core funding support in 1996.**
- III.3 Five major trade liberalization studies per year completed and distributed to key players through 1996.**
- III.4a 50 key infrastructural improvements identified by 1993. 5 technical/cost analyses completed by 1995. 15 funding sources identified by 1997.**
- III.4b Rural Electrification decentralization in 4 countries; 2 locally managed RE systems; laws in 2 countries allowing private RE generation, transmission & distribution; 4 operational cogeneration schemes; 15% drop in inflation-adjusted construction cost of 10 RE systems; standards adopted in 4 countries; an increase of 200 rural businesses using electric power.**
- III.4d Environment/Natural Resource Management laws and regulations promulgated in all CA countries by 1995.**

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## LIST OF ACRONYMS

AA/LAC:	Assistant Administrator/Latin America and the Caribbean Bureau
AID/W:	Agency for International Development/Washington, D.C.
AID:	Agency for International Development
AP:	Action Plan
CA:	Central America
CABEL:	Central American Bank for Economic Integration
CAEC:	Central American Electrical Commission
CARES/NRECA:	Central America Rural electrification Support Project/National Rural Electric Cooperative Association
CASC:	Central American Steering Committee
CATIE:	Tropical Agriculture Research and Training Center
CCACD/CADCC:	Central American Development Coordination Council
CCAD:	The Central American Commission for the Environment and Development
CEIE:	Center for Economic Studies and Research
CG:	Regional Consultative Group
CGIAR:	Consultative Group for International Agriculture Research
CLASP:	The Caribbean and Latin American Scholarships Program
CONELECTRICAS:	Consortium of Electric Cooperatives in Costa Rica
CORECA:	The Council of Agriculture Ministers
DI:	Democratic Initiatives
E/NR:	Environmental and Natural Resources
EAI:	Enterprise for the Americas Initiative
EARTH:	The Agricultural College of the Humid Tropic Region
EC:	European Community
EPA:	Environmental Protection Agency
FDA:	Food and Drug Administration
FEDEPRICAP:	Federation of Private Sector Entities of Central America and Panama
FIU:	Florida International University
FY:	Fiscal Year
GOP:	Government of Panama
IBRD:	World Bank
ICAITI:	Central American Institute for Research and Industrial Technology
ICAP:	Central American Institute of Public Administration
IDB:	Interamerican Development Bank
IFI:	International Financial Institutions
IMF:	International Monetary Fund
INCAE:	Central American Institute for Business Administration

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<b>INCAP:</b>	<b>Institute of Nutrition of Central America and Panama</b>
<b>LAAD:</b>	<b>Latin American Agribusiness Development</b>
<b>LAC/DP:</b>	<b>Latin America and the Caribbean Development Programs</b>
<b>LAC Bureau:</b>	<b>Latin America and the Caribbean Bureau</b>
<b>MOU:</b>	<b>Memorandum of Understanding</b>
<b>NGO:</b>	<b>Non-governmental Organization</b>
<b>OE:</b>	<b>Operating Expenses</b>
<b>PACD:</b>	<b>Project Assistance Completion Date</b>
<b>PAECA:</b>	<b>Central American Economic Action Program</b>
<b>PASA:</b>	<b>Participating Agency Service Agreement</b>
<b>PDD:</b>	<b>Partnership for Democracy and Development</b>
<b>PID:</b>	<b>Project Identification Document</b>
<b>PP:</b>	<b>Project Paper</b>
<b>Proexag:</b>	<b>Non-Traditional Agriculture Export Support Project</b>
<b>PSC:</b>	<b>Personal Services Contract</b>
<b>Puntarenas:</b>	<b>Presidential Conference in Puntarenas, Costa Rica</b>
<b>R&amp;D:</b>	<b>Research and Development</b>
<b>RCMO:</b>	<b>Regional Commodity Management Officer</b>
<b>RCO:</b>	<b>Regional Contracting Officer</b>
<b>RDI:</b>	<b>Regional Democratic Initiatives Project</b>
<b>RDSS:</b>	<b>Regional Development Strategy Statement</b>
<b>REDI:</b>	<b>Resources for Industrial Development Project</b>
<b>RENARM:</b>	<b>Regional Environmental and Natural Resources Management Project</b>
<b>RHUDO:</b>	<b>Rural Housing and Urban Development Office</b>
<b>RLA:</b>	<b>Regional Legal Advisor</b>
<b>ROCAP:</b>	<b>Regional Office for Central America and Panama</b>
<b>RTAC:</b>	<b>Regional Technical Aids Center</b>
<b>SEPAG:</b>	<b>Science for Environmental Protection and Agricultural Growth Project</b>
<b>SIECA:</b>	<b>Secretariat for Central American Economic Integration</b>
<b>T&amp;I:</b>	<b>Trade and Investment</b>
<b>TA:</b>	<b>Technical Assistance</b>
<b>TCN:</b>	<b>Third Country National</b>
<b>UN:</b>	<b>United Nations</b>
<b>UNDP:</b>	<b>United Nations Development Program</b>
<b>UNICEF:</b>	<b>United Nations Children Fund</b>
<b>USAID:</b>	<b>United States Agency for International Development</b>
<b>USDH:</b>	<b>United States Direct Hire</b>
<b>USG:</b>	<b>United States Government</b>
<b>Zamorano:</b>	<b>Pan American Agricultural School</b>

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