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SUPPORT

PROGRAMME IMPLEMENTATION

SPECIAL PROGRAMMES

Special Plan of Economic Co-operation for Central America

Report of the Administrator

SUMMARY

The present report traces recent developments in the implementation of the Special Plan of Economic Co-operation for Central America (PEC), emphasizing its effective role in the mobilization of resources through sectoral and thematic meetings between the Central American Governments and the international donor community. Information is provided on commitments in terms of technical assistance projects financed by the United Nations Development Programme (UNDP), and on the overall financial situation of the Special Programme Resources (SPR) allocation.

I. RECENT DEVELOPMENTS

1. By its decision 88/31 of 1 July 1988, the Governing Council of the United Nations Development Programme (UNDP) allocated \$US 20 million from Special Programme Resources (SPR) to promote, co-ordinate, implement and follow up the objectives of the Special Plan of Economic Co-operation for Central America (PEC) adopted by the General Assembly on 12 May 1988 (resolution 42/231). This allocation was distributed as follows: \$18.5 million for the formulation and implementation of priority technical co-operation and pre-investment projects with a view to mobilizing resources as well as projects geared to strengthening national and regional institutions; and \$1.5 million for institutional support to UNDP in order to fulfil its responsibilities as lead agency for the implementation of PEC.
2. In accordance with the PEC implementation mechanism, the 2nd meeting of the Support Committee and the 1st meeting of the Committee on Policies and Projects were held in New York from 14 to 16 February 1990. During these meetings, the status of the implementation of the Special Plan, its co-ordination mechanisms and the results of the resource mobilization efforts were discussed. Preparations for the forthcoming sectoral meetings with donors, the support offered by the international organizations participating in the mechanism, and the plan of action for the implementation of PEC in 1990 were also analysed and approved.
3. Since September 1988, 29 UNDP-financed technical assistance projects have been in different stages of implementation and 6 projects are in the final stages of approval. These 35 projects amount to \$17.3 million, of which \$10.3 million is financed from the \$20 million SPR allocation and the balance from other sources.
4. Twenty-seven additional technical co-operation project requests amounting to \$9.2 million have been submitted for consideration. Some of these projects will be included in PEC's SPR pipeline and others will be channelled to interested donors according to the sector, and to their potential contribution to the mobilization of additional resources.
5. In terms of resource mobilization within the framework of the Special Plan, preliminary estimates indicate that as at February 1990, the donor community has committed \$39 million for technical co-operation and an additional \$1.5 million is under negotiation. Furthermore, a total of \$707 million has been identified as investments and other financial contributions approved and under negotiation.

II. FIRST MEETING OF THE CENTRAL AMERICAN GOVERNMENTS WITH CO-OPERATING GOVERNMENTS AND INSTITUTIONS

6. Pursuant to General Assembly resolution 43/210 of 20 December 1988, the First Meeting of the Central American Governments with Co-operating Governments and Institutions provided an opportunity for a collective dialogue between donors and recipients. During the meeting (Geneva, 4-6 July 1989), the Governments indicated their technical and financial requirements, while the donor community pointed out its development co-operation sectoral and thematic priorities targeted to the subregion as a whole. This meeting was attended by 27 Governments, 29 organizations

of the United Nations system and 15 subregional organizations, as well as the European Economic Community (EEC), the Organization of American States and the Inter-American Development Bank.

7. The representatives of donor Governments and institutions emphasized, inter alia, the urgent need for the Central American Governments to move forward on the implementation of the Esquipulas Peace Plan, and agreed that the Special Plan constitutes an effective frame of reference which reflects Central America's priorities for technical and financial co-operation. The need for rigorous priority-setting by the Governments for projects within the different sectors or areas reflected in the Special Plan, as well as among the various sectors, was also emphasized.

8. Lastly, there was consensus on the proposal advanced by several donors that resource mobilization should be promoted through sectoral or thematic meetings with potential donors, both bilateral and multilateral.

III. SECTORAL MEETINGS OF THE CENTRAL AMERICAN GOVERNMENTS WITH CO-OPERATING GOVERNMENTS AND INSTITUTIONS

9. On 19 December 1989, the General Assembly adopted resolution 44/182 in which it recommended "the convening of sectoral meetings during 1990, in continuation of the process already begun between the Governments of Central America and the co-operating Governments and institutions, to examine the possibility of mobilizing additional resources for the early implementation of programmes and projects within the framework of the Special Plan".

10. During the recent meetings of the PEC implementation mechanism (see para. 2) it was agreed that the following meetings with the donor community would take place in 1990:

(a) First meeting on the Electrical Sector (San Salvador, 3-4 April);

(b) First Meeting on the Central American Monetary Stabilization Fund (CAMSF) (Geneva, 30 April);

(c) First International Meeting of the International Conference on Central American Refugees (CIREFCA) Follow-up Committee (New York, June);

(d) First meeting on the Agricultural Sector (Managua, September);

(e) Evaluation meeting on "Health: A Bridge for Peace" (August) with a view to convening a meeting with donors during the first quarter of 1991 (Madrid).

In addition, the following sectoral meetings were tentatively agreed upon, pending the definition of the date and venue: (a) roads network; (b) micro-, small- and medium-scale enterprises; (c) telecommunications; and (d) tourism.

11. Given their importance, and considering that some will be the subject of meetings with donors, a short description is provided below on priority sectors or areas included in the Special Plan.

Electrical sector

12. A UNDP-financed technical assistance project has resulted, *inter alia*, in an updated priority project portfolio prepared, in close consultation with the electrical companies, by the World Bank and the Economic Commission for Latin America and the Caribbean (ECLAC). The project profiles totalling approximately \$230 million will be discussed with interested donors with a view to mobilizing resources in April 1990. A second UNDP-financed technical assistance project executed by the World Bank and the Economic Commission for Latin America and the Caribbean (ECLAC). The project profiles totalling approximately \$230 million will be discussed with interested donors with a view to mobilizing resources in April 1990. A second UNDP-financed technical assistance project executed by the World Bank and ECLAC will initiate activities in May 1990 with a view to defining, jointly with the electrical companies, a portfolio of institutional support projects aimed at strengthening the utilities companies in several key areas such as administration, finance and accounting.

Reactivation of the Central American Common Market

13. EEC has approved ECU 120 million for the Central American Clearing-House with a view to reactivating intraregional trade. An additional ECU 30 million is under negotiation for Honduras and Nicaragua.

14. In addition, UNDP financed the elaboration of a proposal to reform the Central American Monetary Stabilization Fund (CAMSF). The proposal, approved by the presidents of the five central banks, will be discussed with interested donors on 30 April with the objective of mobilizing \$400 million to correct temporary balance-of-payments disequilibria.

15. The Central American Governments recently approved a UNDP-financed technical assistance project aimed at strengthening the Central American Bank for Economic Integration (CABEI). In the financial area, the project includes, *inter alia*, the improvement of the overall financial structure, the strengthening of the capital base, asset/liability management, and debt renegotiation. It also contemplates the diversification of the loan portfolio to include lending to the productive sectors. The project, with a 2.5-year duration, will be developed in two phases, and the estimated total cost is \$3 million. It will support CABEI's efforts to raise \$200 million in equity from non-regional members, and \$800 million in new debt financing.

Assistance to refugees, returnees and displaced persons

16. The assistance required for over 2.2 million uprooted Central Americans as a result of armed conflict led to the International Conference on Central American Refugees (CIREFCA) (Guatemala City, May 1989). The five countries parties to the Esquipulas II Agreement, 1/ and also Belize and Mexico, with the support of the Office of the United Nations Secretary-General, the Office of the United Nations

High Commissioner for Refugees (UNHCR) and UNDP, inter alia, prepared a plan of action which was adopted by 58 countries.

17. The first concrete result of CIREFCA is the approval by the Italian Government of \$115 million for the Programme of Assistance to Displaced Persons, Refugees and Returnees (PRODERE). This programme, which is of a three-year duration, has been able to undertake urgent activities thanks to an initial payment of approximately \$4.0 million. Full project activities will be programmed and implemented on the basis of further payments to be effected annually. For 1990, a programme of activities has been prepared on the basis of an agreed contribution of \$15 million. PRODERE will benefit 400,000 persons, of whom 136,000 will be direct beneficiaries.

18. It is expected that an additional \$50 million will be committed at the First International Meeting of the CIREFCA Follow-up Committee. These funds and those allocated to PRODERE will cover approximately 45 per cent of the CIREFCA Plan of Action.

Agricultural sector

19. The Central American Governments, assisted by subregional institutions, the World Bank, the Inter-American Institute for Co-operation on Agriculture (IICA), the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD) and two UNDP-funded projects with co-financing from the Government of Japan (through the World Bank), are preparing the technical documentation and the portfolio of investment projects to be presented to a donor's meeting next September. Among the areas being considered for potential investment are: rural settlements, agro-industries, export of non-traditional products, and production of natural oils and citrus fruits.

Health sector

20. Within the framework of the Pan American Health Organization (PAHO)-sponsored programme "Health: a Bridge for Peace", the donor community has approved \$150 million. During 1989, evaluations of priority areas carried out by the Ministries of Health resulted in new project proposals. In August 1990, a meeting with the international community will be held in order to review the requirements of the sector and to analyse the portfolio of projects to be submitted to donors in Madrid in February 1991.

IV. UNDP SUPPORT COSTS

21. At its thirty-sixth session (1989) the Governing Council received an oral report from the Assistant Administrator and Director of the Regional Bureau for Latin America and the Caribbean (RBLAC) and Co-ordinator of PEC on the implementation of the Special Plan and its financial provisions. Based on this report, the Assistant Administrator informed the Council that the allocation for the institutional support of UNDP would be increased from \$1.5 million to \$2.7 million within the overall SPR allocation of \$20 million.

22. Additional commitments have since been incurred, however, in light of the decision taken by the PEC mechanisms to organize a series of sectoral and thematic meetings for financial resource mobilization. Furthermore, other activities involving the strengthening of the field offices required additional funding. Activities have also been initiated within the Special Plan in connection with UNDP's participation, under the aegis of the Secretary-General, in the International Support and Verification Commission (CIAV), which has been inter alia mandated to support the repatriation and settlement of the Nicaraguan resistance group.

23. In view of the above, it is estimated that until the end of 1991 a total amount of \$3.7 million will be required for UNDP to provide the necessary support with regard to PEC. This is \$1 million above the estimate reported to the Governing Council and will be funded from the overall \$20 million SPR allocation.

24. In this regard it must be noted that UNDP provides technical, administrative and other support services which are related not only to the \$20 million SPR resources, but also to project assistance amounting to date, i.e. at PEC's mid-course, to over \$800 million.

25. The amount of \$3.7 million is based on the present estimates for the provision of support services to the Special Plan until the end of 1991. The first two sectoral resource mobilization meetings scheduled for April 1990 will provide UNDP with essential information to enable it to prepare a more detailed and accurate estimate of its support services requirements.

Notes

1/ A/42/521-S/19085, annex. For the printed text, see Official Records of the Security Council, Forty-second Year, Supplement for July, August and September 1987, document S/19085, annex.
