

# **Strengthening Democracy, Promoting Prosperity: A Partnership to Build Capacity In Costa Rica, El Salvador, Honduras, Guatemala, and Nicaragua**

## **International Organization Assistance**

Each country prepared a national trade capacity building (TCB) strategy which defines needs and identifies priorities (weblink..). Based on these strategies, the assistance to address TCB priorities will be provided by many U.S. government agencies, five international institutions, corporations and non-governmental organizations. As these are summaries of the projects, please contact the donor agency, institution or organization directly for additional information. This summary covers the following international organizations:

- The Inter-American Development Bank (IDB)
- The Central American Bank for Economic Integration, headquartered in Honduras (CABEI)
- The Economic Commission for Latin America and the Caribbean (ECLAC)
- The Organization of American States (OAS)
- The World Bank

Initial programs<sup>1</sup> to address TCB needs identified by each country in their national trade capacity building strategies include:

### **Strengthening Trade-Related Information Systems and Regulatory Practices**

- The IDB has a number of instruments available to these countries to facilitate the strengthening of trade-related information systems and regulatory practices, including Trade Facility Loans, Technical Cooperation resources, and revolving pre-investment funds. The IDB has approved comprehensive Trade Facility Loans for Guatemala and Nicaragua. The Guatemala loan is in execution while the Nicaraguan loan is awaiting approval by the national legislature. The IDB currently has trade capacity building Technical Cooperation programs in execution with Honduras and El Salvador. The Honduras TC also provides support for the preparation of a comprehensive Trade Facility Loan. Costa Rica is drawing on revolving pre-investment funds lodged with the IDB in order to finance trade capacity building.
- The World Bank also supports projects to strengthen governance and institutions, which are vital to create the sound investment climate that CAFTA requires for success. World Bank projects in this front include judicial modernization in El Salvador and Guatemala and public sector management in Nicaragua. A judicial modernization loan for Honduras is also expected in 2003.
- ECLAC maintains data bases of Latin America external trade, including Central American countries, which provide standardised and comparable statistics and indicators on the region's trade in goods and services. The Commission has developed two software packages for analysing international trade and export behaviour. MAGIC and CAN are useful tools for countries negotiating free trade agreements, particularly FTAA and US-CAFTA.
- ECLAC's *Module to Analyse the Growth of International Commerce (MAGIC)* analyses trade trends and export performance of countries. The primary data source is the database of the US Department of Commerce. The period covered is 1990-2001 and statistics and indicators are classified according to the Harmonized System up-to the 10 digit-level. MAGIC calculates countries' exports (value and volume) to the US market, the implicit tariff, unit values of US imports, and a matrix of export performance which classify exports to the United States in four categories according to their dynamics

---

<sup>1</sup> Programs are provided to all five countries, i.e., regional programs, unless otherwise indicated.

in a given period. The software is updated every May with the information of the previous year.

- ECLAC's program the *Competitive Analysis of Nations (CAN)* performs similar calculations, but it differs in that: i) export performance is assessed in different markets (North America, West Europe, Latin America, Developing Countries, etc.); ii) statistics are not as disaggregated as MAGIC; iii) only exports values are available and iv) the data period is 1985-2000.

### **Involving Civil Society in the Trade Policy Process**

- The IDB Trade Facility Loans, Technical Cooperation programs, and revolving pre-investment funds may also be used to facilitate the strengthening of the trade policy consultation process. This component is featuring prominently in many IDB trade capacity building operations approved and under development with Central America.

### **Strengthening Compliance with Trade-Related Commitments**

- The IDB, in the framework of the Plan Puebla Panama, is financing a regional compliance program on food safety and animal health matters. The Trade Facility Loans, Technical Cooperation programs, and pre-investment funds also support the strengthening of compliance with trade-related commitments.
- The World Bank has responded to requests from Central American governments for analytical and advisory support to address the policy challenges of implementing the CAFTA so as to maximize its potential to reduce poverty. Specifically, the Bank is currently undertaking a comprehensive study of strategic CAFTA-related issues that emerged in consultations held across the region.

### **Practical Assistance to Complete the Agreement**

- The Central American Bank for Economic Integration (CABEI) approved \$2.5 million in grant money in non-reimbursable financial cooperation to support the region's governments in the negotiation process to obtain the Central American Free Trade Agreement with the United States (CAFTA). The Bank will distribute \$500,000 to each of the Central American countries involved in the negotiation process. CABEI's financial cooperation will support key basic studies and the work of the technical negotiating teams, as well as providing logistical support to assist Central America in reaching a trade agreement with the United States in the coming year.

### **Building Capacity in Environmental Issues**

- The Multilateral Investment Fund of the IDB finances programs in Central America to facilitate the use of cleaner production and sounder environmental management techniques by firms with a view to improving their international competitiveness and export capacity.
- The OAS will carry out projects in Central America for \$5.3 million over the next three years which include integrated management of water resources, conducting national environmental impact assessments of trade commitments, transportation sector environmental vulnerability reduction, and renewable energy.

### **Improving the Lives of Workers and Consumers**

- The Multilateral Investment Fund of the IDB finances programs in Central America to improve worker skills and support the development of labor certification and credentialing methodologies with a view to improving the international competitiveness and export capacity of the region.

### **Helping Small and Rural Businesses To Compete**

- The Multilateral Investment Fund of the IDB finances a multitude of initiatives related to small business development, including the facilitation of international trade and investment, competitiveness, the effective management of supply chains, and the application of international accounting and auditing standards.
- The OAS Inter-American Agency for Cooperation and Development (IACD) approved US\$1.3 million in non-refundable cooperation for Central America in 2003, most of which is directed at strengthening the agroindustrial clusters of countries and the competitiveness of micro and small enterprises.
- The World Bank supports a growth and poverty reduction strategy in Central America that includes enhancing private sector competitiveness to take advantage of the opportunities of increased trade. A total of \$41.3 million in World Bank loans to enhance competitiveness of firms have been approved for Nicaragua, El Salvador and Guatemala, and a new project for Honduras is expected for 2003. These loans are currently being restructured to focus directly on the more immediate challenges posed by CAFTA.