

## Data Sheet

<b>USAID Mission:</b>	Central America Regional Program
<b>Program Title:</b>	Economic Freedom
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	596-022
<b>Proposed FY 2004 Obligation:</b>	\$0
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$17,199,000 DA
<b>Year of Initial Obligation:</b>	FY 2005
<b>Year of Final Obligation:</b>	FY 2008

**Summary:** As part of the new Central America and Mexico (CAM) Regional Strategy, USAID assistance to promote trade-led growth in the region will focus on achieving open, diversified and expanding economies. The principal results anticipated by the end of this strategy are: increased trade, both intraregional and total; greater contributions of higher value-added sectors (such as manufacturing, tourism, services, and “green products”) to the economy; new jobs and economic opportunities leading to increased and more equitably distributed incomes; and improved management of critical watersheds and natural resources. These results will be achieved by assisting countries to: negotiate and implement free trade agreements; improve the quality of the business environment and enterprise competitiveness; broaden access to financial markets and services; and improve management and conservation of priority watersheds.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Implementation of these activities begins in FY 2005, building on activities under SOs 596-005, 596-006, and 596-009.

#### FY 2005 Program:

Trade and investment (\$5,700,000 DA). USAID will work with the member countries of the Central America Economic Integration Secretariat (SIECA) and affiliated countries to: 1) promote more open trade and investment policies within the Central America Free Trade Agreement (CAFTA), the Free Trade Area of the Americas (FTAA), and the World Trade Organization (WTO) framework; 2) undertake regional initiatives to increase domestic and foreign investment; 3) harmonize environmental laws, regulations, and systems to respond to CAFTA requirements and the Central America-U.S. Agreement on biodiversity conservation (CONCAUSA); 4) accelerate regional integration through consolidation of the customs union and timely resolution of intraregional trade disputes; 5) promote more equitable and efficient labor markets through enactment and enforcement of harmonized labor laws and codes; 6) implement CAFTA through institutionalization of regional trade capacity building; and 7) prepare for the FTAA. The implementers will be SIECA and others to be identified.

Private enterprise competitiveness (\$7,542,000 DA). USAID will promote linkages to markets and incentives for better management practices (such as premium prices for certified products). Conservation agreements with communities may be strengthened in key clusters. Sectors benefiting from this approach include, but are not limited to, tourism, forestry, and agribusiness. USAID will promote clean production practices among private enterprises in selected sites throughout the region. For example, in the Gulf of Fonseca, USAID will work with watermelon, melon, and peanut producers to decrease watershed contamination. The program will also support implementation of wastewater and solid waste management systems in collaboration with municipalities and the private sector. USAID will support a more competitive rural private sector in Central America by facilitating the development of alliances and networks to address immediate problems of regional importance. Alliances and networks will improve access to markets, facilitate effective business partnerships, improve business skills, and increase sales

of higher quality goods and services produced in rural areas. Principal activities will focus on business development and market intelligence, sanitary and phytosanitary services (regulatory capacity, admissibility, accreditation, and quality assurance), regional agricultural statistics, and policy. USAID will continue supporting a regional information system to facilitate public-private alliance brokering, information sharing, public outreach, and results reporting. Principal implementers will include the U.S. Department of Agriculture (USDA) National Agricultural Statistics System, the USDA Animal and Plant Health Protection Service, and other contractors and grantees to be determined.

Financial markets and services (\$1,000,000 DA). USAID will promote integration of Central American financial markets and harmonization of financial market supervision. USAID plans to: support reforms to the banking legal framework of regional import, including secured transactions policies; promote use of the Development Credit Authority (DCA) to attract commercial banks into microfinance and export finance; promote linking of microfinance to commercial bank financing or “second-story” financial institutions; assist government regulatory entities to improve region-wide bank supervision; promote means of lessening transaction costs of remittances and increasing savings for productive uses and investments that facilitate growth; and promote competition among institutions in charge of transferring remittances. USAID will also facilitate and support submission of bankable projects to the regional Clean Production DCA - a \$10 million line of credit for associations of private sector industries to incorporate environmental management into their operations - and look for new mechanisms to finance sustainable tourism activities in the region.

Watershed management (\$2,957,000 DA). USAID will promote sustainable management of key watersheds and protected areas within the Mesoamerican Biological Corridor and promote the integrated natural resource methodology needed for sustainable use of productive resources across the region. Large-scale activities are designed to reduce or mitigate vulnerability to climate change at the local level and allow planners to target interventions to mitigate impacts from changes in land use. Information gathered will be provided to the Mesoamerican Early Warning System to inform decision making regarding disaster preparation/mitigation and food security. Activities also will mitigate the impact of fire by encouraging early planning and action to reduce the extent and severity of damage during the fire season. Finally, but most importantly, a concerted effort will be made to promote Tropical Forestry Conservation Act arrangements (where applicable), payment for environmental services through alliances with the private sector (i.e., water fund for Lake Yojoa in Honduras and Sierra de las Minas in Guatemala), and encouraging direct involvement by local groups that benefit directly from conservation efforts in their watersheds. Principal implementers will include the U.S. Environmental Protection Agency, the National Aeronautics and Space Administration, the Department of the Interior, the Oakridge National Laboratory, and other contractors and grantees to be determined.

**Performance and Results:** By strategic objective completion, Central America will increase trade, both intraregional and total; higher value-added sectors will be contributing to the economy; availability and access to financial services by small- and medium-sized enterprises and exporters will increase; and watershed management will be improved.

## US Financing in Thousands of Dollars

### Central America Regional Program

596-022 Economic Freedom	DA
<b>Through September 30, 2002</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2003</b>	
Obligations	0
Expenditures	0
<b>Through September 30, 2003</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2004 NOA</b>	
Obligations	0
<b>Total Planned Fiscal Year 2004</b>	
Obligations	0
<b>Proposed Fiscal Year 2005 NOA</b>	
Obligations	14,795
Future Obligations	0
Est. Total Cost	14,795