

*EVALUATION OF THE EC REGIONAL  
COOPERATION IN CENTRAL AMERICA*

Synthesis report

Executive Summary

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*Evaluation for the European Commission*





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*The evaluation was managed by the evaluation unit who also chaired the reference group composed by members of the services (EuropeAid, DG Relex, DG ECHO, DG Trade, DG ECFIN & DG ENV)*

*The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of the countries concerned*

## 0 EXECUTIVE SUMMARY

### 0.1 Aim and scope of the evaluation

The main objective of this study is to provide the European Commission (EC) with an assessment of the results and findings of its regional cooperation strategy in Central America during the period 1996 – 2006, in terms of: *i*) relevance of the regional strategy in relation to the regional context and regional agenda, and coherence of the EC strategy in this region with its own general development targets, *ii*) coherence of the implemented cooperation in relation with the regional strategy objectives, *iii*) efficiency, sustainability and impact of the implemented regional programs and *iv*) efficiency of the management and implementation mechanisms of the regional cooperation.

This assessment was conducted after the new strategy draft for 2007-2013 in the region had been prepared, but nevertheless aims at giving the political officials in charge and EC officials some reflections contributing to the definition of new regional cooperation programs, also in the context of the future Association Agreement between the European Union and Central America. .

### 0.2 Applied methodology: phases and instruments

#### 0.2.1 Evaluation phases

The structure of this study builds on the three phases indicated in the terms of reference.

##### Phase I: Desk phase

The intervention logic of the EC regional cooperation strategy in Central America was defined during this structuring phase. The reconstruction of this expected intervention

logic, elaborated on the basis of documents<sup>1</sup> review and of a series of interviews with key-stakeholders, led to the formulation of eight evaluation questions and their related judgment criteria and indicators<sup>2</sup>, providing the guidelines for the present study.

##### Phase II: Field phase

This phase, carried out in Nicaragua, El Salvador, Guatemala and Costa Rica, had the following objectives: *i*) collect additional information, *ii*) confirm/review the intervention logic, *iii*) bring new elements to outline preliminary conclusions and *iv*) gain additional information in order to complete the analytical phase and give answers to the evaluation questions. The interviews carried out, as well as the analysis of the additional documentation, enabled the team to test the preliminary hypothesis put forward in the previous phases and to answer the evaluation questions.

##### Phase III: Synthesis and conclusions

The results obtained during the structuring phase, and their validation and review during the field phase, lead to the synthesis exercise of the present report.

#### 0.2.2 Data collection instruments and analysis methods

The data collection instruments used in the current evaluation study are the following:

*(i) Documents analysis.* The main documents relevant to the present evaluation were object of an exhaustive analysis: political papers and statements, strategy papers concerning the region, programming documents, socio-economic analysis, research papers and studies from specialized research centres and experts.

<sup>1</sup> For the complete list of all the documents used to reconstruct the intervention logic, see Annex 2.

<sup>2</sup> For the matrix of the evaluation questions and corresponding judgment criteria and indicators, see Annex 3.

(ii) *Interviews.* Numerous interviews were conducted with Regional Institutions, Ministries for Foreign Affairs and Economy, executors and beneficiaries of the EC regional cooperation programmes, EC managers, civil society organizations, other donors and academics<sup>3</sup>.

(iii) *Inventory of all financed actions in Central America.* An inventory was made of all regional projects financed under Regulation 443/92 and other budgetary lines between 1996 and 2006. Bilateral projects were also inventoried. All these projects were then classified at macro-sectoral and sectoral level on the basis of the main policy lines of the strategy cooperation and other relevant policy lines at bilateral level. Regional actions of other donors were also recorded and analyzed.

### 0.3 Evaluation context

In Central America<sup>4</sup>, in addition to the impact due to social conflicts in the decade encompassing the 80s, we observe more recent internal and external factors giving specific features to this region. On the one hand, we have the development of a socioeconomic context marked by a generalized poverty level, despite the high variations between each member states of the region. On the other hand, we observe the recurrent occurrence of natural phenomena affecting almost continually and negatively the Central American population.

The regional integration process also undergoes an interesting and crucial evolution during the assessment period that helps understanding the EC cooperation strategy in the region.

The region begins its integration process in 1960 but it is only in the 90s, after the crisis in the 80s and the armed conflicts, that this process considerably gathers momentum. From 1990 on, the main juridical fundamentals are defined and refined. “New regionalism” strategies are adopted, marked by a considerably larger agenda compared with prior integration experiences limited to the economic area: promotion of concerted foreign policies, environmental cooperation, regional safety issues, social aspects such as people circulation and, in short, the creation of institutions and policies with a regional scope in the most diverse areas.

Despite these achievements, from 1997 onwards the integration process slows down and the regional institutions begin to show symptoms of weakness. We must wait the inauguration of consultative forums organized in response to Hurricane Mitch to see the region renew its strategic agenda and its longer-term sustainable development commitments.

Partly motivated by the perspective of an association agreement and partly by other changes on the international scene, during 2005 and 2006 the Central American region concentrates its efforts on reviewing its regional priorities and on updating its - mostly economic - integration agenda. Main incentives stemmed from the CAFTA process and the “joint assessment” of the integration process with the UE, and also from the possibility to launch negotiations leading to the signature of an association agreement. Finally, the “Vienna initiative” of May 2006 on Aid Harmonization and Alignment also plays an essential role in this context since it reaffirms the importance of integration as a strategy to facilitate the inclusion of the Central American area into the globalized world.

### 0.4 EC strategy in Central America

The European Union and Central America have wide-ranging relations based on three pillars: (i) a political dialogue; (ii) a

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<sup>3</sup> All interviewed persons are listed in Annex 4

<sup>4</sup> The definition of the Central American region in terms of EC external aid includes 6 countries (Nicaragua, Guatemala, El Salvador, Honduras, Costa Rica y Panama) as opposed to its geographic definition including also Belize.

preferential trade system; and (iii) a wide co-operation framework. These relations evolved over the past two decades and are still evolving according to the changes occurred in the region, such as pacification and return to democracy in the 90s, and more recently, to international economic trends and the internal social development in Central America. These three pillars enabled a programme design including a complementary logic paying particular attention to economic and social rehabilitation in response to conjuncture phenomena, and linked to disaster prevention. This structure shapes an intervention model of social and economic development pushing for regional integration, strengthening the peace process and democracy, and respecting and conserving the environment in a sustainable way.

#### *0.4.1 The EU- Central American political dialogue and definition of trade relations*

As a consequence of the severe crisis and conflicts affecting Central America, in the mid 80es the EC and its member States launched an intense process of political dialogue. It involved a considerable economic, political and diplomatic effort and responded to highly political targets: the EU commitment to the peace process which, in the opinion of the EU and the Central American countries, only could succeed if based on democratization and social and economic development of the region.

In the 90s, along with the progresses made in the peace and democratization processes, the EU – Central American political dialogue agenda incorporated issues such as regional integration, disaster prevention and reconstruction after the recurrent natural disasters hitting this region. More recently, following the EU/Latin American and Caribbean Summit held in Guadalajara in May 2004, social cohesion was included in the agenda.

The end of armed conflicts and the changes occurred in the international and regional scenes in the 90s led to an amplification and new assessment of EU politics towards Latin America, and, consequently, towards Central America. The new strategy for Latin America intended to set up an “association” based on already existing “third generation” agreements and on new “fourth generation” agreements with the Latin American “emerging markets”, acknowledging the progresses in the field of regional integration and adjusting to the region-specific heterogeneity. Central America objected that a relationship model based on “third generation” agreements was for them less favourable than the “fourth generation” agreements one and called for a real “association agreement” including reciprocal free trade with acknowledgement of existing asymmetries. This claim was finally accepted by the EU after the release of the joint assessment process outcomes, and, in May 2006, in the context of the EU / Latin American & Caribbean Summit held in Vienna, approval was given to the start of negotiations leading to the conclusion of the above mentioned Association agreement.

#### *0.4.2 Regional co-operation strategy*

The EC regional co-operation in Central America shows a high degree of continuity regarding objectives, priorities and intervention sectors. Concretely, the overall objective consisted of supporting the peace process, as well as reconciliation, democratization, and social and economic development. The strategy combined both support to regionalism – i.e. support to institutions and to regional policies – and support to “bottom-up” regionalisation dynamics prompted by the civil society. The priority areas were: supporting integration, and particularly strengthening the customs union, common policies, and regional institutions. Simultaneously, support was given to enhance civil society participation in the integration process.

The implementation was achieved at a lower degree: a certain discrepancy between planned strategy and implementation can be observed due to the fact that the support to civil society had been integrated into one of the main programmes for regional integration support.

The distribution over time also brings interesting elements. At programming level, Hurricane Mitch seems to initiate a new phase leading to the covering of environmental vulnerability and also to the rationalization of the aid received by the region. Year 1998 also marks a new era with the start of a multi-annual programming resulting in practice, both at regional and bilateral level, into a new focus privileging sectoral concentration as opposed to dispersed sectoral and financial actions.

### *0.5 Global strategy appraisal*

The development of the co-operation strategy proved largely adequate and effective over the assessment period. The EU committed itself to support Central America in its most basic needs, but also outlined and designed an action plan carried out by implementing wide-ranging and strategic co-operation programmes aiming at democracy reinsertion, peace consolidation, integration of Central America as a region into the international context, and promotion of a higher participation of civil society in public decision-making and management instances.

The strategy responded adequately and effectively to the challenges brought about by climate phenomena that negatively and constantly affected the region. The passage of Hurricane Mitch in 1998 proved particularly destructive. The EC intervened opportunely and adequately by launching emergency programmes mainly targeting humanitarian aid.

The post-Mitch time inaugurates a new phase including the new programming of the 2002 – 2006 period, the integration of a series of initiatives on disaster prevention and

environmental improvements specifically related to the region's needs, and a new approach focusing on risk reduction and prevention of natural disasters.

From 2003 onward, the regional agenda was dominated by the negotiations on the free trade agreement with USA (CAFTA-RD) that, along with the joint assessment process CE – EU for the negotiation of an Association Agreement, was the main driving force of the Central American Common Market (MCCA).

#### *- Results*

The EC interventions dynamically fuelled the dialogue and rapprochement process between the two regions and had a significant impact on the progress of the regional integration process at economic level. In other areas, outcomes are more variable:

- ❖ The institutional, normative and social development areas were the fields where the strategy proved less efficient. There has been a lack of relevant initiatives and of a strategic approach to strengthen civil society participation. Institutions such SG-SICA, PARLACEN, or environmental secretariats were not duly valued and supported.
- ❖ Interventions were focused on a series of relevance-limited activities that failed to include appropriate actions to strengthen networks and coordination mechanisms of the civil society organizations, or to foster the participation of indigenous people or non-dominant ethnic groups' representatives into the actions. Some measures in favour of these groups were launched toward the end of present assessment (for more details, see Annex 8).
- ❖ Regarding human rights, good governance, rights of indigenous people and ethnic communities, and gender equality, no specific action effectively tackling these social problems was recorded.

- ❖ The environment sphere also lacks an appropriate approach and shows limitations regarding scope, application and conception.

#### *- Coordination and complementarity*

In Central America, several donors are active in areas and sectors related and complementary to those where the EC operates. No formal mechanisms are in place for coordination, action and program complementarity so as to achieve an adequate and pertinent programming with a view of common objectives regarding the region's priorities. However, we observed complementarity during the events affecting the region after natural disasters, and also concerning the economic integration agenda both at intra- and inter-regional level (CAFTA-RD and more recently the possibility to negotiate an Association Agreement EU / CA).

Given its own history in the building of regional processes, the EC almost holds the programming and operational exclusivity in most actions having an impact on the integration process.

## **0.6 Recommendations**

### *0.6.1 at political and strategic level*

- 1. Intensify the support to the economic integration process through political dialogue and regional co-operation, as well as promotion of harmonization of common policies.**
- 2. Adjust the strategy to the liberalisation requirements of both the EU –CA Association Agreement and the CAFTA-RD.** It is necessary to strengthen and deepen the achieved integration progresses of recent years, particularly concerning the completion of the customs union, implementation of a distribution mechanism for customs-derived revenue, common standards regarding free trade of services, investment system, property rights and solution of trade differences. At the same time, there is a need to promote common policies so as to increase the competitiveness of Central American economies and to face asymmetries between the partners, in response to the liberalisation requirements deriving from both the CAFTA-RD and the future UE – Central American Association Agreement.
- 3. Pay more attention to the institutional dimension of integration.** It is particularly recommended to support the institutional reform and rationalization of SICA; strengthen the intra- and inter-sectoral coordination mechanisms of the institutions in charge of implementing the programs (CEPREDENAC, CCAD, CRRH); respect and strengthen the CC-SICA as supreme representation body for the regional civil society pursuant to the provisions of the Tegucigalpa protocol.
- 4. In order to reflect the quality relationship between partners, tie regional co-operation** to the effective implementation of the regional institutions' plans and programs, to the effective participation of the Central American states in the financing of their regional bodies, and to the efficient and transparent management of resources.
- 5. Strengthen the actions aimed at disaster prevention and environmental conservation,** emphasizing its regional character and relevance for the sustainable development of Central America. Highlight practices and implementation of these absolutely crucial actions given the region vulnerability to natural disasters.
- 6. Define new approaches** to include more recent issues and pay more attention to emerging themes arising from the regional agenda and the EU – Central America political dialogue, such as migrations and security.

### 0.6.2 Further recommendations

#### - *At operational and management level*

7. Follow the **more complex regional programmes** (PAIRCA, ADAPCCA), through a close and permanent monitoring from the Delegation and by means of regular assessments allowing eventual new orientations based on such measures, so that their relevance, adaptation to the context and real impact could be ensured.
8. **Strengthen the mainstreaming** and the development of internal concepts and criteria regarding disaster risk management. Mainstream at operational level cross-cutting issues such as gender, indigenous people, environment, human rights and good governance.
9. **Emphasize a greater participation of civil Society in all processes.** This participation must be expanded to economic programmes such as customs union and the common policies programme, including CC-SICA representatives as recognized representatives of the Central American civil society.

10. **Higher involvement and commitment with the regional networks** of the Central American civil society and the European NGOs in Central America for an improved dialogue with the civil society and its involvement into the regional integration process.

#### - *Coordination and complementarities*

11. The EC should **assume a leadership role** in supporting the institutional, social, and economic integration of the region.
12. Strengthen the **SG-SICA leadership** as well as the regional aid coordination mechanisms in the context of the Vienna Initiative's implementation.
13. The EC and the Member States must fulfil **their commitments** on international aid coordination and complementarity.
14. **Improve coordination** with other donors involved in disaster prevention.