

Central America

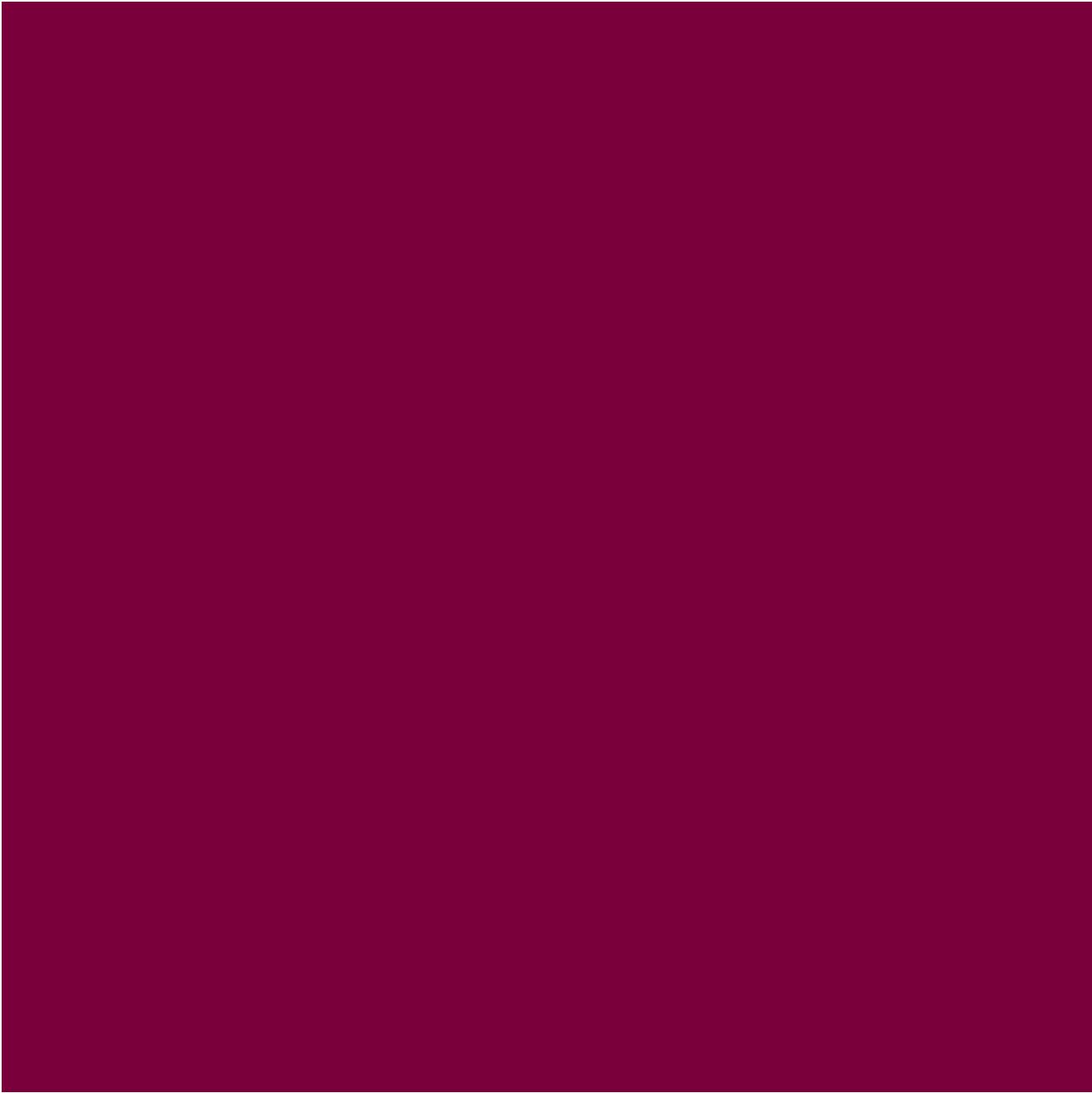


Table of Contents

1. Introduction.....	3
2. Selected Tendencies in Regional Development.....	4
2.1 Economic Development: Increasing Growth but what Kind?.....	4
2.2 Regional Integration: A Brief Balance of Developments 2002–2007	10
2.3 Challenges for an Association Agreement with the EU	14
2.4 Citizen Insecurity, Impunity and Politics.....	18
3. Facts and Policies Concerning Swedish Regional Cooperation in Central America.....	24
3.1 Background	24
3.2 Sector Composition and Performance	24
3.3 Looking Ahead	25
4. Thematic Regional Programs	28
4.1 Natural Resources and the Environment.....	28
4.2 Health Sector.....	32
4.3 Cultural Program.....	34
4.4 Research Cooperation.....	36
5. Other Regional Contributions	38
5.1 Democracy and Human Rights	38
5.2 Peace and Security	41
5.3 Housing Finance and other Urban Issues	42
5.4 Regional International Training Programs.....	43
6. Statistical Appendix.....	46

Published by Sida 2007

Department for Latin America

Author: Embassy of Sweden in Guatemala

Printed by Edita Communication, 2007

Art. no.: SIDA37695en

This publication can be downloaded/ordered from www.sida.se/publications

1. Introduction

This is the fifth issue of Sida's annual report on Swedish bilateral development cooperation of a regional character in Central America. The purpose is threefold:

- (a) to provide some reflections concerning selected development tendencies of relevance within the region;
- (b) to provide a global overview concerning all major, existing, Sida-funded regional contributions in the region and briefly describe their progress;
- (c) to stimulate discussion within Sida concerning its regional vision for the future and how regional funds should best be allocated.

The Annual Regional Report is aimed not only at staff within Swedish institutions and organizations dedicated to development cooperation, but should also hopefully be informative for a broader Swedish public as well as for cooperation partners, civil society and the international community in Central America.

The elaboration of the report is coordinated by the Swedish Embassy in Guatemala, who compiles inputs from Sida's various divisions (in Stockholm and abroad) and includes an original contribution concerning selected tendencies in regional development.

The time period covered in the first chapter, on tendencies in regional development, is updated to April 2007; whereas the following sections cover 2006 only.

Comments and suggestions on this and future regional reports are welcome. Please feel free to make contact using the e-mail address given below. Preferred languages are English, Spanish and Swedish.

Mail us at:

ambassaden.guatemala@foreign.ministry.se

2. Selected Tendencies in Regional Development

2.1 Economic Development: Increasing Growth but what Kind?

2.1.1 General Indicators¹

Spurred by the favorable global and Latin American economic context, the macro-economic performance of the Central American countries in 2006 was no doubt positive, with GDP growth ranging between 3.7 (Nicaragua) and 6.8 percent (Costa Rica), arriving at a regional average of almost 5 percent. For all countries except Nicaragua these figures were the best achieved in many years – for El Salvador it was the highest figure since 1997 and for Guatemala since 1998.²

Furthermore, inflation showed a slight downward tendency, ranging from some 9 percent (Costa Rica and Nicaragua) to about 4 percent (El Salvador, Guatemala), with a regional mean of only slightly more than 6 percent.³

Despite this rather substantial increase in national growth rates it should be noted, however, that Central America as a region continued to lag behind in economic performance, not only compared to the rest of Latin America but also (actually even more so) in relationship to developing countries world-wide.

Overall national growth rates in different groups of countries, 2006

Country category	Central America (the traditional bloc of 5 countries, CA5) ¹	Latin America (19 countries, not including the Caribbean)	Developing countries worldwide (not including transition economies)
GDP real growth in 2006	4.9%	5.7%	6.5%

Concerning overall poverty rates and the conditions for poor people in Central America, the final impact of these seemingly high growth figures – taking annual population growth and the extremely uneven distribution of income and economic assets into account – is likely to have been in the range of zero to only modestly positive.

In spite of the two positive macroeconomic indicators already mentioned – high overall growth rates and reasonable levels of inflation – the

¹ Preliminary figures from CEPAL; the definite outcome is unlikely to show significant variation.

² Nicaragua experienced a slight drop, from 4.0 percent in 2005.

³ As compared to over 9 percent in 2005, and in spite of oil prices still continuing at high levels.

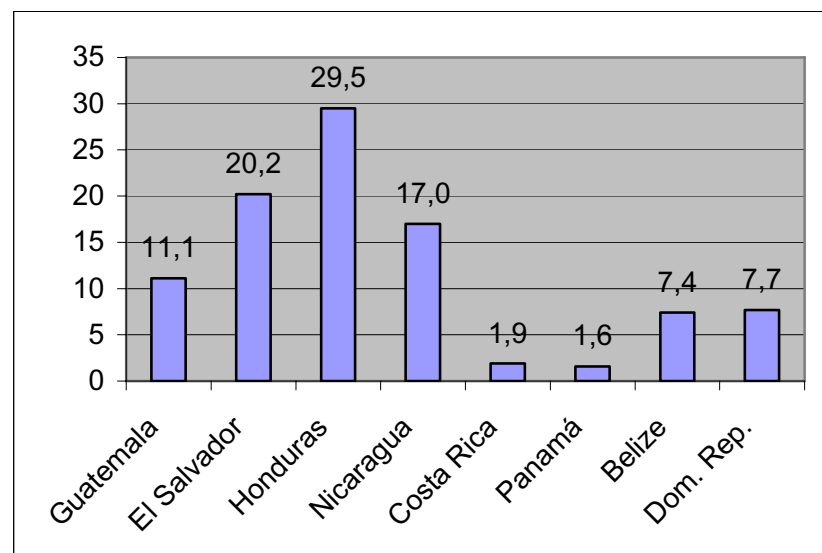
general economic performance in Central America in 2006 continued to reinforce the predominant characteristics of the region – its high degree of external vulnerability and its strong dependency on a combination of overseas remittances, international loans and financial resources from development cooperation to continuously cover a substantial (and generally increasing) trade balance deficit.⁴ All countries except Costa Rica continued to experience problems in achieving sustained increases in their exports and in attracting higher levels of direct foreign investment.

2.1.2 Migration and Remittances: Increasing Economic Vulnerability

The flow of overseas remittances (mainly from nationals working in the US, but in the case of Nicaragua principally related to migrants in Costa Rica) continued to increase at an astonishing rate, not only enough to bridge their huge commercial deficits⁵ but also to maintain a type of national growth which, to a considerable degree, rests more on consumption of imported goods than on domestic production.

Current estimates regarding the importance of overseas remittances for the Central American countries, as related to their Gross Domestic Product, are shown in the figure below.⁶

Remittances in percent of national GDP



Source: CABI (Central American Bank for Economic Integration)

In four of the Central American countries (which constitute the “northern triangle”) the relative weight of overseas remittances for the national economy is thus very considerable. Apart from other aspects, it means these countries are vulnerable when it comes to general economic development within the US (which is currently showing signs of slowing down) and changes within US immigration policies.

⁴ Costa Rica here constitutes an exception, with a considerably stronger and less unbalanced domestic economy, and with a higher level of foreign direct investment (FDI). Interestingly, Costa Rica's considerably higher level of FDI also continued during 2006, in spite of the fact that Costa Rica still had not approved the new trade agreement with the US (CAFTA) and that resistance against that agreement was widely and publicly expressed, whereas the other four countries all ratified CAFTA in 2004/2005 and were admitted as partner countries.

⁵ Worldwide, Guatemala, El Salvador and Honduras today all belong to the group of 20 countries with the highest relative deficits in their national trade balance (exports minus imports).

⁶ In order to show the particular situation of four of the CA countries, the countries belonging to “the extended definition” of Central America (in geographical and commercial terms) have also been included.

In this context, the recent application of a more restrictive attitude from the US may result in sizeable economic impact on several Central American countries. Between 2002 and 2005, the number of Central American citizens deported from the US rose from 14,000 to 35,000 per year, and for 2006 a figure of almost 58,000 has been reported.⁷ To this figure should be added an annual average of another 100,000 Central Americans deported from Mexico (having entered that country but not succeeding in crossing the US border).

Due to a Central American Convention,⁸ these deportees from Mexico are allowed to stay in Guatemala for another 90 days before having to turn home; a period during which they often make new attempts to cross the US border, relying on and enriching the different (and often brutally competitive) groups of unscrupulous *coyotes* (traffickers), who today represent a considerable part of the illicit economy in the border regions as well as within the countries involved, wielding considerable political power locally and within certain institutions.

2.1.3 CAFTA Year One: A Troublesome Start and Mixed Perspectives

The much debated general trade agreement between the US and Central America, named *Central American Free Trade Agreement* (CAFTA),⁹ was initially intended to begin implementation on January 1, 2006. Shortly before that date, however (in mid-December 2005), the United States Trade Representative (USTR) announced that, in its estimation, countries in Central America had failed to fully enact legislation necessary to bring their legal systems into compliance with the changes required by CAFTA. The solution applied was to set in motion a process of *rolling implementation*, whereby the USTR would certify countries to join CAFTA on a case-by-case basis.¹⁰ As a result, CAFTA was implemented first between the United States and El Salvador on March 1, 2006; with Nicaragua and Honduras on April 1, 2006; and with Guatemala on June 1, 2006.

This process of rolling implementation had negative consequences for the Region and for the US, generating losses and lay-offs. During this period, textile factories in Guatemala, for example, could no longer export their cloth to El Salvador without paying customs – leading to increased textile imports from China, from where Salvadoran factories (and other customers) could purchase the product at a better price. Instead of creating the promised textile complex that should offset competition from China, the improvised approach to the implementation of CAFTA seems to have reinforced a trend already in place, the one of Central America losing market shares to Asian competitors.

Concerning agricultural products – where no immediate effects of CAFTA are expected when it comes to basic grains and staples that dominate the production of small producers¹¹ – the observable impact in

⁷ Including citizens from Guatemala, El Salvador and Honduras only.

⁸ Between Guatemala on the one hand and Honduras, El Salvador and Nicaragua on the other.

⁹ Later incorporating also the Dominican Republic, thus changing its abbreviation to DR-CAFTA.

¹⁰ This declaration of unilateral power from the US side (with the USTR to decide whether a country had complied or not with conditions in the Agreement) generated a widespread feeling of discomfort within Central American political and business circles in relationship to the US Administration. In practical terms, it also meant that the countries had to repeatedly send high-level delegations to the US to present the preliminary contents and even exact phrasing of different legal reforms, then stay to wait for the reaction from the USTR or return and be in a standby-mode for the call concerning their next trip to Washington. It also meant a certain re-opening of negotiations involving aspects of substance, this time under less favorable conditions for Central America, given the circumstances.

¹¹ Due to several years of completely maintained tariffs followed by agreed periods for gradual reductions. (However, if these periods are not utilized to prepare for the gradual reduction of tariffs, then severe impact may result, particularly among the rural and poor populations.)

2006 seems to have been positive. Increased sugar quotas (in combination with harvest damage in the US due to hurricanes) boosted demand for Central American sugar, and the streamlining of customs and sanitary regulations inherent in CAFTA has facilitated the acceleration of large-scale operations already initiated by Wal-Mart in Central America, whereby this giant company is developing its own supply lines for fresh fruit and vegetables as well as for meat (with the participation of medium and small-scale farmers), directed to its own supermarket chains.¹²

According to several analysts, at least two issues relating to CAFTA should be of immediate concern for Central American governments and producers alike. The first relates to a theme already mentioned and present in the public debate: *how to prepare for the coming dismantling of tariff protection concerning basic grains?* Or, in other words, how to increase competitiveness and diversification among small-scale producers and within the rural economy as a whole; how to build private-public partnerships to provide the conditions for such a process?

The second relates to a theme so far generally less visible: *Which are the real perspectives for the Central American textile industry when confronting increasing competition from China?* This second issue seems to be more bothersome than originally thought, and the expected benefits from CAFTA may not be strong enough to offset the impact of China's increased competition.

During the last few years, CAFTA countries have represented some 50 percent of all US cotton textile exports, while textile and apparel exports from CAFTA to the US in 2004 amounted to almost 5 percent of the combined GDP of all CAFTA countries. Cotton and textile (mostly thread and fabrics) producers in the US are thus extremely dependent on CAFTA countries for their exports, and the CAFTA region is very dependent on the demand from the US concerning textile and clothing for their own economic growth and stability. In this context, the idea behind CAFTA is to ensure that these countries will continue to import US raw cotton and textile products (duty-free), and at the same time it will protect the growth of US demand for textiles from CAFTA.

However, according to a ruling by the World Trade Organization (WTO) as from January 1, 2005 member countries no longer have the right to apply import restrictions or quotas on textiles and clothing – a decision which has already greatly changed the dynamics of the world textile business.¹³ During the first months of 2005, when the US was forced to lift its quotas on textiles, Chinese products virtually flooded the North American market. Soon thereafter, “temporary quotas” were once again introduced by the US for certain product categories and are still in place.¹⁴ However, in spite of these temporary quotas (which thus protect exports from CAFTA countries) exports from China concerning these very same products continue to increase. Should this tendency persist, the end result is likely to be reduced demand from the US for textile products from CAFTA countries.¹⁵

¹² In Central America and elsewhere.

¹³ This rule applies for member countries only, but China is already a member of WTO. Tariffs are still permitted, but the importing country (US for example) must apply the same level for all WTO member countries (China and Nicaragua for example) when they export the same product category.

¹⁴ This kind of safeguard is permitted by WTO under certain conditions; for example if it can be shown that the export products were sold under their production cost or under the normal price charged on their home market, thus constituting what is labeled dumping.

¹⁵ See, for instance: “CAFTA-US Textile and Cotton Trade Prospects: The China Effect”, by Baker/Clark/Malaga; Texas Tech University.

2.1.4 Persistence of Pre-Market behaviour and Lack of Competition

Another matter for serious concern when it comes to national economic development within Central America as previously mentioned is namely the fact that Central America continuously lags behind other regions and groups of countries, even in times of generally favourable conditions. This constant below-average performance is caused by a whole range of factors, of which several are closely interrelated. In this context, the following are often mentioned as being among the most relevant and powerful:

- (a) the very high levels of social and economic inequality present in most countries (except Costa Rica), which slow down overall economic growth and reduce the positive impact of aggregate economic growth on poverty reduction;¹⁶
- (b) the preponderance of the informal labour market (which constitutes far more than 50% of the total labour market, except in Costa Rica), implying lower wages and less incentives for increased productivity and “normal” competitiveness;
- (c) the composition of Central American exports, which is dominated by unprocessed (or almost unprocessed) products, generally with an unfavourable trend concerning terms-of trade in relation to the products which dominate the Region’s imports;¹⁷
- (d) the almost total dependency on oil for national energy purposes;¹⁸
- (e) the appreciation of national currencies as a result of the sizeable inflow of US dollars through remittances, causing problems for national exports;¹⁹
- (f) the high incidence of serious criminality and delinquency (mainly in El Salvador, Guatemala and Honduras), which leads to both losses and higher costs and constitutes a deterrent for foreign direct investments;²⁰
- (g) the widespread presence of (often serious) corruption and unreliable judicial systems, which causes high transaction costs and uncertainties, not propitious for attracting foreign investments or for encouraging healthy competition.

The last factor mentioned above – particularly when related to conditions for market competition – is often overlooked but has lately begun to attract some attention. Recent studies have shown a remarkably low level of competition within important segments of the domestic markets in Central America, thus increasing costs for consumers and affecting overall growth.²¹ The main factors behind this pre-market behaviour is the existence of oligopolies with state support and the general lack both of adequate legislation and of able institutions for the protection of real and transparent market competition, as well as of consumers’ interests.

The mechanisms applied to bolster prices and avoid competition within the domestic Guatemalan sugar “market” is an illustrative case in this context.

¹⁶ See, for instance, *Inequality in Latin America: Breaking with History?* (the World Bank, 2004).

¹⁷ Costa Rica’s situation is considerably more advantageous here.

¹⁸ Applies very much less to Costa Rica, where almost all electricity comes from national hydropower plants.

¹⁹ Does not apply to Costa Rica at all.

²⁰ According to recent studies by the UNDP, the cost of violence in Guatemala in 2005 was as high as 7.3% of the national GDP, whereas in El Salvador the corresponding figure for 2003 reached an astonishing 11.5%.

²¹ Most of them published by the CEPAL project *Reinforcing competition in the Central American Isthmus*.

The sugar industry in Guatemala represents considerable economic interests and is dominated by well-known business families and considered internationally very competitive; worldwide the country ranks number five in exports of crude sugar and is by far the biggest exporter among the Central American countries. Within the context of the national economy, sugar is currently commodity number one or two when it comes to exports, representing a sizeable proportion of national agricultural production and generating a considerable amount of employment.

However, when it comes to competition on the domestic market – it simply does not exist. The National Federation of Sugar Companies (AZAZGUA) distributes quotas to each and every member concerning quantities permitted for export as well as for domestic sales, and regulates the price for the national market. Research data indicates that the low prices maintained at the international level (for crude sugar) are compensated for by higher prices on the domestic market for refined sugar.

In order to protect this system, the state maintains a 20% customs tariff on imported sugar (which thus hardly enters the country) as well a national regulation stipulating that all sugar sold in the country must be enriched with vitamin A, according to certain specifications. As sugar belongs to the list of products which, within CAFTA, is treated as an exception from the free trade agreement (Guatemala is assigned an annually increasing quota for its exports to the US, for the next 15 years), the rules described above for the domestic market can still be kept in place.²²

The fact that refined sugar on the domestic market in Guatemala holds a price well above the world market price for the same product should thus come as no surprise. Moreover, this burden for supporting the national industry is distributed in an unequal manner, as sugar constitutes a proportionally bigger part of food expenses for poor people as compared to other social strata. According to the national survey on living conditions (ENCOVI), the national average for sugar as a proportion of family food purchases is 3.5%, whereas the figure for poor families is 5.6% and for families living in extreme poverty it amounts to as much as 6.6%.

Similar conditions – restraining or entirely blocking market competition – apply to several important products and services within each one of the five Central American countries. Furthermore, this is not restricted to activities dominated by national economic interests; a fact clearly shown by multinational companies heavily present within the Region in, for instance, the energy sector (electricity distribution) and construction materials (cement).

As shown above, these mechanisms of pre-market behaviour are sometimes protected and reinforced by the implementation of CAFTA. Recent examples from the telecom sector (Nicaragua, El Salvador, Guatemala) finally show that while de-regulation and privatization may be a positive step, it does not guarantee real market competition and consumer protection.

What is necessary is a coherent policy and well-defined legislation promoting real market competition and protecting consumer interests, with heavy sanctions for infringements. Such a framework must then be combined with competent, strong institutions. In order to confront the problems related to international companies, this structure should be regionally harmonized and interconnected, with a direct link to international bodies within this field.

²² This fact has been noted, among others, by the Wall Street Journal, who recently commented the following: "CAFTA unfortunately carves out protections for a small but important number of sectors – sugar is one – in the US and in Central America for a decade or more." (WSJ, February 27, 2007)

2.2 Regional Integration: A Brief Balance of Developments 2002–2007

2.2.1 Reaching the Limits for the Current Forces of Internal Support?

The region's own mechanism for integrationist efforts – el Sistema de Integración Centroamericana, SICA – was launched in December 1991 with the signing of the *Tegucigalpa Declaration*. On a political level, the spirit of this Declaration reflected the optimism generated through the peace process in the region which, in spite of tremendous problems and thanks to common efforts, had been successful. Concerning the commercial level, the birth of SICA was also inspired by the Central American Common Market (MCCA) which, during the 1960s, had played a prominent role not least for intra-regional trade.

More than fifteen years later it must be admitted, however, that real results from these integrationist efforts are relatively modest and have had rather limited impact. This applies particularly to the political dimensions of SICA (the regional parliament, the regional court, regional ministerial-thematic coordination mechanisms), whereas efforts to facilitate commerce and trade have shown some definite advances²³ which have most likely contributed to the rapid and steady increase of intra-regional trade observed during the period in question.

Among the more important reasons for the somewhat meager results the following three factors are generally mentioned:

- (i) The weak status and lack of legitimacy of key bodies within SICA such as the Regional Parliament (PARLACEN, located in Guatemala) which has consultative status only and does not include Costa Rica. Its reputation has also deteriorated constantly during last few years.²⁴ Another example is the Central American Court, placed in Managua, which is recognized by three countries only (El Salvador, Honduras and Nicaragua), has consultative status and whose verdicts or resolutions are generally not adhered to by the relevant national governments.
- (ii) SICA has a complicated and dispersed structure with a considerable number of secretariats and commissions on different themes and levels. This causes lack of coordination and lack of efficiency in decision making, which is further aggravated by financial problems concerning the staffing of the different bodies as well as covering their operational costs.
- (iii) The continued existence of border-related conflicts between almost each and every country in the region²⁵ constitutes stumbling blocks for integrationist efforts and sometimes also generates new obstacles. A case in point is the 35 percent import tariff imposed by Nicaragua on Honduran products in 1999, following the ratification by Honduras of an agreement with Colombia where Nicaraguan claims concerning maritime territorial rights vis-à-vis Colombia were disregarded. This import tariff caused considerable economic

²³ Such as the agreement in principle on the creation of a Central American Customs Union (since 2002 also ratified by Costa Rica) which has been showing substantial progress even if as yet not fully completed, and the establishment of a commonly agreed mechanism for resolving commercial disputes.

²⁴ The criticism concerning PARLACEN focuses on its costs (some MUSD 20/year), its inefficiency and/or character of discussion fora only and, finally, on the fact that former Presidents and Vice-Presidents automatically become members once leaving office – thus enjoying another period of immunity.

²⁵ Territorial and/or border-related conflicts exist between Guatemala and Belize; between Nicaragua and Colombia (and between Nicaragua and every Central American country not supporting the Nicaraguan claim); between Honduras and El Salvador; between Belize, Guatemala and Honduras (islands in the Caribbean); and between Nicaragua and Costa Rica.

consequences, profoundly affected overall relations between the two countries (even after the installation of new Presidents) and was not revoked until the beginning of 2003.²⁶

The factors briefly stated above have no doubt had a profound negative impact on most integrationist efforts in the region. However, it may also be questioned whether they should be categorized as causes or rather be considered as symptoms – reflecting the lack of firm and genuine conviction within (and between) the small but economically and politically predominant elite groups which can still be found in each country of the Region concerning the advantages to be gained from integration. A brief review of developments within crucial aspects of the economic and political spheres of Central American regional integration during the last five years may seem to incline the balance towards this latter interpretation.

2.2.2 CAFTA – From Regional to Bilateral Negotiations and Agreements

Regarding the economic sphere, the process leading up to the signing and implementation of the *Central American Free Trade Agreement* (CAFTA) with the United States has been, and continues to be, of great importance. In this context, the announcement in 2002 by President Bush to begin fast-track negotiations on CAFTA was initially linked to the condition that all six Central American countries (including Belize) would participate in negotiations together, as one group. This, it was emphasized, would mark a great difference to earlier periods when individual countries had constantly been “dropping out” of joint initiatives in order to seek national preferences on a bilateral basis.

In the end, however, even if most negotiations were held simultaneously their character became predominantly bilateral. This is also reflected in the Agreement as such, which came to consist of a limited “umbrella” (establishing certain shared rules and regulations), followed by long and very detailed bilateral agreements between each Central American country and the United States, in many respects containing substantially different conditions.²⁷ Furthermore, as previously mentioned, the Agreement was not implemented in a coordinated or simultaneous manner which caused a considerable extra workload for several governments, generated confusion in the market and caused economic losses for certain companies.²⁸

Finally, the fact that the countries of the region ended up negotiating CAFTA bilaterally with the US may also have affected the prospects for further advancement in the near future towards a complete regional customs union. The main reason for this potential conflict between the two initiatives is the fact that while a regional customs union would be defined by a common external level of tariff protection, CAFTA is now composed of five bilateral country-to-country agreements. These bilateral agreements establish varying quotas for tariff-free bilateral trade

²⁶ The Nicaraguan-Honduran conflict was brought to the Central American Court twice: first by Nicaragua on the territorial issue, where the Court resolved that Honduras, by signing the agreement with Colombia, had violated regional agreements. Secondly, by Honduras when Nicaragua introduced the special import tariff, leading to a resolution by the Court in favor of Honduras. None of these resolutions were recognized by the countries involved.

²⁷ The official reason stated for these differences is usually that they take the “varying national conditions” into account. However, as the Agreements have now become publicly available, most analysts agree that other factors are also clearly visible in the concrete results, such as the skills of each negotiating team and the interests of certain economic stakeholders.

²⁸ Additionally, the Agreement has still (May 2007) not been ratified by the Costa Rican Parliament and thus has not entered into effect concerning that country.

(between the US and each individual Central American country) and different time schedules for the gradual reduction and final abolition of tariffs on the same products. This difference particularly applies to economically sensitive, agricultural products such as beans, rice, maize, milk, beef, etc; products to which the composition on the producer side (relative weight for small, medium and large producers, as well as their dietary importance, vary greatly between the five Central American countries.

The most frequently cited example in this context is white corn (maize), which is of great importance in the output of small farmers and in the diet of poor people in several – but not all – of the countries in the Region. Concerning this product, the rules established under CAFTA vary substantially in the five bilateral agreements that have been signed on trade with the US.²⁹ The same kind of differences – though generally less dramatic – apply to a wide range of products, simply as a result of bilateral negotiations pursued without an established Regional platform (that an already existing Regional Customs Union would have constituted) and with no common Regional framework regarding concerns to be given priority.

According to most analysts, this circumstance is likely to, at least, slow down the process towards a regional customs union. Concerning the importance of such a development for regional integration efforts, however, opinions are divided. One group of experts argue that CAFTA will erode the opportunities for a regional customs union for a prolonged period of time, and that the countries therefore should strive towards a Common Market for products and services instead. Such a strategy would also reduce the risk for individual competition or “underbidding” between the Central American countries – for example as concerns conditions for direct foreign investment. Meanwhile, another group of analysts maintain that CAFTA was designed precisely to be compatible with regional integration, and that the positive developments they expect to be generated by CAFTA may serve to enhance interest in, and cohesion for, regional integration.

2.2.3 Political Bodies: Reforms Agreed upon but not Implemented

Concerning the political sphere of regional integration, achievements related to the reforming and performance of the Regional Parliament (PARLACEN), of the Regional Court of Justice (CCJ) and other similar bodies or mechanisms hold both real and symbolic importance for the analysis on how to interpret the reasons for the limited results generated so far within regional integration.

The wide-spread and high-level criticism launched in 2002 in the region against both PARLACEN and CCJ was sustained during 2003 but also combined with initiatives for revision and change. At the Regional Presidential Summit held in Guatemala in February 2004, a comprehensive review of PARLACEN was thus agreed upon, with the task of generating a coherent proposal for reform during the same year.

One important part of the criticism vis-à-vis PARLACEN relates to principle issues such as its character of being more of an isolated political forum than a Parliament promoting and facilitating regional harmonization and integration, and the fact that PARLACEN members have

²⁹ According to the signed agreements, export of white corn from the US will be free of tariffs from year 5 concerning Costa Rica and from year 15 when it comes to Nicaragua – but still at year 20 this product will have varying but substantial tariff protection at the border of the three other Central American countries. (With the highest tariff granted to Honduras.)

maintained that this body could grant them immunity even when their own national parliaments have deprived them of that status.

This last aspect was highlighted in 2002, when ex-President Alemán of Nicaragua tried to escape the judicial process following accusations of wholesale corruption by referring to his status as a member of PARLACEN, and again repeated (by then without any success at all) by ex-President Portillo of Guatemala in early 2004.³⁰ Another part of this criticism is more concerned with the number of members from each country,³¹ the level of remuneration and seemingly “minor” aspects; all of them, however, with considerable importance regarding the functionality, efficiency and legitimacy of PARLACEN.

Concerning the Regional Court of Justice, CCJ, the situation had long been dominated by criticism and disregard, with only minor attempts to initiate a review with the purpose of reform. The Court’s degree of legitimacy – already severely affected by its ruling in favor of PARLACEN members having double immunity – was further affected by the officially stated decision in May, 2004 by the President of Honduras to order the withdrawal of the country’s two judges from the CCJ.³²

The need for reforming both these regional bodies was finally officially agreed upon at a Presidential Summit towards the end of June 2004. Six months later a detailed proposal for reform was presented, satisfying certain aspects which had been increasingly criticized, such as the right for outgoing Presidents and Vice-Presidents to automatically become members of the Regional Parliament and the concept of double immunity for national MPs who also were members of PARLACEN (abolition of both these rights was proposed). It also included a proposal to create a permanent mechanism for follow-up on joint Presidential decisions, a much-needed body which had hitherto been lacking.

At the same time, however, the reform package completely failed to address more strategic issues such as the non-representative and light-weight character of regional political institutions.³³ The same kind of deficiency was also reflected in the proposal made concerning the number of PARLACEN members from each country. The hitherto established number of Regional MPs per country (20) had been criticized for making this body too costly and too heavy-handed, aspects which would be reformed if new members were to be included (such as Costa Rica and the Dominican Republic). In this context, the number of 5 MPs per country had earlier been suggested by several experienced politicians.

Against this background, the proposal presented at the Presidential Summit in December 2004 came as a surprise: the number of PARLACEN MPs from each country would be allowed to vary from 3 to 20 and the exact number would be left to each member country to decide. Whereas the proposal was officially presented as a “flexible approach” to

³⁰ According to current rules, resigning Presidents and ex-Presidents of signatory countries are automatically given a five-year seat in PARLACEN without having to be elected. This is generally perceived as democratically unacceptable and also seen as a mechanism of providing another period of *impunity* for, frequently corrupt, political leaders.

³¹ Currently each country has 20 seats in PARLACEN. This is costly and causes a somewhat oversized assembly, complicated to convene and not very smooth in its operations. This criticism is even more valid, when considering that Costa Rica still does not take part in PARLACEN and that also the Dominican Republic has been proposed as a member, in order to broaden the circle.

³² Due to Governmental discontent regarding CCJ’s verdicts in relationship to Honduran interests. Within CCJ then remained judges from two countries only: Nicaragua and El Salvador.

³³ PARLACEN does not include Costa Rica and has consultative status only; the CCJ is officially recognized by three countries only and in 2004 the Honduran judges were withdrawn due to Governmental discontent regarding CCJ’s verdicts in relationship to Honduran interests.

this issue, the general reading was that it reconfirmed the lack of interest within ruling circles in Central America in having adequate institutions for regional political integration.

Concerning the Regional Court of Justice (CCJ), it was proposed to reduce the number of judges from two per country to one only. The real situation concerning the Court – its lack of legitimacy and limited level of functionality – was not addressed.

Considering this general context of sharp criticism and questioned legitimacy for the two main regional bodies it was expected that the approval of the limited reforms which were proposed – in order to enter into force they must first be ratified by each national Parliament – would be swift. However, during the almost two and a half years which currently (May, 2007) have passed since the reform package was announced at the Presidential Summit in December 2004, no progress whatsoever has been made in this respect.

Whereas the number of presidential summits directly related to SICA has continued at an impressive level (with some 10–12 meetings annually), the institutional base and foundation of the political dimension for regional integration continues to be weak. In this context it should be noted, though, that in 2006 SICA itself commissioned a study precisely on the state of regional integration, where at least the review of the implementation of decisions taken at the many presidential summits had a clearly critical tone, noting:

- (a) that the general frequency of presidential summits was very high (with almost 80 summits held during the period 2000–2006);
- (b) that the number of decisions taken or agreements made at these summits was elevated (amounting to almost 250 during the summits held 2000–2006);
- (c) that many of these agreements dealt with issues which more conveniently should have been treated at another, more operative level;
- (d) that a solid majority of the agreements lacked established dates for their implementation and one-fourth of them were not clearly directed to a body responsible for their implementation.

Whether this review is signaling something genuinely new or if its recommendations will remain in the sphere of discourse and good intentions only is still too early to say. The fact that it has been undertaken by a major program for strengthening regional integration,³⁴ financed by the EU and clearly linked to the efforts for achieving an Association Agreement between Central America and the European Union is no guarantee for its recommendations being implemented. The crucial issue in this context – and most likely for the advancement of regional integration as such – rather seems to be located within another dimension and deals with the configuration of forces behind SICA and regional integration efforts so far.

2.3 Challenges for an Association Agreement with the EU

2.3.1 Is there Real Interest on Each Side? How Strong and of What Kind?

The formalizing of political relations between the European Union and Central America dates back to 1984, when the so-called San José Dialogue was initiated. This type of meeting has since been organized every two years, with the last one taking place in Luxemburg in 2005. The

³⁴ Programa de Apoyo a la Integración Regional Centroamericana (PAIRCA): *Informe del Estado de Ejecución de los Mandatos Presidenciales* (SG-SICA, San Salvador, noviembre 2006).

strong founding purpose of this mechanism was to promote dialogue and negotiations aimed at peaceful solutions to the armed conflicts and wars which at that time were inflicting severe suffering and tearing populations, nations and Central America apart. During the peace negotiations which eventually followed, several European countries (Sweden included) played an important role, first as mediators and then as donors for reconciliation and reconstruction processes.

With increasing political stability achieved in the region from the end of the 90s and onwards and with new challenges appearing on the world scene, Europe's political interest for Central America has no doubt diminished, even if the flow of development cooperation has been maintained at high levels.³⁵ Within the Region, Europe still enjoys a positive reputation and rather strong goodwill, even if the perception of its earlier role (constituting a counterbalance to the US during the period of peace negotiations) has been gradually weakened.

Concerning the commercial side, exports from Central America to EU countries have declined considerably – from constituting 25 percent of the region's total export value in 1994 to currently only some 15 percent, mainly due to a corresponding increase of exports to the US and an increasing inter-regional trade. During the same period, imports to Central America from the European Union have stagnated at some 3 percent of total import value, whereas foreign direct investment from the EU in the Central American countries, after a sharp but temporary increase during the period 1999–2002, has contracted substantially.

Until quite recently the European Commission maintained resistance vis-à-vis regional trade agreements, favoring global agreements within the framework of WTO instead. Furthermore, even if the internal debate within the EU on agricultural subsidies has no doubt been advancing, these competition-distorting mechanisms are still in place and have given rise to international legal conflicts over certain important products – such as bananas from, among others, the Central American countries.

On the Central American side, most countries have recently entered into a general trade agreement with the US (CAFTA), which has further strengthened their traditional commercial ties with North America. Moreover, several countries within the Region have entered into bilateral agreements with other interested trade partners (such as Taiwan and Chile) and in May 2007 the Costa Rican Parliament (which continues to be divided on the ratification of CAFTA³⁶) in principle approved a Free Trade Agreement with the Caribbean Community and Common Market, CARICOM. Finally, at a joint Presidential Summit between all SICA countries (7 members) and CARICOM (15 members), it was recently decided to proceed with negotiations for a common free trade agreement between all countries belonging to these two organizations.

In this context, it should be stressed that the intention from the EU side is to go beyond a traditional free trade agreement (FTA), and to include within the Association Agreement (AA) mechanisms governing all facets of relations between the two regions – *political dialogue, develop-*

³⁵ Bilateral cooperation from EU member countries represents the overwhelming majority of all grant cooperation allocated to Central America. During the period 2004–2005 it reached some USD 1,100 million per year, whereas the corresponding figure from the US was USD 360 million. Additionally, development cooperation from the European Commission during the same period was some USD 160 million per year.

³⁶ The attitude towards the ratification of CAFTA became a major issue during the Costa Rican electoral campaign in 2006, where Nobel Prize Winner Oscar Arias – strongly in favor of the agreement – won with a margin of only one percent. Political polarization concerning this issue has thus continued, and having failed so far to secure the necessary amount of votes in Parliament, President Arias has now agreed with the opposition to hold a general plebiscite on this issue in September 2007.

ment cooperation and trade. While such a comprehensive agreement certainly would constitute something innovative and represent a conceptually attractive logic, it also generates resistance of different kinds.

Among representatives for the “pure trade dimension”, many actors fear that it will mean more non-economic conditions and restrictions for their export products (concerning labor rights and environmental rules, for example) and external interference for certain debated domestic political decisions (such as a reformed tax system). At the same time, while many NGOs would applaud precisely this kind of conditions and pressure, they are skeptical when it comes to what the differences really will be between CAFTA and an AA concerning agricultural subsidies; they see the combination of development cooperation and trade within the same agreement as problematic and are highly critical when it comes to certain rights aspects which have been omitted from the mandate defined by the member states for the EU negotiations.³⁷

Against this backdrop, certain basic questions apparently become quite relevant, such as:

- (1) How strong is the real interest on each side to reach an agreement? What kind of interest do they really have?
- (2) How much of “extra burdens” (conditions from the EU, demands from the CA countries) can this configuration of interests successfully cope with?
- (3) To what extent may certain results from the negotiations weaken confidence in EU’s fundamental values and the political reputation of EU and its member countries in Central America – thus negatively affecting conditions for political dialogue and development cooperation aimed at poverty reduction, social inclusion and less unequal societies?

2.3.2 On Positive Interests, Sensitive Issues and Risks

Concerning the question of what constitutes real interest in reaching an AA, the following aspects may probably be said to constitute parts of the answer when it comes to the EU and its member countries:

- due to the lack of success lately when it comes to global negotiations within the WTO (through the so-called Doha Round) regarding relations between developed and developing countries, a regional approach is now preferred instead of making no progress at all on these matters;
- whereas each Central American country represents a small market only, the Region as such would clearly be of considerable commercial interest for the EU if tariffs and custom regulations, as well as rules and guarantees for foreign direct investment, could be standardized and if a common mechanism for settling commercial disputes could be agreed upon.

On the Central American side at least, the following items could no doubt be mentioned when it comes to why there should be any interest in concluding an AA with the EU:

- during the last five-year period, the Region’s trade with the EU has not only contracted substantially but has also generated an increasing deficit – this in spite of the fact that the EU countries together

³⁷ Such as the omission of the ratification of ILO’s Convention 169 on the collective rights of indigenous peoples as a condition for the Agreement.

- today constitute the world's biggest market and should represent potential for increased trade and diversification of economic risks;
- the current mechanism for regulating trade between the EU and Central America consists (as with the US before CAFTA) of rules and conditions for preferential treatment which are unilaterally decided by the EU – reaching an agreement would imply both a chance of improving conditions for the Region and that these would become mutually agreed upon and not unilaterally alterable;
- concluding an AA would probably also have a positive impact on the levels and duration of development cooperation received, both from EU member countries and from the European Commission.

When it comes to sensitive issues – as visible today before formal negotiations have begun³⁸ – the list can easily be made quite long, however the following factors no doubt merit a mention:

The first theme relates to the key demands defined some two years ago by the EU for entering into official negotiations with the Region, which may be summarized as (a) Central America should negotiate as a collective or a bloc of countries, not individually; (b) the Central American Customs Unions should have been officially implemented, and a regional agreement on investments and services ratified; (c) a common mechanism for overseeing law compliance and law enforcement concerning regional economic legislation should have been agreed upon.³⁹

Due to serious, outspoken resistance among the CA countries, the concrete content of these demands has been substantially weakened,⁴⁰ while others (which in reality have not been re-defined but only made less high-profile) may well reappear during the negotiations. Even the principle that the Region should negotiate as one bloc only no longer appears in official EU discourse and in practice it seems that the European Commission has internally reformulated this approach, which no doubt was the one issue among the EU's initial conditions which caused the most widespread discomfort and open rejection from the Central American side.⁴¹

The second aspect relates to EU restrictions on export products where the Central American countries are clearly competitive. This includes both agricultural products and certain others, such as textiles and leather goods, but also computer components and medical equipment (these two latter product groups mainly from Costa Rica) – all areas where the EU currently applies a system of quotas and tariffs which protect its own market and deprives the Central American countries of important market access which could boost both production and exports.⁴²

A third and directly related issue is, of course, the EU system of agricultural subsidies which, in a very heavy-handed manner, distorts direct

³⁸ They are currently scheduled to begin in Brussels towards the end of June, addressing time frames and procedures only. Substantive negotiations are planned to start in September, in Central America.

³⁹ For the EU, this role should ideally be assigned to the Central American Court of Justice, whose situation when it comes to its status and respect within the Region was described above.

⁴⁰ Also concerning the customs union, for which it is now said to be sufficient with an agreement concerning general principles and a time plan for its implementation, to be signed by the CA countries at the beginning of June, 2007.

⁴¹ The situation was initially also complicated by the fact that currently there is no generally accepted lead-country within the Region for taking on these negotiations. Many observers initially expected Costa Rica (under President Arias) to take up this role. However, it was precisely Costa Rica who, when initial talks were started, voiced the loudest discomfort with, and objections to, the "collective" approach; a theme rapidly to be reinforced by others.

⁴² The structure of the list of products where tariffs are applied also tends to discourage production with more value added, favoring the export of un-processed products, which implies less potential development impact for the exporting country. A case in point is coffee, where raw coffee is tariff-free while roasted coffee is liable to customs duty.

price competition for Central American products in the European market, and sometimes may also lead to European products undercutting Central American agricultural exports in other countries and regions.

A fourth theme relates to the constructive integration of political and developmental matters (such as collective and individual rights, food security etc.) into the Agreement, thus reflecting the comprehensive character expressed as an overriding objective for the AA by the European Commission. This would also make the Association Agreement genuinely different from CAFTA, thus providing a constructive answer to critics' expressing fears that in practice the AA will simply be modeled on CAFTA, and then complemented with some cosmetic add-ons.

Whereas nobody seriously expects the EU to radically and immediately change its policies on certain matters mentioned above, a reasonable amount of success for normal free trade arguments – which would benefit Central America – as well as a reasonable degree of compliance with its own discourse, is definitely needed if the European Union is to come out of these negotiations without suffering injury concerning the perception in the Region on Europe's fundamental political values, and the seriousness of its commitment to poverty reduction and human development.

Along that probably long and winding road, the EU may also have to design a new and broader approach concerning the best way to facilitate the genuine strengthening of the institutions key to Central American integration. At least for now, the financially very sizeable cooperation programs recently initiated (or to be initiated) by the EU in this area – amounting to some USD 90 million for regional institutions and mechanisms⁴³ – seem to take for granted that the problems hitherto experienced in this area can be reduced to lack of financial resources, as a primary reason in itself and not as a symptom reflecting underlying causes.

However, if utilized in a flexible manner, these resources may eventually serve to facilitate a reconfiguration of the main national stakeholders which up to now, but always within certain limits, have responded to a certain integrationist call. Should this occur, then the EU's support for Central American integration may come to constitute something really innovative and of strategic importance.

2.4 Citizen Insecurity, Impunity and Politics

2.4.1 The two Central Americas

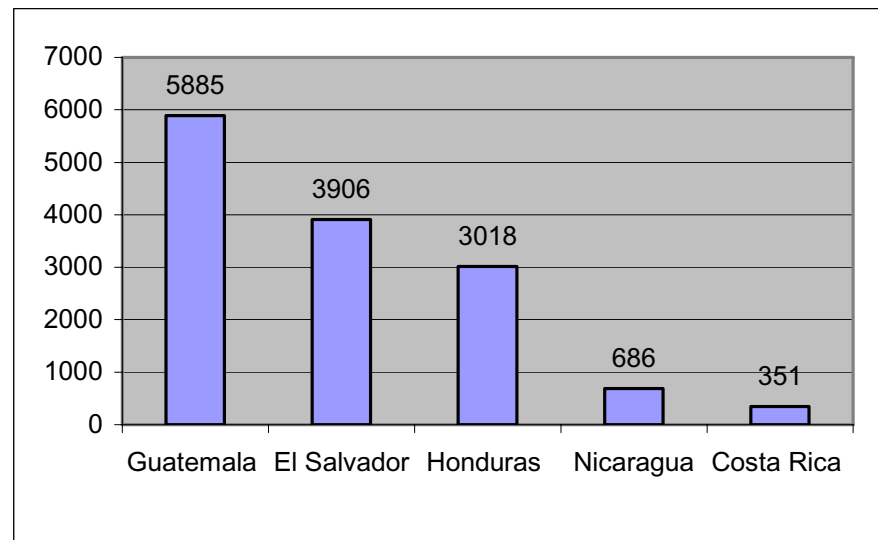
During the 1990s, the peace process initiated in Central America in the preceding decade successfully terminated devastating and large-scale armed conflicts (or civil wars) within three countries of the region: Nicaragua (1990), El Salvador (1992) and Guatemala (1996). This meant de-militarization of everyday life, the return to peaceful (or at least unarmed) ways of resolving conflicts and more normal levels of violence. Also for the neighboring countries, the coming of peace exerted a beneficial impact, particularly in Honduras – a country where military presence and influence weighed heavily during the 1980s as the country became a strategic base for operations against the revolutionary Government in Nicaragua.

Ever since the beginning of the 2000s, however, the region has again

⁴³ Corresponding to EUR 67 million, for the period 2007–2013, of which EUR 20 million for “strengthening the institutional system for regional integration” and EUR 47 million for “consolidating the customs union and related harmonised and common policies”.

been confronted with levels of violence which currently equal or even exceed those experienced during the civil war/conflict years. In 2006, more than 5,800 people were killed in Guatemala, some 3,900 in El Salvador and more than 3,000 in Honduras; a total of almost 13,000 people killed in these three (most affected) countries alone. With these homicide levels, Honduras, El Salvador and Guatemala today belong to the five most violent and dangerous countries in all of Latin America,⁴⁴ implying widespread human suffering, enormous costs to the national economy⁴⁵ and distortions within the already weak public health system (where violence-related emergency activities at hospitals routinely absorb very substantial resources). The levels of violence currently prevailing also decrease economic growth and constitute a deterrent to productive foreign investments.

Number of homicides per country in 2006



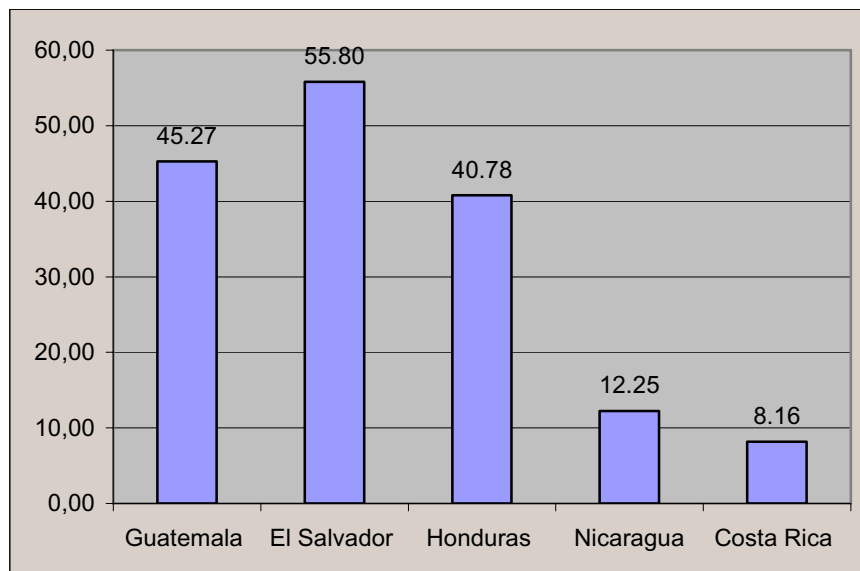
As reflected in the table above, the situation for the two remaining countries of Central America – Nicaragua and Costa Rica – is substantially more positive, with a total of 690 people murdered in Nicaragua in 2006 and 350 in Costa Rica. Moreover, in these countries the situation has been almost stable with homicide rates only slightly increasing since the turn of the century, whereas in the three other countries (also called *the Northern Triangle*), homicide figures have doubled in less than seven years. These differences between what may be called *the two Central Americas* are equally dramatic, when calculating homicide rate per hundred thousand inhabitants.⁴⁶

⁴⁴ The two others being Colombia and Jamaica. In this context it should also be added that Latin America is by far the most violent of all continents. (For Sweden – with some 9 million inhabitants – the total death toll in 2006 for both homicide and criminal violence leading to death was 240 people.)

⁴⁵ As mentioned earlier in this Report, recent studies by the UNDP estimate the cost of violence in Guatemala at over 7% of national GDP, whereas in El Salvador the corresponding figure reaches an astonishing 11.5%. (*El costo económico de la violencia en Guatemala*, UNDP, 2006; and *Cuánto cuesta la violencia en El Salvador?*, UNDP, 2005.)

⁴⁶ Population figures projected to correspond to mid-2006. (Source: World population data sheet 2006, Population Reference Bureau.)

National homicide rates per 100,000 inhabitants in 2006



Other important differences between these countries concern the use of firearms and the level of murder cases solved by the national police and judicial system. Whereas in the Northern Triangle, almost 80 percent of all killings are due to the use of firearms, a substantially lower proportion is reported for Nicaragua and Costa Rica. Concerning the solution rate for murder cases (or at least with the murderer having been properly identified), estimates for the three countries of the Northern Triangle indicates levels well below two digit numbers – with Guatemala probably representing the worst case at only some 1–2 per cent of murder cases solved in recent years.

2.4.2 Criminal Activities from within: the Permeation of the State and Politics

The high and rapidly increasing levels of homicide in Guatemala, the almost non-existent solution rate of cases within the judicial system and the lack of even basic information concerning the major part of the killings⁴⁷ constituted the point of departure for an applied study financed by Sida and carried out by an external team in collaboration with the national authorities during 2005 and 2006. The two main questions the study was to answer were:

- which are the primary, immediate causes behind this murder rate?
- how do public institutions perform within this sector from the very moment a murder is reported?

From the answers to these questions, it was hoped that some light could be shed on two serious concerns within the Guatemalan society, namely (i) what kind of situation, when it comes to violence, is the country really facing?; and (ii) which are the immediate and structural causes behind the very low rate of murder cases being resolved?

To this end, all murder cases reported during two different 30-day periods were given follow-up, in three of the most seriously-affected provinces in the country (including the capital). The first period was studied ex-post, when nine months had past since the homicides had been committed and investigations as well as criminal persecution should

⁴⁷ Who the victims generally are, the principal motives, patterns concerning the perpetrators, etc.

have had time to advance. The second period constituted 30 days in real time, that is, the cases were analyzed and followed up from the very moment they were reported.⁴⁸ All in all, 480 cases – corresponding to more than 550 people being murdered – were studied.

Among the main findings from the study (whose entire content is likely to be made public during 2007) are the following:

- there is a dramatic pattern of geographical concentration, with three provinces (holding 25 percent of the national population) representing more than 55 per cent of all homicides, and within these three provinces, the major part of the murders were concentrated to only 12 out of totally 48 municipalities;
- more than 90 per cent of the victims are young men (15–29 years), and the overwhelming majority came from humble social origins;
- at least in 4 out of every 10 cases it could be stated that the murder was planned and premeditated, with the victim identified in advance;⁴⁹
- in the majority of cases there were witnesses, but generally their statements were not utilized and material evidence was poorly processed;
- as concerns all 553 murders, only 20 probable perpetrators were (almost) identified;
- all in all, only three cases had been presented to the courts, with one acquittal and two cases still continuing when the study was finalized;
- if these two cases (both related to the first sample period) were to lead to firm sentences, the clear-up rate (within the sample only) would be less than one per cent.

In terms of institutional performance, a considerable amount of activities were reported – from the inspection of the crime scene (often resulting in a considerable numbers of digital photos), to the performing of autopsies, the sorting and storing of material evidence etc. – but most of these activities were undertaken in an isolated manner. There was almost no coordination between the institutions involved, and relationships were particularly deficient between the National Police and the Prosecutor's Office. No functioning mechanism for monitoring results achieved in relation to cases dealt with could be detected. In sum, no real chain or process existed when it came to criminal investigation or persecution and the level of cases solved corresponded to what must be considered to constitute almost total impunity.⁵⁰

Even if it was beyond the scope of this study to explain the exact combination of underlying causes for the kind of performance observed, it is obvious that organizational deficiencies, lack of resources, shortcomings regarding management etc. are not enough to account for a situation of almost zero results in the context of homicides. Apparently, other factors are also at play here such as criminal activities performed and/or protected and covered up from within the very same police and judicial authorities responsible for investigation and prosecution.

⁴⁸ Concerning both periods, care was taken as to not coincide with major holidays such as the Holy Week or Christmas, New Year's Eve etc; thus insuring maximum representativity of samples.

⁴⁹ Only in less than 10% was it obvious that the events had not been planned to any extent at all; implying that the real proportion of planned murders could be as high as almost 90 per cent.

⁵⁰ The study was recently presented to the national authorities and provides an input for the ongoing discussions on reform as well as forming the basis for the design of some potentially strategic pilot projects.

This fact applies not only to Guatemala but is, to a varying degree, no doubt also applicable to Honduras and El Salvador. This situation was recently corroborated in an unusually dramatic fashion, when four Salvadoran citizens were kidnapped, tortured and killed (their corpses then burned) close to Guatemala City in February 2007. As three of the victims were from well-known families and members of the Central American Parliament, PARLACEN, this time the event caused enough political pressure to force initial investigations to advance – shortly producing the arrest of four Guatemalan policemen as the obvious perpetrators.⁵¹ Shortly thereafter, these policemen were killed under still unexplained circumstances when being held in one of the country's maximum security prisons. Since then, no substantial progress has been reported in the investigative process, neither concerning the first nor the second crime.

This powerful presence of inside cover-up agents and criminal actors within the police, judicial institutions and the political sphere – linked to systemic corruption and businesslike rings or networks of organized crime of varying magnitude – is a matter for grave concern in all three countries of the Northern Triangle and is also reflected in the general lack of confidence its citizen express concerning these same institutions.

This also constitutes one of the main explanations as to why the situation is so positively different not only in Costa Rica (being a relatively much richer country with a long democratic tradition) but also in Nicaragua (with high poverty rates, easy access to firearms, rather recently coming out of a war and with very shallow and short democratic traditions). In both these two countries, the police and the investigative institutions are relatively healthy, have achieved reasonable levels of inter-institutional coordination (and/or adequate distribution of tasks), leading to fairly efficient operations that is reflected in relatively high respect ratings from its citizen.

Another contributing factor to the differences in homicide rates and violence is the fact that while the countries of the Northern Triangle are severely affected by the *maras* (extremely violent and organized street gangs, making group membership and crime their way of life), these gangs have not gained territory either in Nicaragua or in Costa Rica.⁵² This advantage for the latter countries, however, is not explained by lucky circumstances only but is intimately related both to factors such as the efficiency of national prevention policies concerning juvenile delinquency and – again – to the state of affairs within the national police and the judicial systems.

This latter aspect is highlighted by a forthcoming regional study on the *maras*⁵³ which indicates that these groups today are not only well inserted within their neighborhoods and the market economy but also often maintain close ties to the police and to some organized crime rings. In this context, these ties to the police are of special interest as they constitute a kind of “alliance for coexistence” which – departing from the territorial control and the violent power represented by the *maras* – makes life harder for the local population (with the proliferation of extortion

⁵¹ One of them being the Head of the Special Police Unit against Organized Crime. In this context, it should also be mentioned that, according to reliable sources, at least one of the four murdered Salvadoran citizens was known by the DEA for drug related activities of a certain magnitude.

⁵² A recent regional study soon to be concluded (mainly financed by Sida), confirms this overall description, with the addition that the situation in Costa Rica is more bothering than generally assumed, with new tendencies towards more violent and organized territorial gangs.

⁵³ Refers to the same study mentioned in the preceding footnote.

schemes to generate shared quotas and the perpetuation of impunity) and discourages gang members from leaving.

Finally, what is of increasing concern is the fact that the process of amalgamation of crime and key public institutions exposed above also involves the permeation of the political sphere, including in this concept not only government officials but also members of national parliaments and political parties.

3. Facts and Policies Concerning Swedish Regional Cooperation in Central America

3.1 Background

Swedish support for regional development initiatives and programs in Central America dates back to the 1980s, a decade characterized by armed conflicts, and was generally related to the overriding aim of contributing – in one way or another – to the improvement of the pre-conditions for the peace process.

Apart from humanitarian assistance and human rights, important areas of regional cooperation have included the environment and natural resources, prevention of natural disasters, healthcare, higher education, peace and security and research. Counterparts have ranged from networks of players in civil society and the academic world, to the private sector and official regional institutions with specific mandates granted by member countries. In several cases, Swedish support has played a prominent role in the establishment of such regional organizations.

3.2 Sector Composition and Performance

The table below provides a general overview of performance for the period 2002–2006 and forecasts for 2007, illustrating a certain thematic shift concerning the relative distribution of Swedish regional support over the years.

**Regional contributions in Central America 2002–2007 by sector
(in million SEK)**

Sector	Disbursements				Forecast
	2003	2004	2005	2006	2007
Democratic governance and human rights	9	23	26	27	16
Peace and security	9	9	8	10	9
Social sectors (health, education, culture)	25	41	40	24	34
Infrastructure, private sector development, urban development and financial systems	12	6	15	14	20
Natural resources and the environment	21	26	33	28	45

Sector	Disbursements				Forecast
	14	19	12	9	17
Research cooperation					
	8	9	7	6	4
Other areas					
	97	133	141	118	145
Total per year					

3.3 Looking Ahead

3.3.1 Policy Directives

Development cooperation channeled through regional programs in Central America for 2007 is guided by the “*Regional Strategy for Central America and the Caribbean 2001–2005*”, adopted by the Swedish Government in 2001. A mid-term follow up of this strategy was conducted in 2003, concluding that the basis of the strategy was still valid, whereupon the Swedish Government decided to extend the period during which the strategy is applicable to 30 June, 2007. The process of formulating a new strategy for Swedish development cooperation with Central America and the Caribbean was initiated at the end of 2005.

However, in December 2006, the Swedish Government decided to initiate a process towards concentration of Swedish development cooperation to fewer countries in order to make it more efficient. For this reason, the validity period of the current regional strategy was once again extended and the initiated strategy processes were put on a temporary hold until the government has decided which countries Sweden will prioritize for its long term development cooperation.

The overall objective of Swedish development cooperation is to contribute to an environment supportive of poor people’s own efforts to improve their quality of life. Within this overall objective, the strategy for Central America establishes that special emphasis must be placed on initiatives related to democratic development and the reduction of economic and social inequality.

The strategy states that, in addition to bilateral cooperation, regional dimensions will be assigned to development cooperation with Central America to support the integration processes already underway. These will also function as a contribution to the resolution of cross-border problems, to promote the sharing of experience, to solve joint problems and to promote the harmonization of policies and legislation.

The major part of the projects and programs within the regional plan is implemented by regional organizations with the purpose of strengthening cooperation between countries and facilitating mechanisms for solving shared problems.

3.3.2 Priorities for 2007

No major changes are foreseen in the focus of the larger programs in the Regional Plan. Emphasis will continue to be (i) natural resources and environment; (ii) higher education and research; and (iii) support for regional sharing of experience, studies and public opinion formation in areas where Sweden supports similar activities in several countries.

However, it is expected that the Swedish Embassies in the region will continue to place more emphasis on issues related to inequality and continue efforts aimed at building social capital for fiscal reform in cooperation with the IDB and other like-minded donors.

Democracy and Human Rights is a major theme, well represented in the different bilateral country plans. At the regional level, support to IIDH (the Inter-American Institute of Human Rights, based in Costa Rica) and to the regional initiative on the political party system will continue during 2007 and further support to the Raoul Wallenberg Institute and to FIDH for 2007–2008 is planned. The regional Special Fund for Human Rights Ombudsmen will be allocated a final and phase-out contribution during 2007.

The social sector is focused on Health and Culture programs. Sida's support to the *health sector* in Central America is primarily managed as bilateral support. The focus of the regional support is on public health in areas where a multi-country approach is considered to generate added value. Furthermore, regional programs are also regarded as complementary when it comes to sensitive issues (such as reproductive health and sexuality), and as vehicles for the promotion of exchange of experience within the region. A Swedish expert will be seconded to PAHO in 2007 to work with issues such as SRHR, youth health and gender.

The ongoing support to the culture sector will be phased out during the coming two-year period. Activities will be concentrated to further capacity building in special areas – libraries, theatre and museums/ cultural heritage – combined with efforts to enhance institutional knowledge concerning fund-raising, marketing, culture policy and how to build solid linkages to the national ministries of culture.

The most significant element within the *regional urban finance initiative* will continue to be exchange of experience between institutions working with improvement of low-income housing and local infrastructure. The program is focused on training and consultancy services, aimed at (i) strengthening governmental, municipal and civil institutions in order to improve housing conditions, and; (ii) the exchange of experience between institutions, financed by Sida, who are working with low-income housing and local infrastructure in Central America.

Within the area of *natural resources and the environment*, a thematic program was launched in 2002 with the objectives of contributing to poverty reduction and reduced ecological vulnerability in rural areas. Cooperation with CATIE in Costa Rica will continue to constitute the cornerstone of the regional program, with watershed management remaining one of the priority themes. The co-financing of scholarships for students at EARTH University in Costa Rica will also be continued, with a new group of students from the Central American Atlantic Coast from 2007.

Joint financial support with Denmark and Norway is planned to the Central American Commission for Development and Environment (CCAD). Another newly planned contribution is support for implementation of the Regional Central American Forestry Strategy and Program (EFCA), as well as institutional support (jointly with Norway) to CEP-REDENAC – the regional integration instance responsible for disaster prevention in Central America.

3.3.3 Administrative Aspects

The major part of the projects and programs within the regional plan has been assigned to Sida's different sector departments. In some cases a Swedish Embassy or Development Cooperation Section in Central America is responsible for follow-up of regional projects. However, unless otherwise agreed, overall responsibility for the planning and follow-up of regional activities rests with RELA. The Swedish Embassy in Managua

has the responsibility for planning and follow-up of the regional program on natural resources and the environment.

Cooperation activities within the regional programs for Central America and with the Caribbean require the estimated input of one full-time post at RELA. One of the desk officers at RELA coordinates the work divided between three desk officers. In addition, the sector departments DESO, SAREC, NATUR and INEC will also have personnel assigned to support these regional programs.

In 2007, Embassy staffing includes a regional project manager for the environment and natural resources sector stationed at the Swedish Embassy in Managua. Staff at the Embassy in Guatemala will follow up and report on regional integration and cooperation in Central America, and also be responsible for the coordination of the regional health program.

4. Thematic Regional Programs

4.1 Natural Resources and the Environment

4.1.1 Background

Central America is a region rich in natural resources and possessing extraordinary biodiversity. In this context, marine resources are often overlooked. Central America has more than 6,500 km of mangrove coast, coral reefs and other coastal-marine ecosystems, with a high degree of biodiversity and productivity. Several of the largest and most productive estuaries in the world are located in the region. However, the natural resources in the region are gradually becoming depleted due to over-use, mismanagement and uncontrolled exploitation with serious consequences for the environment and ultimately for people's living conditions.

In Central America, the majority of poor people live in rural and coastal areas, in communities often characterized by remoteness and difficult access. Their basic assets, besides their own manpower, are natural resources for sustaining life. In their endeavor to make a living under existing adverse conditions (lack of fertile land, limited access to water and other means for improving the use of land and, not least important, lacking other sources of income and employment opportunities) many rural poor have no other alternative but to continue over-using the natural resource base, thus risking their own livelihoods.

Furthermore, non-existent or inadequate management of land, forest and water resources controlled by the state and major landowners results in deforestation, soil erosion, reduced groundwater recharge, sedimentation of rivers, pollution of marine areas and loss of biodiversity etc. This mismanagement generates severe consequences for the provision of ecosystem services of particular importance to the rural poor.

In addition, mismanagement of resources also often contributes to an increased degree of "ecological vulnerability" among the poorer groups of the population. The impact of flooding and droughts and other natural hazards increases with environmental degradation, often resulting in "man-made disasters".⁵⁴

⁵⁴ The immense material damage and human death toll caused by the rains following Hurricane Stan in October 2005 (this time with Guatemala as the worst affected country) once more demonstrated this point.

4.1.2 Regional Program Objectives

The overall objectives of Sida's program on Natural Resources and the Environment in Central America (launched in 2002) are to contribute to poverty reduction and reduced ecological vulnerability among the rural poor by supporting initiatives of a regional character. The strategy used to achieve these objectives includes support to a combination of educational activities, experimental and method development projects in the field, exchange and dissemination activities, institutional support to regional policy making bodies and, to a lesser extent, regional implementation projects. In this way Sida's comparative advantage of being a small but flexible donor, open to new ideas, is fully utilized. Furthermore, the regional program officer responsible for this program is also focal point for the Sida-IDB Partnership in the area of natural resources, environment and productive rural development.

In 2000 Sida launched its *Marine Initiative* with (i) the overall objective of contributing to poverty alleviation through increased food security based on sustainable use/production and conservation of natural resources; (ii) the challenge that achieving sustainable development and reducing poverty is not possible without healthy coasts and oceans; and (iii) the vision that healthy, well managed and productive ecosystems in oceans and coastal areas are a prerequisite for creating stable and sustainable economies and livelihoods for coastal states.

In 2003 Sida's Marine Initiative started to support regional fisheries and marine environmental organizations in Central America and the Caribbean through FAO and UNEP.

4.1.3 Major Initiatives and Projects

Among the program's activities is core support to *Centro Agronómico Tropical de Investigación y Enseñanza* (CATIE) in Costa Rica. CATIE has developed a long-term strategic plan for its research and educational activities with a clear focus on poverty alleviation. The core support provided for CATIE is aimed at strengthening the applied research, education and outreach activities of the center, which directly benefits the region both in terms of knowledge building and trained manpower. In addition, the regional program supports the FOCUENCAS project executed by CATIE, which is a methods development and dissemination project on integrated watershed management with field activities in Nicaragua and Honduras. This support, which is in its second phase, will continue until the end of 2008. Moreover, support is provided for capacity building in environment impact assessment in the region through the Central American Commission for Environment and Development (CCAD) with technical assistance from IUCN. This support in its current phase lasts until the end of 2008.

Among the new activities initiated in 2006 should be mentioned, firstly a new 2-year agreement for core support to CATIE. Secondly, an expansion of the ongoing collaboration with EARTH University (initiated in 2005) for the provision of higher education for poor youngsters from the Atlantic Coast in Nicaragua and Honduras, as well as from the Altiplano in Guatemala. Thirdly a new 3-year agreement with PRISMA, an independent think-tank located in El Salvador, focusing on the relationship between sustainable management of natural resources and rural poverty reduction in a regional perspective.

Sida has been supporting UNEP's Caribbean Environment Programme (CEP) and the implementation of the Cartagena Convention for the Protection and Development of the Marine Environment in the

Wider Caribbean Region (WCR) for many years. Currently, the support for the period 2004–2007 is concentrated to three major components;

- AMEP (Assessment and Management of Environmental Pollution)
- SPAW (Specially Protected Areas and Wildlife)
- ETA (Education, Training and Awareness)

Another program run by UNEP/CEP is the “*White Water to Blue Water*” program which started as a global initiative at the UN Summit on Sustainable Development in Johannesburg in 2002. The program aims at achieving more collaboration between the many organizations and actors who deal with environmental management along the route from mountains, via streams and rivers (white water) to the coasts and the sea (blue water). Sweden co-finances the initiative with some SEK 10 million over three years.

On the Pacific side of Central America, Sweden also supports UNEP’s newly established Northeast Pacific Regional Seas Program (NEP). The main purpose is to develop a regional institutional framework in order to deal with the Guatemala-Antigua Convention for the Protection and Sustainable Development of the Marine and Coastal Environment of the Northeast Pacific.

FAO’s regional fisheries organisation, OSPESCA has, with the use of Sida funds, recently started up a project called FIINPESCA. The project contributes to improve scientific knowledge on the state of exploitation of fishing resources and on the economic and social aspects characterizing fisheries. The objective is to enhance fisheries’ interdisciplinary research capabilities in these countries and to make technical and scientific inputs available to decision-makers for the process of formulating national and regional fishing policies.

The distribution of funds among these major initiatives, as well as disbursements during 2006, is shown in the table below.

Environmental Program, main contributions (in Million SEK)

Contract partner and project theme	Agreement period	Agreed amount	Disbursed 2006
CATIE: Core support	Jan 2006 – Dec 2007	12.2	6.0
CATIE: Focuencas II	Oct 2004 – Dec 2008	41.0	7.5
CCAD: EIA capacity	Sep 2005 – Aug 2008	13.4	2.0
PRISMA	Jan 2006 – Dec 2008	6.3	2.6
EARTH: Atlantic Coast	Jan 2005 – Dec 2011	14.7	2.0
UNEP/CEP	Nov 2003 – June 2008	9.7	2.4
UNEP/WW2BW	Jan 2005 – June 2009	8.0	0.6
UNEP/NEP	Sept 2004 – Dec 2008	3.4	0
FAO/FIINPESCA	Nov 2004 – June 2009	7.7	1.9

4.1.4 Principal events and achievements

The Focuencas II Program, implemented by CATIE, has developed innovative approaches to adaptive co-management of watersheds which are now beginning to have an impact in the region. For example, INTA in Nicaragua has adopted this approach in its agricultural extension work at national level. Similarly, experimentation with watershed committees involving all stakeholders has provoked much interest in other municipalities outside the project area which are now establishing similar organizational frameworks for the management of their watersheds.

These and other achievements of Focuecas II were recently documented in a follow-up study of the program by Sida's monitoring team. Another achievement during the year was the collaboration initiated between CATIE and the Fondeagro Project, supported bilaterally by Sweden, in Nicaragua for the systematization of the experience gained and lessons learned within Fondeagro.

The agreement with EARTH University was previously limited to the co-financing of scholarships for studies at the university's facilities in Costa Rica. Now, the new and expanded agreement (to be effective from 2007 and onwards) also includes a 2-year pilot project for institutional collaboration between EARTH and the URACCAN and BICU universities in Nicaragua with the idea of eventually leading up to a joint educational program specifically designed for young students from the Atlantic Coast. This in turn would supplement other bilateral Swedish support to the two autonomous Atlantic Coast regions in Nicaragua.

In 2006 planning support was provided to CCAD for a revision of the Regional Forestry Strategy (EFCA). This resulted in the elaboration of a first draft of a Regional Strategic Forestry Program (PERFOR) to be presented at a forthcoming donor conference. Similarly, the planning support jointly provided by Sweden, Denmark and Norway to CCAD for defining the content and scope of a possible institutional strengthening program of the latter resulted in a draft proposal which is currently subject to analysis by the relevant donors.

The short-term Swedish/Norwegian institutional support to CEPRE-DENAC for revision and updating of the Regional Plan for Disaster Reduction in Central America (PRRD) was extended until mid-2007, but without additional funding, in order to complete the consultation process of the plan.

Finally, the working group for Environment, Natural Resources and Rural Development within the Sida-IDB Partnership held its regular annual meeting in Guatemala when also the regional study financed through the Partnership on possible effects of CAFTA on rural households was presented. Another partnership activity during the year was a Country Environmental Analysis of Nicaragua. A local facilitator for the Sida-IDB Partnership in the area of environment, natural resources and rural development has been recruited. He will be based at the IDB office in Managua and facilitate partnership activities in the aforementioned subject areas both in Nicaragua and regionally.

Thanks to the long-term Sida support to UNEP's Caribbean Environment Program, this is now considered to be one of the best functioning UN Regional Seas programs in the world. All the countries involved, including US and Cuba, have expressed their appreciation of the Swedish support, both its financial allocations and its constructive participation in annual inter-governmental meetings. Within UNEP's *"White Water to Blue Water"* initiative, Swedish co-funds have helped the Spanish-speaking countries to carry out marine pollution studies and to disseminate important lessons learned in their countries.

Within the newly established Northeast Pacific Regional Seas Program (NEP) a regional course on the use of key principles and the checklist of the Guidelines on wastewater management for the Northeast Pacific was conducted, and the planned regional inventory of the municipal sources of marine pollution in NEP was updated and completed in 2006.

Within the FIINPESCA project, national reports have been produced and distributed in seven countries. The progress of the FIINPES-

CA project was presented in Managua during the 7th Ordinary Meeting of OSPESCA Steering Committee in December 2006. A project office has been established at the Ministry of Agriculture and Livestock in El Salvador.

4.2 Health Sector

4.2.1 Background

Poverty, social exclusion and fragmented health systems located mainly in urban areas and focused on treatment only continue to generate a number of health hazards in Central America. This is reflected by indicators such as maternal mortality rate, infant mortality rate and life expectancy. Although figures have improved over the past few years and reforms in the health sector are under implementation in Central American countries in order to reach out to people in poverty excluded from health services, enormous differences still remain within countries and between groups of people. Inequalities concerning opportunities for a healthy life, information to make healthy choices, the possibility to prevent injury and diseases and access to quality health services are maintained in society and reflected within the health system. The correlation between ill health and women and children living in poverty, as well as ill health and ethnic minorities, continues strong.

The spread of HIV/AIDS has increased in the region and Honduras and Haiti are particularly affected by this problem. Gender based violence seriously affects women and children, and preserves oppressive attitudes and conditions. Gender inequality also affects women's health when it comes to nutrition, sexual and reproductive health and rights (SRHR) and access to health services.

Moreover, the region is experiencing *epidemiological polarization*, (instead of speaking of the region, maybe we should come down to people instead? That is, those who live in poverty are subject to double health hazards. They are more likely to smoke, drink and eat fatty foods plus that they are at great risk over their life-time to suffer several communicable diseases so that communicable and non-communicable diseases affect their mortality profile simultaneously). Thus, chronic degenerative diseases as well as disabilities, violence and lifestyle-related diseases arise and coexist with emerging and re-emerging communicable diseases (malaria, tuberculosis, dengue fever etc.).

4.2.2 Regional Program Objectives

One of the main objectives of Sida's support to health in Central America is to combat inequality and contribute to people's access to preventive health care and services based on a rights perspective – as well as supporting democratic and peaceful development.

Within this context, regional support is envisaged as a mechanism to strengthen health sector reforms in Honduras, Guatemala and Nicaragua. The regional programs are also to be regarded as complementary when it comes to sensitive issues, or matters that governments for various reasons do not tackle sufficiently well, such as sexual and reproductive health and rights.

Due to similarities in health indicators in most Central American countries, Sida also works to promote systematic exchange of experience within the region; sharing results, ideas and best practices. Regional cooperation is also promoted through regional NGOs as well as multilateral organizations, particularly in order to combat shared health and development hazards such as HIV/AIDS.

In addition, Sida continues to promote the efficiency of cooperation through Sector Wide Approach Processes (SWAp) and increased donor harmonization. The long term goal in Honduras and Guatemala is to support the establishment of consolidated National Health Plans, a plan that will also constitute the basis for establishing SWAps in each country. In Nicaragua there is a long term NHP in place.

4.2.3 Major Initiatives and Projects

The regional health support is administered by a team that has been formed over five years. The team members are the three health program officers in the region and two program officers at the health division at Sida HQ. The team assesses and discusses the regional programs and share the work of monitoring the programs. The team meets several times per year and is also very successful in dealing with changes of personnel, and then works as an institutional memory.

Following an overview of the regional health portfolio in 2004, the portfolio was tuned into more focused regional support with the spotlight mainly on SRHR, Gender and Social Protection. Subsequently, a study of the regional health programs in 2006 assessed that the concentration had been effective but recommended that further focus on SRHR should be carried out in the future. The regional health team agreed for the next strategy period.

Health Sector Program, Main Contributions (in Million SEK)

Contract partner and project theme	Agreement period	Agreed amount	Disbursed 2006
LACWHN: Gender & women's health	Oct 2005–June 2008	3.0	1.0
PAHO, 3 components: Gender and Ethnicity, Social Protection, Family and Community Health	Sep 2005–July 2008	47.7	11.4
SICA: Occupational health	2003–2006	20.0	5.0
PATH/Intercambios: Gender- based violence	2004–2009	15.6	4.2
GI: Youth SRHR	2004–2007	6.3	2.3
PAHO: Health Systems Development Course	2005–2007	6.2	1.5

4.2.4 Principal Events and Achievements 2006

As part of the preparations for a new regional strategy, an assessment of the regional health programs supported by Sida was implemented. The assessment concluded that the regional health portfolio was relevant and had become more concentrated. It also stated that the regional programs do have an effect on the country level and recommended that the portfolio should be even more focused on SRHR.

In 2006, the fairly new support to Intercambios and Guttmacher Institute started to show results. Intercambios is an alliance of organizations and networks in Latin America addressing gender-based violence (GBV) from within the health sector. Intercambios creates conditions for exchange and learning between institutions and organisations. The network identifies experiences, initiatives and processes that already exist among NGOs and other organisations and then creates the preconditions for these initiatives to spread in the region. In 2006, concrete activities in this context have included: capacity building within national

authorities such as judges, police and staff at ministries of health in Nicaragua, Honduras and Guatemala; advocacy and strategic information work with NGOs targeting young people etc. So far, Intercambios has produced a low-bureaucracy, cost-effective and synergy-building model of work at the regional level that produces visible results at country level. This experience could be used as a methodological example for other regional programmes.

In 2006, the Guttmacher Institute (GI) made great strides in analysing data and documenting new findings in a series of *Research in Brief* publications (e.g. on Early childbearing). Concerning the support to PAHO it can be mentioned that strong advocacy has been performed on adolescent pregnancy prevention using Guttmacher Institute data. Currently, El Salvador is conducting an impact evaluation of the project *Empowerment of Adolescent Girls*, which is soon to be disseminated in the region.

Furthermore, PAHO's Second International Course on Health Systems Development attracted more than 50 managers and/ high level health officials and project consultants who are actively involved in the analysis and policy-making that guide the organization and operation of their countries' health systems. The design and implementation of the course was an important challenge involving coordination among the different key institutions and forging strategic partnerships between PAHO/WHO-UNFPA-CIES/UNAN.

4.3 Cultural Program

4.3.1 Background

In Central America, as in most poor societies, there is a huge gap between cultural production and consumption. The habit of reading, for instance, is not common. Although a good number of Central American authors write new literature every year it is sparsely read. International literature also has few readers and is sold in a limited number of bookstores only. Participation in cultural life is often restricted to elites and political interest in promoting cultural heritage is mostly given low priority.

However, every country in the region has a National Library. Through support from Sida and in cooperation with the Swedish Royal Library most of them have developed into relatively well-functioning, cultural institutions. There are also a number of geographically well distributed public libraries, generally with few books to borrow but of great importance for a huge amount of young pupils and students who come every day to use the library and its resources for their homework.

Every Central American country also has an anthropological or archaeological National Museum and a National Theatre. Exhibitions in the National Museums generally focus on objects, often archaeological artifacts, and mostly meet rather limited interest from their own citizens. The institutions are weak and staff competence is mostly limited. The National Theatres are mostly dark and empty, as independent groups cannot afford to perform there and the theatres themselves cannot afford their own ensemble. The most significant form of theatre as a whole in the region is amateur theatre, generally used as an instrument for education on certain issues and mainly intended for children and youth.

Film as an art is weak in the region, with the exception of documentary film in Nicaragua which represents very high quality (reflected in a number of prestigious international awards). Visual art has, on and off, been very strong in the whole region and painters from Central America

have sometimes enjoyed international attention.

Generally speaking, the cultural policies of the countries of the region are weak and financial support from national budgets for culture is scarce. What cultural policies do exist mostly focus on the countries' archaeological heritage and on traditional folklore culture. There is, however, a remarkable lack of political interest in the importance that contemporary art and culture can represent for the formation of national identity.

4.3.2 Regional Program Objectives

The current Sida-funded regional program in the field of culture covers the period 2002–2007. Swedish cultural institutions play an important role in the implementation and follow up of the program. Three areas are supported: libraries, museums and theatres. The overall aim of the program is to support democratic processes in the region.

The library project has been ongoing for some years now, whereas the two other area projects started during the first half of 2003. All three projects focus on training of professionals, building and strengthening regional networks and are intended to generate results for the benefit of the general population with emphasis on women and men, girls and boys living in poverty.

4.3.3 Major Initiatives and Projects

Objectives for the *library program* are to strengthen and develop public libraries and enhance their participation in society. This will be done through reading promotion, libraries being focal points for public information, and better equipped libraries.

The *museum network's* main objective is to support the development of public museums to become centers for informal education, enhance their role for preserving the cultural heritage and thus contribute to the development of a democratic society.

The *theatre network* aims at strengthening the artistic quality in the art of theatre in Central America. The role of theatre, as a means of communication, is to be enhanced. Theatre of good artistic quality, and with sensitivity to, and knowledge of, the poor as a primary target group is also able to contribute to democratic development.

Culture Sector Program, main contributions (in Million SEK)

Contract partner and project theme	Agreement period	Agreed amount	Disbursed 2006
Swedish National Library: Central Am. Libraries	Jul 2002–June 2007	24.3	3.5
Swedish Museum of Antiquities: Central Am. Museum Network	Jan 2003–June 2007	8.8	0
Swedish Drama Institute: Training for the theatre sector in Central America	Jan 2003–June 2006	9.1	2

The results generated within the programs show increased institutional capacity, strong ownership and strong regional networks. A recent evaluation of the library program concludes that the program has made a substantial contribution to the development of public libraries and capacity building among library staff.

In line with the drafting of a new strategy for Central America, a phasing out period of two years for culture support is planned. New project proposals for the last period will be presented and assessed in the first half of 2007. The level of support for 2007 is approximately SEK 6 million and for 2008 SEK 5 million.

4.4 Research Cooperation

4.4.1 Background

The overall purpose of Sida's research support is to stimulate research cooperation and capacity building within the region as a whole, focusing on research areas concerning themes or problems of high relevance and priority, identified by participating universities and countries.

4.4.2 Major Initiatives and Projects

In order to overcome the relative underdevelopment of the social sciences in Central America, the academic units of FLACSO⁵⁵ in Costa Rica, Guatemala and El Salvador have organized a Regional Program for Higher Education in Social Sciences, covering all Central American countries (including Panama and Belize).

The intention is to create an academic cross-disciplinary and inter-generational research community at regional level, able to address the socio-political problems of the entire Central American region. Using the training of trainers method, academic efforts are mainly directed towards Central American government universities. Internationally accepted and respected monitoring, evaluation and accreditation of academic titles awarded is guaranteed through and by the FLACSO system

The graduate program offers MScs and PhDs in social sciences. Students come from Guatemala, Costa Rica, El Salvador, Honduras, Nicaragua, Belize and Panama. Full-time commitment is guaranteed through scholarships covering board and lodging as well as registration fees. Special efforts are made to attract female students and members of marginalized (ethnic) groups.

Regional Research Program, main contributions (in Million SEK)

Contract partner and project theme	Agreement period	Agreed amount	Disbursed 2006
FLACSO	January 2004–July 2008	28.4	8.6
CSUCA	January 2006–July 2007	0.7	0.7
Total		29.1	9.3

4.4.3 Principal events and achievements 2006

In 2006 important steps were taken to increase alignment and ownership of research and research capacity building in the region. The Central American University Council, CSUCA, arranged a two day seminar for the principals to discuss opportunities of setting up a research program on Natural Disaster Mitigation. The seminar was inspired by a review on the capacity for research in relevant topics commissioned by Sida in 2005. The review had recommended CSUCA to take the lead and overcome splits caused by imbalances between strong research countries and their weaker neighbors in the region.

⁵⁵ The Latin American Faculty of Social Sciences (FLACSO) is an inter-governmental organization which was established in 1957 with the support of UNESCO to stimulate the development of social sciences in Latin America and the Caribbean. To date, fourteen countries have signed general agreements with FLACSO.

This would be the first regional research program that has clear ownership in a regional institution anchored in formal national bodies, the universities. Representatives from the national and regional bodies of CEPREDENAC participated in the seminar to facilitate the design of linkages between researchers and practitioners. The CSUCA principals agreed to regard this as a pilot initiative for the creation of regional research programs, mobilizing researchers on a competitive basis in order to take on societal challenges.

Researchers investigating tropical health issues in Central America have, over the years, cooperated in a network called NeTropica. The secretariat has been located at the National University in Costa Rica and funds have been channeled through the university administration. Hitherto, this mechanism has meant fragile regional ownership and the generation of considerable discomfort among researchers in several countries, who have perceived this set-up as dominated by Costa Rican. In 2006, important steps were finally taken to formalize this network into a legitimate regional organization, capable of handling financial flows to each and every participating national institution.

Social Sciences in the region give an ambiguous impression. On the one hand, the majority of the students receive their training in social sciences at the universities. On the other hand, social and economic research is conducted mainly by NGOs. This separation of research from higher education leads to an inferior quality of university training. In order to address this situation FLACSO has started up a PhD program with the aim of training better researchers in the region. One goal is to motivate university teachers to extend their subject knowledge.

In this context, a joint evaluation of FLACSO, commissioned by NORAD and Sida, states that this endeavor, to a great extent, has been successful. It also affirms that further efforts are needed to upgrade social science teachers, particularly in Nicaragua and Honduras. The evaluation also concludes that the research conducted in the three national units in Costa Rica, El Salvador and Guatemala is of considerable relevance to society but that the scientific quality (particularly concerning methodology and theory development) is still lagging behind.

5. Other Regional Contributions

5.1 Democracy and Human Rights

5.1.1 Background

Today, all Central American countries are formal, electoral democracies. Political leaders are chosen in relatively free and fair elections and the fundamental rules of succession of political power are respected. However, there is a general trend of declining voter turnout in elections, reflecting increasing popular discontent regarding the efficiency of the democratic system as far as solving fundamental problems such as poverty and civil insecurity (caused by criminal violence) are concerned.

Respect for human rights has improved substantially in most countries of the region in comparison to the situation prevailing a decade or more ago. Serious violations such as extra-judicial executions, “disappearances” and systematic harassment of political opponents are currently rare in the region. However, both in Guatemala and Honduras there is proof of continued violations of human rights in several contexts and evidence also exists concerning “social cleansing” i.e. the killing of street children and delinquents. Furthermore, in Guatemala a recent increase in violence against judges and others within the judicial system has been reported.

All the countries in the region, with the possible exception of Costa Rica, have poor records concerning their Government’s efforts to implement economic, social and cultural rights. The ethnic minorities, women, children and physically and mentally disabled people are the most vulnerable groups in the region.

5.1.2 Major Projects

Four major, strategic Sida contributions within this broad field are support to

- (a) the *Instituto Interamericano de Derechos Humanos (IIDH)*, based in Costa Rica;
- (b) the *Raoul Wallenberg Institute (RWI)*, Lund (Sweden) and its Latin America program;
- (c) a Special Fund for Ombudsmen Offices and National Rights Institutions in Latin America and the Caribbean (based in Caracas); and
- (d) a multi-donor program regarding support to the political party systems in Central America, Panama and the Dominican Republic.

This regional program for Democracy and Human Rights is aimed at the development of more inclusive and transparent democracies on the American continent, and the provision of effective protection of human rights, especially in the Central American Region.

IIDH works in the entire hemisphere from its headquarters in San José, Costa Rica. The program covers the period 2005 to 2008. IIDH's work is divided into the following thematic priorities:

- (access to) justice and security;
- political participation including electoral assistance (through CAPEL);
- training/education in human rights, including economic, social and cultural rights.
- analyses of the fulfillment of economic, social and cultural rights.

The Swedish regional contribution to IIDH is of a core character and in principle has no earmarking for specific activities or geographical areas. However as specific parts of the support, funds are also provided for minor projects in Colombia and Cuba. IIDH also receives financial support from Danida, Norad and Canada, among others.

The RWI Program in Latin America has experienced some changes during the last couple of years and in 2006 consisted of the following regional projects:

- (a) the continuation of a research and training program in cooperation with the UN Latin American Institute for Crime Prevention and the Treatment of Offenders (ILANUD), based in Costa Rica, aimed at the police forces, judges and prison authorities in the Central American region;
- (b) a cooperation program with CEJIL (the Center for Justice and International Law), Costa Rica, focusing on the protection of economic, social and cultural rights in the Inter-American System;
- (c) a training program on the Equal Status and Human Rights of Women in Latin America, implemented together with IIDH in San José;
- (d) translation of human rights literature into Spanish; and
- (e) scholarships to the Summer Academy on Human Rights and Humanitarian Law at the American University in Washington DC, given annually to two Latin American students from RWI's international training programs.

The Special Fund is administered by representatives of the different regional organizations of the Ombudsman Institutions. The support is provided in coordination with the Danish Institute for Human Rights and its objectives are (i) to strengthen the Ombudsmen Institutions in the region; (ii) to increase the number of such institutions in the region, and; (iii) to improve cooperation between the Ombudsmen Institutions in Latin America, the Caribbean and the European Union.

The Program on support to the political party systems is managed and executed by a broad "coalition" within international development cooperation.⁵⁶ The objective is to promote dialogue with and between the political parties in the region, through regional conferences and seminars, as well as elaborating relevant studies of the dialogue and

⁵⁶ Members of this group are UNDP, IDB, IDEA, DfID, AECI and Sida.

to carry out a mapping of ongoing projects and programs with political parties in the different countries of the region.

Selected regional democracy activities (in MSEK)

Contract partner and project theme	Agreement period	Agreed amount	Disbursed 2006
Instituto Interamericano de Derechos Humanos (IIDH): Core support	Jul 2005 –Dec 2008	17.0	5.7
Raoul Wallenberg Institute: Regional projects	Jan 2002–Sept 2007	19.7	3.2
Special Fund for Ombudsmen Offices and National Rights Institutions	Dec 2004–Mar 2007	2.4	1.2
Support to Political party systems in Central America, Panama and the Dominican Republic	Jan 2006–Dec 2007	1.7	1.7

5.1.3 Principal Events and Achievements 2006

In 2006, IIDH implemented several projects, directed at both state and non-state actors, such as the program on strengthening the network of Ombudsmen working with the rights of women in the region; technical assistance to, and capacity building of, the *Red de Atención a Pueblos Indígenas (RAPI)* – a network supporting indigenous peoples – training in the functions of the Inter-American System and the Organization of American States for civil society organizations, and the implementation of public debates on the results and problems related to different truth commissions and reconciliation processes. Furthermore, the operational plans of Sweden, Denmark and Norway were finally harmonized as a step towards better coordination and strengthening of the core funding system.

One of the many important activities undertaken within the RWI Program, was the course on Women's Rights. Participation was interdisciplinary and the organizers attempted to favor certain groups of participants such as indigenous and afro-descendent professionals, and NGO representatives. The RWI Program, which initially was supposed to end in December 2006, was prolonged four months in order to allow Sida to duly assess a new program application for the period up to December 2008.

The Special Fund for Ombudsmen Offices and National Rights Institutions was evaluated during the second half of 2006 and a new program application was presented to Sida in November. Support to the Special Fund will be provided for 2007 but with a minor Sida contribution only. In 2007, Sida will assess the expected institutional reorganization and developments at the Fund, in order to be prepared for a decision on whether to prolong the program or not, once the new orientation concerning the Swedish regional strategies has become known.

Within the program for supporting the political party system in the region, a regional conference/seminar on Public Policies for Poverty Reduction was implemented in Managua with participation from the majority of the political parties in the region. Also, a mapping of ongoing projects and programs with political parties was carried out and a draft report presented, with the objective of promoting harmonization and coordination when supporting and promoting reforms within this area.

5.2 Peace and Security

5.2.1 Background

Although Central America has made substantive progress in moving from conflict and economic crisis toward democracy and a certain level of economic growth, the region is currently facing new and profound challenges which constitute a source of internal and regional instability and is of direct concern in relationship to peace, conflict, development and security. These challenges include:

- rising levels of crime and violence
- increased vulnerability to transnational crime, specifically drug related crime
- large quantities of readily available small arms and light weapons
- poor access to justice and limited rule of law
- inadequate security sector agencies (police, criminal justice, border controls etc).

National institutional fragility and the transnational nature of the above mentioned challenges make it unlikely that Central American countries can address these threats on an individual country basis. At the same time, the capacity of Central American governments to act collectively also seems questionable, owing to weaknesses in the current mechanisms for regional cooperation.

The rise in crime is recognized as an immediate and ongoing threat to: security (both state and human security); to the evolution of more democratic, participatory and integrated politics (by closing down spaces for collective action and interaction and by fuelling the growth of gated communities); and to the implementation of social development policies.

A number of Central American countries have responded to rising criminality and violence through the application of *mano dura* (tough hand) policies of enforcement and repression. Despite an upsurge in preventative arrests and incarceration, violence has escalated rather than declined, leading to criticism that state responses need to focus on prevention and rehabilitation.

5.2.2 Major Projects

Sweden has worked to promote peace and security by supporting Swedish NGOs, regional organizations and the UN, both bilaterally and through networks. The collaboration with UNLiREC (United Nations Regional Center for Peace, Development and Disarmament) and with the Arias Foundation has contributed to certain disarmament campaigns and legal reforms on small arms and social violence. The Parliamentary Forum on Small Arms and Light Weapons as well as activities through Save the Children Sweden and SWEFOR have involved members of parliament from several countries in regional political processes concerning small arms, children and violence and the issue of *maras* (violent and armed, well-organized youth gangs with strong cohesion). Another of Sida's partners, the University for Peace in Costa Rica has, through its global program of advanced university studies related to peace, strengthened professional capacity on peace and security among a number of civil society organizations in the region.

Selected regional peace and security activities (in MSEK)

Contract partner and project theme	Agreement period	Agreed amount	Disbursed 2006
United Nations Regional Centre for Disarmament, Peace, Development and Disarmament	Jun 2005–Dec 2008	12	4
Arias Foundation	Jan 2005–Dec 2007	4.5	1.5
SWEFOR	Jan 2006–Dec 2007	4.5	2.25
Parliamentary Forum for Small Arms and Light Weapons	Jan 2006–Dec 2007	3	2

5.2.3 Principal Events and Achievements 2006

A more coherent approach and increased collaboration has resulted in progress in the work against illicit use of small arms and light arms, initiated advocacy for an arms trade treaty and integral measures concerning urban and social violence. Regional studies and investigations on e.g. criminality, youth gangs and children in urban areas characterized by armed violence have been conducted and have made visible the increasing problem affecting the region.

Contributions to certain parts of security sector reforms on regional level have been partially successful and led to improved legal protection, a few disarmament campaigns, and retraining programs for military and police officers. Conflict sensitivity is still not sufficiently prioritized in Swedish development cooperation. In order to address the problems described above, more comprehensive efforts are required to integrate the promotion of peace and security into general development cooperation as well as into the design of projects and programs.

5.3 Housing Finance and other Urban Issues**5.3.1 Background and Objectives**

Since 1988, Sida has supported initiatives to improve housing and living conditions for low-income urban households in Latin America. At present such urban development programs are supported in Nicaragua, Costa Rica, El Salvador, Guatemala and Honduras.

The development objective for this initiative is the improvement of living conditions of low-income households, with female-headed households as a special target group.

Under this modality, support is provided for:

- financial solutions for improvement and extension of already existing houses
- financing arrangements for building of new homes
- provision of infrastructure and community services in existing and new settlements
- credit activities for income-generating activities.

The model for implementation involves mainly micro finance institutions (MFIs), including financial cooperatives. Sida's support to the programs primarily consists of capital contributions for lending and grants for product development and institutional strengthening of MFIs. Credits are provided for finance institutions which work with low-income families. Housing credits are, in some cases, combined with government subsidies and technical assistance to help families obtain best value and

best design of housing improvements, taking into account the step-by-step extension plans most families are working with.

5.3.2 Major initiatives and Projects

Sida's regional initiatives within this sector draw on experience generated within the different national programs and are aimed at (i) further improving the design of new and existing projects, and (ii) providing support for a variety of national institutions in the region involved in financing urban development projects for poor people. The principal tool for achieving these goals is different forms of regional experience sharing and technical support. By mid-2005, several contributions within this field were coming to an end and, based on experience from these efforts, the following three major programs were agreed upon after an extensive consultative process in the region.

Urban Programs, main contributions (in MSEK)

Contract partner and project theme	Agreement period	Agreed amount	Disbursed 2006
PROMESHA V: Capacity building in the housing sector	Dec 2005–Dec 2009	33.0	8.5
Institutional Exchange	Sept 2005–June 2009	2.0	0.6
Consultancy Services	Sept 2005–June 2008	11.0	3.5

5.3.3 Principal Events and Achievements 2006

Based on results from the national programs, the regional initiatives have identified and disseminated good practices within housing microfinance in most countries in Central America. Finally, experience from the programs implemented so far was successfully integrated into the design of three continued programs as reflected in the table above.

During the international conference, *World Urban Forum III*, held in Vancouver and organized by UN Habitat, the Central American national housing programs together with Sida hosted two networking events related to experiences generated by the programs:

- (1) *A successful concept: Micro credits for incremental housing development, and*
- (2) *Innovative finance for infrastructure and basic services provision for low-income human settlements.*

This event, organized in cooperation with IIED, particularly attracted NGOs and government agencies working to provide urban development finance to lower-income populations. The national ministries from the region were represented by their heads of department i.e. the housing ministers during the event.

5.4 Regional International Training Programs

5.4.1 Background

The regional International Training Program (ITP) for Latin America is the result of a joint conceptual procurement, performed in 2004 by RELA and the ITP Division. This initiative responded to an increasing demand from cooperation partners in Latin America concerning training programs conducted in Spanish (English up to then always being the language, thus excluding most professionals from the region). Regarding the contents of the program, the thematic areas were defined within the general guidelines provided by current regional strategies.

5.4.2 Major Initiatives and Projects

Four regional course programs started up in 2005, and were subject to considerable interest with unprecedented numbers of applications streaming in to the embassies in the region. Consequently three of the thematic courses were duplicated for 2006 and 2007. Furthermore, two new courses were started up in 2006 due to their particular relevance to the region (*Journalism & Democracy* and *Risk Management in Banking*). The current regional portfolio of training courses includes:

- Democratic Institutions and Participative Democracy (twice annually)
- Public Service Management in Processes of Change (twice annually)
- Regional Course on Human Rights (twice annually)
- Prevention of Violence in School and the Family
- Journalism and Democracy
- Risk Management in Banking.

The large majority of these courses contain scheduled training 4–5 weeks in Sweden and a regional follow-up seminar of 1–2 weeks some 6 months later. The periods before and in-between contain preparations and tutoring support from the organizer on the project assignment that each participant develops and implements during the course of the training program. The main objective is to provide relevant capacity training aimed at contributing to processes of change in the participants' home environment. Creating regional networks and lasting professional relationships between Sweden and the Central American countries are additional objectives.

5.4.3 Principal Events and Achievements 2006

In 2006, Sida financed 9 regional international training programs, for a total number of 222 participants, of whom more than 40 percent (or almost 100 participants) came from Central America and the Caribbean. This represents a contribution of some SEK 11 million. One general result of the introduction of the regional program is that the number of participants from Sida's traditional "concentration countries" (where Sida is already present with large bilateral development cooperation programs) have risen substantially (as reflected by the figures below). Previously, the larger countries in Latin America generally excluded the smaller ones, one of the reasons being the language barrier. In Central America it is evident that participants from prioritized countries have increased especially due to the commencement of the regional ITP program, given directly in Spanish.

ITP Participation in 2006, by region and country

Country	Participants Regional Programs	Participants Global Programs	Total
El Salvador	22	15	37
Nicaragua	20	9	29
Honduras	19	7	26
Guatemala	16	8	24
Costa Rica	9	10	19
Mexico	1	13	14
Dominican Republic	4	2	6
Panama	5	1	6
Jamaica	-	4	4
Belize	-	3	3
Haiti	-	2	2
Total Central America	96	74	170
Total Latin America	222	241	463

Note. The International Training Programs are actually part of the regional plan for Latin America as they are generally directed towards the whole region. This table only presents figures for participants from countries in Central America and the Caribbean.

6. Statistical Appendix

This report deals exclusively with Sida's contributions to *regional* programs and initiatives in Central America. In order to facilitate a comparative overview of Sida-financed activities within the Region, Sida's bilateral *country* programs and other contributions in Central America are summarized in the table below.

The table on regional programs already included in this report is repeated on the following page.

Table 1

**Sida's bilateral country programs in Latin America 2006 by sector
(disbursements in MSEK)**

Country/Sector	Nicaragua	Guatemala	Honduras
Health	55	21	19
Education	0		19
Research	33		10
Democracy and HR	47	96	31
Conflict, Peace and security	10	2	0
Humanitarian assistance	0	28	0
Infrastructure	26	14	24
Trade, business, financial systems	0	1	0
Natural resources, environment	40	21	16
Budget support	70	0	0
Other	4	4	9
Total	284	186	127

Note: All figures are in SEK (1 USD ~ 7.0 SEK).

Table 2**Regional contributions in Central America 2002–2006 by sector
(Disbursements in MSEK)**

Sector	Disbursements				Forecast
	2003	2004	2005	2006	2007
Democratic governance and human rights	9	23	26	27	16
Peace and security	9	9	8	10	9
Social sectors (health, education, culture)	25	41	40	24	34
Infrastructure, private sector development, urban development and financial systems	12	6	15	14	20
Natural resources and the environment	21	26	33	28	45
Research cooperation	14	19	12	9	17
Other areas	8	9	7	6	4
Total per year	98	133	141	118	145

Note: All figures are in SEK (1 USD ~ 7.0 SEK).

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 20 88 64
sida@sida.se, www.sida.se